Noa Noa A/S

Krogenbergvej 15 A
Business Registration No: 60 74 62 14

Annual report 2018

The Annual General Meeting adopted the annual report on 5 July 2019

Chairman of the Annual General Meeting

Name: Christian Hassel

Contents

Group details

Company

Noa Noa A/S
Krogenbergvej 15 A
3490 Kvistgård, Denmark
Business Registration No: 60 74 62 14
Registered in: Helsingør, Denmark
Financial year: 01.01.2018 – 31.12.2018
Phone: +45 36 99 30 00
Internet: www.noanoa.com

Board of Directors

Jørgen Nielsen, Chairman
Nick Jensen
Christian Hassel

Executive Board

Nanna von Cotta-Schønberg
Steen Mørkøv Kristiansen

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
P.O. Box 1600
0900 Copenhagen S, Denmark

Key figures and financial ratios

	2018 DKK'000	2017 DKK'000	2016* DKK'000	2015* DKK'000	2014* DKK'000
Key figures					
Revenue	176,011	198,145	247,211	310,628	409,957
Gross profit/loss	56,300	30,453	67,494	78,594	119,406
EBITDA	12,062	(28,833)	(8,740)	(22,053)	1,518
Operating profit/loss before special items	6,042	(39,924)	(23,248)	(42,201)	(23,067)
Special items	(13,872)	(8,607)	0	0	0
Operating profit/loss after special items	(7,830)	(48,531)	(23,248)	(42,201)	(23,067)
Net financials	61,145	(7,902)	(15,750)	(6,295)	(5,184)
Profit/loss for the year	62,720	(60,370)	(36,473)	(49,490)	(40,451)
Total assets	146,834	120,571	158,647	180,099	217,366
Investments in property, plant and equipment	1,903	641	4,587	10,310	19,855
Equity	33,743	(60,192)	(1)	32,937	41,429
Ratios					
Gross margin (%)	32.0%	15.4%	20.6%	37.6%	38.9%
Net margin (%)	35,6%	-30.5%	-21.4%	-23.7%	-14.2%
Return on equity (%)	-474,3%	-200.6%	-177.7%	-133%	-81%
Equity ratio (%)	22,9%	-49.9%	4.8%	19.4%	20.2%

* *Key figures for the years 2014 – 2016 have in accordance with the Danish Financial Statements Act § 101 not been adjusted to reflect the effects of the transition to IFRS. Refer to note 25 for details on transition to IFRS.*

Financial highlights are defined and calculated in accordance with "Recommendations & Ratios" by CFA Society Denmark.

The ratios have been compiled with the following calculation formulas:

Ratios	Calculation formula	Calculation formula reflects
Gross margin (%)	$\frac{\text{Gross profit/loss x 100}}{\text{Revenue}}$	The Group's operating gearing.
Net margin (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Revenue}}$	The Group's operating profitability.
Return on equity (%)	$\frac{\text{Profit/loss for the year x 100}}{\text{Average equity}}$	The Group's return on capital invested in the Group by the owners.
Equity ratio (%)	$\frac{\text{Equity x 100}}{\text{Total assets}}$	The financial strength of the Group.

Management commentary

Primary activities

The Group designs, markets and sells fashion clothing and a broad range of accessories for women and children. The products are sold through own retail shops and own online shop, as well as through third party-owned franchise stores, online platforms and multi-brand stores in more than 18 countries.

During the financial year 2018, the Group was acquired by Styleco IVS, which is ultimately owned by Greystone Special Situations Fund K/S.

Development in activities and finances

Revenue for the financial year 2018 amounted to DKK 176 million from DKK 198 million in 2017. Retail revenue (own shops and own online shop) amounted to DKK 89 million compared to DKK 97 million in 2017, while wholesale revenue (franchise, third party-owned online platforms and multi-brand stores) amounted to DKK 88 million compared to DKK 101 million in 2017. The reduction in retail revenue is a result of the continued focus on closing of non-profitable shops whereas the add-on of retail business in Norway has added to the 2018 revenue. The development in wholesale revenue is a result of increased sales with key account online customers combined with closing down non-profitable customers.

The Group's development in 2018

The updated Noa Noa brand and design profile was well received by customers and the retail revenue continuously showed a positive trend on a like-for-like basis. Wholesale business increased during the 2nd half of 2018 as new online accounts were added.

During 2018, the Norwegian activities were acquired and costs related to the acquisition and restructuring are included as Special items in the P/L.

In 2018, the Company was acquired by Styleco IVS and in relation hereto a new financing and capital structure were set up including both a new bank and a restructuring of the debt. The new owners and bank have secured the Company sufficient funding for the foreseeable future.

As Noa Noa A/S is an international company operating globally, it has been decided to present the annual report for 2018 based on IFRS instead of Danish GAAP. Comparative figures have been adjusted accordingly.

Profit/loss for the year in relation to expected developments

EBITDA for 2018 was a profit of DKK 12 million, compared to a loss of DKK 29 million in 2017. The improvement is a consequence of focusing on closing non-profitable activities and a continuous focus on cost reduction and increased efficiency.

Management commentary

The income statement of the Group for the year ended 31 December 2018 shows a net profit of DKK 63 million after tax compared to a loss of DKK 60 million in 2017. The profit for 2018 reflect right sizing of debt in connection with the debt restructuring.

Outlook

Overall, Management expects that 2019 will show continued clean up of non-profitable activities as well as an increase in retail and wholesale revenue on a like-for-like basis.

Particular risks

Business risks

The Group’s key business risks are related to its ability to maintain a strong position in the markets in which the Noa Noa brand is sold. Throughout 2018, Noa Noa continued the work to strengthen the brand’s DNA and design.

This process will continue in 2019 with a view to strengthen Noa Noa’s profile and enhance the commercial aspects of the concept, and thus develop and reinforce the brand’s position, with particular focus on strengthening the presence in existing markets.

Financial risks

Given its operations, investments and financing, Noa Noa is exposed to changes in exchange and interest rates. The Group pursues a low-risk financial policy approved by the Board of Directors in order to ensure that currency risks arise only as a result of commercial conditions.

Intellectual capital resources

In order to be able to continuously strengthen its international profile and supply competitive products at the right price and quality, it is essential that Noa Noa can recruit and retain the most talented employees.

Noa Noa’s brand and design teams are made up of several competent designers and are, therefore, not dependent on a single key designer.

Staff

At 31 December 2018, the Group employed a total of 115 people, which is significantly lower than as of 31 December 2017, where the Group employed a total of 122 people. Most employees work in Noa Noa’s shops in Scandinavia.

Consolidated income statement

	Notes	2018 DKK'000	2017 DKK'000
Revenue	3	176,011	198,145
Cost of sales		(73,144)	(97,565)
Other operating income	11	4,000	0
Other external expenses		(50,567)	(70,127)
Gross profit		**56,300**	**30,453**
Staff costs	4	(44,238)	(55,142)
Other operating expenses		0	(4,144)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**12,062**	**(28,833)**
Depreciation, amortisation and impairment losses	5	(6,020)	(11,091)
Operating profit/loss before before special items (EBIT before special items)		**6,042**	**(39,924)**
Special items	6	(13,872)	(8,607)
Profit/loss before financial income and expenses (EBIT)		**(7,830)**	**(48,531)**
Financial income	7	66,977	207
Financial expenses	8	(5,832)	(8,109)
Profit/loss before tax		**53,315**	**(56,433)**
Tax on profit/loss for the year	9	9,405	(3,937)
Net profit/loss		**62,720**	**(60,370)**

Consolidated statement of comprehensive income

	Notes	2018 DKK'000	2017 DKK'000
Profit/loss for the year		**62,720**	**(60,370)**
Other comprehensive income/loss			
Items that may subsequently be reclassified to the income statement, when specific conditions are met:			
Fair value adjustments of hedging instruments for the year		(273)	(4,088)
Currency translation adjustment, foreign subsidiaries		488	134
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		**215**	**(3,954)**
Total comprehensive income/loss		**62,935**	**(64,324)**
Attributable to the owners of the parent company		**62,935**	**(64,324)**

Consolidated balance sheet

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000	01.01.2017 DKK'000
ASSETS				
Capitalised design costs		3,000	0	0
Acquired licenses		0	0	112
Acquired rights		2,068	4,080	3,258
Goodwill		4,694	0	834
Non-current intangible assets	10	**9,762**	**4,080**	**4,204**
Land and buildings		31,989	29,175	33,733
Other fixtures and fittings, tools and equipment		4,320	5,082	12,235
Leasehold improvements		1,147	961	1,105
Non-current tangible assets	11	**37,456**	**35,218**	**47,073**
Other receivables		2,296	3,400	2,839
Deferred tax assets		10,000	0	1,204
Non-current financial assets	12	**12,296**	**3,400**	**4,043**
Total non-current assets		**59,514**	**42,698**	**55,320**
Inventories	13	47,521	33,131	52,385
Trade receivables	14	23,889	25,366	33,674
Other receivables	15	5,094	2,563	7,021
Income tax receivable		0	595	6,510
Prepayments	16	5,462	11,400	5,963
Cash		5,354	4,818	1,907
Total current assets		**87,320**	**77,873**	**107,460**
Assets		**146,834**	**120,571**	**162,780**

Consolidated balance sheet

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000	01.01.2017 DKK'000
EQUITY AND LIABILITIES				
Contributed capital	15	861	209	209
Currency translation adjustments		622	134	0
Retained earnings		32,260	(60,535)	3,923
Equity		**33,743**	**(60,192)**	**4,132**
Deferred tax		0	59	50
Mortgage debt	18	0	17,451	19,229
Trade payables	16	0	7,831	0
Non-current liabilities		**0**	**25,341**	**19,279**
Current portion of long-term liabilities	18	0	1,754	1,709
Bank loans	16	48,951	82,370	70,765
Trade payables	16	49,021	46,242	35,769
Payables to shareholders and Management		0	500	0
Income tax payable		39	0	192
Other payables	17	15,080	24,556	30,934
Current liabilities		**113,091**	**155,422**	**139,369**
Liabilities		**113,091**	**180,763**	**158,648**
Equity and liabilities		**146,834**	**120,571**	**162,780**

Consolidated cash flow statement

	Notes	31.12.18 DKK'000	31.12.17 DKK'000
Profit/loss before financial income and expenses (EBIT)		(7,830)	(48,531)
Depreciation, amortisation and impairment losses		6,020	11,091
Reversal valuation adjustment, investment property		(4,000)	0
Working capital changes	18	(14,761)	31,223
Cash flows from operating activities, gross		**(20,571)**	**(6,217)**
Financial income received		1,110	207
Financial income paid		(5,832)	(8,109)
Taxes refunded/(paid)		595	2,999
Cash flows from operating activities, net		(24,698)	**(11,120)**
Additions of intangible assets, net		(3,093)	(4,155)
Additions/disposals of tangible assets, net		(1,903)	5,042
Additions/disposals of investments, net		614	(4,514)
Disposals of financial assets, net		1,104	0
Cash flows to/from investing activities		(3,278)	**(3,627)**
Increase in share capital		23,100	0
Changes in financial liabilities		5,411	11,605
Net cash movements in long-term liabilities and long-term trade payables		0	6,053
Cash flows to/from financing activities		28,511	**17,658**
Cash flows for the year		535	**2,911**
Cash at 1 January		4,818	1,907
Cash at 31 December		5,353	**4,818**

Consolidated statement of changes in equity

	Contributed capital DKK'000	Currency translation adjustment DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2018	**209**	**134**	**(48,822)**	**(48,479)**
Adjustments related to prior year (Note 26)	0	0	(11,713)	(11,713)
Equity at 1 January 2018, restated	**209**	**134**	**(60,535)**	**(60,192)**
Profit for the year	0	0	62,720	62,720
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	488	0	488
Fair value adjustments of hedging instruments	0	0	(273)	**(273)**
Net gain/loss recognised directly in equity	**0**	**488**	**(273)**	**215**
Total comprehensive income	**0**	**488**	**62,447**	**62,935**
Capital increases	652	0	30,348	**31,000**
Equity at 31 December 2018	**861**	**622**	**32,260**	**33,743**
Equity at 1 January 2017	**209**	**0**	**(210)**	**(1)**
Effect from adoption of IFRS (note 25)	0	0	4,133	4,133
Equity at 1 January 2017, restated	**209**	**0**	**3,923**	**4,132**
Loss for the year	0	0	(60,370)	(60,370)
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	134	0	134
Fair value adjustments of hedging instruments	0	0	(4,088)	(4,088)
Net gain/loss recognised directly in equity	**0**	**134**	**(4,088)**	**(3,954)**
Total comprehensive income/loss	**0**	**134**	**(64,458)**	**(64,324)**
Equity at 31 December 2017	**209**	**134**	**(60,535)**	**(60,192)**

Group financial statements

Overview of notes

Notes to consolidated financial statements

1. Significant accounting estimates and judgements

As part of the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements as well as assumptions as a basis for recognising and measuring the Group's assets, liabilities, income and expenses. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The Group's accounting policies are described in detail in note 26 to the financial statements to which we refer.

Management considers the following accounting estimates and judgements to be significant in the preparation of the annual report.

Business combinations

At 30 June 2018, Noa Noa A/S acquired the entire share capital of Noa Noa AS (Norway). Refer to note 21.

In accounting for the acquisition, the acquired company's assets, liabilities and contingent liabilities are recognised in accordance with the acquisition method. The main assets are goodwill, receivables and inventories.

Management makes estimates when determining the fair value of the acquired assets, liabilities and contingent liabilities. Depending on the nature of the item, the fair value determination can be subject to uncertainty and possibly to subsequent adjustments.

Following the acquisition, Management has assessed the recoverability of goodwill relating to Noa Noa AS and determined that goodwill is not impaired. This assessment is based on an expectation that the Group will be able to execute the planned turnaround for the Norwegian company, and is as such subject to uncertainty.

Special items

Identification and classification of income and expenses as special items are based on Management's judgement of the individual non-recurring income and expense items.

Sales returns

Recognition and measurement of revenue is based on estimates and judgements relating to the expected sales returns allowed to customers. These judgements can have a material impact on the timing and measurement of recognised revenue as well as the level of the refund liability. Reductions in revenue from expected sales returns are calculated based on historical return patterns and on a case-by-case basis if extended returns are allowed for specific goods for commercial reasons.

Notes to consolidated financial statements

1. Significant accounting estimates and judgements (continued)

Impairment of trade receivables

Trade receivables are measured at amortised cost less allowance for bad and doubtful debts. Such allowance is made based on customers' inability and/or unwillingness to pay. If a customer's ability to pay deteriorates looking forward, then further allowance may be necessary. The need to record an allowance to cover the expected bad debt losses is assessed by Management based on historical data on customer payment patterns, age analyses, bad and doubtful debts, information of specific customers being in financial trouble, etc. Please refer to note 14 in the consolidated financial statements.

Valuation of inventory

The Group estimates the net realisable value at the amount at which inventories are expected to be sold. Inventories are written down to net realisable value when the cost of inventories is not estimated to be recoverable due to obsolescence, outdated designs, declining selling prices etc. Estimates are used when accounting for and measuring inventory write-downs, and these estimates depend upon subjective judgements about certain circumstances, taking into account excess quantities, condition of the inventory, season and risk of outdated designs, and the estimated variable costs necessary to make the sale. Inventory of slow-moving items and thereby write-downs are generally at a low level, since Management has strong focus on selling slow-moving items through the use of sales campaigns, sales through its outlet shops or ultimately through sales to brokers.

Deferred tax

Deferred tax assets are recognised for unutilised tax loss carry-forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on budgets and forecast for the foreseeable future and an assessment of the expected future utilisation of the Group's tax loss carry-forwards.

2. Going concern

Management has considered the Group's budgets including cash flow forecasts and the expected compliance with loan agreements as well as the additional capital contribution from the existing owner and extension of the short-term credit facilities obtained subsequent to the balance sheet date (refer to note 24). Based on this review, Management has concluded that, taking into account risk of possible negative changes in trading performance and possible corrective initiatives, the Group has sufficient cash resources available to meet its financial obligations throughout 2019. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated and parent company financial statements.

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
3. Revenue		
Retail	79,684	87,653
Wholesale	87,554	101,393
Internet sales	8,773	9,099
	176,011	**198,145**

	2018 DKK'000	2017 DKK'000
3. Revenue		
Denmark	105,726	159,867
Other Europe	70,285	38,278
	176,011	**198,145**

	2018 DKK'000	2017 DKK'000
4. Staff costs		
Salaries and wages	45,036	44,978
Pension contributions	2,145	2,277
Other social security costs	2,439	3,196
Other staff costs	2,769	4,691
	52,389	**55,142**
Transferred to capitalised design cost (Note 10)	(3,000)	0
Transfer to special items (Note 6)	(5,151)	0
	44,238	**55,142**
Average number of employees	115	122

Notes to consolidated financial statements

4. Staff costs (continued)

	Remuneration of Management 2018 DKK'000	Remuneration of Management 2017 DKK'000
Total amount for Executive Board*	4,824	2,889
	4,824	**2,889**

*In 2018, the total remuneration to the Executive Board includes remuneration and severance pay for the former CEO and remuneration to the two new members of the Executive Board appointed as of 30 November 2018.

The Board of Directors did not receive any remuneration in 2018, but renumeration for 2017 amount to tDKK 300..

Share-based payments

Noa Noa A/S has established a warrant scheme aimed at certain Executive officers in the Group. In so far, all warrants are granted, each warrant holder will become entitled to subscribe shares in the Company by cash payment at a fixed price of nominally DKK 36.00 per share of nominally DKK 1 each, for up to a total of nominally 5,500 shares in Noa Noa A/S. The warrants vest over a three-year period subject to certain conditions and are exercisable in the period from 1 August 2024 – 15 October 2024 or earlier, if transfer of more than 50% of the shares in the Company from existing owners to a third party or similar event takes place.

The fair value of the warrants issued is measured at calculated market price at the grant date based on the Black Scholes option pricing model. The fair value of the warrants at the grant date has been estimated to be close to DKK 0, hence no expense has been recognised in these financial statements. The total warrants program covers 23,000 warrants of which 7,666 warrants have been granted and are outstanding at 31 December 2018.

As a part of the change of ownership of Noa Noa A/S in 2018, all outstanding warrants issued and granted before April 2018 have been cancelled.

Noa Noa A/S has elected to apply the exemption relating to share based payments on the transition to IFRS and thus earlier, now cancelled warrant programs have not been recognised in comparative figures. Please refer to note 25 for further information related to the first-time adoption of IFRS

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
5. Amortisation and depreciation		
Amortisation, intangible assets	2,356	3,445
Impairment, goodwill	0	834
Depreciation, buildings	1,186	2,428
Depreciation, other fixtures and fitting, tools and equipment	2,074	3,817
Depreciation, leasehold improvements	404	567
	6,020	**11,091**

	2018 DKK'000	2017 DKK'000
6. Special items		
Remeasurement of inventory	0	8,607
Severance pay	3,491	0
Transaction cost related to the acquistion of Noa Noa AS, Norway	331	0
Settlement of legal dispute	523	0
Loss related to closure of shops	1,772	0
Samples return	454	0
Other non-recurring items	7,301	0
	13,872	**8,607**

If special items had been recognised in EBIT before special items, they would have been recognised in the following items in the income statement:

Revenue	(1,212)	0
Cost of sales	6,956	8,607
Other external expenses	2,977	0
Staff costs	5,151	0
	13,872	**8,607**

Notes to consolidated financial statements

	2018 DKK’000	2017 DKK’000
7. Financial income		
Interest income	1,110	207
Remission of debt	65,867	0
Financial income from financial assets measured at amortised cost in the income statement	66,977	207
Total financial income	**66,977**	**207**

As a part of the change in ownership and related financial reorganisation of the Group, the Group agreed on a right sizing of the financial debt with a former financial lender combined with a full and final payment of the remaining debt to the financial lender concerned.

The settlement scheme has resulted in a debt remission of DKK 66 million.

	2018 DKK’000	2017 DKK’000
8. Financial expenses		
Interest expenses	3,858	3,252
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	3,858	3,252
Exchange rate losses	1,705	4,344
Other financial expenses	269	513
Total financial expenses	**5,832**	**8,109**

Notes to consolidated financial statements

	2018 DKK'000	2017 DKK'000
9. Tax on profit/loss for the year		
Current tax	(604)	0
Changes in deferred tax	10,000	1,195
Adjustment previous years	9	2,742
	9,405	**3,937**

	2018 DKK'000	2017 DKK'000
Tax calculated as 22% of profit/loss before tax	(11,729)	12,415
Non-deductible expenses and other non-taxable adjustments	11,225	(1,900)
Changes in recognition of deferred tax assets	10,000	1,195
Allowance for deferred tax assets	0	(10,515)
Adjustment previous years	9	2,742
	9,455	**3,937**
Effective tax rate	17.6%	-6.98%

The Group has total deferred tax assets amounting to DKK 28.5 million as at 31 December 2018.

As at 31 December 2018, DKK 10 million have been recognised as deferred tax assets in the balance sheet, which comprise the expected tax value of tax losses to be utilised in the foreseeable future based on budgets and forecasts for the coming four to five years. Based on such assessment, tax loss carry-forwards with a tax value of DKK 18.5 million have not been recognised as deferred tax assets in the balance sheet at 31 December 2018.

Notes to consolidated financial statements

10. Non-current intangible assets

2018	Capitalised design costs DKK'000	Acquired licenses DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost at 1 January	0	0	55,468	2,308
Additions	3,000	0	93	4,694
Disposals	0	0	0	0
Cost at 31 December	**3,000**	**0**	**55,561**	**7,002**
Amortisation and impairment losses at 1 January	0	0	(51,388)	(2,308)
Amortisation for the year	0	0	(2,105)	0
Amortisation at 31 December	**0**	**0**	**(53,493)**	**(2,308)**
Carrying amount at 31 December	**3,000**	**0**	**2,068**	**4,694**

2017	Acquired licenses DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost at 1 January	9,075	21,348	2,308
Transfers	0	33,666	0
Additions	0	454	0
Cost at 31 December	**9,075**	**55,468**	**2,308**
Amortisation and impairment losses at 1 January	(8,963)	(18,090)	(1,474)
Transfers	0	(29,965)	0
Amortisation for the year	(112)	(3,333)	0
Impairment losses for the year	0	0	(834)
Depreciation at 31 December	**(9,075)**	**(51,388)**	**(2,308)**
Carrying amount at 31 December	**0**	**4,080**	**0**

Notes to consolidated financial statements

11. Non-current tangible assets

2018	Land & buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	59,288	28,834	25,848
Additions	0	1,312	591
Disposals	0	0	(914)
Cost at 31 December	**59,288**	**30,146**	**25,525**
Depreciation and value adjustments at 1 January	(30,133)	(23,752)	(24,887)
Depreciation for the year	(1,166)	(2,074)	(405)
Valuation adjustment, investment property	4,000		
Disposals	0	0	914
Depreciation at 31 December	**(27,299)**	**(25,826)**	**(24,378)**
Carrying amount at 31 December	**31,989**	**4,320**	**1,147**

2017	Land & buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	61,417	72,788	26,612
Transfers	0	(33,666)	0
Additions	0	457	184
Disposals	(2,129)	(10,745)	(948)
Cost at 31 December	**59,288**	**28,834**	**25,848**
Depreciation and value adjustments at 1 January	(27,685)	(60,553)	(25,507)
Exchange rate adjustments	0	(88)	239
Transfers	0	29,961	0
Depreciation for the year	(2,428)	(3,817)	(567)
Disposals	0	10,745	948
Depreciation at 31 December	**(30,113)**	**(23,752)**	**(24,887)**
Carrying amount at 31 December	**29,175**	**5,082**	**961**

Notes to consolidated financial statements

11. Non-current tangible assets (continued)

Noa Noa A/S has elected to use the fair value as deemed cost on land and buildings on the transition to IFRS. Please refer to note 25 for further information related to the first-time adoption of IFRS. If fair value was not used as deemed cost for land and buildings, the carrying amount of land and buildings would have been DKK 23,856 thousand at 31 December 2018 and DKK 25,042 thousand at 31 December 2017.

Noa Noa A/S has classified and accounted for buildings held as rental property as investment property, measured at fair value with a carrying amount at 31 December 2018 of DKK 18 million (2017: DKK 14 million). Fair value of the property has been determined based on external valuations and has resulted in a fair value gain in 2018 of DKK 4 million (2017: DKK 0 million). The fair value gain has been recognised in the income statement in Other operating income.

Rental income related to investment property amounted to DKK 932k in 2018 (2017: DKK 132k).

12. Non-current financial assets

Fixed asset investments consist primarily of deposits paid for the Group's retail shop leaseholds.

2018	**Other receivables DKK'000**
Cost at 1 January	3,400
Additions	30
Disposals	(1,134)
Cost at 31 December	**2,297**
Carrying amount at 31 December	**2,297**

2017	**Other receivables DKK'000**
Cost at 1 January	2,839
Additions	561
Disposals	0
Cost at 31 December	3,400
Carrying amount at 31 December	**3,400**

Notes to consolidated financial statements

13. Inventories	31.12.18 DKK'000	31.12.17 DKK'000	01.01.17 DKK'000
Goods for resale	47,521	33,131	52,385
	47,521	**33,131**	**52,385**

The cost of inventories recognised as an expense during the year was DKK 73 million (2017: DKK 97.6 million). The cost of inventories recognised as an expense includes DKK 0 million (2017: DKK 0 million) in respect of write-downs. See note 1 for further information of how Management determines write-downs for obsolete and slow-moving inventory.

14. Trade and other receivables	31.12.18 DKK´000	31.12.17 DKK´000	01.01.17 DKK´000
Trade receivables	35,756	34,859	42,511
Loss allowance	(11,867)	(9,493)	(8,837)
	23,889	25,366	33,674
Other receivables	5,094	2,563	7,021
Income tax receivable	0	595	6,510
Prepayments	5,462	11,400	5,963
	10,556	**14,558**	**19,494**

Prepayments mainly consist of prepaid rent for the Group's retail shops.

Notes to consolidated financial statements

14. Trade and other receivables (continued)

The carrying amount of other receivables than trade receivables is considered to be the same as fair value due to their short-term nature.

	Days past due					
31.12.2018	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**91-365 days**	**>365 days**
Expected credit loss rate*	0%	0%	0%	0%	0%	86%
Trade receivables (gross)	7,649	5,327	3,498	2,002	3,583	13,698
Loss allowance	0	0	0	0	0	(11,867)
Trade receivables (net)	**7,649**	**5,327**	**3,498**	**2,002**	**3,583**	**1,831**

Loss allowance for doubtful trade receivables is based on an individual assessment of the receivables.
In 2018, a forward-looking expected credit-loss model (ECL) was introduced in accordance with IFRS 9.
* The expected credit loss rate is the average expected credit loss rate.

	2018 DKK'000	**2017 DKK´000**
Loss allowance beginning of the year	8,493	8,837
Charged to profit/loss during the year	3,872	2,447
Realised losses during the year	498	(2,791)
Loss allowance, year-end	**11,867**	**8,493**

15. Contributed capital

	Number	**Par value DKK'000**	**Nominal value DKK'000**
Shares	861	1	861

In 2018, the share capital has increased by three contributions during the year with a total increase in the share capital of DKK 861,112 at a share price of DKK 36.00 per share. The capital increases were all from Styleco IVS (the parent company) and were carried out as a combination of cash contributions with a total amount of DKK 23.1 million and by way of debt conversions with a total amount of DKK 7.9 million. Further during 2018, the share capital was reduced by transfer to retained earnings to cover losses in an amount of DKK 209 thousand. There were no changes to the share capital in 2017.

Notes to consolidated financial statements

16. Financial liabilities

	Carrying amount			Fair value		
DKK'000	**31.12.18**	**31.12.17**	**01.01.17**	**31.12.18**	**31.12.17**	**01.01.17**
Debt to mortgage credit institutions secured by land and buildings						
Mortgage debt is due as follows:						
Within year 1	0	1,754	1,709	0	1,754	1,709
From 1 – 5 years	0	7,046	6,321	0	7,046	6,321
After 5 years	0	10,405	12,908	0	10,405	12,908
Total	**0**	**19,205**	**20,938**	**0**	**19,205**	**20,938**
Bank loans						
Bank loans is due as follows:						
Within year 1	48,951	82,370	70,765	48,500	82,370	70,765
From 1 – 5 years	0	0	0	0	0	0
After 5 years	0	0	0	0	0	0
Total	**48,951**	**82,370**	**70,765**	**48,500**	**82,370**	**70,765**
Trade payables						
Trade payables is due as follows:						
Within year 1	49,021	46,242	35,769	49,021	46,242	35,769
From 1 – 5 years	0	7,831	0	0	7,831	0
After 5 years	0	0	0	0	0	0
Total	**49,021**	**54,073**	**35,769**	**49,021**	**54,073**	**35,769**

Fair value for mortgage debt is measured by level 1 input (quoted prices in active markets for underlying bonds) from the fair value hierarchy, and fair value for bank loans and trade payables is measured by level 2 input (inputs other than quoted markets that are observable) from the fair value hierarchy. Fair value does not take the credit risk on the Group into consideration.

Floating charge in inventory, receivables, intangible assets and operating equipment with a total carrying amount of DKK 50 million is provided as collateral for bank loans at 31 December 2018. Furthermore, an owner´s mortgage has been registered totalling DKK 30.7 million. The carrying amount of the related land and buildings equals DKK 31.9 million at 31 December 2018.

Notes to consolidated financial statements

16. Financial liabilities (continued)

As part of Styleco IVS' acquisition of Noa Noa A/S, a refinancing agreement was entered into with the previous financial lender, which resulted in a right sizing of debt of totally DKK 66 million and full and final payment of the then remaining bank debt.

17. Other payables

The carrying amounts of the other payable are assumed to approximate their fair value.

18. Changes in working capital	**31.12.18 DKK'000**	**31.12.17 DKK'000**	**01.01.17 DKK'000**
Change in inventories	14,390	19,254	13,581
Change in receivables	4,884	7,329	(535)
Change in payables	(7,197)	11,018	(7,003)
Other changes	1,942	(6,378)	3,013
	(14,761)	**31,223**	**9,056**

Notes to consolidated financial statements

19. Unrecognised rental and lease commitments

At the reporting date, the Group had outstanding commitments for future minimum lease payments and rental commitments under non-cancellable operating leases, which fall due as follows:

	31.12.18 DKK'000	31.12.17 DKK´000
Within 1 year	16,778	15,104
In the 2 to 5 years inclusive	20,706	11,938
After 5 years	332	240
	37,816	**27,282**
Cost recognised in the income statement	**17,375**	**23,480**

Lease payments and rental agreements under operating leases are recognised in the income statement on a straight-line basis over the term of the leases. Noa Noa's lease and rental obligations consist mainly of rental agreements regarding retail shops.

	31.12.18 DKK'000	31.12.17 DKK'000
20. Contingent liabilities		
Recourse and non-recourse guarantee commitments	1,110	1,110
Contingent liabilities in total	**1,110**	**1,110**
Recourse and non-recourse guarantee commitments	1,366	9,999
Contingent liabilities related parties	**1,366**	**9,999**

Until 30 April 2018, Noa Noa A/S was included in a joint taxation scheme with NNCG Holding A/S as the Administration company. Due to the change in ownership, the Company has entered into a new joint taxation scheme as from 1 May 2018 with Styleco IVS as the Administration company. Noa Noa A/S is jointly and several liable with other jointly taxed companies for payments of corporate taxes as well as any taxes on interests, royalties and dividends.

Notes to consolidated financial statements

21. Business combinations

On 30 June 2018, Noa Noa A/S acquired the entire issued share capital of Noa Noa AS (Norway). Noa Noa AS is a company with focus on retail sales of Noa Noa clothes to the Norwegian market. Noa Noa AS was acquired as part of Noa Noa's stategy of securing continued distribution channels to the Norwegian market.

In connnection with the acquisition, the fair value of the acquired assets and liabilities on the acquisition date has been determined. The below table provides a summary of the purchase price for Noa Noa AS and the allocation of the acquired assets and liabilities on the acquisition date:

DKK'000	**30 June 2018**
Net assets acquired at fair value	(2,444)
Total identifiable acquired net assets	(2,444)
Goodwill in connection with the acquisition	4,698
Purchase price	2.254
Receivable transferred	(2,255)
Cash consideration	(1)
Acquired cash	615
Cash-flow effect	614

The purchase price has been settled by cash transfer of DKK 1 and by remission of loan to the former owners of DKK 2,255k.

The Group has incurred costs related to the acquisition of DKK 331k which have been recognised in the income statement as Special items.

Fair value of acquired trade receivables is measured at the amounts that are expected to be received less expected costs for collection. Fair value of acquired inventory is measured on the basis of expected selling prices to be obtained in the course of normal business operations less expected costs to execute the sale, and with deduction of a reasonable profit on the sales effort. Goodwill represents the value of the existing staff, access to the Norwegian market as well as the expected synergies from integration with the Group. The recognised goodwill is not tax deductible.

Of the Group's revenue for 2018, DKK 10 million may be attributed to Noa Noa AS. Of the Group's profit for 2018, a loss of DKK 1,643k may be attributed to Noa Noa AS. Revenue and profit/loss for Noa Noa AS for the whole financial year 2018 amount to DKK 20 million in revenue and DKK 4.6 million in loss for the year.

Notes to consolidated financial statements

22. Financial risks and financial instruments

	31.12.18 DKK'000	31.12.17 DKK'000
Categories of financial instruments		
Trade receivables	35,756	26,366
Other receivables	10,556	2,563
Income tax receivables	0	595
Cash	5,354	4,818
Loan and receivables	**51,666**	**34,342**
Mortgage debt and Bank loans	48,914	101,575
Trade payables	49,514	54,073
Payables to shareholders and Management	0	500
Other payables	12,974	22,450
Financial liabilities measured at amortised cost	**111,402**	**178,598**

Policy for management of financial risks

The Group's objective, at all times, is to limit the Company's financial risks.

The Group manages the financial risks and coordinates cash management and management of interest rate and currency risks based on financial risk policies agreed with the Board of Directors and its majority shareholder.

Interest rate risks

The Group does not hedge its interest rate exposure, as this is not considered to be financially viable. Due to its international structure and presence, the groups results are affected by exchange rate movements in a number of currencies, primarily EUR, USD, SEK and GBP. At the end of the financial year the group had no open forward exchange contracts. Interes rates are fixed on a normal short term variable market conform basis.

An increase in the interest rate of 1 percentage point on mortgage debt and bank loans would reduce net profit and equity by approximately DKK 0,5 million (2017: DKK 1,0 million).

Notes to consolidated financial statements

22. Financial risks and financial instruments (continued)

Liquidity risks

The Group ensures sufficient liquidity resources through a combination of liquidity management and the establishment of credit facilities, primarily through loans.

The Group's liquidity exposure at 31 December is as follows:

	2018 DKK'000	2017 DKK'000
Mortgage debt and bank loans	48,914	101,575
Trade payables	49,514	54,073
Payables to shareholders and Management	0	500
Other payables	12,974	22,450
Total financial liabilities	**111,402**	**178,598**

Capital structure

The Group and its majority shareholder manage the capital structure with a primary view to ensuring that the Group can continuously be regarded as a going concern to provide appropriate comfort to financial lenders and trading partners that the Group will be able to meet its financial obligations at any time throughout 2019. In this context, the capital structure is determined as a mix of equity and debt as deemed appropriate to maximise the return to shareholders in the long run and to provide sufficient comfort to financial lenders and trading partners in the short term.

Credit risk

Noa Noa is exposed to credit risk from trading partners and customers. The credit risks have not been hedged during 2018 and there are no open credit risk hedge contracts.

Foreign exchange rate risk

Foreign exchange rate risk arises due to imbalances between revenue and expenses in each individual currency. Foreign exchange rate exposure relating to future transactions and assets and liabilities is evaluated and hedged through matching of payments received and paid in the same currency to the extent possible. This serves to limit the impact on the financial results of any exchange rate fluctuations. The exchange rate exposure relating to net investments in foreign subsidiaries is not hedged.

Notes to consolidated financial statements

23. Related parties

Related parties with a controlling interest:

Name	Registered office	Basis of control
Styleco IVS (parent company)	Copenhagen	100%
Greystone Special Situations Fund K/S (ultimate parent)	Copenhagen	100%

Related parties also comprise the members of the Board of Directors and the Executive Board as well as close family persons related to the members of the Board of Directors and the Executive Board. Remuneration paid to members of the Executive Board is disclosed in note 4. No remuneration has been paid to the Board of Directors in 2018 whilst a total of tDKK 300 was paid in 2017.

Greystone Special Situations Fund K/S has during the year charged the Group with in an amount of DKK 600 thousand related to financial advisory services.

All transactions with related parties during the year have been made on market terms.

24. Events after the balance sheet date

Subsequent to the balance sheet date the existing owner has contributed additional equity capital through a cash contribution totaling DKK 5 million. Further the Groups short-term credit facilities with the existing financial lenders have been extended for a period of not less than 12 months from the balance sheet date.

Finally the parent company has been transformed from a private limited liability company to a limited liability company and thereby changed the name from “Noa Noa ApS” to “Noa Noa A/S”

No other events have occurred after the balance sheet date to this date, which would influence the evaluation of this annual report.

Notes to consolidated financial statements

25. First-time adoption of IFRS

The consolidated financial statements for the year ended 31 December 2018 with comparative figures are the first set of consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (IFRS).

For periods up to and including the year ended 31 December 2017, Noa Noa A/S prepared its consolidated financial statements in accordance with the Danish Financial Statements Act.

Noa Noa A/S has prepared consolidated financial statements which comply with IFRS for the year ended 31 December 2018 together with the comparative period for the year ended 31 December 2017 as described in the accounting policies.

In preparing the consolidated financial statements in accordance with IFRS, Noa Noa A/S established an opening balance sheet at 1 January 2017 applying the measurement and recognition criteria of IFRS in effect for 2018 and applying IFRS 1 "First-time Adoption of IFRS". This note explains the adjustments made by Noa Noa A/S in restating the consolidated financial statements prepared in accordance with the Danish Financial Statements Act to be in accordance with IFRS at 1 January 2017 and 31 December 2017, respectively.

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS standards. Noa Noa A/S has applied the mandatory exemptions and certain optional exemptions as set out below:

1. <u>Use of fair value as deemed cost:</u> The Group has elected to use fair value as deeemed cost for land and buildings on the transition to IFRS. This has resulted in an upward adjustment of DKK 4.1 milions for land and buildings included in the opening IFRS balance sheet.
2. <u>Share-based payments:</u> The Group has elected to apply the exemption relating to share-based payments for earlier, now cancelled warrant programs have not been recognised in comparative figures.

The transition to IFRS other than the above-mentioned, had no effect on the recognition and measurement in the previous consolidated financial statements.

Notes to consolidated financial statements

25. First-time adoption of IFRS (continued)

Explanation of transition to IFRS from Danish GAAP:

	1 January 2017 (opening balance sheet)			31 December 2017			
	Danish GAAP DKK'000	Effect on transition to IFRS	IFRS figures	Danish GAAP DKK'000	Effect on transition to IFRS	Adjustment prior year	IFRS figures
Assets							
Land and buildings	29,600	4,133	33,733	25,042	4,133		29,175
Total non-current assets	51,187	4,133	55,320	38,565	4,133		42,698
Inventories	52,385	0	52,385	41,738	0	(8,607)	33,131
Trade receivables	33,674	0	33,674	26,366	0	(1,000)	25,366
Total current assets	107,460	0	107,460	87,480	0	(9,607)	77,873
Total assets	158,647	4,133	162,780	126,045	4,133	(9,607)	120,571
Equity							
Retained earnings	(210)	4,133	3,923	(52,955)	4,133	(11,713)	(60,535)
Total equity	(1)	4,133	4,132	(52,612)	4,133	(11,713)	(60,192)
Total non-current liabilities	19,279	0	19,279	25,341	0	0	25,341
Other payables	30,934	0	30,934	22,450	0	2,106	24,556
Total current liabilities	139,369	0	139,369	153,316	0	2,106	155,422
Total liabilities	158,648	0	158,648	178,657	0	2,106	180,763
Total equity and liabilities	158,647	4,133	162,780	126,045	4,133	(9,607)	120,571

Notes to consolidated financial statements

26. Accounting policies

The consolidated financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C enterprises (medium) according to the Danish Financial Statements Act.

Basis of accounting

The consolidated financial statements are presented in DKK, the functional currency of Noa Noa A/S. The consolidated financial statements are prepared under the historical cost convention, except for investment properties that have been measured at fair value. The accounting policies described below have been applied consistently throughout the financial year.

Adjustments related to prior years

In 2018, the Group has performed an analysis of the accounting records for 2018 and 2017. In that connection changes relating to the inventory, sales returns and bad debt allowance in 2017 were observed.

These changes have been reflected in the 2018 financial statements as adjustments to the 2017 comparative figures in accordance with IAS 8:

	DKK'000
Re-measurement of inventory	(8,607)
Unrecorded provision for sales returns	(2,106)
Additional allowance for bad debts	(1,000)
Total impact	**(11,713)**

Consolidated financial statements

The consolidated financial statements include Noa Noa A/S (the Parent) and subsidiaries, in which Noa Noa A/S exercises control over their financial and operating policies. Control is achieved by the Parent either directly or indirectly owning or holding more than 50% of the voting rights or in any other way controlling the relevant enterprise (affiliated company). Noa Noa A/S and its affiliated companies are together referred to as the Group.

The consolidated financial statements are prepared on the basis of the financial statements of the Parent and the affiliated companies by aggregating uniform financial statement items and subsequently eliminating intercompany transactions, intercompany shareholdings and balances as well as unrealised intercompany gains and losses. The consolidated financial statements are based on financial statements prepared in compliance with the Group's accounting policies.

Notes to consolidated financial statements

26. Accounting policies (continued)

Business combinations

Newly acquired or newly established enterprises are recognised in the consolidated financial statements from the time of acquiring or establishing such enterprises. Enterprises divested or wound up are recognised until the time of divestment or winding-up. Comparative figures are adjusted neither for enterprises added by way of acquisition or merger nor for enterprises divested.

Acquisitions of enterprises over which the Parent obtains control are accounted for under the acquisition method. The identifiable assets, liabilities and contingent liabilities of the enterprises acquired are measured at fair value at the date of acquisition. Identifiable intangible assets are recognised if they can be separated or arise out of a contractual right. Deferred tax is recognised for the reassessments made.

The acquisition date is the date on which Noa Noa A/S effectively obtains control over the acquiree.

Positive balances (goodwill) between, on the one hand, the consideration paid, the value of any minority interests in the enterprise acquired and the fair value of any equity interests previously acquired, and, on the other hand, the identifiable assets, liabilities and contingent liabilities acquired are recognised as goodwill in intangible assets. Goodwill is not amortised, but tested at least once a year for impairment. Impairment tests are first made before the end of the year of acquisition.

On acquisition, goodwill is allocated to cash-generating units, which then form the basis of impairment testing.

Goodwill and fair value adjustments made as part of the acquisition of a foreign enterprise using a functional currency other than the presentation currency used by the Group are accounted for as assets and liabilities belonging to the foreign enterprise and translated, on initial recognition, into the functional currency applied by the foreign enterprise at the transaction date exchange rate. Negative balances (negative goodwill) are recognised in the income statement at the date of acquisition.

The consideration for an enterprise consists of the fair value of the consideration agreed in the form of assets acquired, liabilities assumed and equity instruments issued. Costs attributable to business combinations are recognised directly in the income statement when incurred.

Positive and negative balances from enterprises acquired may be adjusted for a period of up to 12 months after the date of acquisition if the original recognition was preliminary or subject to error. Any other adjustments are recognised in the income statement under special items.

Notes to consolidated financial statements

26. Accounting policies (continued)

Cash flow statement

The cash flow statement is presented using the indirect method and shows cash flows from operating, investing and financing activities for the year as well as the Group's cash and cash equivalents at the beginning and end of the financial year.

Cash flows from operating activities are calculated based on operating profit/loss (EBIT), adjusted for the cash flow effect of non-cash operating items, working capital changes, financial expenses paid and income tax paid.

Cash flows from investing activities comprise payments in connection with the acquisition and sale of non-current intangible assets, property, plant and equipment as well as financial assets.

Cash flows from financing activities comprise payments arising from changes in the size or composition of the Company's share capital and dividend paid. Cash and cash equivalents comprise cash at bank and in hand.

Rentals and leases

For financial reporting purposes, leases are divided into finance leases and operating leases. A lease is classified as a finance lease when it transfers substantially all of the risks and rewards incidental to ownership of the leased asset. Other leases are classified as operating leases.

Lease payments on operating leases are recognised in profit or loss on a straight-line basis over the lease period unless other systematics better reflect the benefit from the use of the asset. The remaining rental and lease commitments of such leases are disclosed in the notes to the financial statements.

Foreign currency translation

On initial recognition, foreign currency transactions are translated applying the exchange rate at the transaction date. Receivables, payables and other monetary items denominated in foreign currencies that have not been settled at the balance sheet date are translated using the exchange rate at the balance sheet date. Exchange differences that arise between the rate at the transaction date and the one in effect at the payment date or the rate at the balance sheet date are recognised in the income statement as financial income or financial expenses.

Notes to consolidated financial statements

26. Accounting policies (continued)

Upon consolidation of the underlying financial statements of subsidaries using functional currencies other than DKK, the income statement items are translated using the average exchange rate, and balance sheet items are translated at the balance sheet date exchange rate. Exchange differences arising from the translation of those subsidaries' equity at the beginning of the year at the balance sheet date exchange rate as well as the translation of income statements from the average exchange rate to the balance sheet date exchange rate are recognised in other comprehensive income and transferred to equity under a separate reserve for foreign currency translation adjustments.

Income statement

Revenue

Revenue from the sale of goods for resale is recognised in the income statement when delivery and transfer of control of a product to the customer have taken place. Revenue is recognised by the Group at a point in time.
Revenue is measured as the fair value of the consideration received or receivable.
Revenue is measured exclusive of VAT, taxes etc. charged on behalf of third parties and less any commissions and discounts in connection with sales.

Cost of sales

Costs of sales comprise the consumption of raw materials and consumables for the financial year after adjustment for changes in inventories of these goods from the beginning to the end of the year. In addition, the costs and write-down to net realisable value of obsolete and slow-moving goods are included in cost of sales.

Other external expenses

Other external expenses include expenses relating to the Group's ordinary activities, including office expenses, marketing, IT and corporate costs, etc. This item also includes writedowns of receivables recognised in current assets.

Staff costs

Staff costs comprise salaries and wages as well as social security contributions, pension contributions, etc for the Group's staff.

Notes to consolidated financial statements

26. Accounting policies (continued)

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses relating to intangible assets and property, plant and equipment comprise amortisation, depreciation and impairment losses for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Special items

Special items comprise significant non-recurring income and expenses of a special nature relative to the Groups's earnings-generating operating activities, such as the costs of extensive restructuring and organisational structural changes including M&A related costs. These items are presented separately in order to facilitate the comparability of the statement of comprehensive income and in order to provide a true and fair view of the Group's operating profit/loss.

Financial income

Financial income comprises interest income, exchange gains as well as gains related to remission of debt.

Financial expenses

Financial expenses comprise interest expenses, exchange losses and amortisation of financial liabilities.

Tax on profit/loss for the year

Tax for the year, which consists of current tax for the year and changes in deferred tax less the part of the tax for the year relating to other comprehensive income and changes in equity, which in stead is presented in other comprehensive income or directly in equity, respectively.

The Danish parent is part of Danish joint taxation group where income taxes are allocated among the participating companies in accordance with the full allocation method.

<u>Balance sheet</u>

Goodwill

On initial recognition, goodwill is measured and recognised as the excess of the cost of the acquired company over the fair value of the acquired assets, liabilities and contingent liabilities, as described under 'Business combinations'.

Goodwill is not amortised, but is tested for impairment at least once a year,

Notes to consolidated financial statements

26. Accounting policies (continued)

Acquired rights

Acquired rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Capitalised design costs

Costs incurred related to the fashion design of clothing and accessory collections are capitalised and recognised as an intangible asset. Following initial recognition of the costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the design is complete. It is amortised over the season in which the fashion designs are expected to be available for sale.

Property, plant and equipment

Land and buildings (except for investment properties), other fixtures and fittings, tools and equipment as well as leasehold improvments are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. Investment properties are measured at fair value with fair value gains/losses recognised in profit/loss.

Cost comprises the acquisition price, costs directly attributable to the acquisition and preparation costs of the asset until the time when it is ready to be put into operation

The basis of depreciation is cost less estimated residual value after the end of useful life. Straight-line depreciation is made on the basis of the following estimated useful lives of the assets:

Properties	30 years
Other fixtures and fittings, tools and equipment	3-5 years
Leasehold improvements	5 years

Gains and losses from the sale of properties, other fixtures and fittings, equipment and leasehold improvements are calculated as the difference between selling price less selling costs and carrying amount at the time of sale. Gains and losses from the sale of these assets are taken to profit or loss under ”Other operating expense” or ”Special items” if a gain is considerable.

Deferred tax assets

Deferred tax is recognised on all temporary differences between the carrying amount and tax-based value of assets and liabilities, for which the tax-based value of assets is calculated based on the planned use of each asset.

Notes to consolidated financial statements

26. Accounting policies (continued)

Deferred tax assets, including the tax base of tax loss carryforwards, are recognised in the balance sheet at their estimated realisable value, either as a set-off against deferred tax liabilities or as net tax assets.

Inventory

Inventory is measured at the lower of cost using the FIFO method and net realisable value.
Cost consists of purchase price plus delivery costs.
The net realisable value of inventory is calculated as the estimated selling price less costs to execute the sale.

Receivables

Receivables are measured at amortised cost, usually equaling nominal value less provisions for expected credit losses.

Income tax receivable

Income tax receivable is recognised in the balance sheet, stated as tax calculated on this year's taxable income, adjusted for prepaid tax.

Prepayments

Prepayments comprise incurred costs relating to subsequent financial years. Prepayments are measured at cost.

Cash

Cash comprises cash in hand and bank deposits.

Mortgage debt and bank loans

At the time of borrowing, mortgage debt and bank loans are measured at cost which corresponds to the proceeds received less transaction costs incurred. Mortgage debt and bank loans are subsequently measured at amortised cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognised in the income statement as a financial expense over the term of the loan applying the effective interest method.

Other financial liabilities

Other financial liabilities are measured at amortised cost, which usually corresponds to nominal value.

Other payables

Other payables include payables to staff, including wages, salaries and holiday pay payable, and to public authorities such as unsettled withholding tax, VAT, excise duties and similar levies, calculated interest expenses payable. Other payables also include any amounts due concerning defined contribution plans.

Notes to consolidated financial statements

27. New standards

The most significant standard and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements is IFRS 16, as disclosed below.

All other new or amended standards and interpretations not yet effective are not expected to have a material impact on the Group's annual report.

IFRS 16 'Leases'

IFRS 16 was issued in January 2016 and will be effective from 1 January 2019. The standard results in almost all leases being recognised in the balance sheet as the distinction between operating and finance leases is removed. Under the new standard, a lease asset (the 'right of use' asset) and a financial liability to pay leases are recognised. There are only few exceptions which are related to short-term and low-value leases.

Noa Noa A/S will as lessee be required to separately recognise interest expenses on the finance lease liability and depreciation expenses on the right of use asset. Furthermore, Noa Noa A/S will also be required to account for lease modifications such as changes to the lease term as well as changes in the future lease payments resulting from a change in an index or rate used to determine those payments. The amount of the remeasurement will be recognised as an adjustment to the right of use asset and the lease liability.

At the reporting date, Noa Noa A/S had non-cancellable operating lease commitments of DKK 38 million (note 19) which mainly consist of leases of land and buildings. The current leases will qualify as leases to be recognized in the balance sheet under IFRS 16 and only insignificant commitments may be covered by exceptions.

The initial assessment shows a positive impact of approximately DKK 0.8 million on consolidated EBIT for the period 1 January 2019 to 31 December 2019 and an expected increase of the consolidated balance sheet of DKK 32 million.

Parent income statement

	Notes	2018 DKK'000	2017 DKK'000
Revenue	1	143,029	157,877
Cost of sales		(76,475)	(97,565)
Other operating income		4,000	0
Other external expenses		(31,940)	(47,433)
Gross profit		**38,614**	**12,879**
Staff costs	2	(31,162)	(42,160)
Other operating expenses		0	(4,144)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**7,452**	**(33,425)**
Depreciation, amortisation and impairment losses	3	(5,240)	(9,195)
Operating profit/loss before special items (EBIT before special items)		**2,212**	**(42,620)**
Special items	4	(12,924)	(8,607)
Profit/loss before financial income and expenses (EBIT)		**(10,711)**	**(51,227)**
Income from investments in subsidaries		5,029	13,133
Financial income	5	66,237	207
Financial expenses	6	(5,801)	(5,460)
Profit/loss before tax		**54,753**	**(43,347)**
Tax on profit/loss for the year	7	10,009	(3,477)
Net profit/loss for the year		**64,762**	**(46,824)**

Parent statement of comprehensive income

	Notes	2018 DKK'000	2017 DKK'000
Profit/loss for the year		**64,762**	**(46,824)**
Other comprehensive income/loss			
Items that may subsequently be reclassified to the income statement, when specific conditions are met:			
Value adjustments of hedging instruments for the year		(273)	(4,088)
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		**(273)**	**(4,088)**
Total comprehensive income/loss		**64,489**	**(50,912)**

Parent balance sheet

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000	01.01.2017 DKK'000
ASSETS				
Capitalised design costs		3,000	0	0
Acquired rights		2,068	4,080	3,254
Non-current intangible assets	8	**5,068**	**4,080**	**3,254**
Land and buildings		31,989	29,175	33,733
Other fixtures and fittings, tools and equipment		2,034	3,307	9,511
Leasehold improvements		1,091	862	1,155
Non-current tangible assets	9	**35,114**	**33,344**	**44,399**
Investments in subsidaries		2,545	291	889
Other receivables		1,705	2,808	1,896
Deferred tax assets		10,000	0	0
Non-current financial assets	10	**14,250**	**3,099**	**2,785**
Total non-current assets		**54,432**	**40,523**	**50,438**
Inventories	11	38,194	27,193	43,677
Trade receivables	12	11,674	13,937	11,074
Receivables from group companies	12	831	3,420	7,150
Other receivables	12	1,299	2,131	8,778
Income tax receivable	12	0	0	3,471
Prepayments	12	5,462	9,164	4,421
Cash		989	3,104	151
Total current assets		**58,449**	**58,949**	**78,722**
Assets		**112,881**	**99,472**	**129,160**

Parent balance sheet

	Notes	31.12.2018 DKK'000	31.12.2017 DKK'000	01.01.2017 DKK'000
EQUITY AND LIABILITIES				
Contributed capital		861	209	209
Reserve for capitalised design cost		3,000	0	0
Retained earnings		7,053	(84,784)	(33,872)
Equity		**10,914**	**(84,575)**	**(33,663)**
Mortgage debt	13	0	17,451	19,229
Trade payables	13	0	7,831	0
Non-current liabilities		**0**	**25,282**	**19,229**
Current portion of long-term liabilities	13	0	1,754	1,709
Bank loans	13	48,006	82,370	70,765
Trade payables	13	45,908	42,269	33,661
Payables to group companies		0	10,465	13,030
Payables to shareholders and Management		0	500	0
Other payables	14	8,053	21,407	24,429
Current liabilities		**101,967**	**158,765**	**143,594**
Liabilities		**101,967**	**184,047**	**162,823**
Equity and liabilities		**112,881**	**99,472**	**129,160**

Parent cash flow statement

	Notes	31.12.18 DKK'000	31.12.17 DKK'000
Profit/loss before financial income and expenses (EBIT)		(10,711)	(51,227)
Depreciation, amortisation and impairment losses		5,240	9,195
Reversal valuation adjustment investment property		4,000	0
Other non-cash items		0	2,129
Working capital changes	15	(16,987)	26,717
Cash flows from operating activities, gross		**(26,458)**	**(13,186)**
Financial income received		370	207
Financial income paid		(5,801)	(5,460)
Cash flows from operating activities, net		**(31,889)**	**18,439**
Additions of intangible assets, net		(3,096)	(828)
Additions/disposals of tangible assets, net		(828)	(454)
Additions/disposals of investments, net		(1)	0
Disposals of financial assets, net		1,103	(912)
Dividend received from subsidiaries		5,029	5,883
Cash flows to/from investing activities		**2,207**	**3,689**
Increase in share capital		23,100	0
Changes in financial liabilities		4,467	11,605
Changes in long-term liabilities and long-term trade payables		0	6,098
Cash flows to/from financing activities		**27,567**	**17,703**
Cash flows for the year		**(2,115)**	**2,953**
Cash at 1 January		3,104	151
Cash at 31 December		**989**	**3,104**

Parent statement of changes in equity

	Contributed capital DKK'000	Reserve for net revaluation according to the equity method DKK'000	Reserve for capitalised design costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 2018	**209**	**0**	**0**	**(73,071)**	**(72,862)**
Adjustments related to prior year (Note 19)	0	0	0	(11,713)	(11,713)
Equity at 1 January 2018, restated	**209**	**0**	**0**	**(84,784)**	**(84,575)**
Profit for the year	0	0	0	64,762	64,762
Other comprehensive income:					
Fair value adjustments of hedging instruments	0	0	0	(273)	(273)
Net gain/loss recognised directly in equity	**0**	**0**	**0**	**(273)**	**(273)**
Total comprehensive income	**0**	**0**	**3,000**	**61,489**	**64,489**
Capital increases	652	0	0	30,348	31,000
Equity at 31 December 2018	**861**	**0**	**3,000**	**7,053**	**10,914**
Equity at 1 January 2017	**209**	**44,643**	**0**	**(44,853)**	**(1)**
Effect of adoption of IFRS (Note 18)	0	(44,643)	0	10,981	(33,662)
Equity at 1 January 2017 restated	**209**	**0**	**0**	**(33,872)**	**(33,663)**
Loss for the year	0	0	0	(46,824)	(46,824)
Other comprehensive income:					
Fair value adjustments of hedging instruments	0	0	0	(4,088)	(4,088)
Net gain/loss recognised directly in equity	**0**	**0**	**0**	**(4,088)**	**(4,088)**
Total comprehensive income/loss	**0**	**0**	**0**	**(50,912)**	**(50,912)**
Equity at 31 December 2017	**209**	**0**	**0**	**(84,784)**	**(84,575)**

Parent financial statements

Overview of notes to the parent financial statements

Notes

	2018 DKK'000	2017 DKK'000
1. Revenue		
Retail	48,477	60,933
Wholesale	54,638	55,712
Internet sales	1,714	8,642
Sales to subsidaries	38,200	32,590
	143,029	**157,877**
2. Staff costs		
Salaries and wages	31,475	35,854
Pension contributions	1,990	2,229
Other social security costs	604	619
Other staff costs	2,244	3,458
	36,313	**42,160**
Transfered to special items	(5,151)	0
	31,162	**42,160**
Average number of employees	84	95

	Remunera-tion of Management 2018 DKK'000	Remunera-tion of Management 2017 DKK'000
Total amount for the Executive Board*	4,824	2,889
	4,824	**2,889**

*In 2018, the total remuneration to the Executive Board includes remuneration and severance pay for the former CEO and remuneration to the two new members of the Executive Board appointed as of 30 November 2018.

The Board of Directors did not receive any remuneration in 2018, but renumeration for 2017 amount to tDKK 300.

Share-based payments

Reference is made to note 4 in the consolidated financial statements for disclosure regarding the warrant scheme for Executive officers.

Notes

	2018 DKK'000	2017 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation, intangible assets	2,105	3,333
Depreciation, buildings	1,186	2,428
Depreciation, other fixtures and fittings, tools and equipment	1,584	2,957
Depreciation, leasehold improvements	365	477
	5,240	**9,195**

	2018 DKK'000	2017 DKK'000
4. Special items		
Re-measurement of inventory	0	8,607
Severance pay	3,491	0
Transaction costs related to the acquistion of Noa Noa AS, Norway	331	0
Settlement of legal dispute	523	0
Loss related to closure of shops	1,772	0
Samples returns	454	0
Other non-recurring items	6,353	0
	12,924	**8,607**

If Special items had been recognised in EBIT before special items, they would have been recognised in the following items in the income statement:

Revenue	(1,890)	0
Cost of sales	6,685	8,607
Other external expenses	2,978	0
Staff costs	5,151	0
	12,924	**8,607**

Notes

	2018 DKK'000	2017 DKK'000
5. Financial income		
Interest income	370	207
Financial income from financial assets measured at amortised cost in the income statement	370	207
Remission of debt	65,867	0
Total financial income	**66,237**	**207**

As a part of the change in ownership and related financial reorganisation of the Group, the Company agreed on a right sizing of the financial debt with a former financial lender combined with a full and final payment of the remaining debt to the financial lender concerned.

The settlement scheme has resulted in a debt remission of DKK 66 million.

	2018 DKK'000	2017 DKK'000
6. Financial expenses		
Interest expenses	3,301	2,770
Financial expenses to group companies	324	88
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	3,625	2,858
Exchange rate losses	1,907	2,223
Other financial expenses	269	379
Total financial expenses	**5,801**	**5,460**

Notes

7. Tax on profit/loss for the year

	2018 DKK'000	2017 DKK'000
Current tax	0	0
Changes in deferred tax	10,000	0
Adjustment previous years	9	3,477
	10,009	**3,477**

	2018 DKK'000	2017 DKK'000
Tax calculated as 22% of profit/loss before tax	(12,045)	9,517
Non-deductible expenses and other non-taxable adjustments	12,045	998
Changes in recognition of deferred tax assets	10,000	0
Allowance for deferred tax assets	0	(10,515)
Adjustment previous years	9	3,477
	10,009	**3,477**
Effective tax rate	-18.3%	-8.0%

As at 31 December 2018, DKK 10 million have been recognised as deferred tax assets in the balance sheet, which comprise the expected tax value of tax losses to be utilised in the foreseeable future based on budgets and forecasts for the coming four to five years. Based on such assessment, tax loss carry-forwards with a tax value of DKK 18.5 million have not been recognised as deferred tax assets on the balance sheet at 31 December 2018.

Notes

8. Non-current intangible assets

2018	**Capitalised design costs DKK'000**	**Acquired rights DKK'000**
Cost at 1 January	0	40,288
Additions	3,000	93
Disposals	0	0
Cost at 31 December	**3,000**	**40,381**
Amortisation at 1 January	0	(36,208)
Amortisation for the year	0	(2,105)
Amortisation at 31 December	**0**	**(38,313)**
Carrying amount at 31 December	**3,000**	**2,068**

2017	
Cost at 1 January	16,914
Transfers	33,665
Additions	454
Disposals	(10,745)
Cost at 31 December	**40,288**
Amortisation at 1 January	(13,660)
Transfers	(29,960)
Amortisation for the year	(3,333)
Disposals	10,745
Amortisation at 31 December	**(36,208)**
Carrying amount at 31 December	**4,080**

Notes

9. Non-current tangible assets

2018	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	59,288	19,412	16,786
Additions	0	234	594
Disposals	0	0	(914)
Cost at 31 December	**59,288**	**19,646**	**16,466**
Depreciation and valuation adjustment at 1 January	(30,133)	(16,105)	(15,924)
Depreciation for the year	(1,166)	(1,507)	(365)
Valuation adjustment, investment property	4,000	0	0
Disposals	0	0	914
Depreciation at 31 December	**(27,299)**	**(17,612)**	**(15,375)**
Carrying amount at 31 December	**31,989**	**2,034**	**1,091**

Notes

9. Non-current tangible assets (continued)

2017	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	57,417	54,131	17,550
Transfers	0	(33,665)	0
Additions	0	457	184
Disposals	(2,129)	(1,511)	(948)
Cost at 31 December	**55,288**	**19,412**	**16,786**
Depreciation at 1 January	(23,685)	(44,620)	(16,395)
Transfers	0	29,961	0
Depreciation for the year	(2,428)	(2,956)	(477)
Disposals	0	1,511	948
Depreciation at 31 December	(26,113)	(16,104)	(15,924)
Carrying amount at 31 December	**29,175**	**3,308**	**862**

Noa Noa A/S has elected to use the fair value as deemed cost on land and buildings on the transition to IFRS. Please refer to note 18 for further information related to the first-time adoption of IFRS. If fair value was not used as deemed cost for land and buildings, the carrying amount of land and buildings would have been DKK 23,856 thousand at 31 December 2018 and DKK 25,042 thousand at 31 December 2017.

Noa Noa A/S has classified and accounted for buildings held as rental property as investment property, measured at fair value with a carrying amount at 31 December 2018 of DKK 18 million (2017: DKK 14 million). Fair value of the property has been determined based on external valuations and has resulted in a fair value gain in 2018 of DKK 4 million (2017: DKK 0 million). The fair value gain has been recognised in the income statement in Other operating income.

Rental income related to investment property amounted to DKK 932k in 2018 (2017: DKK 132k).

Notes

10. Non-current financial assets

2018	Investments in subsidaries	Other receivables
Cost at 1 January	291	2,808
Additions	2,254	30
Disposals	0	(1,133)
Cost at 31 December	**2,545**	**1,705**
Carrying amount at 31 December	**2,545**	**1,705**

2017	Investments in subsidaries	Other receivables
Cost at 1 January	889	1,896
Additions	0	1,127
Disposals	(598)	(215)
Cost at 31 December	291	2,808
Carrying amount at 31 December	**291**	**2,808**

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Noa Noa Sverige AB	Stockholm	AB	100.0	9,242	1,625
Noa Noa UK Ltd.	London	Ltd.	100.0	2,267	135
Noa Noa GmbH	Düsseldorf	GmbH	100.0	11,843	812
Noa Noa Norge AS	Oslo	AS	100.0	(1,398)	(4,568)

Noa Noa UK Ltd. with company number 6703897 is claiming audit exemption in the UK under section 479A of the Companies Act 2006 for the year ended 31 December 2018.

Noa Noa Norge AS was acquired during the year. Reference is made to note 21 to the consolidated financial statements.

Notes

11. Inventories	31.12.18 DKK´000	31.12.17 DKK´000	01.01.17 DKK´000
Goods for resale	38,194	27,193	43,677
	38,194	**27,193**	**43,677**

The cost of inventories recognised as an expense during the year was DKK 76.5 million (2017: DKK 97.6 million). The cost of inventories recognised as an expense includes DKK 0 million (2017: DKK 0 million) in respect of writedowns. See note 1 of the consolidated financial statements for further information of how Management determines writedowns for obsolete and slow-moving inventory..

12. Trade and other receivables	31.12.18 DKK´000	31.12.17 DKK´000	01.01.17 DKK´000
Trade receivables	21,554	22,435	19,911
Loss allowance	(9,880)	(8,498)	(8,837)
	11,674	13,937	11,074
Receivables from group companies	831	3,420	7,150
Other receivables	1,299	2,131	8,778
Income tax receivable	0	0	3,471
Prepayments	5,462	9,164	4,421
	19,266	**28,652**	**37,190**

Prepayments mainly consist of prepaid rent for the Company’s retail shops.

The carrying amount of other receivables than trade receivables is considered to be the same as fair value due to their short-term nature.

	Days past due				
31.12.2018	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	0%	0%	0%	0%	88%
Trade receivables (gross)	5,031	2,205	1,615	1,459	11,244
Loss allowance	0	0	0	0	(9,880)
Trade receivables (net)	**5,031**	**2,205**	**1,615**	**1,459**	**1,364**

Loss allowance for doubtful trade receivables is based on an individual assessment of the receivables.
In 2018, a forward-looking expected credit-loss model (ECL) was introduced in accordance with IFRS 9.
* The expected credit loss rate is the average expected credit loss rate.

Notes

12. Trade and other receivables (continued)

	2018 DKK'000	2017 DKK'000
Loss allowance beginning of the year	8,498	8,837
Charged to profit/loss during the year	1,854	2,447
Realised losses during the year	(472)	(2,786)
Loss allowance end of year	**9,880**	**8,498**

Notes

13. Financial liabilities

	Carrying amount			Fair value		
DKK’000	**31.12.18**	**31.12.17**	**01.01.17**	**31.12.18**	**31.12.17**	**01.01.17**
Debt to mortgage credit institutions secured by land and buildings						
Mortgage debt is due as follows:						
Within year 1	0	1,754	1,709	0	1,754	1,709
From 1 – 5 years	0	7,046	6,321	0	7,046	6,321
After 5 years	0	10,405	12,908	0	10,405	12,908
Total	**0**	**19,205**	**20,938**	**0**	**19,205**	**20,938**
Bank loans						
Bank loans is due as follows:						
Within year 1	48,006	82,370	70,765	48,006	82,370	70,765
From 1 – 5 years	0	0	0	0	0	0
After 5 years	0	0	0	0	0	0
Total	**48,006**	**70,765**	**70,765**	**48,006**	**82,370**	**70,765**
Trade payables						
Trade payables is due as follows:						
Within year 1	45,908	42,269	33,661	44,433	42,269	33,661
From 1 – 5 years	0	7,831	0	1,475	7,831	0
After 5 years	0	0	0	0	0	0
Total	**45,908**	**50,100**	**33,661**	**45,908**	**50,100**	**33,661**

Fair value for mortgage debt is measured by level 1 input (quoted prices in active markets for underlying bonds) from the fair value hierarchy, and fair value for bank loans and trade payables is measured by level 2 input (inputs other than quoted markets that are observable) from the fair value hierarchy. Fair value does not take the credit risk on the Company into consideration.

Floating charge in inventory, receivables, intangible assets and operating equipment with a total carrying amount of DKK 50 million is provided as collateral for bank loans at 31 December 2018. Furthermore, an owner’s mortgage has been registered totalling DKK 30.7 million. The carrying amount of the related land and buildings equals DKK 31.9 million at 31 December 2018.

As part of Styleco IVS’ acquisition of Noa Noa A/S, a refinancing agreement was entered into with the previous financial lender, which resulted in a right sizing of debt of totally DKK 66 million and full and final payment of the then remaining bank debt.

Notes

14. Other payables	31.12.18 DKK'000	31.12.17 DKK'000	01.01.17 DKK'000
Fair value of forward contract and swaps	0	2,857	1,151
Public authorities (VAT, excise duties, taxes, etc.)	532	9,257	12,418
Holiday pay obligation, payroll accruals, bonus, etc.	3,962	4,325	8,628
Outstanding gift certificates and credit vouchers	1,205	1,451	1,841
Other expenses payable	2,354	3,517	391
	8,053	**21,407**	**24,429**

The carrying amounts of the above-mentioned amounts payable are assumed to equal their fair value.

15. Changes in working capital	31.12.18 DKK'000	31.12.17 DKK'000
Change in inventories	(11,001)	16,484
Change in receivables	7,132	2,771
Change in payables	(13,118)	7,462
	16,987	26,717

16. Unrecognised rental and lease commitments

At the reporting date, the Company had outstanding commitments for future minimum lease payments and rental commitments under non-cancellable operating leases, which fall due as follows:

	31.12.18 DKK'000	31.12.17 DKK'000
Within 1 year	8,786	8,192
In the 2 to 5 years inclusive	7,784	7,258
After 5 years	332	310
	16,902	**15,760**
Cost recognised in the income statement	**8,963**	**12,857**

Lease payments and rental agreements under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Noa Noa A/S' lease and rental obligations consist mainly of rental agreements regarding retail shops.

Notes

	31.12.18 DKK'000	31.12.17 DKK'000
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	648	648
Contingent liabilities in total	**648**	**648**

Until 30 April 2018, the Company has been part of joint taxation scheme with NNCG Holding ApS as the Administration company. Due to the change in ownership, the Company has entered into a new joint taxation scheme as from 1 May 2018 with Styleco IVS as the Administration company. The Company is jointly and several liable with other jointly taxed companies for payments of corporate taxes as well as any taxes on interests, royalties and dividends.

18. First-time adoption of IFRS

The financial statements for the year ended 31 December 2018 with comparative figures are the first set of financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act (IFRS).

For periods up to and including the year ended 31 December 2017, Noa Noa A/S prepared its financial statements in accordance with the Danish Financial Statements Act.

Noa Noa A/S has prepared financial statements which comply with IFRS for the year ended 31 December 2018 together with the comparative period for the year ended 31 December 2017 as described in the accounting policies.

In preparing these financial statements in accordance with IFRS, Noa Noa A/S established an opening balance sheet at 1 January 2017 applying the measurement and recognition criteria of IFRS in effect for 2018 and applying IFRS 1 "First-time Adoption of IFRS". This note explains the adjustments made by Noa Noa A/S in restating the financial statements prepared in accordance with the Danish Financial Statements Act to be in accordance with IFRS at 1 January 2017 and 31 December 2017, respectively.

Notes

18. First-time adoption of IFRS (continued)

Exemptions applied

IFRS 1 allows first-time adopters certain exemptions from the retrospective application of certain IFRS standards. Noa Noa A/S has applied the mandatory exemptions and certain optional exemptions as set out below:

1. <u>Use of fair value as deemed cost:</u> The Company has elected to use fair value as deeemed cost for land and buildings on the transition to IFRS. This has resulted in an upward adjustment of DKK 4.1 milions for land and buildings included in the opening IFRS balance sheet.
2. <u>Share-based payments:</u> The Company has elected to apply the exemption relating to share-based payments for earlier, now cancelled warrant programs have not been recognised in comparative figures.

With the transition to IFRS, the Company has elected to change its accounting policies relating to the investments in subidiaries from the equity method to the cost price metod. This has resulted in a negative adjustment of DKK 37.8 million on investments in subsidaries included in the opening IFRS balance sheet.

The transition to IFRS other than the above-mentioned, had no effect on the recognition and measurement in the previous financial statements.

Notes

Explanation of transition to IFRS from old Danish GAAP:

	1 January 2017 (opening balance sheet)			31 December 2017			
	Danish GAAP (DKK'000)	**Effect on transition to IFRS**	**IFRS figures**	**Danish GAAP (DKK'000)**	**Effect on transition to IFRS**	**Adjustment prior year**	**IFRS figures**
Assets							
Land and buildings	29,600	4,133	33,733	25,042	4,133		29,175
Investments in subsidiaries	38,684	(37,795)	889	24,674	(24,383)	0	291
Total non-current assets	84,100	(33,662)	50,438	60,773	(20,250)		40,523
Inventories	43,677	0	43,677	35,800	0	(8,607)	27,193
Trade receivables	11,074	0	11,074	14,937	0	(1,000)	13,937
Total current assets	78,722	0	78,722	68,556	0	(9,607)	58,949
Total assets	162,822	(33,662)	129,160	129,329	(20,250)	(9,607)	99,472
Equity							
Retained earnings	(44,853)	10,981	(33,872)	(77,204)	4,133	(11,713)	(84,784)
Reserve for net revaluation according to the equity method	44,643	(44,643)	0	24,383	(24,383)		0
Total equity	(1)	(33,662)	(33,663)	(52,612)	(20,250)	(11,713)	(84,575)
Total non-current liabilities	19,229	0	19,229	25,282	0		25,282
Other payables	19,229	0	19,229	19,301	0	2,106	21,407
Total current liabilities	143,594	0	143,594	156,659	0	2,106	158,765
Total liabilities	162,823	0	162,823	181,941	0	2,106	184,047
Total equity and liabilities	162,822	(33,662)	129,160	129,329	(20,250)	(9,607)	99,472

Notes

19. Accounting policies

The parent financial statements are presented in accordance with International Financial Reporting Standards as adopted by the EU and additional Danish disclosure requirements for annual reports of reporting class C enterprises (medium) according to the Danish Financial Statements Act.

Basis of accounting

The financial statements are presented in DKK, the functional currency of Noa Noa A/S. The Parent financial statements are prepared under the historical cost convention.

Adjustments related to prior years

In 2018, the Company has performed an analysis of the accounting records for 2018 and 2017. In that connection changes relating to the inventory, sales returns and bad debt allowance in 2017 were observed.

These changes have been reflected in the 2018 financial statements as adjustments to the 2017 comparative figures in accordance with IAS 8:

	DKK'000
Re-measurement of inventory	(8,607)
Unrecorded provision for sales returns	(2,106)
Additional allowance for bad debts	(1,000)
Total impact	**(11,713)**

Description of accounting policies applied

Reference is made to the accounting policies described for the financial statements of the Noa Noa Group (see Note 26 to the consolidated financial statements). The accounting policies of the parent company differ in the following areas:

Income from investments in subsidaries

Dividends from investments in subsidiaries are recognised in the parent company's financial statements when the right to the dividend finally vests, typically at the date of the general meeting of the subsidiary approving dividend distribution.

Investments in subsidaries

Investments in subsidiaries are measured at cost.

Where the recoverable amount of the investments is lower than cost, the investments are written down to this lower value.

In the event of indications of impairment, an impairment test is performed of investments in subsidiaries.

Notes

Other notes

For the following notes, references is made to the notes to the consolidated financial statements:

Significant accounting estimates and judgements	Note 1
Going concern	Note 2
Contributed capital	Note 15
Financial risks and financial instruments	Note 22
Related parties	Note 23
Events after balance sheet date	Note 24
Accounting policies	Note 26
New standards	Note 27

Statement by Management

The Board of Directors and the Executive Board have today considered and approved the annual report of Noa Noa A/S for the financial year 1 January 2018 - 31 December 2018.

The annual report is prepared in accordance with International Financial Reporting Standards as adopted by the EU and Danish disclosure requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the parent company's financial position at 31 December 2018 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2018 - 31 December 2018.

In our opinion, the management commentary contains a fair review of the development of the Group's and the Parent's business and financial matters, the results for the year and of the Parent's financial position and the financial position as a whole of the entities included in the consolidated financial statements, together with a description of the principal risks and uncertainties that the Group and the Parent face.

We recommend the annual report for adoption at the Annual General Meeting.

Kvistgård, 5 July 2019

Executive Board

Nanna von Cotta-Schønberg, CEO	Steen Mørkøv Kristianen, CEO/CFO

Board of Directors

Jørgen Nielsen Chairman	Nick Jensen	Christian Hassel

Independent auditor's report

To the shareholder of Noa Noa A/S

Opinion

We have audited the consolidated financial statements and the parent financial statements of Noa Noa A/S for the financial year 01.01.2018 - 31.12.2018, which comprise the income statement, statement of comprehensive income, balance sheet, statement of changes in equity, cash flow statement and notes, including a summary of significant accounting policies, for the Group as well as the Parent. The consolidated financial statements and the parent financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

In our opinion, the consolidated financial statements and the parent financial statements give a true and fair view of the Group's and the Parent's financial position at 31.12.2018, and of the results of their operations and cash flows for the financial year 01.01.2018 - 31.12.2018 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, 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.

Statement on the management commentary

Management is responsible for the management commentary.

Our opinion on the consolidated financial statements and the parent financial statements does not cover the management commentary, and we do not express any form of assurance conclusion thereon.

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

Moreover, it is our responsibility to consider whether the management commentary provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we conclude that the management commentary is in accordance with the consolidated financial statements and the parent financial statements and has been prepared in accordance with the requirements of the Danish Financial Statements Act. We did not identify any material misstatement of the management commentary.

Management's responsibilities for the consolidated financial statements and the parent financial statements

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

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

Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements and the parent 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 ISAs and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements and these parent financial statements.

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

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

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Parent's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.
- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the consolidated financial statements and the parent financial statements, and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Parent's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements and the parent 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 Group and the Entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements and the parent financial statements, including the disclosures in the notes, and whether the consolidated financial statements and the parent financial statements represent the underlying transactions and events in a manner that gives a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Copenhagen, 5 July 2019

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke	Morten Dandanell Kiærskou
State-Authorised	State-Authorised
Public Accountant	Public Accountant
MNE no mne10944	MNE no mne33749