NOA
NOA

Noa Noa A/S

Krogenbergvej 15 A
3490 Kvistgård
(Business Registration No: 60 74 62 14)

Annual report 2019

The Annual General Meeting adopted the annual report on 30 September 2020

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: 01.01.2019 – 31.12.2019
Phone: +45 36 99 30 00
Internet: www.noanoa.com

Board of Directors

Jørgen Nielsen, Chairman
Nick Jensen
Christian Hassel
Ivan Bjerg-Larsen

Executive Board

Christian Higraff
Steen Mørkøv Kristiansen

Company auditors

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

Key figures and financial ratios

	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016* DKK'000	2015* DKK'000
Key figures					
Revenue	123,708	176,011	198,145	247,211	310,628
Gross profit/loss	62,770	98,025	100,580	140,306	177.178
EBITDA	5,114	12,062	(28,833)	(8,740)	(22,053)
Operating profit/loss before special items	(15,595)	6,042	(39,924)	(23,248)	(42,201)
Special items		(13,872)	(8,607)	0	0
Operating profit/loss after special items	(30,622)	(7,830)	(48,531)	(23,248)	(42,201)
Net financials		61,145	(7,902)	(15,750)	(6,295)
Profit/loss for the year	(37,422)	62,720	(60,370)	(36,473)	(49,490)
Total assets	190,240	146,834	120,571	158,647	180,099
Investments in property, plant and equipment	599	1,903	641	4,587	10,310
Equity	25,909	33,743	(60,192)	(1)	32,937
Ratios					
Gross margin (%)	50,7%	55.7%	50.8%	56,8%	57.0%
Net margin (%)	(30,3%)	(35,6%)	(30.5%)	(21.4%)	(23.7%)
Return on equity (%)	(125,46%)	474,3%	(200.6%)	(177.7%)	(133%)
Equity ratio (%)	13,6%	22,9%	-49.9%	4.8%	19.4%

** Key figures for the years 2015 – 2016 have in accordance with the Danish Financial Statements Act § 101 not been adjusted to reflect the effects of change in accounting policies and transition to IFRS with retroactive effect from 1 January 2017.*

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.

Development in activities and finances

Revenue for the financial year 2019 amounted to DKK 124 million compared to DKK 176 million in 2018. Retail revenue (own shops and own online shop) amounted to DKK 79 million compared to DKK 88 million in 2018, while wholesale revenue (franchise, third party-owned online platforms and multi-brand stores) amounted to DKK 45 million compared to DKK 88 million in 2018. The reduction in retail revenue is a result of the continued focus on closing of non-profitable shops to ensure a healthy and profit making retail operation going forward. The decrease in wholesale revenue is a result of the continued focus on closing down non-profitable customers and at the same time increasing sales with key account online customers.

The Group's development in 2019

During 2019 focus has been on the continued clean up of Noa Noa by discontinuing non profit contributing business and customers in order to prepare for future growth from Q4 2020.

EBITDA for 2019 was a profit of DKK 5 million, compared to a profit of DKK 12 million in 2018. The result is a consequence of focusing on closing non-profitable activities and a continuous focus on cost reduction and increased efficiency.

The income statement of the Group for the year ended 31 December 2019 shows a net loss of DKK 37 million after tax compared to a net profit of DKK 63 million in 2018.

Outlook

Overall, Management expects that 2020 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.

In addition 2020 has been heavily impacted by the COVID19 outbreak, whereby the outlook for 2020 is subject to more than normal uncertainty.

Management commentary

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 2019, Noa Noa continued the work to strengthen the brand's DNA and design.

This process will continue in 2020 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 2019, the Group employed a total of 116 people, which is in line last year, where the Group employed a total of 115 people as of 31 December 2018. Most employees work in Noa Noa's shops in Scandinavia.

Consolidated income statement

	Notes	2019 DKK'000	2018 DKK'000
Revenue	3	123,708	176,011
Cost of sales		(60,938)	(77,986)
Gross profit		**62,770**	**98,025**
Other operating income	3	5,750	8,842
Other external expenses		(21,688)	(50,567)
Staff costs	4	(41,719)	(44,238)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**5,114**	**12,062**
Depreciation, amortisation and impairment losses	5	(20,709)	(6,020)
Operating profit/loss before before special items (EBIT before special items)		**(15,595)**	**6,042**
Special items	6	(15,027)	(13,872)
Profit/loss before financial income and expenses (EBIT)		**(30,622)**	**(7,830)**
Financial income	7	162	66,977
Financial expenses	8	(11,252)	(5,832)
Profit/loss before tax		**(41,711)**	**53,315**
Tax on profit/loss for the year	9	4,289	9,405
Net profit/loss		**(37,422)**	**62,720**

Consolidated statement of comprehensive income

	Notes	2019 DKK'000	2018 DKK'000
Profit/loss for the year		**(37,422)**	**62,720**
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		0	(273)
Currency translation adjustment, foreign subsidiaries		(212)	488
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		(212)	**215**
Total comprehensive income/loss		**(37,634)**	**62,935**
Attributable to the owners of the parent company		**(37,634)**	**62,935**

Consolidated balance sheet

	Notes	2019 DKK'000	2018 DKK'000
ASSETS			
Capitalised design costs		4,422	3,000
Acquired software		139	0
Acquired rights		465	2,068
Goodwill		4,694	4,694
Non-current intangible assets	10	**9,720**	**9,762**
Land and buildings		0	31,989
Other fixtures and fittings, tools and equipment		5,528	4,320
Leasehold improvements		915	1,147
Right of use assets		97,754	0
Non-current tangible assets	11	**104,197**	**37,456**
Other receivables		2,053	2,296
Deferred tax assets		18,000	12,500
Non-current financial assets	12	**20,053**	**14,796**
Total non-current assets		**133,970**	**62,514**
Inventories	13	25,787	47,521
Trade receivables	14	15,419	23,889
Other receivables	15	7,316	2,494
Prepayments		3,241	5,462
Cash		4,507	5,354
Total current assets		**56,270**	**84,820**
Assets		**190,240**	**146,834**

Consolidated balance sheet

	Notes	2019 DKK'000	2018 DKK'000
EQUITY AND LIABILITIES			
Contributed capital		1,689	861
Currency translation adjustments		407	622
Retained earnings		23,810	32,260
Equity	10	**25,909**	**33,743**
Leasing liabilities	16	82,801	0
Other payables		847	0
Non-current liabilities		**83,648**	**0**
Current portion of long-term liabilities	18	18,992	0
Bank loans	16	16,722	48,951
Trade payables	16	36,216	49,021
Income tax payable		313	39
Other payables		8,443	15,080
Current liabilities		**80,686**	**113,091**
Liabilities		**164,334**	**113,091**
Equity and liabilities		**190,240**	**146,834**

Consolidated cash flow statement

	Notes	31.12.19 DKK'000	31.12.18 DKK'000
Profit/loss before financial income and expenses (EBIT)		(30,636)	(7,830)
Depreciation, amortisation and impairment losses		23,939	6,020
Reversal valuation adjustment, investment property		(2,000)	(4,000)
Working capital changes	18	8,261	(14,761)
Cash flows from operating activities, gross		**(423)**	**(20,571)**
Financial income received		162	1,110
Financial income paid		(11,252)	(5,832)
Taxes refunded/(paid)		(39)	595
Cash flows from operating activities, net		**(11,552)**	**(24,698)**
Additions of intangible assets, net		(4,241)	(3,093)
Additions/disposals of tangible assets, net		33,901	(1,903)
Additions/disposals of investments, net		0	614
Disposals of financial assets, net		243	1,104
Cash flows to/from investing activities		**29,903**	**(3,278)**
Increase in share capital		29,800	23,100
Changes in financial liabilities		(32,229)	5,411
Payment of leasing liability		17,616	0
Cash flows to/from financing activities		**(19,198)**	**28,511**
Cash flows for the year		**(847)**	**535**
Cash at 1 January		5,353	4,818
Cash at 31 December		**4,507**	**5,353**

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 2019	**861**	**622**	**32,260**	**33,743**
Profit/loss for the year	0	0	(37,422)	(37,422)
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	(212)	0	(212)
Net gain/loss recognised directly in equity	**0**	**(212)**	**0**	**(212)**
Total comprehensive income	**0**	**(212)**	**(37,422)**	**(37,634)**
Capital increases	828		28,972	29,800
Equity at 31 December 2019	**1,689**	**407**	**23,810**	**25,909**
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**

Overview of notes to consolidated financial statements

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.

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 are based on managemet's assessment of the expected future utilisation of the Group's tax loss carry-forwards derived from taxable income projections based on the Group's budgets and forecast for the strategy period until end 2023.

The assessment is inherently subject to uncertainty, as the realization of the budget and forecast are dependent on the outcome of future events. The assessement is based on assumption and estimates about the future development in the general market conditions, ability to secure production and timely supply of goods from suppliers, as well as the Group's ability to execute on planned strategic initiatives, and the likelihood of realizing the expected effects of those strategic initiatives. The budet and forcast for the strategy period assumes opening of a significant number of new retails stores as well as significant growth in revenue and an increased profitability. The majority shareholder will, if necessary, assist with providing financial support for the Group being able to carry-out the strategic goals.

In the event that actual future taxable profits generated are less than expected, an impairment of the deferred tax assets may be required. It is management's assessment that the budgets and forecast are achievable and supports the recognized deferred tax assets.

Impairment testing of goodwill

Goodwill related to the acquisition of Noa Noa AS (Norway) in June 2018 is subject to a yearly impairment test, where Management has assessed the recoverability of the goodwill and determined that the 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.

Notes to consolidated financial statements

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 estimates 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.

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.

Notes to consolidated financial statements

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 provided in 2020, including COVID-19 loan 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 negative changes in trading performance and possible corrective initiatives including the effects of COVID-19, the Group has sufficient cash resources available to meet its financial obligations throughout 2020. Accordingly, the Group continues to adopt the going concern basis in preparing its consolidated and parent company financial statements.

	2019 DKK'000	2018 DKK'000
3. Revenue and Other income		
Revenue		
Retail	69,674	79,684
Wholesale	44,722	87,554
Internet sales	9,312	8,773
	123,708	**176,011**
Denmark	69,597	105,726
Other Europe	54,111	70,285
	123,708	**176,011**
Other Operating income		
Fair value adjustments, investment property	2,000	4,000
Debt reflief from suppliers	3,750	4,842
	5,750	**8,842**
4. Staff costs		
Salaries and wages	46,346	45,036
Pension contributions	2,047	2,145
Other social security costs	2,077	2,439
Other staff costs	1,648	2,769
	52,118	**52,389**
Transferred to capitalised design cost (Note 10)	(3,538)	(3,000)
Transfer to special items (Note 6)	(6,862)	(5,151)
	41,719	**44,238**
Average number of employees	116	115

Notes to consolidated financial statements

4. Staff costs (continued)

	Remuneration of Management 2019 DKK'000	Remuneration of Management 2018 DKK'000
Total amount for Executive Board*	2,147	4,824
	2,147	**4,824**

*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. In 2019, the total remuneration to the Executive Board includes remuneration to the two members of the Executive Board, wheras one member resigned as of 31 July 2019.

The Board of Directors did not receive any remuneration in 2018 and 2019.

Share-based payments

Noa Noa A/S has established a warrant scheme aimed at certain Executive officers in the Group. The warrants program covers 33,500 warrants. 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 issued in 2018 and 2019 at the grant date have been estimated to be close to DKK 0, hence no expense has been recognised in these financial statements.

Warrants granted at 31 December 2019	Number of warrants DKK	Strike price per warrants DKK
Granted at 15.11.2018	14,500	36
Granted at 01.08.2019	19,000	36
	33,500	**36**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
5. Amortisation and depreciation		
Amortisation, intangible assets	3,929	2,356
Depreciation, buildings	1,765	1,186
Depreciation, other fixtures and fitting, tools and equipment	1,608	2,074
Depreciation, leasehold improvements	265	404
Depreciation, right of use assets	17,617	0
Recapitalisation of assets previously written-off*	(4,475)	0
	20,709	**6,020**

*These assets will be used in connection with shop openings in 2020-2021.

	2019 DKK'000	2018 DKK'000
6. Special items		
Severance pay	6,862	3,491
Transaction cost related to the acquistion of Noa Noa AS, Norway	0	331
Settlement of legal dispute	0	523
Loss related to closure of shops	3,418	1,772
Samples return	0	454
Other non-recurring items	3,154	7,301
Realised losses on trade receivables related to termination of cooperation with selected customers	1,593	0
	15,027	**13,872**

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	0	(1,212)
Cost of sales	0	6,956
Other external expenses	8,165	2,977
Staff costs	6,862	5,151
	15,027	**13,872**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
7. Financial income		
Interest income	138	1,110
Remission of debt	0	65,867
Financial income from financial assets measured at amortised cost in the income statement	138	66,977
Other financial income	24	0
Total financial income	**162**	**66,977**

In 2018, 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.

	2019 DKK'000	2018 DKK'000
8. Financial expenses		
Interest expenses	3,663	3,858
Interest expenses, leasing liabilities	3,405	0
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	7,068	3,858
Exchange rate losses	3,882	1,705
Other financial expenses	301	269
Total financial expenses	**11,252**	**5,832**

Notes to consolidated financial statements

	2019 DKK'000	2018 DKK'000
9. Tax on profit/loss for the year		
Current tax	(1,211)	(604)
Changes in deferred tax	5,500	10,000
Adjustment previous years	0	9
	4,289	**9,405**

	2019 DKK'000	2018 DKK'000
Tax calculated as 22% of profit/loss before tax	(9,176)	(11,729)
Non-deductible expenses and other non-taxable adjustments	7,965	11,225
Changes in deferred tax assets	1,637	8,352
Change in allowance for deferred tax assets	3,863	(18,352)
Adjustment previous years	0	9
	4,289	**9,455**
Effective tax rate	10,2%	17.6%

As at 31 December 2019, DKK 18,0 million (2018: DKK 12.5 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 in the strategy period until end 2023. Based on such assessment, tax loss carry-forwards with a tax value of DKK 25.3 million (2018; DKK 29.1 million) have not been recognised as deferred tax assets on the balance sheet at 31 December 2019.

Notes to consolidated financial statements

10. Non-current intangible assets

2019	Capitalised design costs DKK'000	Software DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost at 1 January	3,000	0	55,561	7,002
Additions	3,941	139	161	0
Disposals	0	0	(15,143)	0
Cost at 31 December	**6,941**	**139**	**40,579**	**7,002**
Amortisation and impairment losses at 1 January	0	0	(53,493)	(2,308)
Amortisation for the year	(2,519)	0	(1,410)	0
Disposals	0	0	14,789	0
Amortisation at 31 December	**0**	**0**	**(40,114)**	**(2,308)**
Carrying amount at 31 December	**4,422**	**139**	**465**	**4,694**

2018	Capitalised design costs DKK'000	Software 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**

Notes to consolidated financial statements

11. Non-current tangible assets

2019	Land & buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	59,288	30,146	25,525
Additions	0	7	592
Disposals	(59,288)	(6.358)	(4,528)
Cost at 31 December	**0**	**23,796**	**21,589**
Depreciation and value adjustments at 1 January	(27,299)	(25,826)	(24,378)
Depreciation for the year	(1,765)	(1,608)	(265)
Recapitalisation of assets previously written-off (note 5)	0	4,475	0
Valuation adjustment, investment property	2,000	0	0
Disposals	27,064	4,691	3,968
Depreciation at 31 December	0	(18,267)	(20,675)
Carrying amount at 31 December	**0**	**5,528**	**915**

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**

Notes to consolidated financial statements

11. Non-current tangible assets (continued)

2019	**Right of use asset DKK'000**
Cost at 1 January	0
Additions and IFRS 16 implementation	115,371
Cost at 31 December	**115,371**
Depreciation at 1 January	0
Depreciation for the year	(17,617)
Depreciation at 31 December	**(7,713)**
Carrying amount at 31 December	**97,754**

Buildings, including buildings held as rental property classified and account for as investment property has been sold during 2019. A fair value gain of DKK 2 million related to the investment property has been recognised in the income statement in Other operating income while no gain related to the owner occupied building has been recognised as, subsequent to the sale of the building Noa Noa A/S has entered into a 10 year non-cancable lease back agreement with the buyer of the buildings that has been accounted for as as a right of use assets in accordance with IFRS 16. Buildings that prior to the sale and lease back was accounted for as investment property are no longer assessed to meet the definition of an investment property and is therefore accounted for and classified as part of the owner occoupied property as a right of use asset.

In 2018 Noa Noa A/S 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. Fair value of the property was determined based on external valuations and resulted in a fair value gain in 2018 of DKK 4 million. The fair value gain was recognised in the income statement in Other operating income.

12. Non-current financial assets

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

2019	**Other receivables DKK'000**
Cost at 1 January	2,297
Additions	13
Disposals	(257)
Cost at 31 December	**2,053**
Carrying amount at 31 December	**2,053**

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**

Notes to consolidated financial statements

13. Inventories	**31.12.19 DKK'000**	**13.12.18 DKK'000**
Goods for resale	25,787	47,521
	25,787	**47,521**

The cost of inventories recognised as an expense during the year was DKK 61.8 million (2018: DKK 76.5 million). The cost of inventories recognised as an expense includes DKK 0 million (2018: 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.

14. Trade, other receivables and prepayments	**31.12.19 DKK´000**	**31.12.18 DKK´000**
Trade receivables	20.860	35,756
Loss allowance	(5.541)	(11,867)
	15,419	23,889
Other receivables	7,316	7,021
Income tax receivable	0	6,510
Prepayments	3,241	5,963
	10,557	**19,494**

In 2019 prepayments mainly consist of prepaid rent for the Company's retail shops, prepayments of samples for the new collection and other prepaid cost. In 2018, prepayments mainly consist of prepaid rent for the Company'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			
31.12.2019	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	1%	1%	0%	3%	45%
Trade receivables (gross)	5,337	871	1,462	1,438	11,752
Loss allowance	(70)	(7)	0	(50)	(5,314)
Trade receivables (net)	**5,267**	**864**	**1,462**	**1,388**	**6,438**

		Days past due			
31.12.2018	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91days**
Expected credit loss rate*	0%	0%	0%	0%	69%
Trade receivables (gross)	7,649	5,327	3,498	2,002	17,281
Loss allowance	0	0	0	0	11,867
5,Trade receivables (net)	**7,649**	**5,327**	**3,498**	**2,002**	**5,414**

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.

	2019 DKK'000	**2018 DKK´000**
Loss allowance beginning of the year	11,867	8,493
Charged to profit/loss during the year	(7,991)	3,872
Realised losses during the year	1,665	498
Loss allowance, year-end	**5,441**	**11,867**

Notes to consolidated financial statements

15. Contributed capital:

	Number	Par value DKK	Nominal value DKK
Shares	1.688.890	1	1.689.000

In 2019, the share capital has increased by 3 contributions during the year with a total increase in the share capital of DKK 827,778 at a share price of DKK 36 per share. The capital increases were carried out as a combination of cash contributions with a total amount of DKK 20.8 million and by way of debt conversions with a total amount of DKK 9 million.

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 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.

Notes to consolidated financial statements

16. Financial liabilities

	Carrying amount		Fair value	
DKK'000	**31.12.19**	**31.12.18**	**31.12.19**	**31.12.18**
Leasing liabilities				
Mortgage debt is due as follows:				
Within year 1	18,992	0	18,992	0
From 1 – 5 years	63,592	0	63,592	0
After 5 years	19,209	0	19,209	0
Total	**101,793**	**0**	**101,793**	**0**
Bank loans				
Bank loans is due as follows:				
Within year 1	16,722	48,951	16,722	48,951
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**16,722**	**48,006**	**16,722**	**48,006**
Trade payables				
Trade payables is due as follows:				
Within year 1	36,216	49,021	36,216	49,021
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**36,216**	**49,021**	**36,216**	**49,021**

Fair value for bank loans, lease liabilities and trade payables are 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 amount of DKK 50 million is provided as collateral for bank loans at 31 December 2019.

Notes to consolidated financial statements

17. Other payables

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

18. Changes in working capital	**31.12.19 DKK'000**	**31.12.18 DKK'000**
Change in inventories	21,734	14,390
Change in receivables	5,969	4,884
Change in payables	(19,442)	(7,197)
Other changes	0	1,942
	8,261	**(14,761)**

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:

	31.12.19 DKK'000	**31.12.18 DKK´000**
Within 1 year	n/a	16,778
In the 2 to 5 years inclusive	n/a	20,706
After 5 years	n/a	332
	n/a	**37,816**
Cost recognised in the income statement	**n/a**	**17,375**

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.

Notes to consolidated financial statements

	31.12.19 DKK'000	31.12.18 DKK'000
20. Contingent liabilities		
Recourse and non-recourse guarantee commitments	6,866	1,110
Contingent liabilities in total	**6,866**	**1,110**

The Parent company is part of a joint taxation scheme with Styleco IVS as the Administration company whereby the Parent 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.

21. Business combinations

No business combinations have taken place in 2019.

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

Notes to consolidated financial statements

21. Business combinations (continued)

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 incurred costs related to the acquisition of DKK 331k which was recognised in the income statement for 2018 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.

22. Financial risks and financial instruments

	31.12.19 DKK'000	31.12.18 DKK'000
Categories of financial instruments		
Trade receivables	15,419	35,756
Other receivables	7,316	2,494
Cash	4,507	5,354
Loan and receivables	**27,242**	**43,604**
Leasing liability	101,793	0
Mortgage debt and bank loans	16,722	48,914
Trade payables	36,216	49,514
Other payables	9,290	12,974
Financial liabilities measured at amortised cost	**164,021**	**111,402**

Notes to consolidated financial statements

22. Financial risks and financial instruments (continued)

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. Interes rates are fixed on a normal short term variable market conform basis.

An increase in the interest rate of 1 percentage point on bank loans would reduce net profit and equity by approximately DKK 0,2 million (2018: DKK 0,5 million).

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:

	2019 DKK'000	2018 DKK'000
Leasing liability	101,793	0
Mortgage debt or bank loans	16,722	48,914
Trade payables	36,216	49,514
Other payables	9,290	12,974
Total financial liabilities	**164,021**	**111,402**

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 2020. 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.

Notes to consolidated financial statements

22. Financial risks and financial instruments (continued)

Credit risk
Noa Noa is exposed to credit risk from trading partners and customers. The credit risks have not been hedged during 2018 or 2019 and there are no open credit risk hedge contracts.

Foreign exchange rate risk
Due to its international structure and presence, the Group's results are affected by exchange rate movements in a number of currencies, primarily EUR, USD, SEK and GBP.

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.

23. Related parties
Related parties with a controlling interest:

Name	Registered office	Basis of control 31.12.2019
Styleco IVS (parent company)	Copenhagen	69,1%
Greystone Special Situations Fund K/S (ultimate parent)	Copenhagen	69,1%

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 and 2019.

Greystone Capital Partners A/S has during the year charged the Group with in an amount of DKK 0.9 million (2018: DKK 0.6 million) related to financial advisory services.

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

Notes to consolidated financial statements

24. Events after the balance sheet date

Subsequent to the balance sheet date the existing majority owner has contributed additional equity capital through a cash contribution totaling DKK 5 million. Further the Group has obtained COVID-19 loan of 10 million and the Group's 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.

The outbreak and spread of COVID-19 at the beginning of 2020 has resulted in the Group's revenue in the period March - July 2020 being reduced by approx. 80% in relation to the expectation at the beginning of the year. This decrease is partly due to closed stores, and partly due to the inability to meet customer demand due to delay in deliveries of goods from suppliers and subcontractors.

Based on an assumption that the effect of COVID-19 will diminish during the fourth quarter of 2020, the Group's management has currently assessed that the recoverability of the Group's asset, including goodwill, capitalized design cost, deferred tax assets and trade receivables are not impaired and that no additional obligations or liabilities as a direct result of COVID-19 have been assumed. At present, however, there is a higher than normal uncertainty and it is not possible to make a reliable estimate of when the impact from COVID-19 will be eliminated and the net sales and operations of the Group will be normalized. Depending on the time horizon for when the Group's revenue will be normalized and how the Group's revenue and costs will be affected until then, a subsequent write down need may arise, which may be significant.

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

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.

New financial reporting standards and interpretations in 2019

The company has implemented all new and revised financial reporting standards and interpretations adopted by the EU that are effective for financial years beginning on 1 January 2019, including IFRS 16, which affected recognition and measurement in the annual report.

IFRS 16 'Leases'

IFRS 16 "Leases" (superseding IAS 17) is effective for the year beginning on 1 January 2019. The new standard significantly changes the accounting treatment of leases, whereby the Group, with a few exceptions, should recognise all types of leases as right-of-use assets and the related lease obligations as liabilities on the balance sheet. The annual cost of the lease, which will comprise two elements – depreciation and interest expense – will be charged to the lessee's income statement. Previously, lease costs were recognised with a single amount within Other operating expenses.

Similarly, lease payments will be presented in the cash flow statement in two lines – Interest paid and Lease payments – within Cash flows from operating activities and Cash flows from financing activities, respectively. In prior years, lease payments were presented as part of Cash flows from operating activities as they were included in Operating profit/loss.

IFRS 16 has been adopted as per 1 January 2019 applying the modified retrospective approach, whereby the cumulative effect is recognised at the date of initial application and the right-of-use assets are recognised at the same value as the lease obligations. Comparative figures have not been restated.

The Group has used the following practical expedients when applying the cumulative catch-up approach to leases previously classified as operating leases applying IAS 17.

- The Group has elected not to recognise right-of-use assets and lease liabilities to leases for which the lease term ends within 12 months of the date of initial application.
- The Group has elected not to recognise right-of-use assets of office devices of low value, such as printers, computers etc.

Lease liabilities are measured using the Group's incremental borrowing rate of 5% p.a, rather than the interest rate implicit in the leases since these cannot easily be determined in the contracts.

Right-of-use-assets of DKK 83,275k has been recognized on 1 January 2019. The right-of-use-assets are presented on a separate line under non-current assets.

The lease liabilities related to the right-of-use-assets are recognised with an amount of DKK 83,275k on 1 January 2019. The liabilities are classified as current and non-current liabilities, respectively.

The following table shows the operating lease commitments disclosed applying IAS 17 at 31 December 2018, discounted using the incremental borrowing rate at the date of initial application and the lease liabilities recognised in the statement of financial position at the date of initial application.

Reconciliation of lease obligations IAS 17 and lease liabilities IFRS 16

	DKK'000
Lease liabilities disclosed in the annual report 2018 as contingent liabilities	37,816
Reasonable certain extension options, rent increase index adjustment and other adjustments	58,718
Effects from discounting	(13,260)
Lease liabilities at 1 January 2019	**83,275**

Net loss before tax is reduced by DKK 1,808k as a result of implementation of IFRS 16. EBITDA has increased by DKK 19,214k, as lease payments are no longer presented as part of other external expenses. Depreciation of the right-of-use-assets amount to DKK 17,617k and the interests on the lease lability amount to DKK 3,405k for 2019.

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.

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.

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.

Notes to consolidated financial statements

26. Accounting policies (continued)

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 utility costs, 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.

Depreciation, amortisation and impairment losses

Amortisation, depreciation and impairment losses 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.

Notes to consolidated financial statements

26. Accounting policies (continued)

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,

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 seasons in which the fashion designs are expected to be available for sale – typically 2 years.

Notes to consolidated financial statements

26. Accounting policies (continued)

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.

Right-of-use assets and lease liability
Leases are recognized as right-of-use assets with the corresponding liability at the time the asset is available for use by the Company. Assets and liabilities arising from a lease are measured on a present value basis. Lease liabilities is comprised of expected fixed payments throughout the expected lease period (including options to extend the lease when exercise is reasonably certain), less any lease incentives and with the addition of expected restoration costs. The lease payments are discounted using the contract’s internal discount rate or the Companys’s incremental borrowing rate. The cost of right-of-use assets is comprised of the calculated lease liabilities, payments made prior to entering the lease, initial direct costs, and expected restoration costs. Right-of-use assets and lease liabilities are remeasured when a factual or contractual change is executed or if a significant event or change affects the expected use of the assets. The impact is discounted to a present value basis.

Notes to consolidated financial statements

26. Accounting policies (continued)

Right-of-use assets and lease liability (continued)

Right-of-use assets are measured at cost, less accumulated depreciation and impairment losses. When changing the value of right-of-use assets through remeasurement or when changing the depreciation period, the effect on the depreciation is recognized prospectively as a change in accounting estimates. Right-of-use assets are depreciated on a straight-line basis of 4-5 years, corresponding to the expected length of the contract or the expected useful lives of the assets, whichever is the shorter.

Lease costs for low value assets and short-term leases are included as operational costs throughout the period based on a straight-line basis.

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.

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.

Notes to consolidated financial statements

26. Accounting policies (continued)

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.

27. New standards

The IASB has not issued any new standards and interpretations of significant importance for Noa Noa A/S' financial statements that must be implemented by the Company for financial years beginning on or after 1 January 2020.

Parent income statement

	Notes	2019 DKK'000	2018 DKK'000
Revenue	1	106,210	143,029
Cost of sales		(61,573)	(81,317)
Gross profit		**44,637**	**61,712**
Other operating income	1	5,750	8,842
Other external expenses		(2,761)	(31,940)
Staff costs	2	(27,117)	(31,162)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**20,509**	**7,452**
Depreciation, amortisation and impairment losses	3	(10,235)	(5,240)
Operating profit/loss before special items (EBIT before special items)		**10,274**	**2,212**
Special items	4	(14,314)	(12,924)
Profit/loss before financial income and expenses (EBIT)		**(4,040)**	**(10,711)**
Income from investments in subsidaries		0	5,029
Financial income	5	0	66,237
Financial expenses	6	(9,370)	(5,801)
Profit/loss before tax		**(13,410)**	**54,753**
Tax on profit/loss for the year	7	5,000	10,009
Net profit/loss for the year		**(8,410)**	**64,762**

Parent statement of comprehensive income

	Notes	2019 DKK'000	2018 DKK'000
Profit/loss for the year		**(8,410)**	**64,762**
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		0	(273)
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		**0**	**(273)**
Total comprehensive income/loss		**(8,410)**	**64,489**

Parent balance sheet

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
ASSETS			
Capitalised design costs		4,422	3,000
Software		139	0
Acquired rights		465	2,068
Non-current intangible assets	8	**5,026**	**5,068**
Land and buildings		0	31,989
Other fixtures and fittings, tools and equipment		5,176	2,034
Leasehold improvements		915	1,091
Right of use assets		58,953	0
Non-current tangible assets	11	**65,044**	**35,114**
Investments in subsidaries		2,545	2,545
Other receivables		1,624	1,705
Deferred tax assets		15,000	10,000
Non-current financial assets	12	**19,169**	**14,250**
Total non-current assets		**89,239**	**54,432**
Inventories	11	24,147	38,194
Trade receivables	12	5,944	11,674
Receivables from group companies	12	28,495	831
Other receivables	12	4,551	1,299
Prepayments	12	3,241	5,462
Cash		1,854	989
Total current assets		**68,232**	**58,449**
Assets		**157,471**	**112,881**

Parent balance sheet

	Notes	31.12.2019 DKK'000	31.12.2018 DKK'000
EQUITY AND LIABILITY			
Contributed capital		1,689	861
Reserve for capitalised design cost		3,449	3,000
Retained earnings		27,166	7,053
Equity	8	**32,304**	**10,914**
Leasing liabilities		54,023	0
Other payables		847	0
Non-current liability	11	**54,870**	**0**
Current portion of long-term liability		8,157	0
Bank loans		16,722	48,006
Trade payables		32,542	45,908
Payables to group companies		3,878	0
Other payables		8,998	8,053
Current liability	12	**70,297**	**101,967**
Liability		**125,167**	**101,067**
Equity and liability		**157,471**	**112,881**

Parent cash flow statement

	Notes	31.12.19 DKK'000	31.12.18 DKK'000
Profit/loss before financial income and expenses (EBIT)		(4,040)	(10,711)
Depreciation, amortisation and impairment losses		10,235	5,240
Reversal valuation adjustment investment property		(2,000)	(4,000)
Other non-cash items		1,113	0
Working capital changes	15	(17,470)	(16,987)
Cash flows from operating activities, gross		**(12,161)**	**(26,458)**
Financial income received		0	370
Financial income paid		(9,370)	(5,801)
Cash flows from operating activities, net		**(21,5321)**	**(31,889)**
Additions of intangible assets, net		(4,241)	(3,096)
Additions/disposals of tangible assets, net		33,906	(828)
Additions/disposals of investments, net			(1)
Disposals of financial assets, net		81	1,103
Dividend received from subsidiaries		0	5,029
Cash flows to/from investing activities		**29,746**	**2,207**
Increase in share capital		29,800	23,100
Changes in financial liabilities		(30,437)	4,467
Payment of leasing liability		(6,713)	0
Cash flows to/from financing activities		**(7,350)**	**27,567**
Cash flows for the year		**865**	**(2,115)**
Cash at 1 January		989	3,104
Cash at 31 December		**1,854**	**989**

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 2019	**861**	**0**	**3,000**	**7,053**	**10,914**
Loss for the year	0	0	0	(8,410)	(8,410)
Transferred to reserves, design costs	0	0	3,941	(3,941)	0
Depreciation, design costs	0	0	(2,519)	2,519	0
Tax effect	0	0	(973)	973	0
Total comprehensive income	**0**	**0**	**449**	**(8,859)**	**(8,410)**
Capital increases	828	0	0	28,972	29,800
Equity at 31 December 2019	**1,689**	**0**	**3,449**	**27,166**	**32,304**
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	3,000	61,762	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**

Overview of notes to the parent financial statements

Notes

	2019 DKK'000	2018 DKK'000
1. Revenue and Other operating income		
Revenue		
Retail	37,791	48,477
Wholesale	23,745	54,638
Internet sales	8,061	1,714
Sales to subsidaries	36,613	38,200
	106,210	**143,029**
Other Operating income		
Fair value adjustments, investment property	2,000	4,000
Debt reflief from suppliers	3,750	4,842
	5,750	**8,842**
2. Staff costs		
Salaries and wages	33,952	34,475
Pension contributions	1,760	1,990
Other social security costs	549	604
Other staff costs	1,255	2,244
	37,516	**39,313**
Transferred to capitalised design costs	(3,538)	(3,000)
Transfered to special items	(6,862)	(5,151)
	27,117	**31,162**
Average number of employees	81	84

	Remuneration of Management 2019 DKK'000	Remuneration of Management 2018 DKK'000
Total amount for the Executive Board*	2,147	4,824
	2,147	**4,824**

*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. In 2019, the total remuneration to the Executive Board includes remuneration to two members of the Executive Board, of which one member resigned as of 31 July 2019.

Notes

2. Staff costs (continued)
The Board of Directors did not receive any remuneration in 2018 and 2019

Share-based payments

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

	2019 DKK'000	2018 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation, intangible assets	3,929	2,105
Depreciation, buildings	1,765	1,186
Depreciation, other fixtures and fittings, tools and equipment	1,038	1,584
Depreciation, leasehold improvements	265	365
Depreciation, right of use assets	7,713	0
Recapitalisation of assets previously written-off*	(4,475)	0
	10,**235**	**5,240**

*These assets will be used in connection with shop openings in 2020-2021.

	2019 DKK'000	2018 DKK'000
4. Special items		
Severance pay	6,862	3,491
Transaction costs related to the acquistion of Noa Noa AS, Norway	0	331
Settlement of legal dispute	0	523
Loss related to closure of shops	3,418	1,772
Samples returns	0	454
Other non-recurring items	2,441	6,353
Realised losses on trade receivables related to termination of cooperation with selected customers	1,593	0
	14,314	**12,924**

Notes

	2019 DKK'000	2018 DKK'000
4. Special items (continued)		

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

	2019 DKK'000	2018 DKK'000
Revenue	0	(1,890)
Cost of sales	0	6,685
Other external expenses	7,452	2,978
Staff costs	6,862	5,151
	14,314	**12,924**

	2019 DKK'000	2018 DKK'000
5. Financial income		
Interest income	0	370
Financial income from financial assets measured at amortised cost in the income statement	0	370
Remission of debt	0	65,867
Total financial income	**0**	**66,237**

In 2018, 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.

	2019 DKK'000	2018 DKK'000
6. Financial expenses		
Interest expenses	3,601	3,301
Interest expenses, leasing liabilities	1,661	
Financial expenses to group companies	0	324
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	5,262	3,625
Exchange rate losses	3,881	1,907
Other financial expenses	226	269
Total financial expenses	**9,370**	**5,801**

Notes

	2019 DKK'000	2018 DKK'000
7. Tax on profit/loss for the year		
Current tax	0	0
Changes in deferred tax	5,000	10,000
Adjustment previous years	0	9
	5,000	**10,009**

	2019 DKK'000	2018 DKK'000
Tax calculated as 22% of profit/loss before tax	(2,950)	(12,045)
Non-deductible expenses and other non-taxable adjustments	2,950	12,045
Changes in deferred tax assets	1.137	(8,352)
Change in allowance for deferred tax assets	3,863	18,352
Adjustment previous years	0	9
	5,000	**10,009**
Effective tax rate	37,3%	-18.3%

As at 31 December 2019, DKK 15 million (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 strategy period until end 2023. Based on such assessment, tax loss carry-forwards with a tax value of DKK 25.3 million (2018; DKK 29.1 million) have not been recognised as deferred tax assets on the balance sheet at 31 December 2019.

Notes

8. Non-current intangible assets

2019	Capitalised design costs DKK‘000	Software DKK‘000	Acquired rights DKK‘000
Cost at 1 January	3,000	0	40,381
Additions	3,941	139	161
Disposals	0	0	(15,143)
Cost at 31 December	**6,941**	**139**	**25,399**
Depreciation and valuation adjustment at 1 January	0	0	(38,313)
Depreciation for the year	(2,519)	0	(1,410)
Disposals	0	0	14,789
Depreciation at 31 December	**(2,519)**	**0**	**(24,934)**
Carrying amount at 31 December	**4,422**	**139**	**465**

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**

Notes

9. Non-current tangible assets

2019	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements DKK'000
Cost at 1 January	59,288	19,646	16,466
Additions	0	0	592
Disposals	(59,288)	(4,147)	(2,972)
Cost at 31 December	**0**	**15,499**	**14,086**
Depreciation and valuation adjustment at 1 January	(27,299)	(17,612)	(15,375)
Depreciation for the year	(1,765)	(1,037)	(264)
Valuation adjustment, investment property	2,000	0	0
Recapitalisation of assets previously written-off (note 3)	0	4,475	0
Disposals	27,064	3,852	2,468
Depreciation at 31 December	**0**	**(10,322)**	**(13,171)**
Carrying amount at 31 December	**0**	**5,177**	**915**

2019	Right of use asset DKK'000
Cost at 1 January	0
Additions, IFRS 16 implementation	66,666
Cost at 31 December	**66,666**
Depreciation at 1 January	0
Depreciation for the year	(7,713)
Depreciation at 31 December	**(7,713)**
Carrying amount at 31 December	**58,953**

2018	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improvements 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**

Buildings, including buildings held as rental property classified and account for as investment property has been sold during 2019. A fair value gain of DKK 2 million related to the investment property has been recognised in the income statement in Other operating income while no gain related to the owner occupied building has been recognised as, subsequent to the sale of the building Noa Noa A/S has entered into a 10 year non-cancable lease back agreement with the buyer of the buildings that has been accounted for as as a right of use assets in accordance with IFRS 16. Buildings that prior to the sale and lease back was accounted for as investment property are no longer assessed to meet the definition of an investment property and is therefore accounted for and classified as part of the owner occoupied property as a right of use asset.

In 2018 Noa Noa A/S 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. Fair value of the property was determined based on external valuations and resulted in a fair value gain in 2018 of DKK 4 million. The fair value gain was recognised in the income statement in Other operating income.

Notes

10. Non-current financial assets

2019	Invest-ments in subsidaries	Other receivables
Cost at 1 January	2,545	1,705
Additions	0	13
Disposals	0	(94)
Cost at 31 December	**2,545**	**1,624**
Carrying amount at 31 December	**2,545**	**1,624**

2018	Invest-ments 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**

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Noa Noa Sverige AB	Stockholm	AB	100.0	(4,104)	(16,824)
Noa Noa UK Ltd.	London	Ltd.	100.0	592	(2,906)
Noa Noa GmbH	Düsseldorf	GmbH	100.0	7,159	(4,747)
Noa Noa Norge AS	Oslo	AS	100.0	(11,336)	(9,616)

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 2019.

Notes

11. Inventories	31.12.19 DKK´000	31.12.19 DKK´000
Goods for resale	24,147	38,194
Carrying amount at 31 December	**24,147**	**38,194**

The cost of inventories recognised as an expense during the year was DKK 61.8 million (2018: DKK 76.5 million). The cost of inventories recognised as an expense includes DKK 0 million (2018: 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, other receivables and prepayment	31.12.19 DKK´000	31.12.18 DKK´000
Trade receivables	10,330	21,554
Loss allowance	(4,386)	(9,880)
	5,944	**11,674**
Receivables from group companies	28,495	831
Other receivables	4,551	1,299
Prepayment	3,241	5,462
Carrying amount at 31 December	**42,231**	**19,266**

In 2019 prepayments mainly consist of prepaid rent for the Company's retail shops, prepayments of samples for the new collection and other prepaid cost. In 2018, 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				
31.12.2019	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	0%	0%	0%	3%	42%
Trade receivables (gross)	2,341	202	851	1,388	5,548
Loss allowance	0	0	0	(48)	(4,338)
Trade receivables (net)	**2,341**	**202**	**851**	**1,340**	**1,210**

Notes

12. Trade and other receivables (continued)

		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**	**1,651**	**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.

	2019 DKK'000	2018 DKK'000
Loss allowance beginning of the year	9,880	8,498
Charged to profit/loss during the year	(2,938)	1,854
Realised losses during the year	(2,556)	(472)
Loss allowance end of year	**4,386**	**9,880**

Notes

13. Financial liabilities

	Carrying amount		Fair value	
DKK'000	**31.12.19**	**31.12.18**	**31.12.19**	**31.12.18**
Leasing liabilities				
Mortgage debt is due as follows:				
Within year 1	8,157	0	8,157	0
From 1 – 5 years	34,814	0	34,814	0
After 5 years	19,209	0	19,209	0
Total	**62,180**	**0**	**62,180**	**0**
Bank loans				
Bank loans is due as follows:				
Within year 1	16,722	48,006	16,722	48,006
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**16,722**	**48,006**	**16,722**	**48,006**
Trade payables				
Trade payables is due as follows:				
Within year 1	32,542	45,908	32,542	45,908
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**32,542**	**45,908**	**32,542**	**45,908**

Fair value for bank loans, leasing liabilities and trade payables are 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 amount of DKK 50 million is provided as collateral for bank loans at 31 December 2019.

Notes

14. Other payables	31.12.19 DKK'000	31.12.18 DKK'000
Public authorities (VAT, excise duties, taxes, etc.)	4,620	532
Holiday pay obligation, payroll accruals, bonus, etc.	2,592	3,962
Outstanding gift certificates and credit vouchers	1,043	1,205
Other expenses payable	744	2,354
	8,999	**8,053**

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

15. Changes in working capital	31.12.19 DKK'000	31.12.18 DKK'000
Change in inventories	14,047	(11,001)
Change in receivables	(22,965)	7,132
Change in payables	(8,552)	(13,118)
	(17,470)	(16,987)

16. Unrecognised rental and lease commitments

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

	31.12.19 DKK'000	31.12.18 DKK'000
Within 1 year	n/a	8,786
In the 2 to 5 years inclusive	n/a	7,784
After 5 years	n/a	332
	n/a	**16,902**
Cost recognised in the income statement	**n/a**	**8,963**

Notes

	31.12.19 DKK'000	31.12.18 DKK'000
17. Contingent liabilities		
Recourse and non-recourse guarantee commitments	6,404	648
Contingent liabilities in total	**6,404**	**648**

The Company is part of a joint taxation scheme 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. 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.

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
Other operating income	Note 3
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 2019 - 31 December 2019.

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 2019 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2019 - 31 December 2019.

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, 30 September 2020

Executive Board

Christian Higraff, CEO

Steen Mørkøv Kristianen, CFO

Board of Directors

Jørgen Nielsen
Chairman

Nick Jensen

Christian Hassel

Ivan Bjerg Larsen

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 01.01.2019 - 31.12.2019, 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 31.12.2019, and of the results of their operations and cash flows for the financial year 01.01.2019 - 31.12.2019 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.

Emphasis of matter relating to matters in the financial statements

At 31 December 2019, the Group has recognized a deferred tax asset with a carrying amount of DKK 18 million and the Parent company has recognised a deferred tax asset with a carrying amount of DKK 15 million. The deferred tax assets include the expected value of tax losses carryforwards to be utilised in the strategy period until end 2023 as further outlined in note 1 to the consolidated financial statements. Considering the the Group's and the Parent company's earnings history in recent years, the utilisation of the deferred tax asset is inherently subject to more than normal uncertainty, as the realization of the taxable income projections are dependent on the outcome of future events, including that the Group and the Parent company will be able to carry-out the growth plans assumed in the strategy plan for the strategy period until end 2023. Our opinion has not been modified with respect to this matter.

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.

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.

Copenhagen, 30 September 2020

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised
Public Accountant
MNE no mne10944

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