Noa Noa A/S

Krogenbergvej 15 A
Business Registration No: 60 74 62 14

Annual report 2022

The Annual General Meeting adopted the annual report on 18.08.2023

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: 01.01.2022 – 31.12.2022
Phone: +45 36 99 30 00

Internet: www.noanoa.com

Board of Directors

Christian Hassel
Nick Jensen
Steen Mørkøv Kristiansen

Executive Board

Steen Mørkøv Kristiansen
Mette Illum

Company auditors

BDO Statsautoriseret Revisionsaktieselskab
Havneholmen 29
1561 Copenhagen V, Denmark

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 2022 - 31 December 2022.

The Annual Report is presented in accordance with 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 2022 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2022 - 31 December 2022.

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, 18 August 2023

Executive Board

Steen Mørkøv Kristiansen	Mette Illum

Board of Directors

Christian Hassel Chairman	Nick Jensen	Steen Mørkøv Kristiansen

Independent auditor's report

To the Shareholders of NOA NOA A/S

Qualified opinion

We have audited the Financial Statements of NOA NOA A/S for the financial year 1 January - 31 December 2022, which comprise income statement, Balance Sheet, statement of changes in equity, notes and a summary of significant accounting policies. The Financial Statements are prepared in accordance with the Danish Financial Statements Act.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements present fairly, in all material respects the financial position of the Group and the Parent as at December 31, 2022 and the financial performance and its cash flows for the year then ended in accordance with the Danish Financial Statements Act.

Basis for Qualified Opinion

The Group and the Parent have recognized a deferred tax of DKK 30 million (2021: DKK 18 million) in the consolidated financial statements and DKK 27 million (2021: DKK 15 million) in the Parent's financial statements representing the value of the tax losses carried forward which the Group and Parent expects to be able to benefit from in the foreseeable future based on Management's assessment of positive outcome of turnaround initiatives expectedly will result in the Group and the Parent being profitable from 2024 and onwards. Considering that the Group and the Parent have reported losses for several years and the Group and the Parent are still in its early stages of the turnaround period, we are at this stage unable to obtain sufficient appropriate audit evidence about whether the future earnings for the forthcoming years will materialize as expected by Management. Consequently, we are unable to determine whether any adjustments to the deferred tax asset as determined and measured by Management is necessary.

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Parent Financial Statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements, 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 qualified opinion.

Material Uncertainty Related to Going Concern

Without modifying our opinion, we refer to note 1 in the Consolidated Financial Statements which describes the background for Management concluding that it is appropriate to prepare the financial statements on a going-concern basis, despite the Group and the parent company have been loss making for several years and despite current liabilities exceed current assets. As described in note 1, Management expects that the Group will be generating positive cash-flows from operations in 2023, and that dialogue with third party lenders and cooperation partners regarding refinancing arrangements will be closed in 2nd half 2023 so that short-term borrowings as of 31 December 2022 in all material respects do not effectively represent cash-outflows in 2023.

Management's Responsibilities for the Consolidated and Parent Financial Statements

Management is responsible for the preparation of Consolidated and Parent Financial Statements that give a true and fair view in accordance with the Danish Financial Statements Act and for such Internal control as Management determines is necessary to enable the preparation of Consolidated and Parent Financial Statements that are free from material misstatement, whether due to fraud or error.

In preparing the Consolidated and Parent Financial Statements, Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting in preparing the Consolidated and Parent Financial Statements unless Management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Auditor’s Responsibilities for the Audit of the Consolidated and Parent Financial Statements

Our objectives are to obtain reasonable assurance about whether the Consolidated and 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 and Parent Financial Statements.

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

- Identify and assess the risks of material misstatement of the Consolidated and 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 Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by Management.

- Conclude on the appropriateness of Management's use of the going concern basis of accounting in preparing the Consolidated and 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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the Consolidated and 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 Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and contents of the Consolidated and Parent Financial Statements, including the disclosures, and whether the Consolidated and Parent Financial Statements represent the underlying transactions and events in a manner that gives a true and fair view.

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 Management Commentary

Management is responsible for Management Commentary.

Our opinion on the Financial Statements does not cover Management Commentary, and we do not express any form of assurance conclusion thereon.

In connection with our audit of the Consolidated and Parent Financial Statements, our responsibility is to read Management Commentary and, in doing so, consider whether Management Commentary is materially inconsistent with the Consolidated and Parent Financial Statements or our knowledge obtained during the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, we conclude that Management Commentary is in accordance with the Consolidated and 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 Management Commentary.

Declaration pursuant to other legislation and other regulations

Violation of the Financial Statements Act's deadline for submitting the annual report

The Company's management has not complied with the Financial Statements Act's requirement that the annual report must be submitted to the Danish Business Authority within the deadline set in the Financial Statements Act, for which management may be liable.

Copenhagen, 18 August 2023

BDO Statsautoriseret revisionsaktieselskab
CVR no. 20 22 26 70

Kim Takata Mücke
State-Authorized Public Accountant
MNE No. Mne10944

Management commentary

Key figures and financial ratios, consolidated

	2022*	2021*	2020	2019	2018
	DKK'000	DKK'000	DKK'000	DKK'000	DKK'000
Key figures					
Revenue	168.589	137.458	83.377	123.708	176.011
Gross profit/loss	81.331	69.056	41.725	62.770	98.025
EBITDA	-25.539	-20.386	-3.288	5.113	12.062
EBIT	-32.419	-25.924	-19.993	-30.623	-7.830
Net financials	-8.150	-7.278	-7.146	-11.126	61.145
Profit/loss for the year	-28.590	-33.566	-27.139	-37.422	62.720
Total assets	132.429	108.856	177.396	188.836	146.834
Investments in property, plant and equipment	601	2.336	3.532	599	1.903
Equity	18.567	8.428	9.655	25.909	33.743
Ratios					
Gross margin (%)	48%	50%	50%	51%	56%
Net margin (%)	-17%	-24%	-33%	-30%	36%
Return on equity (%)	-212%	-371%	-153%	-125%	372%
Equity ratio (%)	14%	8%	5%	14%	23%

**In 2022, the Group has changed its financial reporting framework from IFRS to to the Danish Financial Statements Act. Comparative figures for 2021 have been changed accordingly, whereas comparative figures for 2018-2020 are presented in accordance with the previous IFRS consolidated financial statements.*

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 (continued)

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 and online shops as well as through third party owned franchise stores, online platforms and multi-brand stores in 18 countries.

Development in activities and finances

The Company's performance and financial progress have not met Management's expectations due to impact caused from the aftermath effects of the Covid-19 pandemic in 2020/21, particularly in the form of continued production shut-downs in China and logistics delays globally, as well as the reduced consumer confidence caused by inflation and war during a large part of 2022. The delays had a very negative impact on all the Company's channels (traditional wholesale, online retail and E-commerce), as they have forced both the Company and its competitors to offer unusually high discounts to its customers to make up for the delays.

Revenue in 2022 amounted to DKK 169 million compared to 137 million in 2021, equivalent to a 23% growth in net sales. Retail revenue increased to DKK 102 million from DKK 83 million in 2021, while combined wholesale and e-commerce revenue increased to to DKK 67 million from DKK 54 million in 2021.

EBITDA for 2022 was a loss of DKK (26) million compared to a loss of DKK (20) million in 2021. The EBITDA level continued to be far below any acceptable and normalized level, primarily related to the continued impact of Covid-19-driven delays in China production and global logistics, and to a lesser extent to the reduced consumer confidence. No employees were laid-off in time to impact the 2022-results, and EBITDA thus includes full staff costs (please refer to section on ”Events after the balance sheet date”). The Group received no government compensation during 2022.

The consolidated income statement for 2022 shows a net loss of DKK 29 million after tax, down from a net loss of DKK 34 million in 2021.

Shareholders' equity amounts to DKK 19 million at the end of 2022, an increase from DKK 8 million at the end of 2021. During 2022, the shareholders continued to support the Company by providing new equity capital in cash and debt conversion of DKK 45 million.

With the continued support from the shareholders and the long-term Covid-19 loans obtained in 2020-2021, Management has concluded that the Group has sufficient capital resources for the whole of 2023.

Management commentary (continued)

Uncertainties and unusual items in the financial statements

The recognition and measurement of certain assets – such as acquired rights, capitalized design costs and acquired software - have been based on the key assumption that the ongoing turnaround activities will show its results in 2023, where the Group is expected to become cash-flow positive from operations for the first time in many years, and with an expectation of becoming profitable from 2024.

The Group has recognized a deferred tax asset of DKK 30 million from tax losses carried forward. Due to the expectation of becoming profitable from 2024, the Group has reassessed the deferred tax asset, which has been increased from DKK 18 million to DKK 30 million. With the expectation of becoming profitable from 2023, Management has reassessed its expected usage if tax loss carry-forwards for the forthcoming years and the value of the tax loss carry forwards, which are expected to be utilized in the forthcoming years, have been reflected in the consolidated financial statements for 2022.

The valuation of intangible assets and the deferred tax asset reflects the expectation that the Group will be profitable in 2023 and that the positive development will be sustainable with increased profits in the years to come. Such forward looking estimates are inherently subject to uncertainty. Considering that the Group has been loss-making for some years, the expectation of future profits is to be viewed as a significant uncertainty. Management is confident that the expectation of future profits is realistic and achievable.

Outlook

Based on current performance and expectations for rest of the year Noa Noa A/S expects to realize revenue for 2023 in a range from DKK 190–200 million and a net loss between DKK (10-25) million. The very volatile competitive landscape combined with the current macro-economic uncertainties (inflation, war, consumer confidence), however, makes it difficult to reliably predict the outcome for 2023.

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 brands are sold. Throughout 2022, Noa Noa has continued the work to strengthen the brands' DNA and design as well as physical presence by opening new retail shops. This process will continue in 2023 with a view to strengthen all Noa Noa's brands and enhance the commercial aspects of the concept, and thus develop and reinforce the brand's positions, with particular focus on strengthening the presence in existing markets.

Management commentary (continued)

Financial risks

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

The Group has not applied derivative financial instruments in 2022.

Intellectual capital resources

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

In 2022, the Group employed on average a total of 163 full time people compared to 148 employees in 2021. Most employees work in Noa Noa's own retail shops throughout Scandinavia.

Events after the balance sheet date

Management has initiated multiple turnaround initiatives, which are expected already to improve earnings considerably in 2023, and thereby ensure that the Group will be generating positive cash-flows from operations already in 2023.

The turnaround measures notably include:

- The Group continues to close underperforming retail shops, to strengthen the profit margin of the important retail division.
- In Q2 2023, the Group opened one new retail shop in Copenhagen central pedestrian street, which performs very well.
- New top management came onboard during the first half of 2023, replacing the outgoing management group. The Group believes this measure will accelerate the Group's return to profitable operations.
- More than 12 head quarter employees were laid off during Q4 2022 and Q1 2023, which will impact the Group's cost structure in 2023.
- New specialist resources were hired and started operating at the beginning of the year, to accelerate the Company's sales to large online customers.
- New Head of Design, the core of the brand, was appointed during Q2 2023, and joined the top management group.

In addition, Management and shareholders are in dialogue with third party lenders and cooperation partners regarding refinancing arrangements in 2nd half 2023 so that short-term borrowings as of 31 December 2022 in all material respects do not effectively represent cash-outflows in 2023.

Consolidated income statement

	Notes	2022 DKK'000	2021 DKK'000
Revenue	2	168.589	137.458
Cost of sales		-87.258	-68.402
Gross profit		**81.331**	**69.056**
Other operating income	2	1.298	6.630
Other external expenses		-48.753	-43.158
Staff costs	3	-59.416	-52.914
Operating profit/loss before depreciation amortisation and impairment losses		**-25.539**	**-20.386**
Depreciation, amortisation and impairment losses		-6.880	-5.538
Operating profit/loss		**-32.419**	**-25.924**
Financial expenses	4	-8.150	-7.278
Profit/loss before tax		**-40.568**	**-33.202**
Tax on profit/loss for the year	5	11.979	-364
Net profit/loss		**-28.590**	**-33.566**

Consolidated balance sheet

	Notes	2022 DKK'000	2021 DKK'000
ASSETS			
Capitalised design costs	6	7.598	4.729
Acquired software	6	7.256	4.491
Acquired rights	6	6.246	7.060
Goodwill	6	132	
Intangible assets		**21.232**	**16.280**
Other operating equipment	7	6.773	8.602
Tangible assets		**6.773**	**8.602**
Other receivables	8	1.896	1.971
Other investments	8	2.000	0
Deferred tax asset	8	29.866	18.000
Financial assets		**33.762**	**19.971**
Total non-current assets		**61.766**	**44.853**
Inventories		**43.580**	**44.052**
Trade receivables		15.722	8.491
Other receivables		9.466	6.150
Prepayments		437	2.365
Receivables		**25.625**	**17.006**
Cash		**1.458**	**2.945**
Total current assets		**70.663**	**64.003**
Total assets		**132.429**	**108.856**

Consolidated balance sheet

	Notes	2022 DKK'000	2021 DKK'000
EQUITY AND LIABILITIES			
Share capital	9	18.731	7.423
Currency translation adjustments		-7.438	-936
Reserve for capitalised design costs		5.926	3.689
Retained earnings		1.348	-1.748
Equity		**18.567**	**8.428**
Financial loans	10	31.010	28.312
Other payables	10	8.597	2.400
Non-current liabilties		**39.608**	**30.712**
Bank debt		9.849	9.237
Financial loans	10	10.500	5.663
Debt to shareholders		418	19.680
Trade payables		32.423	26.010
Other payables	10	21.064	9.125
Current liabilities		**74.254**	**69.716**
Total liabilities		**113.861**	**100.428**
Total equity and liabilities		**132.429**	**108.856**

Consolidated cash flow statement

	2022 DKK'000	2021 DKK'000
Operating profit/loss	-32.419	-20.386
Depreciation, amortisation and impairment losses	6.880	-5.538
Working capital changes	7.720	-16.409
Taxes paid/refunded	0	-364
Cash flows from operating activities	**-17.819**	**-42.697**
Purchase of intangible assets	-10.427	-6.343
Purchase of tangible assets	-601	-2.336
Proceeds from sales of tangible assets	1.026	0
Investment in financial assets	-1.925	0
Cash flow from investing activities	**-11.926**	**-8.679**
Cash proceeds from increase in share capital	25.969	29.675
Borrowings	8.147	26.865
Interest payments	-5.857	-4.867
	28.258	**51.673**
Cash flows for the year	**-1.487**	**297**
Cash 1 January	2.945	2.648
Cash 31 December	**1.458**	**2.945**

Consolidated statement of changes in equity

	Share capital DKK'000	Currency translation adjustments DKK'000	Reserve for capitalised design costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity 31 December 2021	**7.423**	**-936**	**3.689**	**1.264**	**11.440**
Effect from change from IFRS to Danish Financial Statements Act				-3.012	-3.012
Equity 1 January 2022	**7.423**	**-936**	**3.689**	**-1.748**	**8.428**
Profit/loss for the year				-28.590	-28.590
Capital increases	11.308			33.923	45.231
Currency translation adjustments subsidiaries		-6.502			-6.502
Movement reserve for capitalised design costs			2.237	-2.237	
Equity 31 December 2022	**18.731**	**-7.438**	**5.926**	**1.348**	**18.567**

Notes to consolidated financial statements

1. Going concern

Noa Noa A/S has been loss making for some years. In recent years, shareholders have shown their support and provided a considerable amount of equity capital and intermediary loan financing. In addition, the Group has obtained financing from third parties.

As of 31 December 2022, current liabilities exceed current assets.

Management has initiated multiple turnaround initiatives, which are expected already to improve earnings considerably in 2023, and thereby ensure that the Group will be generating positive cash-flows from operations already in 2023.

The turnaround measures notably include:

- The Company continues to close least performing retail shops, to strengthen the profit margin of this important division. In Q2 the Company opened one new retail shop in Copenhagen central pedestrian street, which performs very well.
- New top management came onboard during the first half of 2023, replacing the outgoing management group. The Company believes this measure will accelerate the Company's return to profitable operations.
- More than 12 head quarter employees were laid off during Q4 2022 and Q1 2023, which will impact the Company's cost structure in 2023.
- New specialist resources were hired and started operating at the beginning of the year, to accelerate the Company's sales to large online customers.
- New Head of Design, the core of the brand, was appointed during Q2 2023, and joined the top management group.

In addition, Management and shareholders are in dialogue with third party lenders and cooperation partners regarding refinancing arrangements in 2nd half 2023 so that short-term borrowings as of 31 December 2022 in all material respects do not effectively represent cash-outflows in 2023.

With especially the expected improvement in earnings and the expected cash-inflow from operations, combined with refinancing arrangements, Management has concluded that it is realistic and achievable to assume that the Group has sufficient capital resources for the whole of 2023, and Management has concluded that it is appropriate for the Group to continue to adopt the going concern basis in preparing its consolidated and parent company financial statements.

Notes to consolidated financial statements

2. Revenue and Other Operating income

	2022 DKK'000	2021 DKK'000
Revenue		
Retail	101.807	83.208
Wholesale	44.336	14.697
E-commerce	22.446	39.553
	168.589	**137.458**
Other Operating income		
Rental income	1.298	1.351
Government relief packages	0	3.720
Gain from sale of leasehold rights	0	1.559
	1.298	**6.630**

3. Staff costs

	2022 DKK'000	2021 DKK'000
Salaries and wages	54.405	53.506
Pension contributions	2.715	2.736
Other social security costs	3.397	693
Other staff costs	4.336	2.322
	64.853	**59.257**
Transferred to capitalised design cost and software (Note 10)	-5.437	-6.343
	59.416	**52.914**
Average number of employees	163	148

	Management remuneration 2022 DKK'000	Management remuneration 2021 DKK'000
Executive board		
Salary	3.459	2.642
Pension	277	211
Social costs	5	5
	3.740	**2.858**

The Board of Directors did not receive any remuneration in 2021 and 2022.

Notes to consolidated financial statements

3. Staff costs (continued)

Share-based payments

Noa Noa A/S has established a warrant scheme aimed at certain key employees in the Group. Ech warrant holder will become entitled to subscribe shares in the parent company by cash payment at a fixed price of nominally DKK 36.00 per share of nominally DKK 1 each. 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 there is a transfer of more than 50% of the shares in the parent 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. Considering the Group's earnings history, the fair value of the warrants issued was estimated to be close to DKK 0 at the time of the grants in previous years. The total number of granted and outstanding warrants is 65,000 warrants No new warrants have been issued or granted in 2022.

4. Financial expenses

	2022 DKK'000	2021 DKK'000
Interest expenses	5.857	4.813
Exchange rate losses	2.293	2.329
Other financial expenses	0	136
	8.150	**7.278**

5. Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	21	-364
Changes in deferred tax	-12.000	0
	-11.979	**-364**

As described in note 1, the Group has expectations of being profitable from 2024, and hence Management has reassessed the expected utilization of the Group's tax loss carry forwards for the next 4-5 years, and on this basis the Group has recognized an additional deferred tax asset of DKK 18 million in 2022, so that the total recognized deferred tax asset equals DKK 30 million as of 31 December 2022.

In addition to the deferred tax assets recognized on the balance sheet, the Group has unrecognized deferred tax assets from tax loss carry forwards and other temporary differences with a tax value of DKK 30 million as of 31 December 2022 (2021: DKK 33 million).

6. Intangible assets

	Capitalised design costs DKK'000	Acquired software DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost 1 January 2022	13.397	4.819	47.477	0
Additions	5.827	4.338	0	262
Disposal	-3.404	0	-40.042	0
Cost 31 December 2022	**15.820**	**9.157**	**7.435**	**262**
Amortisation and impairment losses 1 January 2022	8.668	328	40.362	0
Amortisation for the year	2.959	1.573	814	130
Reversal related to disposals	-3.404	0	-39.987	0
Amortisation and impairment losses 31 December	**8.222**	**1.900**	**1.189**	**130**
Carrying amount 31 December 2022	**7.598**	**7.256**	**6.246**	**132**

Capitalized design costs relate to the fashion design of clothing and accessory collections which are capitalized and recognized as an intangible asset. The amounts capitalized primarily represents staff costs to in-house designers and fees to external designers for designing the clothing expected to be sold in the forthcoming seasons. Following initial recognition of the costs as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the design is complete, and it is typically amortized over a two-year period covering the period from design has been completed and until the designs are expected to be outdated.

7. Tangible assets

	Other operating equipment DKK'000
Cost 1 January 2022	41.033
Additions	601
Disposal	-32.188
Cost 31 December 2022	**9.445**
Depreciation and impairment losses 1 January 2022	32.432
Depreciation for the year	1.404
Reversal related to disposals	-31.163
Depreciation and impairment losses 31 December 2022	**2.673**
Carrying amount 31 December 2022	**6.773**

8. Financial assets

	Other receivables DKK'000	Other investments DKK'000	Deferred tax asset DKK'000
Cost 1 January 2022	1.971	0	18.000
Currency adjustment	0	0	-134
Additions	0	2.000	12.000
Disposal	-75	0	0
Cost 31 December 2022	**1.896**	**2.000**	**29.866**
Carrying amount 31 December 2022	**1.896**	**2.000**	**29.866**

Other receivables consist primarily of deposits paid for the Group's retail shop leaseholds.

Deferred tax asset: See note 5 for description of the background for recognizing deferred tax asset on the balance sheet.

9. Share capital

	Number	Par value DKK	Nominal value DKK'000
Shares	18.730.804	1	18.731

10. Long-term debt

	2022			2021
	Short-term part DKK'000	Due 1-5 years DKK'000	Due after 5 years DKK'000	Long-term part DKK'000
Financial loans	10.500	27.443	3.568	28.312
Other payables	21.064	6.197	2.400	2.400
	31.564	**33.640**	**5.968**	**30.712**

Long-term other payables represent payroll taxes and VAT subject to deferred payment plans and frozen holiday pay.

Short-term other payables primarily represent payroll taxes, VAT and holiday pay.

11. Contingent liabilities and security provided

	31.12.2022 DKK'000
Rental and leasing commitments	48.190

The parent company has provided floating charge in inventory, receivables, intangible assets and operating equipment with an amount up to DKK 50 million. Carrying values of the assets provided as security appear from note 10 in the parent company financial statements.

12. Related parties

Related parties with a controlling interest:
No shareholders have controlling interest as of 31 Dec. 2022. In 2023, NN1 Invest ApS has become majority shareholder in the Company.

Other related parties:
Related parties include shareholders and 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.

Related party transactions:
Remuneration to the the Executive Board appears from note 3. No remuneration has been paid to the Board of Directors in 2022 and 2021.

In 2022 and 2021, the key shareholders have provided funding, which initially was provided as intermediary financing and then subsequently converted into equity.

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

13. Events after the balance sheet date

Management has initiated multiple turnaround initiatives, which are expected already to improve earnings considerably in 2023, and thereby ensure that the Group will be generating positive cash-flows from operations already in 2023.

The turnaround measures notably include:

- The Group continues to close least performing retail shops, to strengthen the profit margin of the important retail division.
- In Q2 2023, the Group opened one new retail shop in Copenhagen central pedestrian street, which performs very well.
- New top management came onboard during the first half of 2023, replacing the outgoing management group. The Group believes this measure will accelerate the Group’s return to profitable operations.
- More than 12 head quarter employees were laid off during Q4 2022 and Q1 2023, which will impact the Group’s cost structure in 2023.
- New specialist resources were hired and started operating at the beginning of the year, to accelerate the Company’s sales to large online customers.
- New Head of Design, the core of the brand, was appointed during Q2 2023, and joined the top management group.

In addition, Management and shareholders are in dialogue with third party lenders and cooperation partners regarding refinancing arrangements in 2nd half 2023 so that short-term borrowings as of 31 December 2022 in all material respects do not effectively represent cash-outflows in 2023.

Parent income statement

	Notes	2022 DKK'000	2021 DKK'000
Revenue	1	123.633	102.536
Cost of sales		-77.196	-63.519
Gross profit		**46.437**	**39.017**
Other operating income	1	1.298	2.859
Other external expenses		-34.759	-33.990
Staff costs	2	-42.572	-34.750
Operating profit/loss before depreciation amortisation and impairment losses	2	**-29.596**	**-26.865**
Depreciation, amortisation and impairment losses		-6.435	-3.691
Operating profit/loss		**-36.031**	**-30.556**
Profit/loss from investments in subsidiaries	7	3.734	3.431
Financial expenses	3	-8.293	-6.441
Profit/loss before tax		**-40.590**	**-33.566**
Tax on profit/loss for the year	4	12.000	0
Net profit/loss		**-28.590**	**-33.566**

Parent balance sheet

ASSETS			
Capitalised design costs	5	7.598	4.729
Acquired software	5	7.065	4.491
Acquired rights	5	6.246	7.060
Intangible assets		**20.908**	**16.280**
Other operating equipment	6	5.631	6.123
Tangible assets		**5.631**	**6.123**
Investment in subsidiaries	7	17.900	20.422
Other investments	7	2.000	0
Other receivables	7	1.408	1.391
Deferred tax asset	7	27.000	15.000
Financial assets		**48.308**	**36.813**
Total non-current assets		**74.847**	**59.216**
Inventories		**34.874**	**36.233**
Trade receivables		2.790	4.145
Receivables from group companies		0	8.337
Other receivables		8.244	4.473
Prepayments		299	3.174
Receivables		**11.333**	**20.129**
Cash		**619**	**1.039**
Total current assets		**46.826**	**57.400**
Total assets		**121.672**	**116.616**

Parent balance sheet

EQUITY AND LIABILITIES

Share capital	8	18.731	7.423
Reserve for capitalised design costs		5.926	3.689
Retained earnings		-6.090	-2.684
Equity		**18.567**	**8.428**
Financial loans	9	31.010	28.312
Other payables	9	8.597	2.400
Non-current liabilties		**39.608**	**30.712**
Bank debt		9.849	9.237
Financial loans	9	10.500	5.663
Debt to shareholders		418	19.680
Debt to group companies		3.753	0
Trade payables		28.415	23.291
Other payables	9	10.563	19.604
Current liabilities		**63.497**	**77.476**
Total liabilities		**103.105**	**108.188**
Total equity and liabilities		**121.672**	**116.616**

Parent statement of changes in equity

	Share capital DKK'000	Reserve for capitalised design costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity 31 December 2021	**7.423**	**3.689**	**328**	**11.440**
Effect from change from IFRS to Danish Financial Statements Act			-3.012	-3.012
Equity 1 January 2022	**7.423**	**3.689**	**-2.684**	**8.428**
Profit/loss for the year			-28.590	-28.590
Capital increases	11.308		33.923	45.231
Currency translation adjustments subsidiaries			-6.502	-6.502
Movement reserve for capitalised design costs		2.237	-2.237	
Equity 31 December 2022	**18.731**	**5.926**	**-6.090**	**18.567**

Notes

1. Revenue and Other Operating income

	2022 DKK'000	2021 DKK'000
Revenue		
Retail	55.031	48.038
Wholesale	18.331	17.061
E-commerce	16.230	9.227
Sales to subsidiaries	34.041	28.210
	123.633	**102.536**
Other Operating income		
Rental income	1.298	1.351
Government relief packages	0	1.508
	1.298	**2.859**

2. Staff costs

	2022 DKK'000	2021 DKK'000
Salaries and wages	40.838	36.836
Pension contributions	2.560	2.162
Other social security costs	807	494
Other staff costs	3.805	2.178
	48.009	**41.670**
Transferred to capitalised design cost and software (Note 10)	-5.437	-4.741
	42.572	**36.929**
Average number of employees	90	83

Management remuneration and Share-based payments

Reference is made to note 3 in the consolidated financial statements for disclosure regarding Management remuneration and the warrants scheme for Executive officers.

3.Financial expenses

	2022 DKK'000	2021 DKK'000
Interest expenses	5.536	4.813
Exchange rate losses	2.697	2.329
Other financial expenses	59	136
	8.293	**7.278**

4. Tax on profit/loss for the year

	2022 DKK'000	2021 DKK'000
Current tax	0	-364
Changes in deferred tax	12.000	0
	12.000	**-364**

As of 31 December 2022, DKK 27 million (2021: DKK 15 million) have been recognized as deferred tax assets on the balance sheet, which comprise the expected tax value of tax losses to be utilized in the foreseeable future based on budgets and forecasts for the forthcoming years based on the expectation that the Company will be successful with its turnaround initiatives and generate profits from 2024 and beyond.

In addition, the Company has an unrecorded deferred tax asset relating to additional tax loss carry-forwards and temporary differences with a tax value of DKK 28 million (2021: DKK 30 million) have not been recognized as deferred tax assets on the balance sheet as of 31 December 2022.

5. Intangible assets

	Capitalised design costs DKK'000	Acquired software DKK'000	Acquired rights DKK'000
Cost 1 January 2022	13.397	4.819	32.393
Additions	5.827	4.146	0
Disposal	-3.404	0	-24.958
Cost 31 December 2022	**15.820**	**8.965**	**7.435**
Amortisation and impairment losses 1 January 2022	8.668	328	25.333
Amortisation for the year	2.959	1.573	814
Reversal related to disposals	-3.404	0	-24.958
Amortisation and impairment losses 31 December	**8.223**	**1.900**	**1.189**
Carrying amount 31 December 2022	**7.598**	**7.065**	**6.246**

Capitalized design costs relate to the fashion design of clothing and accessory collections which are capitalized and recognized as an intangible asset. The amounts capitalized primarily represents staff costs to in-house designers and fees to external designers for designing the clothing expected to be sold in the forthcoming seasons. Following initial recognition of the costs as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the design is complete, and it is typically amortized over a two-year period covering the period from design has been completed and until the designs are expected to be outdated.

Notes

6. Tangible assets

	Other operating equipment DKK'000
Cost 1 January 2022	22.750
Additions	601
Disposal	-15.532
Cost 31 December 2022	**7.818**
Depreciation and impairment losses 1 January 2022	16.630
Depreciation for the year	1.090
Reversal related to disposals	-15.532
Depreciation and impairment losses 31 December	**2.188**
Carrying amount 31 December 2022	**5.631**

7. Financial assets

	Investment in subsidiaries DKK'000	**Other investments DKK'000**	**Other receivables DKK'000**	**Deferred tax asset DKK'000**
Cost 1 January 2022	20.422	0	1.466	12.000
Additions		2.000		15.000
Disposal			-58	
Cost 31 December 2022	**20.422**	**2.000**	**1.408**	**27.000**
Valuation adjustments 1 January 2022	0	0	0	0
Profit/loss for the year	3.734			
Currency translation the year	-6.502			
Other	246			
Valuation adjustments 31 December 2022	**-2.522**	**0**	**0**	**0**
Carrying amount 31 December 2022	**17.900**	**2.000**	**1.408**	**27.000**

7. Financial assets (continued)

	Registered in	Corporate form	Equity interest %
Subsidiaries			
Noa Noa Sverige AB	Sweden	AB	100
Noa Noa UK Ltd.	UK	Ltd.	100
Noa Noa GmbH	Germany	GmbH	100
Noa Noa Norge AS	Norway	AS	100
NOA NOA Oü	Estonia	Oü	100

8. Share capital

	Number	Par value DKK	Nominal value DKK'000
Shares	18.730.804	1	18.731

9. Long-term debt

	2022			2021
	Short-term part DKK'000	Due 1-5 years DKK'000	Due after 5 years DKK'000	Long-term part DKK'000
Financial loans	10.500	27.443	3.568	28.312
Other payables	10.563	27.443	2.400	2.400
	21.063	**54.885**	**5.968**	**30.712**

Long-term other payables represents payroll taxes and VAT subject to deferred payment plans and frozen holiday pay.
Short-term other payables primarily represent payroll taxes, VAT and holiday pay.

10. Contingent liabilities and security provided

	31.12.2022 DKK'000
Rental and leasing commitments	39.273

	31.12.2022 DKK'000
The carrying amounts of assets provided as colleteral for bank loans are as follows:	
Intangible assets	20.908
Tangible fixed assets	5.631
Investments in subsidiaries	17.900
Non-current other receivables	1.408
Inventory	34.874
Trade receivables	2.790
Other receivables	8.244
	91.755

Accounting policies

The Annual Report of NOA NOA A/S for 2022 has been presented in accordance with the provisions of the Danish Financial Statements Act for enterprises in reporting class C (medium).

CHANGE IN ACCOUNTING FRAMEWORK
The Company has decided to change accounting framework from the International Financial Reporting Standards (IFRS) to the Danish Financial Statements Act with effect from 2022 and with change of comparative figures. In the current situation the key stakeholders of the Company do not require financial reporting based on IFRS and therefore the Company has decided to prepare its financial statements in accordance with the Danish Financial Statements Act.

2021:
The change in accounting framework has had the following impact to the 2021 consolidated and parent financial statements:

Effect 2021:	**Profit/loss for year DKK'000**	**Balance sheet DKK'000**	**Equity DKK'000**
Amount IFRS	-26.959	176.483	11.440
IFRS 16 "Leasing" reversed	-2.728	-63.436	1.032
Other changes	1.097	-4.191	-4.044
Amount Danish Financial Statements Act	**-28.590**	**108.856**	**8.428**

Effect 2022:
It is not possible to quantify the effect the change in accounting framework has had on the 2022 financial statements had the Company continued to apply IFRS in 2022, since the Company has no longer tracked certain items, such as leasing agreements which according to the Danish Financial Statements Act is accounted for as operational leases and hence the leasing obligations are not recognized on the balance sheet and the profit and loss impact is not split into depreciation and interest cost, but rather just reported as an operating expense. The change in accounting framework has resulted in certain calculations etc. are no longer performed and certain data are no longer captured.

However, overall Management assess that the impact to the 2022 result would be quite similar to the impact shown above for 2021 both in the income statement and on the balance sheet.

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 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 unrealized intercompany gains and losses. The consolidated financial statements are based on financial statements prepared in compliance with the Group’s accounting policies.

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 recognized in the income statement as financial income or financial expenses.

Upon consolidation of the underlying financial statements of subsidiaries 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 subsidiaries' 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 recognized directly in equity in a separate foreign currency translation reserve.

INCOME STATEMENT

Net revenue

Revenue from the sale of goods for resale is recognized in the income statement when delivery and transfer of control of a product to the customer have taken place at that 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

Cost of sales comprise costs incurred to achieve the net revenue for the year, including direct and indirect costs of raw materials and consumables.

Other external expenses

Other external expenses include expenses relating to the Group's ordinary activities, including rental and leasing costs, office expenses, marketing, IT and corporate costs, etc. This item also includes realized and allowances for credit losses.

Staff costs

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

Income from investments in subsidiaries

Income from investments in subsidiaries reflects the Parent's share of the results subsidiaries prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Financial income and expenses

Financial income comprises interest income and exchange gains. Financial expenses comprise interest expenses, exchange losses and amortisation of borrowing costs.

Tax

The tax for the year, which consists of the current tax for the year and changes in deferred tax, is recognised in the Income Statement by the share that may be attributed to the profit/loss for the year, and is recognised directly in equity by the share that may be attributed to entries directly in equity.

BALANCE SHEET

Intangible fixed assets

Goodwill is measured at cost less accumulated amortization. Goodwill is amortized on a straight-line basis over the expected useful life which is estimated to 5-10 years. The period of amortization is determined based on an assessment of the acquired entity's position in the market and earnings profile, and any industry-specific conditions.

Acquired rights are measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives. Acquired rights primarily consist of the "Unmade" brand, which is amortized over 10 years. The estimated useful life and amortization 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.

Development projects represent capitalized design costs relating to the fashion design of clothing and accessory collections are capitalized and recognized as an intangible asset. Following initial recognition of the costs as an asset, the asset is carried at cost less any accumulated amortization and accumulated impairment losses. Amortization of the asset begins when the design is complete. It is amortized over the season in which the fashion designs are expected to be available for sale – typically 2 years.

Software primarily relate to the Group's ERP system is measured at cost less accumulated amortization and accumulated impairment losses. Amortization is recognized on a straight-line basis over their estimated useful lives estimated to 7 years. The estimated useful life and amortization 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.

Tangible fixed assets

Other operating equipment is measured at cost less accumulated depreciation and impairment losses.

The depreciation base is cost less estimated residual value after end of useful life.

The cost includes the acquisition price and costs incurred directly in connection with the acquisition until the time when the asset is ready to be used.

Straight-line depreciation is provided on the basis of an assessment of the expected useful lives of the assets and their residual value:

	Useful life	Residual value
Other operating equipment	3-5 years	0
Leasehold improvements	5 years	0

Investment in subsidiaries

Investments in subsidiaries are accounted for using the equity method. The investment is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Parent's share of net assets of the subsidiaries since the acquisition date. Goodwill relating to the subsidiaries are included in the carrying amount of the investment and is not tested for impairment separately.

The financial statements of the subsidiaries are prepared for the same reporting period as the Parent. When necessary, adjustments are made to bring the accounting policies in line with those of the Parent.

Impairment of fixed assets
The carrying amount of intangible fixed and tangible assets together with fixed assets, which are not measured at fair value,, are assessed annually for indications of impairment other than that reflected by amortisation and depreciation.

In the event of impairment indications, an impairment test is made for each asset or group of assets, respectively. If the recoverable amount is lower than the carrying amount, the asset is written down to the recoverable amount.

The recoverable amount is calculated at the higher of the capital value and the sales value less expected costs of a sale. The capital value is determined as the Company's share in the current value of the net cash flows which the subsidiary is expected to generate through its activities and from sale of assets after the end of their useful lives. A discount rate is used which reflects the risk-free market rate and the owners' minimum return on interest requirements for similar assets. The growth rate in the terminal period is determined in accordance with the standards within the industry.

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

Receivables
Receivables are measured at amortized cost which usually corresponds to nominal value. The value is written down to meet expected credit losses.

Prepaid expenses
Prepaid expenses represent payment for costs relating to the subsequent financial years.

Cash
Cash comprises cash in hand and bank deposits.

Tax payable and deferred tax
Current tax liabilities and receivable current tax are recognized in the Balance Sheet as the calculated tax on the taxable income for the year, adjusted for tax on the taxable income for previous years and taxes paid on account.

Deferred tax is measured on the temporary differences between the carrying amount and the tax value of assets and liabilities.

Deferred tax assets, including the tax value of tax loss carryforwards, are measured at the amount at which the asset is expected to be used within a reasonable number of years, either by setoff against tax on future earnings or by setoff against deferred tax liabilities within the same legal tax entity.

Deferred tax is measured on the basis of the tax rules and tax rates that under the legislation in force on the Balance Sheet date will be applicable when the deferred tax is expected to crystalize as current tax. Any changes in the deferred tax resulting from changes in tax rates, are recognized in the income statement, except from items recognized directly in equity.

Loans and borrowings
At the time of borrowing, loans and borrowings are measured at cost which corresponds to the proceeds received less transaction costs incurred. Loans and borrowings are subsequently measured at amortized cost. This means that the difference between the proceeds at the time of borrowing and the nominal repayable amount of the loan is recognized 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 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 financial liabilities are measured at amortized cost, which usually corresponds to nominal value.

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, 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 noncurrent intangible assets, operating 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.