Noa Noa A/S

Krogenbergvej 15 A
Business Registration No: 60 74 62 14

Annual report 2020

The Annual General Meeting adopted the annual report on 27 September 2021

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: 01.01.2020 – 31.12.2020
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Internet: www.noanoa.com

Board of Directors

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

Executive Board

Christian Higraff
Steen Mørkøv Kristiansen

Company auditors

Deloitte Statsautoriseret Revisionspartnerselskab
Weidekampsgade 6
2300 Copenhagen S, Denmark

Key figures and financial ratios

	2020 DKK'000	2019 DKK'000	2018 DKK'000	2017 DKK'000	2016* DKK'000
Key figures					
Revenue	83,377	123,708	176,011	198,145	247,211
Gross profit/loss	41,725	62,770	98,025	100,580	140,306
EBITDA	(3,288)	5,113	12,062	(28,833)	(8,740)
Operating profit/loss before special items	(26,138)	(15,595)	6,042	(39,924)	(23,248)
Special items etc.	6,145	(15,027)	(13,872)	(8,607)	0
EBIT	(19,993)	(30,623)	(7,830)	(48,531)	(23,248)
Net financials	(7,146)	(11,126)	61,145	(7,902)	(15,750)
Profit/loss for the year	(27,139)	(37,422)	62,720	(60,370)	(36,473)
Total assets	177,396	188,836	146,834	120,571	158,647
Investments in property, plant and equipment	3,532	599	1,903	641	4,587
Equity	9,655	25,909	33,743	(60,192)	(1)
Ratios					
Gross margin (%)	50,0%	50.7%	32.0%	15.4%	20.6%
Net margin (%)	(32,5%)	(30,3%)	35,6%	(30.5%)	(21.4%)
Return on equity (%)	(152,6%)	(125,6%)	474,3%	(200.6%)	(177.7%)
Equity ratio (%)	5,4%	13,8%	22,9%	(49.9%)	4.8%

* *In accordance with the Danish Financial Statements Act § 101, key figures for 2016 have not been adjusted to reflect the effects of change in accounting policies and transition to IFRS in 2018 with change of comparatives for 2017.*

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

The ratios have been compiled with the following calculation formulas:

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

Management commentary

Primary activities

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

Development in activities and finances

The Company's performance and financial progress have not met Management's expectations due to impact caused from Covid-19 pandemic. Covid-19 has had a very negative impact on both the wholesale and the retail business, whereas the E-commerce and Online business have shown an increase in revenue but not enough to offset the decrease seen in the other sales channels.

Revenue for the financial year 2020 amounted to DKK 83 million compared to DKK 124 million in 2019. Retail revenue amounted to DKK 55 million compared to DKK 69 million in 2019, while wholesale revenue amounted to DKK 22 million compared to DKK 45 million in 2019.

EBITDA for 2020 was a loss of DKK 3 million, compared to a profit of DKK 5 million in 2019. The loss is a direct consequence of the Covid-19 government-imposed lock-downs 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 10 million partly to fund staff costs and other fixed costs in the periods where the Group has especially impacted by the government-imposed lock-downs. The consolidated income statement for the year ending 31 December 2020 shows a net loss of DKK 27 million after tax compared to a net loss of DKK 37 million in 2019 despite revenue in 2020 was significantly lower than in 2019.

The result for the year is impacted by a bargain purchase gain of DKK 7 million from acquiring the Unmade business mid-2020. The acquisition of the Unmade business has given Noa Noa an important supplement to its Noa Noa and Noa Noa Miniature collections. Without the purchase bargain gain, the net loss in 2020 would be almost identical to the loss in 2019.

Shareholders' equity amounts to DKK 10 million at the end of 2020 compared to DKK 26 million at the end of 2019. During 2020, shareholders have provided new equity capital in cash with DKK 11 million. The shareholders' support to Noa Noa has continued in 2021 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 2021, which covers both the capital requirement transferred from 2020 and the additional capital requirement which arose in the first months of 2021 from the continued Covid-19 lockdown. With the current expectations for the remaining part of 2021 and the current plans for 2022 – and provided that there will be no further Covid-19 lockdowns or other extreme situations – Management expects that there will be no need to seek additonal funding from neither the shareholders nor third party lenders.

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 2020 result, will diminish during 2021, and the Group will return to a normalized situation from 2022. 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 some higher than normal uncertainty and it is not possible to make a reliable estimate of when the impacts from Covid-19 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 which is unchanged compared to 2019. The asset represents the value of the part of tax losses carried forward expected to be utilised within the next 4 years based on the expectations outlined in the Group's strategy plan. When the asset was recognised in 2018 and 2019, the Group expected to become profitable in 2021 and with considerable growth in the earnings from 2022. The turnaround to become profitable has been delayed due to the Covid-19 pandemic. However, with the actions taken since 2018, Management is still confident that the Group will become profitable in the foreseeable future as soon as the market situation become normalised. Currently, the Group expects to be profitable from 2022 and with a steep earnings curve from 2023. On this basis, Management has concluded that it is appropriate to retain the deferred tax asset recognised in the past on the balance sheet at 31 Dec. 2020.

The Group has recognised an intangible asset of DKK 7 million from the acquisition of the Unmade business in 2020. Based on the revenue and related earnings from the period the Group has owned the Unmade business, Management has concluded that the recoverable amount exceeds the book value.

Management commentary (continued)

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, the Norwegian business has not yet been profitable; in 2020, primarily due to the Covid-19 pandemic. However, since the take-over group management has initiated a number of 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.

Outlook

Based on current performance and expectations for rest of the year Noa Noa A/S expects to realize revenue for 2021 in a range from MDKK 140 – MDKK 145 and a net profit/loss between MDKK -17 and MDKK -20. The continued impact from Covid-19 however makes it more difficult to predict the outcome for 2021.

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 2020, 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 2021 with a view to strengthen Noa Noa's profile and enhance the commercial aspects of the concept, and thus develop and reinforce the brand's position, with particular focus on strengthening the presence in existing markets

Financial risks

Given its operations, investments and financing 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 in order to ensure that currency risks arise only as a result of commercial conditions. The Group has not applied derivative financial instruments in 2020.

Intellectual capital resources

In order to be able to continuously strengthen its international profile and supply competitive products at the right price and quality, it is essential that Noa Noa can recruit and retain the most talented employees. Noa Noa's brand and design teams are made up of several competent designers and are, therefore, not dependent on a single key designer.

Staff

At 31 December 2020, the Group employed a total of 107 full time people, which is a decrease compared to 31 December 2019, where the Group employed a total of 116 people. Most employees work in Noa Noa's own retail shops in Scandinavia.

Management commentary (continued)

Events after the balance sheet date

In 2021, shareholders have provided additional equity capital in cash of totally DKK 26 million. Further, in 2021, the Group has obtained an additional long-term Covid-19 loan of DKK 22 million.

In 2021, the Group has continued its expansion strategy and opened additionally 2 retail shops in Norway and expect to open 4 additional retail shops in Scandinavia before end of 2021.

Consolidated income statement

	Notes	2020 DKK'000	2019 DKK'000
Revenue	3	83,377	123,708
Cost of sales		(41,652)	(60,938)
Gross profit		**41,725**	**62,770**
Other operating income	3	11,195	5,750
Other external expenses		(18,396)	(21,688)
Staff costs	4	(37,812)	(41,719)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**(3,288)**	**5,113**
Depreciation, amortisation and impairment losses	5	(22,850)	(20,709)
Operating profit/loss before before special items (EBIT before special items)		**(26,138)**	**(15,596)**
Special items	6	(855)	(15,027)
Bargain purchase gain	20	7,000	0
Profit/loss before financial income and expenses (EBIT)		**(19,993)**	**(30,623)**
Financial income	7	0	162
Financial expenses	8	(7,146)	(11,252)
Profit/loss before tax		**(27,139)**	**(41,713)**
Tax on profit/loss for the year	9	0	4,291
Net profit/loss		**(27,139)**	**(37,422)**

Consolidated statement of comprehensive income

	Notes	2020 DKK'000	2019 DKK'000
Profit/loss for the year		**(27,139)**	**(37,422)**
Other comprehensive income/loss			
Items that may subsequently be reclassified to the income statement, when specific conditions are met:			
Currency translation adjustment, foreign subsidiaries		(412)	(212)
Tax related to other comprehensive income		0	0
Other comprehensive income/loss after tax		**(412)**	**(212)**
Total comprehensive income/loss		**(27,551)**	**(37,636)**
Attributable to the owners of the parent company		**(27,551)**	**(37,636)**

Consolidated balance sheet

	Notes	2020 DKK'000	2019 DKK'000
ASSETS			
Capitalised design costs		3,330	4,422
Acquired software		1,787	139
Acquired rights		7,531	465
Goodwill		4,364	4,694
Non-current intangible assets	10	**17,012**	**9,720**
Other fixtures and fittings, tools and equipment		7,387	5,528
Leasehold improvements		750	915
Right of use assets		71,823	97,754
Non-current tangible assets	11	**79,960**	**104,197**
Other receivables	12	2,236	2,053
Deferred tax assets	9	18,000	18,000
Non-current financial assets		**20,236**	**20,053**
Total non-current assets		**116,715**	**133,970**
Inventories	13	37,818	25,787
Trade receivables	14	12,901	18,419
Other receivables		3,693	4,316
Prepayments		3,128	1,837
Cash		2,648	4,507
Total current assets		**60,188**	**54,866**
Assets		**177,396**	**188,836**

Consolidated balance sheet

	Notes	2020 DKK’000	2019 DKK’000
EQUITY AND LIABILITIES			
Contributed capital	15	1,846	1,689
Currency translation adjustments		(5)	407
Retained earnings		7,814	23,810
Equity		**9,655**	**25,906**
Leasing liabilities	16	60,325	82,801
Bank loan	16	8,400	0
Other payables	17	2,415	847
Non-current liabilities		**71,140**	**83,648**
Leasing liabilities	16	15,258	17,588
Bank loans	16	30,030	16,722
Trade payables	16	43,467	36,216
Income tax payables		0	313
Other payables	17	7,846	8,443
Current liabilities		**96,601**	**79,282**
Liabilities		**167,741**	**162,930**
Equity and liabilities		**177,396**	**188,836**

Consolidated cash flow statement

	Notes	31.12.20 DKK'000	31.12.19 DKK'000
Profit/loss before financial income and expenses (EBIT)		(19,993)	(30,636)
Depreciation, amortisation and impairment losses		22,850	20,709
Reversal valuation adjustment, investment property		0	(2,000)
Other non-cash items		1,263	0
Bargain purchase gain	20	(7,000)	0
Working capital changes	18	8,433	8,261
Cash flows from operating activities, gross		**5,553**	**(3,666)**
Taxes refunded/(paid)		0	(39)
Cash flows from operating activities, net		**5,553**	**(3,705)**
Business acquisition	20	(10,463)	0
Purchase of intangible assets		(3,260)	(4,241)
Disposals of tangible assets		0	37,730
Purchase of tangible assets		(3,532)	(599)
Disposals of financial assets		0	243
Interest income received		0	162
Cash flows to/from investing activities		**(17,255)**	**33,295**
Increase in share capital in cash	15	11,300	29,800
Proceeds from loans and borrowings	16	21,708	0
Repayment of loans and borrowings		0	(31,382)
Repayment of lease liabilities	16	(16,019)	(17,616)
Interest expenses paid		(7,146)	(11,252)
Cash flows to/from financing activities		**9,843**	**(30,450)**
Cash flows for the year		**(1,859)**	**(860)**
Cash at 1 January		4,507	5,367
Cash at 31 December		**2,648**	**4,507**

Consolidated statement of changes in equity

	Contributed capital DKK'000	Currency translation adjustment DKK'000	Retained earnings DKK'000	Total DKK'000
Equity at 1 January 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 at 31 December 2020	**1,846**	**(5)**	**7,814**	**9,655**
Equity at 1 January 2019	**861**	**622**	**32,260**	**33,743**
Profit/loss for the year	0	0	(37,422)	(37,422)
Other comprehensive income:				
Exchange rate adjustments, foreign subsidiaries	0	(212)	0	(212)
Net gain/loss recognised directly in equity	**0**	**(212)**	**0**	**(212)**
Total comprehensive income	**0**	**(212)**	**(37,422)**	**(37,634)**
Capital increases in cash	828	0	28,972	**29,800**
Equity at 31 December 2019	**1689**	**407**	**23,810**	**25,909**

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 24 to the financial statements to which we refer.

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

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 the 2020 result, will diminish in the remaining part of 2021, and the Group will return to a normalized situation from 2022, which support the recoverability of the Group's asset, including brand value, goodwill, capitalized design cost and deferred tax assets and no additional obligations or liabilities as a direct result of Covid-19 have 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 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 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 from 2019 to 2020. The Group has been loss-making for many years. The Group was taken over by Styleco ApS as majority shareholder in 2018. The new majority shareholder has implemented a number of turnaround initiatives such as acquiring Noa Noa Norway back in 2018, changes in the executive group, closing down loss making shops and activities, implementing new strategic initiatives including introducing new sales channels, etc. In addition, Styleco ApS has provided a significant amount of equity financing ensuring that the Group get the necessary time and support to implement and see the results of the turnaround initiatives. This process has been delayed by the Covid-19 pandemic, putting the Group almost 2 years behind the original plan for showing that the turnaround initiatives will result in a profitable business.

Notes to consolidated financial statements

1. Significant accounting estimates and judgements (continued)

Management and the majority shareholder remain confident that the initiatives taken will result in a profit-making business in a foreseeable future and remain confident that significant growth in sales and earnings will take place from 2023 and going-forward. On this basis, Management has concluded that expectations about the future after the Covid-19 pandemic is unchanged and has determined that it is appropriate to retain the same deferred tax asset of DKK 18 million as recognised at 31 December 2019.

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. The sales and earnings related to the Norwegian market has been negatively impacted by the covid-19 pandemic. The assessment that the recoverable amount for Noa Noa AS exceeds the carrying amount is based on the various turnaround initiatives executed for the Norwegian business and which are expected to materialise as soon as the situation will be normalised. The assessment is supported by the opening of new shops in Norway in 2021 and by the fact that the Group has seen increasing sales from the Norwegian shops and to the Norwegian market following the Covid-19 restrictions are no longer applicable.

Purchase price allocation, acquisition of Unmade business in 2020
As of 30 June 2020, the Group completed the acquisition of the business related to the brand "Unmade" and related assets and liabilities including employees. As part of the acquisition, an assessment of fair value of identifiable assets, liabilities and contingent liabilities was carried out, including determining a fair value of the acquired brand of DKK 7 million. The brand relate to the "Unmade" name, and the fair value has been 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 are based on the sales forecast for 2021. No growth has been 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 amortization benefit factor of 1.16. This assessment has resulted in the identification of negative goodwill of DKK 7 million, which – in accordance with the IFRS - has been recognised as a bargain purchase gain in the income statement. See note 20 for further information and discussion for the background of identifying the bargain purchase gain.

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. Estimates are used when accounting for and measuring inventory write-downs, and these estimates depend upon subjective judgements about certain circumstances, taking into account excess quantities, condition of the inventory, season and risk of outdated designs, and the estimated variable costs necessary to make the sale. Inventory of slow-moving items and thereby write-downs are generally at a low level, since Management has strong focus on selling slow-moving items through the use of sales campaigns, sales through its outlet shops or ultimately through sales to brokers. 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 are normally not recognized. Unsaleable goods are scrapped and expensed as identified.

Special items

Identification and classification of income and expenses as special items are based on Management's judgement of the individual non-recurring income and expense items. In the past, Management has identified multiple transactions as special items, whereas in 2020 primarily only severance pay to employees laid-off have been identified and classified as special items.

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 Covid-19 loans.

In 2020, the Group has obtained equity funding of DKK 11 million, and in 2021, the Group has obtained additional equity funding of DKK 26 million.

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

At 31 Dec. 2020, the Group had a bank overdraft facility of DKK 30 million of which DKK 28,4 million was utilised at 31 Dec. 2020. The facility has been reduced to DKK 10 million in 2021. The remaining facility is subject to renewal discussions in June 2022.

Notes to consolidated financial statements

2. Going concern (continued)

With the continued funding from the shareholders and the funding from the long-term Covid-19 loans, Management has concluded that the Group has a sufficient capital base for the whole of 2021, which covers both the capital requirement transferred from 2020 and the additional capital requirement which arose in the first months of 2021 from the continued Covid-19 lockdown. With the current expectations for the remaining part of 2021 and the current plans for 2022 – and provided that there will no further Covid-19 lockdowns or other extreme situations – Management expects that there will be no need to seek additional funding from either the shareholders or third party lenders.

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.

		2020 DKK'000	2019 DKK'000
3. Revenue and Other Operating income			
Revenue			
Retail		55,426	69,674
Wholesale		21,732	44,722
Internet sales		6,219	9,312
		83,377	**123,708**
Denmark		53,321	69,597
Other Europe		30,056	54,111
		83,377	**123,708**
Other Operating income			
Fair value adjustments, investment property	11	0	2,000
Debt relief from suppliers		0	3,750
Government relief packages		9,841	0
Rental income		1,131	0
Other		223	0
		11,195	**5,750**

Notes to consolidated financial statements

4. Staff costs

Salaries and wages	38,134	46,346
Pension contributions	2,040	2,047
Other social security costs	499	2,077
Other staff costs	1,958	1,648
	42,631	**52,118**
Transferred to capitalised design cost and software (Note 10)	(4,264)	(3,538)
Transfer to special items (Note 6)	(555)	(6,862)
	37,812	**41,719**
Average number of employees	107	116

	Remuneration of Management 2020 DKK'000	Remuneration of Management 2019 DKK'000
Total amount for Executive Board*	2,858	2,147
	2,858	**2,147**

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

The Board of Directors did not receive any remuneration in 2019 and 2020.

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 at 31 December 2020.

Notes to consolidated financial statements

4. Staff costs (continued)

Warrants outstanding at 31 December 2020	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**

	2020 DKK'000	2019 DKK'000
5. Amortisation and depreciation		
Amortisation, intangible assets	4,350	3,929
Depreciation, buildings	0	1,765
Depreciation, other fixtures and fitting, tools and equipment	781	1,608
Depreciation, leasehold improvements	199	265
Depreciation, right of use assets	17,520	17,617
Reversal of prior year impairment write downs	0	(4,475)
	22,850	**20,709**

	2020 DKK'000	2019 DKK'000
6. Special items		
Severance pay	555	6,862
Loss related to closure of shops	0	3,418
Advisory fees	0	988
Realised losses on trade receivables related to termination of cooperation with selected customers	0	1,593
Other non-recurring items	300	2,166
	855	**15,027**

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	300	8,165
Staff costs	555	6,862
	855	**15,027**

Notes to consolidated financial statements

	2020 DKK'000	2019 DKK'000
7. Financial income		
Interest income	0	138
Financial income from financial assets measured at amortised cost in the income statement	0	138
Other financial income	0	24
Total financial income	**0**	**162**

	2020 DKK'000	2019 DKK'000
8. Financial expenses		
Interest expenses	3,895	3,663
Interest expenses, leasing liabilities	3,207	3,405
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	**7,102**	**7,068**
Exchange rate losses	0	3,882
Other financial expenses	44	302
Total financial expenses	**7,146**	**11,252**

Notes to consolidated financial statements

	2020 DKK'000	2019 DKK'000
9. Tax on profit/loss for the year		
Current tax	0	(1,209)
Changes in deferred tax	0	5,500
	0	**4,291**

	2020 DKK'000	2019 DKK'000
Tax calculated as 22% of profit/loss before tax	(5,971)	(9,176)
Non-deductible expenses and non-taxable income	(2,703)	7,967
Changes in recognition of deferred tax assets	0	1,637
Change in allowance for deferred tax assets	8,674	3,863
	0	**4,291**
Effective tax rate	0%	10.2%

As further described in note 1, at 31 December 2020 the Group has recognised deferred tax assets of DKK 18 million (2019: DKK 18 million), 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 as outlined in the Group's strategy plan. As described in note 1, Management has executed a number of initiatives since 2018, which – as soon as the situation becomes normalized following the Covid-19 pandemic – has set the foundation for the Group reaching break-even in 2022 and with an expectation of a significant growth in revenue and earnings in the years to come.

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 27 million at 31 December 2020 (2019: DKK 20 million).

Notes to consolidated financial statements

10. Intangible assets

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

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

Notes to consolidated financial statements

11. Tangible assets

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

2019	Land & buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	59,288	30,146	25,525
Additions	0	7	592
Disposals	(59,288)	(6,357)	(4,528)
Cost at 31 December	**0**	**23,796**	**21,589**
Depreciation and impairment losses at 1 January	(27,299)	(25,826)	(24,378)
Depreciation for the year	(1,765)	(1,608)	(265)
Reversal of prior year impairment write-downs (note 5)	0	4,475	0
Disposals	29,064	4,691	3,969
Depreciation and impairment losses at 31 December	**0**	**(18,268)**	**(20,674)**
Carrying amount at 31 December	**0**	**5,528**	**915**

Notes to consolidated financial statements

11. Tangible assets (continued)

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**

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

Buildings, including buildings held as rental property classified and accounted for as investment property was sold during 2019. A fair value gain of DKK 2 million related to the investment property was recognised in the income statement in Other operating income (note 3) while no gain related to the owner occupied building was recognised as, subsequent to the sale of the buildings, Noa Noa A/S entered into a 10 year non-cancellable lease back agreement with the buyer of the buildings that has been accounted for as a right of use assets in accordance with IFRS 16. Buildings that prior to the sale and lease back was accounted for as investment property are no longer assessed to meet the definition of an investment property and is therefore accounted for and classified as owner occoupied property as part of the right of use assets.

Notes to consolidated financial statements

12. Financial assets

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

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

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

Notes to consolidated financial statements

13. Inventories	31.12.20 DKK'000	13.12.19 DKK'000
Goods for resale	37,818	25,787
	37,818	**25,787**

The cost of inventories recognised as an expense during the year was DKK 44 million (2019: DKK 61 million). See note 1 of the consolidated financial statements for further information of how Management determines writedowns for obsolete and slow-moving inventory.

14. Trade receivables	31.12.20 DKK´000	31.12.19 DKK´000
Trade receivables	18,912	23,860
Loss allowance	(6,011)	(5,441)
	12,901	**18,419**

	2020 DKK'000	2019 DKK´000
Loss allowance beginning of the year	5,441	11,767
Charged to profit/loss during the year	570	1,665
Realised losses during the year	0	(7,991)
Loss allowance, year-end	**6,011**	**5,441**

		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**

		Days past due			
31.12.2019	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	1%	1%	0%	3%	36%
Trade receivables (gross)	5,337	871	1,462	1,438	14,752
Loss allowance	(70)	(7)	0	(50)	(5,314)
Trade receivables (net)	**5,267**	**864**	**1,462**	**1,388**	**9,438**

* 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

15. Contributed capital:

	Number	Par value DKK'000	Nominal value DKK'000
Shares	1,845,835	1	1,845,835

In 2020, the share capital has increased by 2 contributions during the year with a total increase in the share capital of DKK 156,835 at a share price of DKK 72.00 per share, totally DKK 11.3 million. The capital increases were carried out as a combination of cash contributions with a total amount of DKK 5 million and by way of debt conversions with a total amount of DKK 6.3 million. In the cash-flow statement the debt conversions have been presented as part of the cash contribution of equity capital, since the debt was provided by the shareholders as a kind of prepaid equity contributions.

16. Financial liabilities

Changes in financial liabilities:

DKK'000	01.01.2020	Proceeds from loans and borrowings	Repayment of loans and borrowings	New leasing contracts	Other non-cash movements	31.12.2020
Leasing liabilities	100,389	-	(16,019)	3,377	(12,164)	75,583
Bank loan – covid 19 loan	-	10,000	-	-	-	10,000
Overdraft facility	16,722	11,708	-	-	-	28,430
	117,111	**21,708**	**(16,019)**	**3,377**	**(12,164)**	**114,013**

Notes to consolidated financial statements

16. Financial liabilities (continued)

	Carrying amount		Fair value	
DKK'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Leasing liabilities				
Is due as follows:				
Within year 1	15,258	17,588	15,258	17,588
From 1 – 5 years	44,392	63,592	44,392	63,592
After 5 years	15,933	19,209	15,933	19,209
Total	**75,583**	**100,389**	**75,583**	**100,389**
Overdraft facility				
Is due as follows:				
Within year 1	28,430	16,722	28,430	16,722
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**28,430**	**16,722**	**28,430**	**16,722**
Covid-19 Loan				
Is due as follows:				
Within year 1	1,600	0	1,600	0
From 1 – 5 years	6,400	0	6,400	0
After 5 years	2,000	0	2,000	0
Total	**10,000**	**0**	**10,000**	**0**
Trade payables				
Is due as follows:				
Within year 1	43,467	36,216	43,467	36,216
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**43,467**	**36,216**	**43,467**	**36,216**

Fair value for bank loans, lease liabilities 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 and overdraft facility at 31 December 2020. Reference is made to note 18 in parent financial statements with respect to carrying value of the items covered by the floating charge.

Notes to consolidated financial statements

17. Other payables

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

18. Changes in working capital	**31.12.20 DKK'000**	**31.12.19 DKK'000**
Change in inventories	(5,501)	21,734
Change in receivables	5,715	5,969
Change in payables	8,219	(19,442)
Changes in working capital total	**8,433**	**8,261**

19. Contingent liabilities

The parent company is part of a joint taxation scheme with Styleco ApS as the Administration company, and 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.

Notes to consolidated financial statements

20. Business combinations

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:

	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 derives 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 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.

Receivables are measured at the fair value of the amounts that are expected to be received less expected cost for collection. Liabilities are measured at the present value of the amounts that are required for settling the liabilities.

The Group has 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. 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.

Notes to consolidated financial statements

20. Business combinations (continued)

The brand relate to the "Unmade" name, and the fair value has been 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 are based on the sales forecast for 2021. No growth has been 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 amortization 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 9. In stead the related deferred tax has reduced the unrecognized deferred tax asset as disclosed in note 9.

The identification and the recognition of the brand value and the fair values for the other identifiable assets and liabilities has resulted in a negative goodwill of DKK 7 million which in accordance with IFRS 3 has been recognised in the consolidated income statement as a bargain purchase gain. As a result of the purchase price allocation showing a bargain purchase gain, the Group has carefully assessed the identification of underlying assets, liabilities and contingent liabilities – especially the identification and recognition of brand value related to the Unmade brand. The bargain purchase gain is assessed to have arisen due to the low historical financial performance of the acquired business under its previous owner compared with the sales and earnings potential under the Noa Noa ownership where the Unmade accessories will be able to benefit from being sold through the existing Noa Noa retail shops and with a considerably lower cost base whereby Noa Noa will be able to generate considerably higher earnings than was possible for the seller. On this basis, Management has concluded that all relevant assets and liabilities have been recognised at their fair values, and that the acquisition has in fact resulted in a bargain purchase gain.

<u>2019:</u>

No business combinations took place in 2019.

Notes to consolidated financial statements

21. Financial risks and financial instruments

	31.12.20 DKK'000	31.12.19 DKK'000
Categories of financial instruments		
Trade receivables	9,901	15,419
Other receivables	8,929	9,369
Cash	2,648	4,507
Loan and receivables measured at amortised cost	**21,478**	**29,295**
Leasing liabilities	75,583	100,389
Bank loans	38,430	16,722
Trade payables	43,467	36,216
Other payables	10,260	9,290
Financial liabilities measured at amortised cost	**167,740**	**162,617**

Policy for management of financial risks

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

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

Interest rate risks

The Group does not hedge its interest rate exposure, as this is not considered to be financially viable. Due to its international structure and presence, the groups results are affected by exchange rate movements in a number of currencies, primarily EUR, USD, SEK, NOK and GBP.

At the end of the financial year the group had no open forward exchange contracts.

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 (2019: DKK 0,2 million).

Notes to consolidated financial statements

21. Financial risks and financial instruments (continued)

Liquidity risks

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

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

	2020 DKK'000	2019 DKK'000
Leasing liabilities	75,583	100,389
Bank loans (bank overdraft and Covid-19 loan)	38,430	16,722
Trade payables	43,467	36,216
Other payables	10,260	9,290
Total financial liabilities	**167,740**	**162,617**

Subsequent to the balance sheet date, the bank overdraft facility has been reduced from DKK 30 million to DKK 10 million. This has been funded by the shareholders who have provided additional equity contributions of totally DKK 26 million. In addition, the Group has obtained an additional long-term Covid-19 loan of DKK 22 million.

Capital structure

The Group and its majority shareholder manage the capital structure with a primary view to ensuring that the Group can continuously be regarded as a going concern to provide appropriate comfort to financial lenders and trading partners that the Group will be able to meet its financial obligations at any time throughout 2021. See note 2 for further information.

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

21. Financial risks and financial instruments (continued.)

Foreign exchange rate risk

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

22. Related parties

Related parties with a controlling interest:

Name	Registered office	Basis of control at 31 Dec 2020
Styleco ApS (parent company)	Copenhagen	63%
Greystone Special Situations Fund K/S (ultimate parent)	Copenhagen	63%

Related parties also comprise the members of the Board of Directors and the Executive Board as well as close family persons related to the members of the Board of Directors and the Executive Board. Remuneration paid to members of the Executive Board is disclosed in note 4.

No remuneration has been paid to the Board of Directors in 2019 and 2020.

The acquisition of the "Unmade" business described in note 20 was entered with a seller, which is a subsidiary to a shareholder of Noa Noa A/S owning 25% of Noa Noa A/S, at the time of the transaction.

Greystone Special Situations Fund K/S has during the year charged the Group with an amount of DKK 900 thousand related to financial advisory services.

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

23. Events after the balance sheet date

Subsequent to the balance sheet date, shareholders have contributed additional equity capital through cash contributions of totally DKK 26 million, and the Group has obtained an additional Covid-19 loan of DKK 22 million. Futher, in 2021, the bank overdraft facility has been reduced from DKK 30 million to DKK 10 million.

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

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

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

24. 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

24. 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. Revenue is recognised by the Group at a point in time.

Revenue is measured as the fair value of the consideration received or receivable.

Revenue is measured exclusive of VAT, taxes etc. charged on behalf of third parties and less any commissions and discounts in connection with sales.

Cost of sales

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

Other external expenses

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

Staff costs

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

Notes to consolidated financial statements

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

24. 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 depreciation 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

24. 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

24. 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

24. 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.

25. 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 2020.

Parent income statement

	Notes	2020 DKK'000	2019 DKK'000
Revenue	1	73,573	106,210
Cost of sales		(42,750)	(61,573)
Gross profit		**30,823**	**44,637**
Other operating income	1	17,812	22,241
Other external expenses		(14,548)	(19,252)
Staff costs	2	(29,028)	(27,117)
Operating profit/loss before depreciation, amortisation and impairment losses (EBITDA)		**5,059**	**20,509**
Depreciation, amortisation and impairment losses	3	(15,598)	(10,235)
Operating profit/loss before special items (EBIT before special items)		**(10,539)**	**10,274**
Special items	4	(855)	(14,314)
Bargain purchase gain	5	7,000	0
Profit/loss before financial income and expenses (EBIT)		**(4,394)**	**(4,040)**
Loss from investments in subsidiaries and loss allowance for receivables from subsidiaries	6	(24,520)	0
Financial expenses	7	(5,035)	(9,370)
Profit/loss before tax		**(33,949)**	**(13,410)**
Tax on profit/loss for the year	8	0	5,000
Net profit/loss for the year		**(33,949)**	**(8,410)**

Parent statement of comprehensive income

	Notes	2020 DKK'000	2019 DKK'000
Profit/loss for the year		**(33,949)**	**(8,410)**
Other comprehensive income/loss after tax		**0**	**0**
Total comprehensive income/loss		**(33,949)**	**(8,410)**

Parent balance sheet

	Notes	31.12.2020 DKK’000	31.12.2019 DKK’000
ASSETS			
Capitalised design costs		3,330	4,422
Software		1,787	139
Acquired rights		7,531	465
Non-current intangible assets	9	**12,648**	**5,026**
Other fixtures and fittings, tools and equipment		6,530	5,176
Leasehold improvements		750	915
Right of use assets		53,063	58,953
Non-current tangible assets	10	**60,343**	**65,044**
Investments in subsidiaries	11	15,140	2,245
Other receivables	11	1,823	1,624
Deferred tax assets		15,000	15,000
Non-current financial assets	11	**31,963**	**18,869**
Total non-current assets		**104,461**	**88,939**
Inventories	12	31,331	24,147
Trade receivables	13	6,212	8,944
Receivables from group companies	13	8,001	28,495
Other receivables		2,782	1,551
Prepayments		3,206	3,241
Cash		1,229	1,854
Total current assets		**52,761**	**68,232**
Assets		**157,715**	**157,171**

Parent balance sheet

	Notes	31.12.2020 DKK'000	31.12.2019 DKK'000
EQUITY AND LIABILITIES			
Contributed capital		1,846	1,689
Reserve for capitalised design cost		2,597	3,449
Retained earnings		5,212	27,166
Equity		**9,655**	**32,304**
Leasing liabilities	14	46,959	54,023
Bank loans	14	8,400	0
Other payables	15	2,415	847
Non-current liability		**57,774**	**54,870**
Leasing liabilities	14	9,018	6,753
Bank loans	14	30,030	16,722
Trade payables	14	39,920	32,542
Payables to group companies		1,981	4,982
Other payables	15	9,337	8,998
Current liability		**90,286**	**69,997**
Liability		**148,060**	**124,867**
Equity and liability		**157,715**	**157,171**

Parent cash flow statement

	Notes	2020 DKK'000	2019 DKK'000
Profit/loss before financial income and expenses (EBIT)		(4,394)	(4,040)
Depreciation, amortisation and impairment losses		15,598	10,235
Reversal valuation adjustment investment property		0	(2,000)
Other non-cash items		(1,449)	1,113
Bargain purchase gain	5	(7,000)	0
Working capital changes	16	11,252	(17,470)
Cash flows from operating activities		**14,007**	**(12,162)**
Business acquisition		(10,463)	0
Purchase of intangible assets		(3,216)	(4,241)
Purchase of tangible assets		(1,322)	33,906
Investments in subsidiaries		(15,923)	0
Disposals of financial assets		0	81
Cash flows to/from investing activities		**(30,924)**	**29,746**
Increase in share capital in cash		11,300	29,800
Proceeds from loans and borrowings	14	21,708	0
Repayment of loans and borrowings	14	0	(28,772)
Repayment of lease liabilities	14	(11,625)	(8,379)
Interest expenses paid		(5,094)	(9,370)
Cash flows to/from financing activities		**16,289**	**(16,721)**
Cash flows for the year		**(626)**	**864**
Cash at 1 January		1,854	989
Cash at 31 December		**1,229**	**1,854**

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 at 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 at 31 December 2020	**1,846**	**2,597**	**5,212**	**9,655**
Equity at 1 January 2019	**861**	**3,000**	**7,053**	**10,914**
Profit/loss for the year	0	0	(8,410)	(8,410)
Transferred to reserves, design costs	0	3,941	(3,941)	0
Depreciation, design costs	0	(2,519)	2,519	0
Tax effect	0	(973)	973	0
Total comprehensive income	**0**	**449**	**(8,859)**	**(8,410)**
Capital increases in cash	828	0	28,972	29,800
Equity at 31 December 2019	**1,689**	**3,449**	**27,166**	**32,304**

Parent financial statements

Overview of notes

Notes

	2020 DKK'000	2019 DKK'000
1. Revenue and Other Operating income		
Revenue		
Retail	34,825	37,791
Wholesale	12,277	23,745
Internet sales	6,219	8,061
Sales to subsidaries	20,252	36,613
Total revenue	**73,573**	**106,210**
Other Operating income		
Fair value adjustements, investment property (see note 10)	0	2,000
Debt relief from suppliers	0	3,750
Government relief package	9,841	0
Management fee from subsidiaries	6,617	15,435
Rental income	1,131	1,056
Other	223	0
Total operating income	**17,812**	**22,241**

	2020 DKK'000	2019 DKK'000
2. Staff costs		
Salaries and wages	30,159	33,952
Pension contributions	1,673	1,760
Other social security costs	409	549
Other staff costs	1,606	1,255
Staff costs before transfers	**32,847**	**37,516**
Transferred to capitalised design costs and software	(4,264)	(3,537)
Transfered to special items	(555)	(6,862)
Total staff costs	**29,028**	**27,117**
Average number of employees	72	81

Notes

2. Staff costs (continued)

	Remuneration of Management 2020 DKK'000	Remuneration of Management 2019 DKK'000
Total amount for the Executive Board*	2,858	2,147
	2,858	**2,147**

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

The Board of Directors did not receive any remuneration in 2020 and 2019.

Share-based payments

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

	2020 DKK'000	2019 DKK'000
3. Depreciation, amortisation and impairment losses		
Amortisation, intangible assets	4,337	3,929
Depreciation, buildings	0	1,765
Depreciation, other fixtures and fittings, tools and equipment	428	1,038
Depreciation, leasehold improvements	199	265
Depreciation, right of use assets	10,634	7,713
Reversal of prior year impairment write down	0	(4,475)
Total depreciation, amortisation and impairment losses	**15,598**	**10,235**

	2020 DKK'000	2019 DKK'000
4. Special items		
Severance pay	(555)	(6,862)
Loss related to closure of shops	0	(3,418)
Losses on trade receivables related to termination of cooperation with selected customers	0	(1,593)
Other non-recurring items	(300)	(2,441)
Total special items	**(855)**	**(14,314)**

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	(300)	7,452
Staff costs	(555)	6,862
	(855)	**14,314**

5. Bargain purchase gain

Reference is made to business combinations note 20 in the consolidated financial statements

	2020 DKK'000	2019 DKK'000
6. Loss from investments in subsidiaries and loss allowance on receivables from group companies		
Impairment of investments in subsidiaries (see note 11)	(3,328)	0
Loss allowances on receivables from group companies (see note 13)	(21,192)	0
Total loss from investments in subsidiaries	**(24,520)**	**0**

	2020 DKK'000	2019 DKK'000
7. Financial expenses		
Interest expenses	(2,755)	(3,601)
Interest expenses, leasing liabilities	(2,236)	(1,661)
Financial expenses relating to financial liabilities measured at amortised cost in the income statement	**(4,991)**	**(5,262)**
Exchange rate losses	0	(3,882)
Other financial expenses	(44)	(226)
Total financial expenses	**(5,035)**	**(9,370)**

Notes

	2020 DKK'000	2019 DKK'000
8. Tax on profit/loss for the year		
Current tax	0	0
Changes in deferred tax	0	5,000
Adjustment previous years	0	0
	0	**5,000**

	2020 DKK'000	2019 DKK'000
Tax calculated as 22% of profit/loss before tax	(7,469)	(2,950)
Non-deductible expenses and non-taxable income	1,267	2,950
Changes in recognition of deferred tax assets	0	1,137
Change in allowance for deferred tax assets	6,202	3,863
Adjustment previous years	0	0
	0	**5,000**
Effective tax rate	0%	-37.3%

As of 31 December 2020, DKK 15 million (2019: 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 9 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 23 million (2019; DKK 18 million) have not been recognised as deferred tax assets on the balance sheet at 31 December 2020.

Notes

9. Intangible assets

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

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

Notes

10. Tangible assets

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

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

Notes

2019	Land and buildings DKK'000	Other fixtures and fittings, tools and equipment DKK'000	Leasehold improve-ments DKK'000
Cost at 1 January	59,288	19,646	16,466
Additions	0	0	592
Disposals	(59,288)	(4,147)	(2,972)
Cost at 31 December	**0**	**15,499**	**14,086**
Depreciation and impairment losses at 1 January	(27,299)	(17,612)	(15,375)
Depreciation for the year	(1,765)	(1,037)	(264)
Reversal of prior year impairment write down	0	4,475	0
Disposals	29,064	3,852	2,468
Depreciation and impairment losses at 31 December	**0**	**(10,322)**	**(13,171)**
Carrying amount at 31 December	**0**	**5,176**	**915**

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

Buildings, including buildings held as rental property classified and accounted for as investment property was sold during 2019. A fair value gain of DKK 2 million related to the investment property was recognised in the income statement in Other operating income (note 1) while no gain related to the owner occupied building was recognised as, subsequent to the sale of the buildings, Noa Noa A/S entered into a 10 year non-cancellable lease back agreement with the buyer of the buildings that has been accounted for as a right of use assets in accordance with IFRS 16. Buildings that prior to the sale and lease back was accounted for as investment property are no longer assessed to meet the definition of an investment property and is therefore accounted for and classified as owner occoupied property as part of the right of use assets.

Notes

11. Financial assets

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

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

	Registered in	Corporate form	Equity interest %	Equity DKK'000	Profit/loss DKK'000
Subsidiaries					
Noa Noa Sverige AB	Stockholm	AB	100	7,549	(8,739)
Noa Noa UK Ltd.	London	Ltd.	100	1,312	(1,941)
Noa Noa GmbH	Düsseldorf	GmbH	100	(527)	(4,747)
Noa Noa Norge AS	Oslo	AS	100	8,803	(6,345)

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 2019 and 2020.

Notes

11. Financial assets (continued)

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, considering that for some of the subsidiaries with negative equities at 31 Dec. 2020 a recapitalisation will take place in 2021 through debt conversion or debt forgiveness. Based on an assessment of the financial position of the individual subsidiaries at 31 Dec. 2020, expected earnings in the forthcoming years, and thereby determining whether the subsidiaries realistically will be able to repay their debts to Noa Noa A/S and whether the subsidiaries in the mid-term to long-term will be able to generate a return to Noa Noa A/S through dividends, the Company has recognised 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.

12. Inventories	**31.12.20 DKK´000**	**31.12.19 DKK´000**
Goods for resale	31,331	24,147
Carrying amount at 31 December	**31,331**	**24,147**

The cost of inventories recognised as an expense during the year was DKK 44,7 million (2019: DKK 61,8 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	31.12.20 DKK´000	31.12.19 DKK´000
Trade receivables		
Trade receivables	10,676	13,330
Loss allowance	(4,464)	(4,386)
Carrying amount at 31 December	**6,212**	**8,944**
Receivables from group companies		
Receivables from group companies	29,193	28,495
Loss allowance	(21,192)	0
Carrying amount at 31 December	**8,001**	**28,495**

	2020 DKK’000	2019 DKK’000
Loss allowance beginning of the year	4,386	9,880
Charged to profit/loss during the year/(reversed)	78	(2,938)
Realised losses during the year	0	(2,556)
Loss allowance end of year	**4,464**	**4,386**

		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**

		Days past due			
31.12.2019	**Not due**	**<30 days**	**31-60 days**	**61-90 days**	**>91 days**
Expected credit loss rate*	0%	0%	0%	3%	51%
Trade receivables (gross)	2,341	202	851	1,388	8,548
Loss allowance	0	0	0	(48)	(4,338)
Trade receivables (net)	**2,341**	**202**	**851**	**1,340**	**4,210**

* 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	01.01.2020	Proceeds from loans and borrow-ings	Repayment of loans and borrowings	New leasing contracts	Other non-cash move-ments	31.12.2020
Leasing liabilities	60,776	-	(11,625)	5,725	1,101	55,977
Bank loan – covid 19 loan	-	10,000	-	-	-	10,000
Overdraft facility	16,722	11,708	-	-	-	28,430
	77,498	**21,708**	**(11,625)**	**5,725**	**1,101**	**94,407**

	Carrying amount		Fair value	
DKK'000	**31.12.20**	**31.12.19**	**31.12.20**	**31.12.19**
Leasing liabilities				
Is due as follows:				
Within year 1	9,018	6,753	9,018	6,753
From 1 – 5 years	31,026	34,814	31,026	34,814
After 5 years	15,933	19,209	15,933	19,209
Total	**55,977**	**60,776**	**55,977**	**60,776**
Overdraft facility				
Is due as follows:				
Within year 1	28,430	16,722	28,030	16,722
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**28,430**	**16,722**	**28,430**	**16,722**
Bank loan - Covid-19 loan				
Is due as follows:				
Within year 1	1,600	0	1,600	0
From 1 – 5 years	6,400	0	6,400	0
After 5 years	2,000	0	2,000	0
Total	**10,000**	**0**	**10,000**	**0**

Notes

14. Financial liabilities (continued)

Trade payables				
Is due as follows:				
Within year 1	39,920	32,542	39,920	32,542
From 1 – 5 years	0	0	0	0
After 5 years	0	0	0	0
Total	**39,920**	**32,542**	**39,920**	**32,542**

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

15. Other payables	**31.12.20 DKK'000**	**31.12.19 DKK'000**
Non-current other payables		
Holiday pay obligation	2,415	847
Total changes in working capital	**2,415**	**847**
Current other payables		
Public authorities (VAT, excise duties, taxes, etc.)	6,366	4,620
Holiday pay obligation, payroll accruals, bonus, etc.	1,186	2,592
Outstanding gift certificates and credit vouchers.	920	1,043
Other expenses payable	865	744
Total changes in working capital	**9,337**	**8,999**

16. Changes in working capital	**31.12.20 DKK'000**	**31.12.19 DKK'000**
Change in inventories	(654)	14,047
Change in receivables	1,549	(22,965)
Change in payables	10,357	(8,552)
Total changes in working capital	**11,252**	**(17,470)**

Notes

17. Contingent liabilities

The Company is part of a joint taxation scheme with Styleco ApS as the Administration company. 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 at 31 December 2020.

	31.12.20 DKK'000	31.12.19 DKK'000
The carrying amounts of assets provided as colleteral for bank loans are as follows:		
Intangible assets	12,648	5,026
Other fixtures and fittings, tools and equipment	6,530	5,176
Non-current other receivables	1,823	1,624
Inventory	31,331	24,147
Trade receivables	3,212	5,944
Receivables from group companies	8,001	28,495
Other receivables	5,782	4,551
	69,327	74,963

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 24 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 15
Financial risks and financial instruments	Note 21
Related parties	Note 22
Events after balance sheet date	Note 23
Accounting policies	Note 24
New standards	Note 25

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 2020 - 31 December 2020.

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 2020 and of the results of the Group's and the parent company's operations and cash flows for the financial year 1 January 2020 - 31 December 2020.

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, 27 September 2021

Executive Board

Christian Higraff, CEO

Steen Mørkøv Kristianen, CFO

Board of Directors

Jørgen Nielsen
Chairman

Nick Jensen

Christian Hassel

Ivan Bjerg-Larsen

Independent auditor's report

To the 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 01.01.2020 - 31.12.2020, 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 31.12.2020, and of the results of their operations and cash flows for the financial year 01.01.2020 - 31.12.2020 in accordance with International Financial Reporting Standards as adopted by the EU and additional requirements of the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the *Auditor's responsibilities for the audit of the consolidated financial statements and the parent financial statements* section of this auditor's report. We are independent of the Group in accordance with the International Ethics Standards Board of Accountants' Code of Ethics for Professional Accountants (IESBA Code) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter relating to deferred tax asset

At 31 December 2020, the Group has recognized a deferred tax asset with a carrying amount of DKK 18 million and the Parent company has recognised a deferred tax asset with a carrying amount of DKK 15 million. The deferred tax assets include the expected value of tax losses carryforwards to be utilised in the strategy periode until end of 2024 as further outlined in note 1 to the consolidated financial statements. 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 carry-out the growth plans assumed in the strategy plan for the strategy period until end of 2024. 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, 27 September 2021

Deloitte
Statsautoriseret Revisionspartnerselskab
Business Registration No 33 96 35 56

Kim Takata Mücke
State-Authorised Public Accountant
MNE no mne10944