Noa Noa A/S

Krogenbergvej 15 A
Business Registration No: 60 74 62 14

Annual report 2021

The Annual General Meeting adopted the annual report on 18.07.2022

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: 01.01.2021 – 31.12.2021
Phone: +45 36 99 30 00
Internet: www.noanoa.com

Board of Directors

Ivan Bjerg-Larsen, Chairman
Jesper Bjerg-Larsen
Nick Jensen
Christian Hassel

Executive Board

Christian Higraff
Jesper Thorlak

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S, Denmark

Management commentary

Key figures and financial ratios, consolidated

	2021 DKK'000	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000
Key figures					
Revenue	137,458	83,377	123,708	176,011	198,145
Gross profit/loss	76,291	41,725	62,770	98,025	100,580
EBITDA	6,621	(3,288)	5,113	12,062	(28,833)
Operating profit/loss before special items	(17,226)	(26,138)	(15,595)	6,042	(39,924)
Special items etc.	0	6,145	(15,027)	(13,872)	(8,607)
EBIT	(17,226)	(19,993)	(30,623)	(7,830)	(48,531)
Net financials	(9,370)	(7,146)	(11,126)	61,145	(7,902)
Profit/loss for the year	(26,959)	(27,139)	(37,422)	62,720	(60,370)
Total assets	176,483	177,396	188,836	146,834	120,571
Investments in property, plant and equipment	2,336	3,532	599	1,903	641
Equity	11,440	9,655	25,909	33,743	(60,192)
Ratios					
Gross margin (%)	55.5%	50.0%	50.7%	32.0%	15.4%
Net margin (%)	(19.6%)	(32.5%)	(30.3%)	35.6%	(30.5%)
Return on equity (%)	(255.6%)	(152.6%)	(125.6%)	474.3%	(200.6%)
Equity ratio (%)	6.5%	5.4%	13.8%	22.9%	(49.9%)

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 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

The Company's performance and financial progress have not met Management's expectations due to impact caused from the continued Covid-19 pandemic in 2021. Covid-19 has had a very negative impact on both the wholesale and the retail business compared to expectations if the year had not been impacted by Covid-19. The E-commerce and Online business have shown an increase in revenue but not enough to offset the negative variance compared to normalized years in the other sales channels.

Revenue for the financial year 2021 amounted to DKK 137 million compared to 83 million in 2020. Retail revenue amounted to DKK 83 million compared to DKK 55 million in 2020, while wholesale revenue amounted to DKK 15 million compared to DKK 22 million in 2020.

EBITDA for 2021 was a profit of DKK 7 million compared to a loss of DKK 3 million in 2020. Even though EBITDA developed positively, the EBITDA level is far behind the normalized level if 2021 had not been impacted by Covid-19. The negative variance compared to normalized level is a direct consequence of the Covid-19 government-imposed lockdowns in all markets whereby revenue is significantly reduced in own retail shops and wholesale. No employees have been laid-off as a result of Covid-19, and EBITDA thus include full staff costs etc. also for the period where shops were closed. The Group has received government compensation of DKK 4 million partly to fund staff costs and other fixed costs in the periods where the Group has especially impacted by the government-imposed lockdowns.

The consolidated income statement for 2021 shows a net loss of DKK 27 million after tax compared to a net loss of DKK 27 million in 2020.

Shareholders' equity amounts to DKK 11 million at the end of 2021 compared to DKK 10 million at the end of 2020. During 2021, shareholders have provided new equity capital in cash with DKK 30 million. The shareholders' support to Noa Noa has continued in 2022 where shareholders have provided equity capital with additionally DKK 26 million.

In 2020, the Group obtained long-term Covid-19 government supported loans of DKK 10 million and an additional long-term Covid-19 government supported loan of DKK 22 million has been obtained in 2021. In 2021, part of the proceeds received from shareholders has been used to reduce the Group's bank overdraft facility from DKK 30 million to DKK 10 million.

Management commentary (continued)

Development in activities and finances (continued)

With the continued support from the shareholders and the long-term Covid-19 loans, Management has concluded that the Group has a sufficient capital base for the whole of 2022, provided that there will be no further Covid-19 lockdowns or other extreme situations.

Uncertainties and unusual items in the financial statements

The valuation of assets and liabilities have been assessed on the basis that the effects of Covid-19, which have had a substantial negative effect on the 2021 result. It is expected that the negative effects will diminish during 2022, and the Group will return to a more normalized situation from 2023. This assumption is key to support the recoverability of the Group's assets, including brand value, goodwill, capitalized design cost and deferred tax assets.

In addition, it should be noted that no liabilities have been assumed as a direct result of Covid-19. At present, there is still a somewhat higher than normal uncertainty and it is not possible to make a reliable estimate of when the impacts from Covid-19 with changes to the competitive landscape will be fully eliminated and the net sales and operations of the Group will be normalized.

The Group has recognised a deferred tax asset of DKK 18 million from tax losses carried forward which has been unchanged for some years. When originally recognized in 2019 there was an expectation the tax asset would be fully utilised by 2023. However, due to the Covid-19 situation, the Group has incurred losses in 2020-2021 and it has not been possible for the Group to benefit from the deferred tax asset. Management is confindent that the Group will begin to generate profits from 2023 and onwards, and it expects that the deferred tax asset then will be utilized within 3-4 years. On this basis, Management has concluded it is appropriate to retain the deferred tax asset recognised in the past on the balance sheet also at 31 Dec. 2021.

In 2018, the Group bought back Noa Noa Norway, which had been sold to a third party a few years earlier. In connection with the acquisition, the Group recognised goodwill of DKK 4 million. Since the take-over, Group management has initiated multiple restructuring and strategic initiatives, including the opening of two new retail shops in 2022.

The acquisition of Unmade Copenhagen in 2020 with the recognition of brand value of DKK 7 million has contributed positively to all segments in 2021. For the Group's own retail and E-commerce business, the sales of Unmade products contribute with more than 10% of the total sales. Furthermore, the Unmade assortment attracts a new and younger customer group to the shops. Synergies in the Wholesale segment are obvious, as former Unmade customers has decided to try the Noa Noa brand assortment in addition to Unmade. This goes especially for customers in Germany, Sweden and UK.

Management commentary (continued)

Outlook

Based on current performance and expectations for rest of the year Noa Noa A/S expects to realize revenue for 2022 in a range from DKK 190–200 million and a net loss between DKK -10 and -25 million. The changed competitive landscape following the Covid-19 pandemic, combined with the current macro economic uncertainty, however, makes it more difficult to predict the outcome for 2022.

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 2021, 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 2022 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

Financial risks

Given its operations, investments and financing structure, 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 to ensure that currency risks arise only as a result of commercial conditions.

The Group has not applied derivative financial instruments in 2021.

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 2021, the Group employed on average a total of 148 full time people compared to 107 employees in 2020. Most employees work in Noa Noa's own retail shops in Scandinavia.

Events after the balance sheet date

In 2022, the Group has obtained additional equity capital of DKK 26 million and an additional loan of DKK 5 million. In 2022, the Group has continued its expansion strategy and opened additionally 2 retail shops in Norway and expect to open 4-6 additional retail shops in Scandinavia before end of 2022.

Consolidated income statement

	Notes	2021 DKK'000	2020 DKK'000
Revenue	3	137,458	83,377
Cost of sales		(61,167)	(41,652)
Gross profit		**76,291**	**41,725**
Other operating income	3	6,630	11,195
Other external expenses		(23,387)	(18,396)
Staff costs	4	(52,914)	(37,812)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**6,621**	**(3,288)**
Depreciation, amortisation and impairment losses	5	(23,042)	(22,850)
Operating profit/loss before before special items (EBIT before special items)		**(16,421)**	**(26,138)**
Special items	6	0	(855)
Bargain purchase gain	19	0	7,000
Profit/loss before financial income and expenses (EBIT)		**(16,421)**	**(19,993)**
Financial expenses	7	(10,174)	(7,146)
Profit/loss before tax		**(26,595)**	**(27,139)**
Tax on profit/loss for the year	8	(364)	0
Net profit/loss		**(26,959)**	**(27,139)**

Consolidated statement of comprehensive income

	Notes	2021 DKK'000	2020 DKK'000
Profit/loss for the year		**(26,959)**	**(27,139)**
Other comprehensive income/loss			
Items that may subsequently be reclassified to the income statement, when specific conditions are met:			
Currency translation adjustment, foreign subsidiaries		(931)	(412)
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		**(931)**	**(412)**
Total comprehensive income/loss		**(27,890)**	**(27,551)**
Attributable to the owners of the parent company		**(27,890)**	**(27,551)**

Consolidated balance sheet

	Notes	2021 DKK'000	2020 DKK'000
ASSETS			
Capitalised design costs		4,729	3,330
Acquired software		4,264	1,787
Acquired rights		7,115	7,531
Goodwill		4,364	4,364
Non-current intangible assets	9	**20,472**	**17,012**
Other fixtures and fittings, tools and equipment		8,034	7,387
Leasehold improvements		567	780
Right of use assets		63,436	71,823
Non-current tangible assets	10	**72,037**	**79,960**
Other receivables	11	1,971	2,236
Deferred tax assets	8	18,000	18,000
Non-current financial assets		**19,970**	**20,236**
Total non-current assets		**112,479**	**117,208**
Inventories	12	44,052	37,818
Trade receivables	13	8,491	12,901
Other receivables		6,150	3,693
Prepayments		2,365	3,128
Cash		2,945	2,648
Total current assets		**64,004**	**60,188**
Assets		**176,483**	**177,396**

Consolidated balance sheet

	Notes	2021 DKK’000	2020 DKK’000
EQUITY AND LIABILITIES			
Contributed capital	14	7,423	1,846
Currency translation adjustments		(936)	(5)
Retained earnings		4,953	7,814
Equity		**11,440**	**9,655**
Leasing liabilities	15	48,190	60,325
Other financial loans	15	28,313	8,400
Other payables	16	2,400	2,415
Non-current liabilities		**78,903**	**71,140**
Bank overdraft		9,239	0
Leasing liabilities	15	16,278	15,258
Other financial loans	15	5,663	30,030
Loan shareholders	21	19,680	0
Trade payables	15	26,010	43,467
Other payables	16	9,270	7,846
Current liabilities		**86,140**	**96,601**
Liabilities		**165,043**	**167,741**
Equity and liabilities		**176,483**	**177,396**

Consolidated cash flow statement

	Notes	31.12.21 DKK'000	31.12.20 DKK'000
Profit/loss before financial income and expenses (EBIT)		(16,421)	(19,993)
Depreciation, amortisation and impairment losses		23,042	22,850
Other non-cash items		(5,144)	1,263
Bargain purchase gain	19	0	(7,000)
Working capital changes	17	(19,298)	8,433
Cash flows from operating activities, before tax		**(17,821)**	**5,553**
Taxes refunded/(paid)		(364)	0
Cash flows from operating activities, net		**(18,185)**	**5,553**
Business acquisition	19	0	(10,463)
Purchase of intangible assets		(6,343)	(3,260)
Purchase of tangible assets		(2,336)	(3,532)
Cash flows to/from investing activities		**(8,679)**	**(17,255)**
Increase in share capital in cash	14	29,675	11,300
Proceeds from loans and borrowings	15	47,656	21,708
Repayment of loans and borrowings	15	(20,791)	0
Repayment of lease liabilities	15	(21,534)	(16,019)
Interest expenses paid		(7,845)	(7,146)
Cash flows to/from financing activities		**27,161**	**9,843**
Cash flows for the year		297	**(1,859)**
Cash 1 January		2.648	4,507
Cash 31 December		**2.945**	**2,648**

Consolidated statement of changes in equity

	Contributed capital DKK'000	Currency translation adjustment DKK'000	Retained earnings DKK'000	Total DKK'000
Equity 1 January 2021	**1,846**	**(5)**	**7,814**	**9,655**
Profit/loss for the year	0	0	(26,959)	(26,959)
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	(931)	0	(931)
Total comprehensive income	**0**	**(931)**	**(26,959)**	**(27,890)**
Capital increases in cash	5,577	0	24,098	29,675
Equity 31 December 2021	**7,423**	**(936)**	**4,953**	**11,440**
Equity 1 January 2020	**1,689**	**407**	**23,810**	**25,906**
Profit/loss for the year	0	0	(27,139)	(27,139)
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	(412)	0	(412)
Total comprehensive income	**0**	**(412)**	**(27,139)**	**(27,551)**
Capital increases in cash	157	0	11,143	**11,300**
Equity 31 December 2020	**1,846**	**(5)**	**7,814**	**9,655**

Consolidated financial statements

Overview of notes

Notes to consolidated financial statements

1. Significant accounting estimates and judgements

As part of the preparation of the consolidated financial statements, Management makes a number of accounting estimates and judgements as well as assumptions as a basis for recognising and measuring the Group's assets, liabilities, income and expenses. The estimates, judgements and assumptions made are based on experience gained and other factors that are considered prudent by Management in the circumstances, but which are inherently subject to uncertainty and volatility. The assumptions may be incomplete or inaccurate, and unforeseen events or circumstances may occur for which reason the actual results may differ from the estimates and judgements made. The Group's accounting policies are described in detail in note 23 to the consolidated financial statements.

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

Return to a normalised situation

The valuation of assets and liabilities have been assessed on the basis that the effects of Covid-19, which have had a substantial negative effect on both the 2020 and 2021 results, will diminish in 2022, and the Group will return to a normalized situation from 2023, which has been considered an appropriate and achievable assumption to support the recoverability of the Group’s assets, especially its intangible assets such as brand value, goodwill and capitalized design cost, but also the deferred tax asset, which valutation is dependent on the Group already in the mid-term will become profitable. No direct obligations or liabilities as a direct result of the Covid-19 pandemichave been assumed. At present, however, there is still a higher than normal uncertainty and it is not possible to make a reliable estimate of when the impacts from Covid-19 – with changes to the competitive landscape combined with the macro-economic uncertainties that have started in 2022 - will be fully 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, in the worst case, may be significant.

Deferred tax

Deferred tax assets are recognised for unutilised tax loss carry forwards to the extent it is considered likely that the losses can be offset against taxable income in the foreseeable future. The amount recognised for deferred tax assets is based on budgets and forecast for the foreseeable future as defined in the Group’s strategy plans – and where foreseeable future is defined as the next 4 years from the balance sheet date - and an assessment of the expected future utilisation of the Group’s tax loss carry forwards. The value of deferred tax assets of DKK 18 million remain unchanged since 2019. When originally recognized in 2019 there was an expectation the tax asset would be fully utilised by 2023. However, due to the Covid-19 situation, the Group has incurred losses in 2020-2021 and it has not been possible for the Group to benefit from the deferred tax asset.

Notes to consolidated financial statements

1. Significant accounting estimates and judgements (continued)

Deferred tax (continued)

Management is confindent that the Group will begin to generate profits from 2023 and onwards, and it expects that the deferred tax asset then will be utilized within 4 years. On this basis, Management has concluded it is appropriate to retain the deferred tax asset recognised in the past on the balance sheet at 31 Dec. 2021.

Impairment testing of goodwill

Goodwill related to the acquisition of Noa Noa AS (Norway) in June 2018 is subject to a yearly impairment test. As further outlined in note 10, Management has assessed the recoverability of the goodwill and determined that the goodwill is not impaired. Since the take-over, the Norwegian business has not yet been profitable; in 2021, primarily due to the Covid-19 pandemic. However, since the take-over Group management has initiated multiple restructuring and strategic initiatives, whereby Group management is confident that the Norwegian business will become profitable already from 2022, and thereby supporting that the recoverable amount exceeds the book value.

Impairment testing of brand value

The Group acquired Unmade Copenhagen in 2020 and recognized brand value of DKK 7 million, which is amortised over 10 years. For the Group's own retail and E-commerce business, the sales of Unmade products contribute with more than 10% of the total sales and is such contributing positively to the Group's operations and earnings, and Group management has concluded that the recoverable amount of the Unmade brand exceeds the book value at 31 Dec. 2021.

Determining the lease term of leasehold contracts subject to IFRS 16 accounting

The Group determines the lease term as the non-cancellable term together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised. In addition, the Group has numerous short-term leases with a non-cancellable lease term of less than 12 months. With due consideration to the Group's location plans and strategy, the Group will normally apply a 5-year expected term for such leases when calculating the value of right-of-use assets and leasing liabilities.

Notes to consolidated financial statements

1. Significant accounting estimates and judgements (continued)

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. These estimates depend upon subjective judgements, 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. Experience has shown that sales through campaigns, outlet shops or through brokers take place at sales prices in excess of the cost prices, and hence provisions have normally not been recognized in the past. However, the Covid-19 pandemic has changed the competigive landscape considerably resulting in lower sales prices, and hence, Group management has determined that there is an increased risk that some parts of inventory will be at prices below the cost prices, and Group management has recognized a write down of DKK 3 million at 31 Dec. 2021 to cover the risk of having loss making sales (2020: DKK 0).

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 contributions from the shareholders and additional funding from long-term loans.

Group management has seen a continued strong support from its shareholders. In 2020, the Group obtained equity funding of DKK 11 million, and in 2021, the Group has obtained additional equity funding of DKK 30 million, and also in 2022 the shareholders have contributed additional equity capital of DKK 26 million.

In addition to providing equity capital, the shareholders have provided loans of DKK 20 million, of which DKK 6 million is part of the equity contribution in 2022. The remaining shareholder loans of DKK 14 million has no fixed repayment date and is as such presented as short-term debt, but repayment will only take place if the Group has sufficient surplus cash.

In 2020, the Group obtained long-term Covid-19 loan of DKK 10 million, and in 2021, the Group has obtained additional long-term loans of DKK 22 million, and in 2022 an additional loan of DKK 5 million has been obtained.

At 31 Dec. 2020, the Group had a bank overdraft facility of DKK 30 million of which DKK 28 million was utilised at 31 Dec. 2020. The facility has been reduced to DKK 10 million in 2021 of which DKK 9 million was utilised at 31 Dec. 2021. The facility was renewed in June 2022.

Notes to consolidated financial statements

2. Going concern (continued)
With the continued support and funding from the shareholders and the funding from the long-term loans, Management has concluded that the Group has a sufficient capital base for the whole of 2022, and there is currently no plans to seek additional funding from either the shareholders or third party lenders, provided that there will be no further Covid-19 lockdowns or other extreme situations.

Accordingly, 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.

	2021 DKK'000	2020 DKK'000
3. Revenue and Other Operating income		
Revenue		
Retail	83,208	55,426
Wholesale	14,697	21,732
E-commerce	39,553	6,219
	137,458	**83,377**
Denmark	109,859	53,321
Other Europe	27,599	30,056
	137,458	**83,377**
Other Operating income		
Government relief packages	3,720	9,841
Gain from sale of leasehold rights	1,559	0
Rental income	1,351	1,131
Other	0	223
	6,630	**11,195**

Notes to consolidated financial statements

4. Staff costs

Salaries and wages	53,506	38,134
Pension contributions	2,736	2,040
Other social security costs	693	499
Other staff costs	2,322	1,958
	59,257	**42,631**
Transferred to capitalised design cost and software (Note 10)	(6,343)	(4,264)
Transfer to special items (Note 6)	0	(555)
	52,914	**37,812**
Average number of employees	148	107

	Remunera-tion of Management 2021 DKK'000	Remunera-tion of Management 2020 DKK'000
Total amount for the Executive Board*	3,925	2,858
	3,925	**2,858**

* In 2021, the total remuneration to the Executive Board includes remuneration to two members of the Executive Board. In 2020 this included two members of the Executive Board, though of which one member entered the Executive Board in June 2020.

The Board of Directors did not receive any remuneration in 2020 and 2021.

Share-based payments

Noa Noa A/S has established a warrant scheme aimed at certain Executive officers in the Group. In so far, all warrants are granted, each warrant holder will become entitled to subscribe shares in the 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 has been estimated to be close to DKK 0, hence no expense has been recognised in the past or in the current year financial statements. The total warrants program covers 150,000 warrants of which 110,000 warrants have been granted and are outstanding as of 31 December 2021 and 2020. No new warrants have been issued or granted in 2021 and no warrants have expired or been terminated in 2021.

Notes to consolidated financial statements

4. Staff costs (continued)

Warrants outstanding at 31 December 2021	Number of warrants	Strike price per warrant DKK
Granted November 2018	5,500	36
Granted June 2019	13,500	36
Granted June 2020	91,000	36
	110,000	**36**

	2021 DKK'000	2020 DKK'000
5. Amortisation and depreciation		
Amortisation, intangible assets	2,563	4,350
Depreciation, other fixtures and fitting, tools and equipmen	797	781
Depreciation, leasehold improvements	201	199
Depreciation, right of use assets	19,481	17,520
	23,042	**22,850**

	2021 DKK'000	2020 DKK'000
6. Special items		
Severance pay	0	555
Other non-recurring items	0	300
	0	**855**

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

Other external expenses	0	300
Staff costs	0	555
	0	**855**

Notes to consolidated financial statements

	2021 DKK’000	2020 DKK’000
7. Financial expenses		
Interest expenses	4,813	3,895
Interest expenses, leasing liabilities	2,978	3,207
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	**7,791**	**7,102**
Exchange rate losses	2,329	0
Other financial expenses	54	44
Total financial expenses	**10,538**	**7,146**

Notes to consolidated financial statements

	2021 DKK’000	2020 DKK’000
8. Tax on profit/loss for the year		
Current tax	0	0
Changes in deferred tax	0	0
Income tax foreign subsidiaries	(364)	0
	(364)	**0**

	2021 DKK’000	2020 DKK’000
Tax calculated as 22% of profit/loss before tax	5,931	5,971
Non-deductible expenses and non-taxable income	65	(2,703)
Change in allowance for deferred tax assets	(6,360)	(8,674)
	(364)	**0**
Effective tax rate	1%	0%

Notes to consolidated financial statements

8. Tax on profit/loss for the year (continued)

As described in note 1, the value of deferred tax assets of DKK 18 million remain unchanged since 2019. When originally recognized in 2019 there was an expectation the tax asset would be fully utilised by 2023. However, due to the Covid-19 situation, the Group has incurred losses in 2020-2021 and it has not yet been possible for the Group to benefit from the deferred tax asset.

Management is confindent that the Group will begin to generate profits from 2023 and onwards, and it expects that the deferred tax asset then will be utilized within 4 years. On this basis, Management has concluded it is appropriate to retain the deferred tax asset recognised in the past on the balance sheet at 31 Dec. 2021.

In addition to the deferred tax assets recognised on the balance sheet, the Group has unrecognised deferred tax assets from tax loss carry forwards and other temporary differences with a tax value of DKK 33 million as of 31 December 2021 (2020: DKK 27 million).

Notes to consolidated financial statements

9. Intangible assets

2021	Capitalised design costs DKK'000	Software DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost 1 January	9,899	1,791	47,941	6,672
Additions	3,542	2,801	0	0
Disposal	0	0	(464)	0
Cost 31 December	**13,441**	**4,592**	**47,477**	**6,672**
Amortisation and impairment losses 1 January	(6,569)	(4)	(40,410)	(2,308)
Amortisation for the year	(2,143)	(324)	(96)	0
Reversal related to disposals	0	0	48	0
Amortisation and impairment losses 31 December	**(8,712)**	**(328)**	**(40,362)**	**(2,308)**
Carrying amount 31 December	**4,729**	**4,264**	**7,115**	**4,364**

2020	Capitalised design costs DKK'000	Software DKK'000	Acquired rights DKK'000	Goodwill DKK'000
Cost 1 January	6,941	139	40,579	7,002
Additions	2,958	1,652	7,362	0
Disposal	0	0	0	(330)
Cost 31 December	**9,899**	**1,791**	**47,941**	**6,672**
Amortisation and impairment losses 1 January	(2,519)	0	(40,114)	(2,308)
Amortisation for the year	(4,050)	(4)	(296)	0
Amortisation and impairment losses 31 December	**(6,569)**	**(4)**	**(40,410)**	**(2,308)**
Carrying amount 31 December	**3,330**	**1,787**	**7,531**	**4,364**

Notes to consolidated financial statements

10. Tangible assets

2021	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost 1 January	26,436	21,623
Additions	2,300	36
Disposals	(5,981)	(3,381)
Cost 31 December	**22,755**	**18,278**
Depreciation and impairment losses 1 January	(19,049)	(20,873)
Depreciation for the year	(797)	(201)
Reversal related to disposals	5,125	3,363
Depreciation and impairment losses 31 December	**(14,721)**	**(17,711)**
Carrying amount 31 December	**8,034**	**567**

2020	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost 1 January	23,796	21,589
Additions	2,640	34
Cost 31 December	**26,436**	**21,623**
Depreciation and impairment losses 1 January	(18,268)	(20,674)
Depreciation for the year	(781)	(199)
Depreciation and impairment losses 31 December	**(19,049)**	**(20,873)**
Carrying amount 31 December	**7,387**	**750**

Notes to consolidated financial statements

10. Tangible assets (continued)

2021	Right of use asset DKK'000
Cost at 1 January	106,943
Additions	10,915
Disposals	(2,904)
Remeasurement adjustment	2,406
Cost at 31 December	**117,360**
Depreciation and impairment losses at 1 January	(35,120)
Depreciation for the year	(19,481)
Disposals	1,694
Remeasurement adjustment	(1,017)
Depreciation and impairment losses at 31 December	**(53,924)**
Carrying amount at 31 December	**63,436**

2020	Right of use asset DKK'000
Cost at 1 January	115,371
Remeasuring adjustment	(12,164)
Additions	5,845
Disposals	(2,109)
Cost at 31 December	**106,943**
Depreciation and impairment losses at 1 January	(17,616)
Depreciation for the year	(17,504)
Depreciation and impairment losses at 31 December	**(35,120)**
Carrying amount at 31 December	**71,823**

Notes to consolidated financial statements

11. Financial assets

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

2021	**Other receivables DKK'000**
Cost 1 January	2,236
Additions	224
Disposals	(489)
Cost 31 December	**1,971**
Carrying amount 31 December	**1,971**

2020	**Other receivables DKK'000**
Cost 1 January	2,053
Additions	183
Cost 31 December	**2,236**
Carrying amount 31 December	**2,236**

Notes to consolidated financial statements

12. Inventories	31.12.21 DKK'000	13.12.20 DKK'000
Goods for resale	44,052	37,818
	44,052	**37,818**

The cost of inventories recognised as an expense during the year was DKK 61 million (2020: DKK 42 million). See note 1 of the consolidated financial statements for further information of how Management determines writedowns for obsolete and slow-moving inventory.

13. Trade receivables	31.12.21 DKK´000	31.12.20 DKK´000
Trade receivables	15,815	18,912
Loss allowance	(7,324)	(6,011)
	8,491	**12,901**

	2021 DKK´000	2020 DKK´000
Loss allowance beginning of the year	6,001	5,441
Charged to profit/loss during the year	1,313	570
Loss allowance, year-end	**7,324**	**6,011**

		Days past due			
31.12.2021	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	6%	10%	77%	9%	80%
Trade receivables (gross)	5,847	1,103	52	396	8,417
Loss allowance	(369)	(130)	(40)	(35)	(6,750)
Trade receivables (net)	**5,478**	**973**	**12**	**361**	**1,667**

		Days past due			
31.12.2020	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	0%	7%	80%	40%	65%
Trade receivables (gross)	8,507	1,322	148	71	8,864
Loss allowance	0	(96)	(119)	(29)	(5,767)
Trade receivables (net)	**8,507**	**1,226**	**29**	**42**	**3,097**

* The expected credit loss rate is the average expected credit loss rate based on an individual assessment of the receivables.

Notes to consolidated financial statements

14. Contributed capital

	Number	Par value DKK'000	Nominal value DKK'000
Shares	7,423,132	1	7,423,132

The share capital comprises 7,423,132 shares of DKK 1 each (2020: 1,845,835). No shares carry any special rights.

In 2021, the share capital was increased by nominal DKK 5,577,297, with a premium of DKK 4,097,704. No dividend is proposed for 2021 (2020: DKK nil)

Capital structure

The Group and its majority shareholder manage the capital structure, currently especially 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 2022. See note 2 for further information.

15. Financial liabilities

Changes in financial liabilities:

DKK'000	01.01.2021	Proceeds from loans and borrowings	Repayment of loans and borrowings	New leasing contracts	Other non-cash movements	31.12.2021
Leasing liabilities	75,583	-	(21,534)	11,645	(1,226)	64,468
Bank loans	28,430	-	(19,191)	-	-	9,239
Loan shareholders	0	19,680	-	-	-	19,680
Covid 19 loans	10,000	19,575	(1,600)	-	-	27,975
Other loans	0	6,001	-	-	-	6,001
	114,013	**47,656**	**(42,325)**	**11,645**	**(1,226)**	**127,363**

Notes to consolidated financial statements

15. Financial liabilities (continued)

	Carrying amount		Fair value	
DKK'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Leasing liabilities				
Is due as follows:				
Within year 1	16,278	15,258	16,278	15,258
From 1 – 5 years	35,065	44,392	35,065	44,392
After 5 years	13,125	15,933	13,125	15,933
Total	**64,468**	**75,583**	**64,468**	**75,583**
Bank loans				
Is due as follows:				
Within year 1	9,239	28,430	9,239	28,430
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**9,239**	**28,430**	**9,239**	**28,430**
Other financial loans (COVID-19 loans)				
Is due as follows:				
Within year 1	5,500	1,600	5,500	1,600
From 1 – 5 years	22,000	6,400	22,000	6,400
After 5 years	475	2,000	475	2,000
Total	**27,975**	**10,000**	**27,975**	**10,000**
Other financial loans				
Is due as follows:				
Within year 1	163	0	163	0
From 1 – 5 years	5,337	0	5,337	0
After 5 years	501	0	501	0
Total	**6,001**	**0**	**6,001**	**0**

Notes to consolidated financial statements

15. Financial liabilities (continued)

	Carrying amount		Fair value	
DKK'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Loan shareholders				
Is due as follows:				
Within year 1	19,680	0	19,680	0
Total	**19,680**	**0**	**19,680**	0

Trade payables				
Is due as follows:				
Within year 1	26,010	43,467	26,010	43,467
Total	**26,010**	**43,467**	**26,010**	**43,467**

Fair value for bank loans, lease liabilities, other loans, loans shareholders and trade payables are measured by level 3 input (inputs other than quoted markets that are observable) from the fair value hierarchy. Fair value of liabilities does not take the credit risk on the Group into consideration. Floating charge with a total amount of DKK 50 million is provided as colleteral for bank loans (overdraft facility) as of 31 December 2021. Reference is made to note 18 in parent financial statements with respect to carrying value of the items covered by the floating charge.

16. Other payables

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

17. Changes in working capital	**31.12.21 DKK'000**	**31.12.20 DKK'000**
Change in inventories	(6,234)	(5,501)
Change in receivables	2,981	5,715
Change in payables	(16,045)	8,219
Changes in working capital total	**(19,298)**	**8,433**

Notes to consolidated financial statements

18. Contingent liabilities

The parent company has been part of a joint taxation scheme with Styleco ApS as the Administration company. The joint taxation ceased in 2021, but for the period until then the parent company is jointly and several liable with Styleco ApS for payments of corporate taxes as well as any taxes on interests, royalties and dividends.

As part of its ongoing business, the Group is involved in a few legal cases at 31 Dec. 2021 where claims have been raised against the Group. The claims have been rejected and none of the claims are significant in regards to the Group's financial position as at 31 Dec. 2021.

19. Business combinations

The Group has not made any business acquisitions in 2021.

In 2020, Noa Noa A/S acquired the "Unmade" business at 30 June 2020. The transaction was executed as a net asset transaction where Noa Noa A/S acquired assets and liabilities, including employees. The purchase price equaled DKK 10 million, which has been allocated to identifiable assets and liabilities as follows:

	2020 DKK'000
Brand	6,980
Inventories	9,320
Property, plant & equipment	345
Receivables	1,128
Other payables	(310)
Net assets acquired	**17,463**
Bargain purchase gain arising	7,000
Purchase consideration	**10,463**
Cash flow effect	**10,463**

Of the Group's 2020 revenue of DKK 83 million, DKK 10 million derived from the acquired Unmade business. Of the Group's EBIT of DKK (20) million, DKK 3 million derives from the Unmade business. Had the Unmade business been owned from 1 January 2020, the Group estimates that the Unmade business would have contributed with full-year 2020 revenue of approx. DKK 16 milllion and a full-year EBIT of DKK 5 million.

Only insignificant costs were incurred in connection with the acquisition.

The Group recognised brand value of DKK 7 million related to the Unmade brand. Unmade is a Danish brand established in Spring 2016 through a desire to create accessories that inspire and complement women.

Notes to consolidated financial statements

19. Business combinations (continued)

The collections represent a selection of scarves, bags-both textile and leather, shoes, socks, gloves, hats, kimonos, skirts and dresses. The Unmade brand was acquired to supplement Noa Noa's existing portfolio of brands and is as such assessed to have significant positive impact on the whole Noa Noa business.

The brand relate to the "Unmade" name, and the fair value was determined based on the Relief from the Royalty Method and represent the present value of forecasted sales for 10 years and using a royalty rate of 7,5% p.a, a discount rate of 10% p.a. (being the Group's general IRR) and a tax rate of 22%. The forecasted sales were based on the sales forecast for 2021. No growth was applied in the 10-year forecast period rather than increasing the discount rate resulting from the inherent uncertainty in forecasting future sales. The calculated fair value has been increased with a tax amortisation benefit factor of 1.16. The related deferred tax of DKK 2 million has not been recognized on the balance sheet as it does not impact the measurement of the tax loss carry forwards expected to be utilized in the foreseeable future as further described in note 8. In stead the related deferred tax has reduced the unrecognized deferred tax asset as disclosed in note 8.

The identification and the recognition of the brand value and the fair values for the other identifiable assets and liabilities resulted in a negative goodwill of DKK 7 million which in accordance with IFRS 3 was recognised in the consolidated income statement as a bargain purchase gain.

20. Financial risks and financial instruments

	31.12.21 DKK'000	**31.12.20 DKK'000**
Categories of financial instruments		
Trade receivables	8,491	9,901
Other receivables	8,121	8,929
Cash	2,945	2,648
Loan and receivables measured at amortised cost	**19,557**	**21,478**
Leasing liabilities	64,468	75,583
Other financial loans	33,976	38,430
Bank overdraft	9,239	0
Trade payables	26,010	43,467
Financial liabilities measured at amortised cost	**133,693**	**157,480**

Notes to consolidated financial statements

20. 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. Interest rates are fixed on a normal short-term variable market conform basis. An increase in the interest rate of 1 percentage point on financial liabilities would reduce net profit/loss and equity by approximately DKK 0,4 million (2020: DKK 0,4 million).

Liquidity risks

The Group ensures sufficient liquidity resources through a combination of liquidity management and the establishment of credit facilities, primarily through loans. In addition, shareholders have continously provided equity contributions.

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

	2021 DKK'000	2020 DKK'000
Leasing liabilities	64,468	75,583
Other financial loans	33,976	38,430
Bank overdraft	9,239	0
Trade payables	26,010	43,467
Total financial liabilities	**133,693**	**157,480**

In 2022, the Group has obtained additional equity capital of DKK 26 million and an additional loan of DKK 5 million.

Credit risk

Noa Noa is exposed to credit risk from trading partners and customers. Credit risk is reduced by only entering into transactions or arrangements with counterparties that have a satisfactory credit quality. Furthermore, maximum credit limits for counterparties apply. The Group has no material risks relating to an individual customer or business partner. The Group's policy for accepting credit risks means that all major customers and other partners are credit rated continuously. The Group's credit risk is related to accounts receivable, other receivables and cash. The maximum credit risk related to financial assets corresponds to the balance sheet values recognised. Significant outstanding and overdue balances are reviewed on a regular basis and resulting actions are put in place as considered appropriate and relevant in the circumstances.

Notes to consolidated financial statements

20. Financial risks and financial instruments (continued)

Foreign exchange rate risk

Due to its international structure and presence, the groups results are affected by exchange rate movements in multiple currencies, primarily EUR, USD, SEK, NOK 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. At the end of the financial year the Group had no open forward exchange contracts.

The exchange rate exposure relating to net investments in foreign subsidiaries is not hedged.

21. Related parties

Related parties with a controlling interest:

No shareholders have controlling interest as at 31 Dec. 2021. At 31 Dec. 2020, Styleco ApS had a controlling shareholding with a 63% ownership share with Greystone Special Situations Fund K/S at the ultimate controlling shareholder.

Other related parties:

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.

Related party transactions:

No remuneration has been paid to the Board of Directors in 2021 and 2020. Remuneration to the the Executive Board appears from note 4.

In 2021 and 2020, the shareholders have provided funding, which is partly intially provided as intermediate financing and which is then subsequently converted into equity. At 31 Dec. 2021, shareholders have provided loans of DKK 20 million, of which DKK 6 million has been converted to equity in 2022. No repayment date has been fixed for the remaining debt of DKK 14 million.

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

22. Events after the balance sheet date

In 2022, the Group has obtained additional equity capital of DKK 26 million and an additional loan of DKK 5 million. In 2022, the Group has continued its expansion strategy and opened additionally 2 retail shops in Norway. 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

23. 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.

Changes in accounting presentation

The Company has changed its classification of certain expense items. Comparative figures have been adjusted accordingly. The changes have not had impact on the profit/loss for the year or prior year.

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. The accounting policies described below have been applied consistently throughout the financial year.

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

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.

Notes to consolidated financial statements

23. Accounting policies (continued)

Business combinations (continued)

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 (purchase bargain gains) 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.

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.

Notes to consolidated financial statements

23. Accounting policies (continued)

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.

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

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

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

Notes to consolidated financial statements

Depreciation, amortisation and impairment losses

Comprise amortisation and impairment losses relating to intangible assets and depreciation and impairment losses related to tangible assets for the financial year, calculated on the basis of the residual values and useful lives of the individual assets and impairment testing.

Special items

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

Financial income

Financial income comprises interest income and exchange gains.

Financial expenses

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

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 tested for impairment at least once a year.

Notes to consolidated financial statements

23. Accounting policies (continued)

Acquired rights

Acquired rights are measured at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives. Acquired rights primarily consist of the "Unmade" brand, which is amortised over 10 years. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis.

Capitalised design costs

Costs incurred related to the fashion design of clothing and accessory collections are capitalised and recognised as an intangible asset. Following initial recognition of the costs as an asset, the asset is carried at cost less any accumulated amortisation and accumulated impairment losses. Amortisation of the asset begins when the design is complete. It is amortised over the season in which the fashion designs are expected to be available for sale – typically 2 years.

Software

Software 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.

Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Land is not depreciated. 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 de-preciation is made on the basis of the following estimated useful lives of the assets:

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 income or expenses or Special items depending on the nature of the disposal.

Notes to consolidated financial statements

23. Accounting policies (continued)

Leases

A lease asset and a lease liability are recognised in the balance sheet when a right-of-use lease asset is transferred to the Group or the parent company for the term of the lease pursuant to a concluded lease agreement and the Group or the parent obtains the right to substantially all of the economic benefits from the use of the identifiable asset and the right to control the use of the identifiable asset.

On initial recognition, lease liabilities are measured at the present value of the future lease payments, discounted using an alternative interest rate.

The lease liability is measured at amortised cost using the effective interest rate method. The lease liability is re-measured when there is a change in the underlying contractual cash flows due to changes in an index or an interest rate, if there is a change to the estimate of a residual value guarantee, or if there is a change to the assessment as to whether it is reasonably certain that a purchase option, an extension option or a termination option will be exercised.

On initial recognition, the right-of-use asset is measured at cost, corresponding to the value of the lease liability adjusted for prepaid lease payments plus any initial direct costs and estimated costs for dismantling, removing and restoring or similar and less any discounts or other types of incentive payments granted by the lessor.

On subsequent recognition, the asset is measured at cost less any accumulated depreciation and impairment. The right-of-use asset is depreciated over the shorter of the lease term and the useful life of the underlying asset. Depreciation charges are recognised in the income statement on a straight-line basis over the estimated lease term.

The right-of-use asset is adjusted for any changes in the lease liability due to changes in the lease terms or changes in the contractual cash flows as a result of changes in an index or an interest rate.

The lease asset and the lease liability are presented separately by the Group and the parent company in the balance sheet.

The Group and the parent company have elected not to recognise right-of-use assets for low value leases.

Notes to consolidated financial statements

23. Accounting policies (continued)

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.

Cash

Cash comprises cash in hand and bank deposits.

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 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.

Notes to consolidated financial statements

23. Accounting policies (continued)

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.

24. New standards

The IASB has not issued any new standards og interpretations of significant importance for Noa Noa A/S' consolidated financial statements that must be implemented by the Group for financial years beginning on or after 1 January 2022.

Parent income statement

	Notes	2021 DKK'000	2020 DKK'000
Revenue	1	102,536	73,573
Cost of sales		(56,284)	(42,750)
Gross profit		**46,252**	**30,823**
Other operating income	1	2,859	17,812
Other external expenses		(17,609)	(14,548)
Staff costs	2	(36,929)	(29,028)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**(5,427)**	**5,059**
Depreciation, amortisation and impairment losses	3	(16,518)	(15,598)
Operating profit/loss before special items (EBIT before special items)		**(21,945)**	**(10,539)**
Special items	4	0	(855)
Bargain purchase gain	5	0	7,000
Profit/loss before financial income and expenses (EBIT)		**(21,945)**	**(4,394)**
Loss from investments in subsidiaries and loss allowance for receivables from subsidiaries/2021: reversal of impairment loss	6	3,328	(24,520)
Financial expenses	7	(9,853)	(5,035)
Profit/loss before tax		**(28,470)**	**(33,949)**
Tax on profit/loss for the year	8	0	0
Net profit/loss for the year		**(28,470)**	**(33,949)**

Parent statement of comprehensive income

	Notes	2021 DKK'000	2020 DKK'000
Profit/loss for the year		**(28,470)**	**(33,949)**
Other comprehensive income/loss after tax		**0**	**0**
Total comprehensive income/loss		**(28,470)**	**(33,949)**

Parent balance sheet

	Notes	31.12.2021 DKK'000	31.12.2020 DKK'000
ASSETS			
Capitalised design costs		4,729	3,330
Software		4,491	1,787
Acquired rights		7,060	7,531
Non-current intangible assets	9	**16,280**	**12,648**
Other fixtures and fittings, tools and equipment		5,553	6,530
Leasehold improvements		567	750
Right of use assets		49,372	53,063
Non-current tangible assets	10	**55,492**	**60,343**
Investments in subsidiaries	11	20,422	15,140
Other receivables	11	1,466	1,823
Deferred tax assets		15,000	15,000
Non-current financial assets	11	**36,888**	**31,963**
Total non-current assets		**108,660**	**104,461**
Inventories	12	36,232	31,331
Trade receivables	13	5,074	6,212
Receivables from group companies	13	8,063	8,001
Other receivables		5,371	2,782
Prepayments		2,278	3,206
Cash		1,039	1,229
Total current assets		**58,057**	**52,761**
Assets		**166,717**	**157,715**

Parent balance sheet

	Notes	31.12.2021 DKK'000	31.12.2020 DKK'000
EQUITY AND LIABILITIES			
Contributed capital		7,423	1,846
Reserve for capitalised design cost		3,689	2,597
Retained earnings		(252)	5,212
Equity		**11,364**	**9,655**
Leasing liabilities	14	39,273	46,959
Other financial loans	14	28,313	8,400
Other payables	15	2,400	2,415
Non-current liabilities		**69,986**	**57,774**
Leasing liabilities	14	9,617	9,018
Bank overdraft	14	9,239	0
Other financial loans	14	5,663	30,030
Trade payables	14	23,198	39,920
Payables to group companies		8,337	1,981
Loan shareholders		19,680	0
Other payables	15	9,633	9,337
Current liabilities		**85,367**	**90,286**
Liabilities		**155,353**	**148,060**
Equity and liabilities		**166,717**	**157,715**

Parent cash flow statement

	Notes	2021 DKK'000	2020 DKK'000
Profit/loss before financial income and expenses (EBIT)		(21,945)	(4,394)
Depreciation, amortisation and impairment losses		16,518	15,598
Other non-cash items		(4,052)	(1,449)
Bargain purchase gain	5	0	(7,000)
Working capital changes	16	(15,214)	11,252
Cash flows from operating activities		**(24,693)**	**14,007**
Business acquisition		0	(10,463)
Purchase of intangible assets		(6,570)	(3,216)
Purchase of tangible assets		(712)	(1,322)
Investments in subsidiaries		0	(15,923)
Cash flows to/from investing activities		**(7,282)**	**(30,924)**
Increase in share capital in cash		29,675	11,300
Proceeds from loans and borrowings	14	45,256	21,708
Repayment of loans and borrowings	14	(20,791)	0
Repayment of leasing liabilities	14	(14,650)	(11,625)
Interest expenses paid		(7,705)	(5,094)
Cash flows to/from financing activities		**31,785**	**16,289**
Cash flows for the year		**(190)**	**(626)**
Cash 1 January		1,229	1,854
Cash 31 December		**1,039**	**1,229**

Parent statement of changes in equity

	Contributed capital DKK'000	Reserve for capitalised design costs DKK'000	Retained earnings DKK'000	Total DKK'000
Equity 1 January 2021	**1,846**	**2,597**	**5,212**	**9,655**
Profit/loss for the year	0	0	(28,470)	(28,470)
Transferred to reserves, design costs	0	3,234	(3,234)	0
Depreciation, design costs	0	(2,142)	2,142	0
Tax effect	0	0	0	0
Total comprehensive income	**0**	**1,092**	**(29,562)**	**(28,470)**
Capital increases in cash	5,577	0	24,098	29,675
Equity 31 December 2021	**7,423**	**3,689**	**(252)**	**11,364**
Equity 1 January 2020	**1,689**	**3,449**	**27,166**	**32,304**
Profit/loss for the year	0	0	(33,949)	(33,949)
Transferred to reserves, design costs	0	2,914	(2,914)	0
Depreciation, design costs	0	(4,006)	4,006	0
Tax effect	0	240	(240)	0
Total comprehensive income	**0**	**(852)**	**(33,097)**	**(33,949)**
Capital increases in cash	157	0	11,143	11,300
Equity 31 December 2020	**1,846**	**2,597**	**5,212**	**9,655**

Parent financial statements

Overview of notes

Notes

	2021 DKK'000	2020 DKK'000
1. Revenue and Other Operating income		
Revenue		
Retail	48,038	34,825
Wholesale	17,061	12,277
Internet sales	9,227	6,219
Sales to subsidaries	28,210	20,252
Total revenue	**102,536**	**73,573**
Other Operating income		
Government relief package	1,508	9,841
Management fee from subsidiaries	0	6,617
Rental income	1,351	1,131
Other	0	223
Total operating income	**2,859**	**17,812**

With effect from 2021, the Group has changed its transfer pricing set-up to the “Principal model” whereby the Parent have all significant benefits and risks, and the transfer price of product sales from the parent to the subsidiaries ensure that the subsidiaries will have a profit as a percentage of their respective sales. On this basis, the Parent has not charged management fees to its subsidiaries in 2021 since such fees are in stead indirectly included in revenue from sales of products to the subsidiaries.

	2021 DKK'000	2020 DKK'000
2. Staff costs		
Salaries and wages	36,836	30,159
Pension contributions	2,162	1,673
Other social security costs	494	409
Other staff costs	2,178	1,606
Staff costs before transfers	**41,670**	**32,847**
Transferred to capitalised design costs and software	(4,741)	(4,264)
Transfered to special items		(555)
Total staff costs	**36,929**	**29,028**
Average number of employees	83	72

Notes

2. Staff costs (continued)

	Remuneration of Management 2021 DKK'000	Remuneration of Management 2020 DKK'000
Total amount for the Executive Board*	3,925	2,858
	3,925	**2,858**

* In 2021, the total remuneration to the Executive Board includes remuneration to two members of the Executive Board. In 2020 this included two members of the Executive Board, though of which one member entered the Executive Board in June 2020.

The Board of Directors did not receive any remuneration in 2020 and 2021.

Share-based payments

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

	2021 DKK'000	2020 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation, intangible assets	2,618	4,337
Depreciation, other fixtures and fittings, tools and equipment	797	428
Depreciation, leasehold improvements	201	199
Depreciation, right of use assets	12,902	10,634
Total depreciation, amortisation and impairment losses	**16,518**	**15,598**

	2021 DKK'000	2020 DKK'000
4. Special items		
Severance pay	0	(555)
Other non-recurring items	0	(300)
Total special items	**0**	**(855)**

Notes

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:

Other external expenses	0	(300)
Staff costs	0	(555)
	0	**(855)**

5. Bargain purchase gain

Reference is made to business combinations note 19 in the consolidated financial statements

	2021 DKK'000	2020 DKK'000
6. Income/loss from investments in subsidiaries and loss allowance on receivables from group companies		
Impairment of investment in subsidiaries (sse note 11), 2021: reversal	3,328	(3,328)
Loss allowances on receivables from group companies (see note 13)	0	(21,192)
Total income/loss from investments in subsidiaries	**3,328**	**(24,520)**

	2021 DKK'000	2020 DKK'000
7. Financial expenses		
Interest expenses	(5,389)	(2,755)
Interest expenses, leasing liabilities	(2,262)	(2,236)
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	**(7,651)**	**(4,991)**
Exchange rate losses	(2,148)	0
Other financial expenses	(54)	(44)
Total financial expenses	**(9,853)**	**(5,035)**

Notes

	2021 DKK'000	2020 DKK'000
8. Tax on profit/loss for the year		
Current tax	0	0
Changes in deferred tax	0	0
Adjustment previous years	0	0
	0	0

	2021 DKK'000	2020 DKK'000
Tax calculated as 22% of profit/loss before tax	(6,185)	(7,469)
Non-deductible expenses and non-taxable income	(733)	1,267
Change in allowance for deferred tax assets	6,918	6,202
	0	**0**
Effective tax rate	0%	0%

As of 31 December 2021, DKK 15 million (2020: DKK 15 million) have been retained as deferred tax assets on the balance sheet, which comprise the expected tax value of tax losses to be utilised in the foreseeable future based on budgets and forecasts for the coming four years. Reference is made to note 1 and 8 in the consolidated financial statements for further explanation of Management's assessment of the appropriateness of recognising the deferred tax asset.

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 30 million (2020: DKK 23 million) have not been recognised as deferred tax assets on the balance sheet at 31 December 2021.

Notes

9. Intangible assets

2021	Capitalised design costs DKK'000	Software DKK'000	Acquired rights DKK'000
Cost 1 January	9,855	1,791	32,761
Additions	3,542	3,028	0
Disposals	0	0	(368)
Cost 31 December	**13,397**	**4,819**	**32,393**
Amortisation and impairment losses 1 January	(6,525)	(4)	(25,230)
Amortisation for the year	(2,143)	(324)	(151)
Disposals	0	0	48
Amortisation and impairment losses 31 December	**(8,668)**	**(328)**	**(25,333)**
Carrying amount 31 December	**4,729**	**4,491**	**7,060**

2020	Capitalised design costs DKK'000	Software DKK'000	Acquired rights DKK'000
Cost 1 January	6,941	139	25,399
Additions	2,914	1,652	7,362
Disposals	0	0	0
Cost 31 December	**9,855**	**1,791**	**32,761**
Amortisation and impairment losses 1 January	(2,519)	0	(24,934)
Amortisation for the year	(4,006)	(4)	(296)
Disposals	0	0	0
Amortisation and impairment losses 31 December	**(6,525)**	**(4)**	**(25,230)**
Carrying amount 31 December	**3,330**	**1,787**	**7,531**

Notes

10. Tangible assets

2021	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost 1 January	17,280	14,120
Additions	676	36
Disposals	(5,981)	(3,381)
Cost 31 December	**11,975**	**10,775**
Depreciation and impairment losses 1 January	(10,750)	(13,370)
Depreciation for the year	(797)	(201)
Reversal related to disposals	5,125	3,363
Depreciation and impairment 31 December	**(6,422)**	**(10,208)**
Carrying amount 31 December	**5,553**	**567**

2021	Right of use asset DKK'000
Cost 1 January	71,410
Remeasuring adjustment	2,406
Additions	7,822
Cost 31 December	**81,638**
Depreciation and impairment losses 1 January	(18,347)
Depreciation for the year	(12,902)
Remeasuring adjustment	(1,017)
Depreciation and impairment losses 31 December	**(32,266)**
Carrying amount 31 December	**49,372**

Notes

2020	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost 1 January	15,499	14,086
Additions	1,781	34
Cost 31 December	**17,280**	**14,120**
Depreciation and impairment losses 1 January	(10,322)	(13,171)
Depreciation for the year	(428)	(199)
Depreciation and impairment at 31 December	**(10,750)**	**(13,370)**
Carrying amount 31 December	**6,530**	**750**

2020	Right of use asset DKK'000
Cost 1 January	66,666
Remeasuring adjustment	(1,101)
Additions	5,845
Cost 31 December	**71,410**
Depreciation and impairment losses 1 January	(7,713)
Depreciation for the year	(10,634)
Depreciation and impairment losses 31 December	**(18,347)**
Carrying amount 31 December	**53,063**

Notes

11. Financial assets

2021	Invest-ments in subsidaries	Other receivables
Cost 1 January	18,468	1,823
Additions	1,954	4
Disposals	0	(362)
Cost 31 December	**20,422**	**1,466**
Impairment 1 January	(3,328)	0
Reversal of past impairment losses	3,328	0
Impairment 31 December	**0**	**0**
Carrying amount at 31 December	**20,422**	**1,466**

2020	Invest-ments in subsidaries	Other receivables
Cost 1 January	2,545	1,624
Additions	15,923	224
Disposals	0	(25)
Cost at 31 December	**18,468**	**1,823**
Impairment 1 January	0	0
Impairment of the year	(3,328)	0
Impairment 31 December	**(3,328)**	**0**
Carrying amount at 31 December	**15,140**	**1,823**

Notes

11. Financial assets (continued)

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Noa Noa Sverige AB	Sweden	AB	100	2,665	1,186
Noa Noa UK Ltd.	UK	Ltd.	100	5,392	279
Noa Noa GmbH	Germany	GmbH	100	7,559	1,015
Noa Noa Norge AS	Norway	AS	100	772	882
NOA NOA Oü	Estonia	Oü	100	461	461

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 years ended 31 December 2020 and 2021.

The Company has made an assessment of the recoverable amount for investments in subsidiaries, which also has included an assessment of the recoverable amount of receivables from the same subsidiaries. As described in note 1, the Company has changed its transfer pricing set-up to a methodology where subsidiaries will be profit-making and hence impairment losses are not likely going forward.

In 2020, the assessment resulted in the recognition of a loss allowance of DKK 23 million relating to the receivables from subsidiaries (see note 13) and an impairment loss of DKK 3 million relating to the investments in subsidiaries. Due to the changed transfer pricing methodology, impairment losses recognised for the subsidiaries in the past have been reversed in 2021.

12. Inventories	31.12.21 DKK´000	31.12.20 DKK´000
Goods for resale	36,232	31,331
Carrying amount at 31 December	**36,232**	**31,331**

The cost of inventories recognised as an expense during the year was DKK 56 million (2020: DKK 43 million). See note 1 of the consolidated financial statements for further information of how Management determines writedowns for obsolete and slow-moving inventory.

Notes

13. Trade receivables and receivables from group companies	31.12.21 DKK´000	31.12.20 DKK´000
Trade receivables		
Trade receivables	9,595	10,676
Loss allowance	(4,521)	(4,464)
Carrying amount at 31 December	**5,074**	**6,212**
Receivables from group companies		
Receivables from group companies	1,680	29,193
Loss allowance	0	(21,192)
Carrying amount at 31 December	**1,680**	**8,001**

	2021 DKK'000	2020 DKK'000
Loss allowance beginning of the year	4,464	4,386
Charged to profit/loss during the year	1,220	78
Realised losses during the year	(1,163)	0
Loss allowance end of year	**4,521**	**4,464**

		Days past due			
31.12.2021	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	9%	0%	77%	0%	100%
Trade receivables (gross)	5,474	38	102	0	3,981
Loss allowance	(480)	0	(60)	0	(3,981)
Trade receivables (net)	**4,994**	**38**	**42**	**0**	**0**

		Days past due			
31.12.2020	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	0%	90%	100%	100%	59%
Trade receivables (gross)	3,203	88	38	1	7,346
Loss allowance	0	(79)	(38)	(1)	(4,346)
Trade receivables (net)	**3,203**	**9**	**0**	**0**	**3,000**

* The expected credit loss rate is the average expected credit loss rate based on an individual assessment of the receivables.

Notes

14. Financial liabilities

Changes in financial liabilities

DKK'000	01.01.2021	Proceeds from loans and borrow-ings	Repayment of loans and borrowings	New leasing contracts	Other non-cash move-ments	31.12.2021
Leasing liabilities	55,977	-	(14,650)	7,822	(259)	48,890
Shareholder loans	0	19,680	-	-	-	19,680
Bank loans	28,430	-	(19,191)	-	-	9,239
Other loans	-	6,001	-	-	-	6,001
Covid 19 loans	10,000	19,575	(1,600)	-	-	27,975
	94,407	**45,256**	**(35,441)**	**7,822**	**(259)**	**111,785**

	Carrying amount		Fair value	
DKK'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Leasing liabilities				
Is due as follows:				
Within year 1	9,617	9,018	9,617	9,018
From 1 – 5 years	30,065	31,026	30,065	31,026
After 5 years	9,208	15,933	9,208	15,933
Total	**48,890**	**55,977**	**48,890**	**55,977**
Bank loans				
Is due as follows:				
Within year 1	3,739	28,430	3,739	28,430
From 1 – 5 years	4,942	0	4,942	0
After 5 years	614	0	614	0
Total	**9,295**	**28,430**	**9,295**	**28,430**
Other financial loans				
(COVID-19 loans)				
Is due as follows:				
Within year 1	5,500	1,600	5,500	1,600
From 1 – 5 years	22,000	6,400	22,000	6,400
After 5 years	475	2,000	475	2,000
Total	**27,975**	**10,000**	**27,975**	**10,000**

Notes

14. Financial liabilities (continued)

	Carrying amount		Fair value	
DKK'000	**31.12.21**	**31.12.20**	**31.12.21**	**31.12.20**
Loan shareholders				
Is due as follows:				
Within year 1	19,680	0	19,680	0
Total	**19,680**	**0**	**19,680**	0

Trade payables				
Is due as follows:				
Within year 1	24,356	39,920	24,356	39,920
Total	**24,356**	**39,920**	**24,356**	**39,920**

Fair value for bank loans, lease liabilities, other loans, loans shareholders and trade payables are measured by level 3 input (inputs other than quoted markets that are observable) from the fair value hierarchy. Fair value of liabilities does not take the credit risk on the Group into consideration.

15. Other payables	**31.12.21 DKK'000**	**31.12.20 DKK'000**
Non-current other payables		
Holiday pay obligation	2,400	2,415
	2,400	**2,415**
Current other payables		
VAT, excise duties, taxes, etc.	5,581	6,366
Holiday pay obligation, payroll accruals, bonus, etc.	1,587	1,186
Outstanding gift certificates and credit vouchers.	1,055	920
Other expenses payable	1,410	865
	9,633	**9,337**

16. Changes in working capital	**31.12.21 DKK'000**	**31.12.20 DKK'000**
Change in inventories	(4,901)	(654)
Change in receivables	(228)	1,549
Change in payables	(10,085)	10,357
Total changes in working capital	**(15,214)**	**11,252**

Notes

17. Contingent liabilities

Until 2021, the Company has been part of a joint taxation scheme with Styleco ApS as the Administration company. For the period where the Company was jointly taxed with Styleco ApS, the Company is jointly and several liable with Styleco ApS for payments of corporate taxes as well as any taxes on interests, royalties and dividends.

18. Colleteral

Floating charge in inventory, receivables, intangible assets and operating equipment with an amount up to DKK 50 million is provided as collateral for bank loans as of 31 December 2021.

	31.12.21 DKK'000	**31.12.20 DKK'000**
The carrying amounts of assets provided as colleteral for bank loans are as follows:		
Intangible assets	16,280	12,648
Other fixtures and fittings, tools and equipment	5,553	6,530
Investments in subsidiaries	20,422	15,140
Non-current other receivables	1,466	1,823
Inventory	36,232	31,331
Trade receivables	5,074	3,212
Receivables from group companies	8,063	8,001
Other receivables	5,371	2,782
	98,461	**81,467**

Notes

19. Accounting policies

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

Changes in accounting presentation

The Company has changed its classification of certain expense items. Comparative figures have been adjusted accordingly. The changes have not had impact on the profit/loss for the year or last year.

Basis of accounting

The financial statements are presented in DKK being the functional currency of Noa Noa A/S.

Description of accounting policies applied

Reference is made to the accounting policies described for the financial statements of the Noa Noa Group (see note 23 to the consolidated financial statements). The accounting policies of the parent company differ in the following areas:

Income/loss 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.

Loss from investments in subsidiaries represents any loss incurred in connection with disposals of subsidiaries, or any impairment losses recognised when the recoverable amount is lower than the carrying amount for the investments.

Investments in subsidiaries

Investments in subsidiaries are measured at cost. Where cost exceeds the recoverable amount, an impairment loss is recognised to this lower value

Notes

Other notes

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

Significant accounting estimates and judgements	Note 1
Going concern	Note 2
Contributed capital	Note 14
Financial risks and financial instruments	Note 20
Related parties	Note 21
Events after balance sheet date	Note 22
Accounting policies	Note 23
New standards	Note 24

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 2021 - 31 December 2021.

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 2021 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2021 - 31 December 2021.

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 July 2022

Executive Board

Christian Higraff

Jesper Tholak

Board of Directors

Ivan Bjerg-Larsen
Chairman

Jesper Bjerg-Larsen

Nick Jensen

Christian Hassel

Independent auditor's report

To the shareholders 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 01.01.2021 - 31.12.2021, 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 31.12.2021, and of the results of their operations and cash flows for the financial year 01.01.2021 - 31.12.2021 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 believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. 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 and the IESBA code.

Emphasis of matter relating to deferred tax asset

As of 31 December 2021, 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, which are both unchanged compared to 31 December 2020. We refer to note 1 and 8 in the consolidated financial statements where it is described that Group management that the original expectation for utilisation of the deferred tax assets has been postponed for two years due to the Covid-19 pandemic, and that normalised earnings are expected from 2023, whereby Group management expects that the deferred tax asset in all material respects can be utilised within four years from the balance sheet date. Considering 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 achieve the expected earnings from 2023 and onwards. 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, 18 July 2022

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant
MNE no mne10944