La Perla Fashion Holding N.V.
Amsterdam

Annual Report and financial statements
For the year ended 31 December 2018

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS & ADVISEURS

Contents

Three year summary

Like for like combination of the La Perla Fashion Holding N.V. Group as of 1 January 2016

	Combined La Perla Fashion Holding N.V. and La Perla Global Management Ltd. 2018	Combined La Perla Fashion Holding N.V. and La Perla Global Management Ltd. 2017	Combined La Perla Fashion Holding N.V. and La Perla Global Management Ltd. 2016
	€ 000	€ 000	€ 000
Income statement in summary			
Revenue	106,240	133,931	138,096
Operating profit/(loss)	(91,316)	(178,812)	(69,081)
Profit/(loss) before tax	50,729	(184,127)	(72,676)
Profit/(loss) for the year	50,067	(187,850)	(72,924)
Balance sheet in summary			
Brand and other intangible assets	32,061	36,644	60,552
Properties, plant and equipment	15,267	19,452	55,219
Other non-current assets	10,617	10,639	15,973
Inventories and work in progress	44,352	81,273	88,045
Trade receivables	6,548	11,029	14,650
Other current assets	11,565	15,223	17,736
Cash and cash equivalents	32,505	17,459	13,186
Total assets	**152,915**	**191,719**	**265,361**
Non-current liabilities	110,806	159,824	303,826
Current liabilities	39,910	76,556	75,705
Equity	2,199	(44,661)	(114,170)
Total equity and liabilities	**152,915**	**191,719**	**265,361**
Key ratios			
Gross profit margin	0.41	0.42	0.50
Operating profit margin	(0.86)	(1.34)	(0.50)
Average number of employees in FTE	1,370	1,616	1,613
Earnings per share in €	0.5007	(1.8785)	(0.7292)
Number of shares	100,000,000	100,000,000	100,000,000

Note:

To analyse the business straight forward the three year summary is presented like for like as if La Perla Fashion Holding N.V. already existed and owned the La Perla UK as of 1 January 2016. This means that the overview above is not a consolidated overview but a combined overview. The separate entities La Perla Fashion N.V. and La Perla Management Limited UK are audited in 2018 and 2017. The three year summary is the combination of these numbers. The balance sheet numbers and income statement numbers used during the purchase price allocation of the business combination is based on the same audited information as in the three year overview.

INITIALS FOR IDENTIFICATION PURPOSES

17 JULI 2019

FSV

ACCOUNTANTS + ADVISORS

Management board report

Principal activities

La Perla Fashion Holding N.V. ("the Company") is a public company with limited liability, incorporated under the laws of The Netherlands on 9 September 2016. As of 31 May 2018 the Company changed her name from Glow Media N.V. to La Perla Fashion Holding N.V. The Company's registered office is Schiphol Boulevard 127 1118 BG Schiphol, the Netherlands. The company is registered at the Chamber of Commerce at 66809681.

Per date of authorization of the financial statements, 17 July 2019, the ultimate parent company is Tennor Holding B.V. which controlled 90% of the Company through La Perla Fashion Finance B.V.

Tennor Holding B.V. is a privately-owned Principal Investment holding company, focused on special situation investment opportunities across continental Europe, Africa, Middle-East and Asia. It was formed in 2009 by a select number of entrepreneurs and prominent high-net-worth families seeking exposure to investment opportunities in special situations.

La Perla Fashion Holding N.V. and its Subsidiaries (hereinafter the "Group") operate in the markets of luxury women's and men's underwear and swimwear (hereinafter the "Business"). The activities of design, production and sale (through retail and wholesale channels) are performed by the Group through its network of subsidiaries. The direct subsidiary La Perla Global Management (UK) is the Principal in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

The addresses of its registered office and principal place of business are disclosed in the Company Information.

Principal risks and uncertainties

The Group's activities expose it to a number of financial risks including liquidity risk, currency risk, credit risk and interest rate risk.

Liquidity risk
The Group's activities expose it to the risk that the company will not be able to meet its financial obligations as they fall due.

Further details of the Group's going concern position are disclosed in Note 1(b) to the financial statements.

Currency risk
The Group is exposed to transactional foreign currency risk in relation to trade in foreign currencies and purchases (from third parties), whilst borrowings are mainly denominated in Euros. The directors review currency risk on an ongoing basis.

Credit risk
Credit risk is the risk of financial loss to the company if a customer or counterparty fails to meet its contractual obligations.

The Group's credit risk is primarily attributable to its trade receivables. The amounts presented in the balance sheet are net of allowances for doubtful receivables. An allowance for impairment is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. The credit risk can be considered limited as the Group adopts restrictive credit policies and regularly monitors the exposure with each single client. The receivables' credit risk is fragmented over its retail and trade customers.

The credit risk on liquid funds is limited as the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

Interest rate risk
The Group's borrowings from related parties are issued at variable rates that expose the Group to interest rate risk. At year-end, if interest rates had been 50 basis point higher/lower with all other variables held constant, pre-tax losses for the year would have been about Euro 493 thousand higher/lower.

Business review

On February 25, 2018 the Company acquired 100% of the voting shares of La Perla Global Management (UK) Ltd. a non-listed company based in the United Kingdom. La Perla operates in the markets of luxury women's and men's underwear and swimwear. The total identifiable net assets at fair value assumed as at the date of the acquisition is € 76.6 million. The purchase price for the group was € 1.00 resulting in a gain from a bargain purchase € 76.6 million.

To analyse the business straight forward the business review and the three year summary is presented like for like as if the Company already owned the business combination as of 1 January 2016.

In 2016-2017 the strategy was focused on deploying through the fine tuning to the store network (150 directly operated stores by the end of 2016, 5 new opening and 17 closures) and a further enlargement of the product offer (mainly in ready-to-wear and accessories). There was also a heavy impact in terms of costs, structure and investments, and also an impact on performance due to the learning curve experienced in the new business model, together with delays in production and consequently in deliveries.

2018 was the first year under new ownership. The re-organisational strategy has been focused mainly on the destocking and product concentration going back to core offer.

In 2018 like for like revenues amounted to € 106.2 million (2017: € 133.9 million), a 20.7% reported decrease compared with the prior year and comprise sales from following channels:

	2018		2017	
Continuing operations	€ 000	%	€ 000	%
Net sales Boutique	61,953	58%	82,776	62%
Net sales Wholesale	7,725	7%	16,807	12%
Net sales Outlet	21,096	20%	17,813	13%
Net sales Online	11,827	11%	11,455	9%
Net sales Stock	2,263	2%	3,064	2%
Royalties and other income	1,376	1%	2,016	2%
	106,240		**133,931**	

The general shortfall in sales is basically due to the lack of new production during the implementation of the new strategy.

Retail revenues like for like represented 89% of total revenues (2017: 84%). This increase in retail sales is mainly due to Outlet channel (+7%). In absolute terms, retail revenues decreased of by € 17,2 million a decrease of 15.3%.

Wholesale revenues, representing by 54% compared with the previous year, and have been affected by delays and also by a reduction in new products during the implementation of the new strategy.

Retail revenues suffered less following the destocking strategy in place during the first phase under the new ownership.

Group net debt as at 31 December 2018 amounted to € 70,6 million. Compared with the group in a like for like situation for 2017 is € 144,8 million:

	31 December 2018	31 December 2017
	La Perla Fashion Holding N.V.	*La Perla Fashion like for like*
	€ 000	€ 000
Long term borrowings	103,098	151,976
Short term borrowings	20	10,296
Cash and cash equivalents	(32,505)	(17,459)
	70,613	**144,813**

All long-term borrowings at the balance sheet date are from Tennor Holding B.V. The amount was issued in 24 different tranches starting from 26 February 2018 in order to support the Group reorganisation.

In particular at the end of 2018 the treasury strategy was focused to decrease significantly all the overdue amounts due to the suppliers in order to support the new strategy.

The decrease from 2017 is due to the fact that on 24 February 2018, Pacific Capital S.a.r.l. and Elite World S.A. (the former shareholders of La Perla Global Management (UK)) waived the loan amount for € 142.5 million.

Going concern

The director has considered the going concern assumption given the current trading of the Company and Group and the funding considerations of the Group and has formed the conclusion that it is appropriate to consider that the Company will continue to operate in the foreseeable future. The Group has received a financial commitment from the parent company in writing, that the parent company will provide financial support to enable the Group to meet its financial obligations as they fall due.

In forming the judgment, the director has also considered the following matters:

i) During 2018 and 2019, the Company received a letter of financial support from the shareholder, Tennor Holding B.V. and on 13 July 2018, Tennor Holding B.V. secured a new debt facility up to € 250 million. As a result, the consolidated entity will have a sufficient funding to enable it to meet its objectives and financial obligations. At the date of signing Tennor Holding B.V. has paid € 128.7 million and the Director is confident that Tennor has the ability to provide all the necessary financial support to the Group in order to reach the result as showed in financial projections.

ii) The consolidated entity used a net operating cash out flow for the financial year ended 31 December 2018 of € 69,3 million (2017 like for like: € 98,3 million). Management expect that the operating costs will be reduced in the subsequent financial year as a result of restructuring its operations, which will reduce the negative operating cash flows.

Although the restructuring is still ongoing, management is confident that the reorganisation process will provide positive results in a short period of time allowing the Group to operate in the foreseeable future.

Research and development

Research and development is not applicable for the company.

Employee consultation

The Group places considerable value on the involvement of its employees and has continued to keep them informed on matters affecting them as employees and on the various factor affecting the performance of the Group and the Company. Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests.

Governance

The governance of the company consists of one director, La Perla Fashion Finance B.V.

Management expectations of future operations

The director is confident that the proper execution of the strategic plan will allow the Group to break-even in the mid-term.

Responsibility Statement

The Director is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director(s) is (are) required to prepare the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU). Under company law the Directors must not approve the annual report unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing the financial statements, International Accounting Standard 1 requires that Directors:

- Properly select and apply accounting policies;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in IFRSs are insufficient to enable users to understand the impact of particular transactions, other events and conditions on the entity's financial position and financial performance; and
- Make an assessment of the Company's ability to continue as a going concern.
- The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the applicable Accounting Standards. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.
  The Directors are responsible for the maintenance and integrity of the corporate and financial information included in this report. Legislation in the Netherlands governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Directors' Responsibility Statement

We as director confirm that to the best of our knowledge:

- The financial statements, prepared in accordance with the relevant financial reporting framework, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and the undertakings included in the consolidation taken as a whole;
- The Annual Report, includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that they face; and
- The Annual Report and Financial statements, taken as a whole, are fair, balanced and understandable and provide the information necessary for Shareholders to assess the Company's performance, business model and strategy.

This Responsibility Statement was approved by the Board of Directors on 17 July 2019 and is signed on its behalf by:

La Perla Fashion Finance B.V.

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Consolidated financial statements 2018

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Consolidated statement of comprehensive income

For the year ended 31 December 2018

	Notes	2018	2017
		€ 000	€ 000
Revenue	5	85,650	-
Cost of good sold	6	(47,242)	-
Gross margin		**38,408**	-
Marketing and selling expenses		(68,669)	-
General and administrative expenses		(35,753)	(89)
Operating loss before amortisation and depreciation		**(66,014)**	**(89)**
Amortisation, depreciation & write off		(5,326)	-
Operating profit/(loss)		**(71,340)**	**(89)**
Financial income/(expenses)	9	74,911	13
Other income and expenses		1,631	-
Profit/(loss) before tax		**5,202**	**(76)**
Income taxes	10	(662)	-
Profit/(Loss) for the year		**4,540**	**(76)**
Items that will not be reclassified subsequently to the profit and loss			
Actuarial gains/(losses)		120	-
Deferred taxes on actuarial gains/(losses)		(29)	-
Items that may be reclassified subsequently to the profit and loss		91	-
Exchange differences on translation of operations in foreign currencies		(3,313)	-
Total other gains/(losses) net of tax effect		**(3,313)**	-
Total comprehensive profit/(loss) for the year		**1,318**	**(76)**

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Consolidated statement of financial position

For the year ended 31 December 2018

	Notes	31 December 2018 € 000	31 December 2017 € 000
Non-current assets			
Brand and other intangible assets	11	32,061	-
Properties, plant and equipment	12	15,267	-
Other non-current assets	13	10,617	675
Total non current assets		**57,945**	**675**
Current Assets			
Inventories and work in progress	14	44,352	-
Trade receivables	15	6,548	-
Other current assets	16	11,565	13
Cash and cash equivalents	17	32,505	196
Total current assets		**94,970**	**209**
Non-current liabilities			
Long term borrowings	19	103,098	-
Provisions	20	2,707	-
Deferred tax liabilities	21	84	-
Other non-current liabilities	22	4,917	-
Total non current liabilities		**110,806**	-
Current liabilities			
Short term borrowings	19	20	-
Trade payables	23	17,195	3
Provisions	20	1,249	-
Other current liabilities	21	21,446	-
Total current liabilities		**39,910**	**3**
Net assets/(liabilities)		**2,199**	**881**
Equity	18		
Share capital		1,000	1,000
Cumulative translation adjustment		2,290	-
Retained earnings		(1,091)	(119)
Total Equity		**2,199**	**881**

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Consolidated statement of changes in shareholder's equity

For the year ended 31 December 2018

	Share capital	Cumulative translation adjustment	Retained earnings	Total share-holders' equity
	€ 000	€ 000	€ 000	€ 000
Balance at 1 January 2017	**1,000**	**-**	**(43)**	**957**
Total comprehensive income/(expense) during the period	-	-	(76)	(76)
Balance at 31 December 2017	**1,000**	**-**	**(119)**	**881**
Total comprehensive income/(expense) during the period	-	2,290	(972)	1,318
Balance at 31 December 2018	**1,000**	**2,290**	**(1,091)**	**2,199**

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Consolidated cash flow statement

For the year ended 31 December 2018

	2018	2017
	€ 000	€ 000
Cash and cash equivalent at the beginning of the year	196	961
Cash flows from operating activities		
Net income/(loss) of the year	4,540	(76)
Depreciation and amortisation	5,326	-
(Increase)/Decrease in inventories	(44,352)	-
(Increase)/Decrease in receivables	(18,100)	(12)
Increase/(Decrease) in payables	38,638	(2)
Increase/(Decrease) in provision	3,956	-
Other working capital variation	3,313	-
Net cash generated from operating activities	(6,679)	(90)
Cash flow from investing activities		
Investment in other non-current assets	(9,942)	(675)
Investment in property, plant and equipment	(20,593)	-
Investment in intangible assets	(32,061)	-
Net cash used in investing activities	(62,596)	(675)
Cash flow from financing activities		
Short term borrowing	20	-
Long term borrowing	103,098	-
Net cash generated from financing activities	103,118	-
Effect of forex on cash	(1,534)	-
Cash and cash equivalent at the and of the year	**32,505**	196

Analysis of Net Cash

	2018	2017
Cash and cash equivalents as per Balance Sheet	32,505	196
Bank overdrafts	(20)	-
Net Cash	**32,485**	196

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Notes to the consolidated financial statements

For the year ended 31 December 2018

1. Corporate information

Principal activities

La Perla Fashion Holding N.V. ("the Company") is a public company with limited liability, incorporated under the laws of The Netherlands on 9 September 2016. As of 31 May 2018 the Company changed her name from Glow Media N.V. to La Perla Fashion Holding N.V. The Company's registered office is Schiphol Boulevard 127 1118 BG Schiphol, the Netherlands. The company is registered at the Chamber of Commerce at 66809681.

Per date of authorization of the financial statements, 17 July 2019, the ultimate parent company is Tennor Holding B.V. which controlled 90% of the Company through La Perla Fashion Finance B.V.

Tennor Holding B.V. is a privately-owned Principal Investment holding company, focused on special situation investment opportunities across continental Europe, Africa, Middle-East and Asia. It was formed in 2009 by a select number of entrepreneurs and prominent high-net-worth families seeking exposure to investment opportunities in special situations.

La Perla Fashion Holding N.V. and its Subsidiaries (hereinafter the "Group") operate in the markets of luxury women's and men's underwear and swimwear (hereinafter the "Business"). The activities of design, production and sale (through retail and wholesale channels) are performed by the Group through its network of subsidiaries. The direct subsidiary La Perla Global Management (UK) is the Principal in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

The addresses of its registered office and principal place of business are disclosed in the Company Information.

2. Accounting policies

The principal accounting policies adopted in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied with those applied by the Group's trading entities.

(a) Structure of the financial statements and basis of preparation

The Group and company financial statements are expressed in thousands of euro's (rounded to the nearest thousand) unless otherwise stated.

The consolidated and company financial statements for the year ended 31 December 2018 have been prepared and approved by the Directors and drawn up in accordance with the International Financial Reporting Standards ("IFRS") as endorsed in the EU and with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code. The Group and company financial statements have been prepared on the historical cost basis except for certain intangible assets that are measured at fair values at the end of the reporting period, as explained in the accounting policies below.

The fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date.

INITIALS FOR
IDENTIFICATION PURPOSES

1 7 JULI 2019

FSV
ACCOUNTANTS + ADVISORS

The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. Control is achieved where the Company has the power to govern the financial and operating policies of an investee entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate, Intra-group balances and any unrealised gains and losses or income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements. The cash flow statement was prepared applying the indirect method.

(b) Going concern
The director has considered the going concern assumption given the current trading of the Company and Group and the funding considerations of the Group and has formed the conclusion that it is appropriate to consider that the Company will continue to operate in the foreseeable future. The Group has received a financial commitment from the shareholder in writing, that the shareholder will provide financial support to enable the Group to meet its financial obligations as they fall due.

In forming the judgment, the director has also considered the following matters:

i) During 2018 and 2019, the Company received a letter of financial support from the indirect shareholder, Tennor Holding B.V. and on 13 July 2018, Tennor Holding B.V. secured a new debt facility up to € 250 million. As a result, the consolidated entity will have a sufficient funding to enable it to meet its objectives and financial obligations. At the date of signing Tennor Holding B.V. has paid € 128.7 million and the Director is confident that Tennor has the ability to provide all the necessary financial support to the Group in order to reach the result as showed in financial projections.

ii) The consolidated entity used a net operating cash out flow for the financial year ended 31 December 2018 of € 69,3 million (2017 like for like: € 98,3 million). Management expect that the operating costs will be reduced in the subsequent financial year as a result of restructuring its operations, which will reduce the negative operating cash flows.

Although the restructuring is still ongoing and therefore included uncertainties surrounding its implementation,management is confident that the reorganisation process will provide positive results in a short period of time allowing the Group to operate in the foreseeable future.

(c) Application of new and revised International Financial Reporting Standards (IFRSs)
The application of relevant new IFRSs, International Accounting Standards ("IAS") or amendments to existing standards, which required implementation by the Group in the year ended 31 December 2018.

IFRS 9 and IFRS 15 are new accounting standards that are effective for the year ended 31 December 2018 and have had no material impact and changes in classification on financial instruments. There are no other amendments to accounting standards, or IFRIC interpretations that are effective for the year ended 31 December 2018 that have had a material impact on the Group and the company.

The Group is assessing the impact of the amendments to accounting standards that have been issued but not yet in force. Below are listed the standards and interpretations that were not yet in force at the date of preparation of the Group's consolidated financial statements, even if issued and not adopted by the Group:

IFRS 16 – Leases
IFRS 16 was published in January 2016 and replaces IAS 17 Leases, IFRIC 4 Determining whether and arrangement contains a lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the substance of transactions in the legal form of a lease.

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

IFRS 16 defines the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise all leases on the balance sheet on the basis of a single model similar to the one used to account for finance leases under IAS 17. The standard will come into force for financial years beginning on or after 1 January 2019. The Group has elected to adopt IFRS 16 under the Modified Retrospective approach and as such prior-year comparatives will not be restated.

The Group is finalising the implementation and assessment of the impact of the adoption of the standard on the Consolidated Financial Statements. Based on current information, the estimated impact of the standard on the Group's Consolidated Statement of Financial Position at January 1, 2019, is an increase in both the right-of-use assets and the lease liabilities of approximately € 182 million.

(d) Foreign currencies

The Group and company financial statements are presented in Euro, which is the Group and company's presentational and functional currency. Each Group company determines the functional currency to be used to value the accounts in the financial statements. Transactions in foreign currency are initially recorded at the exchange rate (referred to the functional currency) at the transaction date. Monetary assets and liabilities in foreign currency are translated to the functional currency at the exchange rate at the balance sheet date. All exchange differences are recognised in the income statement. Non-monetary items valued at historical cost in foreign currency are translated by using the exchange rates in effect on the date the transaction was first recorded. Non-monetary items recorded at fair market value in foreign currency are translated by using the exchange rate on the date the value was calculated.

At the closing date of each subsidiary's financial statements, assets and liabilities were translated into the currency in which Group presents its financial statements (the Euro) at the exchange rate in effect on such date, and the income statement was translated by using the average exchange rate for the year. Exchange differences deriving from translation are charged directly to equity and are recorded in a specific equity reserve.

Goodwill and fair value adjustments generated at the time of allocation of acquisition cost of a foreign company are recorded in the appropriate currency and translated by using the exchange rate at year-end.

(e) Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated statement of profit or loss and other comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible.

The Group and company's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

(f) Property, plant and equipment

Land and buildings held for use in the production are stated at cost, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Freehold land is not depreciated. Fixtures and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

Depreciation of property, plant and equipment is calculated to write off the cost or deemed cost, less residual value, of the assets in equal annual instalments over their estimated useful lives at the following rates:

Type of asset	Category of property, plant and equipment	Useful life
- Land	Freehold land and buildings	Not depreciated
- Freehold buildings	Freehold land and buildings	Up to 50 years
- Plant, machinery, fixtures and fittings	Fixtures, fittings and equipment	3 – 8 years
- Retail fixtures and fittings	Fixtures, fittings and equipment	2 – 5 years
- Office equipment	Fixtures, fittings and equipment	3 years
- Computer equipment	Fixtures, fittings and equipment	5 years
- Assets under construction	Assets under construction	Not depreciated
- Leasehold improvements	Leasehold improvements	Term of lease

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(g) Intangible assets

Intangible assets acquired separately Intangible assets such as trademarks, licences and key money that are acquired separately are capitalised at the purchase cost and amortised on a straight-line basis over their estimated useful economic lives, which are as follows:

Type of asset	Useful life
- Trademarks	25 years
- Licences	3 years
- Software	5 years
- Know How	2 years
- Key Money	Indefinite or life of lease

Intangible assets also include amounts paid by the Group to take over lease contracts relating to certain retail stores, defined as "key money". Key money, only in specific and identified cases based on the location and the terms of the lease contract, are considered intangible assets with indefinite useful lives. Consistent with valuations prepared by independent experts, certain specific safeguards provided by the landlord, market practice and the Group's strategy to renew leases significantly in advance of the end of the contract, together suggest that the value of certain key money may remain constant over time and should therefore not be subject to amortisation, but tested for impairment in accordance with IAS 38 and IAS 36.

Intangible assets with indefinite useful lives that are acquired separately are carried at cost less accumulated impairment losses.

Intangible assets acquired in a business combination
Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses except for the key money rights, on the same basis as intangible assets that are acquired separately.

(h) Impairment of tangible and intangible assets other than goodwill
At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

The recoverable amount is the higher of fair value less costs to sell and value in use in assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in this case the reversal of the impairment loss is treated as a revaluation increase.

(i) Leases
The Group and company is lessee of property, plant and equipment, mainly store locations. Determining whether an arrangement is or contains a lease is based on the substance of the arrangement. Leases in which substantially

all of the risks and rewards incidental to ownership of an asset are retained by the lessor are classified as operating leases. Gross rental expenditure in respect of operating leases is recognised on a straight-line basis over the period of the leases. The Group has no finance leases.

Benefits received and receivable as an incentive to enter into an operating lease are spread on a straight-line basis over the lease term.

(j) Inventories
Inventories are stated at the lower of cost and net realisable value. Raw material stock value is determined on yearly weighted average cost basis. Stock values of work-in-progress and finished goods include costs of materials, direct labour, external manufacturing labour costs and an appropriate proportion of production overheads based on normal levels of activity. Where necessary, provision is made to reduce cost to no more than net realisable value having regard to the nature and condition of inventory, as well as its anticipated saleability. Provision is made for obsolete, slow-moving or defective items where appropriate.

k) Trade and other receivables
Trade and other receivables are stated at their cost less impairment provisions.

The Group and the company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

No significant changes affect the current Group and company Financial Statements due to the application of IFRS 9.

(l) Trade and other payables
Trade and other payables are stated at their cost.

(m) Provisions
Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation. The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation.

Onerous contracts
Present obligations arising under onerous contracts are recognised and measured as provisions. An onerous contract is considered to exist where the Group has a contract under which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received from the contract.

Restructuring
A restructuring provision is recognised when the Group has developed a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement the plan or announcing its main features to those affected by it. The measurement of a restructuring provision includes only the direct expenditures arising from the restructuring, which are those amounts that are both necessarily entailed by the restructuring and not associated with the ongoing activities of the entity.

(n) Employee benefits
Defined contribution schemes
Contributions to defined contribution pension schemes are recognised as an employee benefit expense within personnel expenses in the income statement, as incurred.

INITIALS FOR
IDENTIFICATION PURPOSES

Defined benefit schemes
The Group's net obligation in respect of defined benefit pension schemes is calculated separately for each scheme by estimating the amount of future benefit that employees have earned in return for their service in the

current and prior periods; that benefit is discounted to its present value amount and recognised in the income statement as personnel expense; a corresponding liability for all future benefits is established on the statement of financial position and the fair value of any schemes' assets is deducted.

(o) Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instruments.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

(p) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables are measured at amortised cost using the effective interest method, less any impairment. The Group and the company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all loans and receivables. To measure the expected credit losses, loans and receivables have been grouped based on shared credit risk characteristics. Interest income is recognised by applying the effective interest rate, except for short-term receivables when the effect of discounting is immaterial.

(q) Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'. Financial liabilities at FVTPL Financial liabilities are classified as at FVTPL when the financial liability is either held for trading or it is designated as at FVTPL. A financial liability is classified as held for trading if:

- it has been incurred principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 permits the entire combined contract to be designated as at FVTPL.

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on re-measurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item.

(r) Other financial liabilities

Other financial liabilities (including borrowings and trade and other payables) are subsequently measured at amortised cost using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

(s) Revenues

Revenue comprises the fair value of the sale of goods and services, net of value added tax, rebates and discounts and after eliminating sales within the Group.

The Group recognises revenue when performance obligations have been satisfied and for the Group this is when the goods have transferred to the customer and the customer has control of these. The Group's activities are described in detail below. The Group bases its estimate of return on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

- Wholesale

The Group manufactures and sells a range of goods in the wholesale market. Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler. The wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been shipped to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.

No element of financing is deemed present as the sales are made with a credit term, which is consistent with market practice. The Group's obligation to accept return, to repair or replace faulty products under the agreement terms is recognised as a provision.

- Retail

The Group operates a chain of retail stores and the revenue from the sale of goods is recognised when the goods are sold to the customer.

Payment of the transaction price is due immediately when the customer purchases the goods and takes delivery in store. Retail sales are usually in cash or by debit/ credit cards. It is the Group's policy to sell its products to the end customer with a right of return within 30 days. Accumulated experience is used to estimate such returns at the time of sale at a portfolio level (expected value method). Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date. The Group's obligation to accept return, to repair or replace faulty products under the agreement terms is recognised as a provision.

3. Critical accounting judgments and key sources of estimation uncertainty

Preparation of the consolidated financial statements in conformity with IFRS as adopted by the EU requires that management make certain judgements, estimates and assumptions that affect the reported assets and liabilities and the disclosure of contingent liabilities. If in the future such estimates and assumptions, which are based on management's best judgement at the date of the financial statements, deviate from actual circumstances, the original estimate and assumptions will be updated as appropriate in the period in which the circumstances change. Estimates and Judgements are continually evaluated and are based in historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical key sources of estimation uncertainty

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

Going concern
In making their assessment of the going concern basis of accounting, the directors have considered the company's existing cash position as of end of June 2019 and projected cash requirements for the years ending 31 December 2019 and 2020 which have been estimated by the shareholders and reviewed by the board together with the ability of the shareholders to make available sufficient funds to the company to enable it to meet its liabilities and obligations as they fall due. The directors have also considered the financial impact of the restructuring of the company's business operations by the shareholders which commenced in 2018 is expected to take place over the next few years to increase revenues and reduce costs to bring the group back into a cash-positive position. On this basis, due to the ongoing restructuring plan and uncertainties surrounding any implementation, the directors exercised their judgement to estimate the group's future cash requirements and the outcome and timing of the ongoing restructuring plan. As with all business plans actual results may therefore differ materially from expectations.

Inventory provisioning
The Group manufactures and sells luxury intimate apparel and is subject to changing consumer demands and fashion trends. As a result it is necessary to consider the recoverability of the cost of inventories and the associated provisioning required. When calculating the inventory provision, management considers the nature and condition of the inventory, as well as applying assumptions around anticipated saleability of finished goods and future usage of raw materials. Whilst the Directors consider their assumptions to be realistic, the inventory provisioning is sensitive to external factors which are outside the control of the Directors and may impact the future sales strategies and the recoverability of the inventories.

Trade and other receivables
The Group is required to make an estimate of the recoverable value of trade and other receivables. When assessing impairment of trade and other receivables, management considers factors including the ageing profile of debtors as well as any specific known problems or risks. The Group and the company apply the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

Given global economic conditions and the range of countries the Group trades in and operates, unanticipated future events may occur that could impact the appropriateness of the assessment made as to the recoverability of the Group's trade and other receivables.

Impairment of fixed assets and investments
When applying IAS 36 Impairment of Assets, the Group compares the carrying value of tangible and intangible non-current assets with the higher of their net realisable value and value-in-use to determine whether an impairment exists. Impairment testing is an area requiring management judgement.

To determine the present value of expected future cash flows, certain assumptions have to be made in respect of uncertain matters including management's expectations of (a) the discount rates reflecting the risks involved; (b) the timing and quantum of capital expenditure; (c) short and long-term growth rates; and (d) the future development of the business.

Whilst the Directors consider their assumptions to be realistic, the Group's impairment evaluation is highly sensitive to actual results and factors outside of the control of the Directors, including the ability of the Group to secure sufficient funding to be able to fulfil the financial projections and continue as a going concern, and if those differed from expectations the Group's impairment could be affected. In addition, the use of different estimates, assumptions and judgements, in particular those involved in (a) determining a value based on our current expectations of future conditions and the associated cash flows from the Group's operations, (b) our determination of the level at which groups of assets can be reasonably tested for impairment separately from other parts of the business, and (c) our treatment of centrally held assets, could each result in material differences in the carrying values of assets and assessments of impairment.

Evaluation and impairment of key money
The Group is required to state these assets at a revalued amount, being its fair value at the date of the revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment loss, unless there is not an active market. The fair value is based on the estimated market value of the assets. In addition the Group is required to test at least annually whether key moneys have suffered any impairment. The recoverable amounts have been determined based on management's expectations of the future development of the business.

Store leases
The Group trades through stores with lease agreements in place. The Group has reviewed the loss making position of a number of stores and the expectation going forward and, on this basis, has determined no onerous lease provisions are required at the balance sheet date.

Valuation of concessions, licences and trademarks
In order to identify the carrying value of the intangible asset "brands" acquired of € 28,560, management is required to estimate the value-in-use and either uses an appraisal from independent third party or perform an independent valuation based on relief from royalty method.

Management will continue to review the key estimates and assumptions used, against both actual experience and market data, and adjustments will be made in future periods where appropriate.

Loan and receivables toward group companies
Amounts due from group companies are stated initially at fair value and subsequently at amortised cost. Amortised cost is determined using the effective interest rate method. The Company recognises a credit loss for financial assets (such as a loan) based on an expected credit loss (ECL) which will occur in the next twelve months or, after a significant decrease in credit quality or when the simplified model can be used, based on the entire remaining loan term. Recognition of an ECL for intercompany receivables could result in differences between equity recognised in the consolidated and separate Company financial statements that would be reversed in profit and loss.

At 31 December 2018, the management booked impairment losses related to intercompany loans and receivables amounting to € 37,185. The impairment losses reflect the reduction of the realisable value of intercompany loans with respect to the carrying amount in order to restore the shareholder's deficiency of the subsidiaries.

3.2 Critical judgements in applying the Group's accounting policies
Discount rate used to determine the carrying amount of the Group's defined benefit obligation.

The Group's defined benefit obligation of € 4,917 is discounted at a rate set by reference to market yields at the end of the reporting period on high quality corporate bonds. Significant judgement is required when setting the criteria for bonds to be included in the population from which the yield curve is derived. The most significant criteria considered for the selection of bonds include the issue size of the corporate bonds, quality of the bonds and the identification of outliers which are excluded.

4. Business combinations

Acquisition of La Perla Global Management UK Limited.
On February 25, 2018 the Company acquired 100% of the voting shares of La Perla Global Management UK Limited. a non-listed company based in the United Kingdom. La Perla operates in the markets of luxury women's and men's underwear and swimwear. The Company acquired La Perla Global Management UK Limited because the Company see opportunities for increasing the profitability by restructuring the Company.

Assets acquired and liabilities assumed
The fair values of the identifiable assets and liabilities of La Perla Global Management UK Limited as at the date of acquisition were:

	Fair value recognised on acquisition
	€ 000
Assets	
Brands and other intangible assets	36,644
Properties, plant and equipment	14,388
Other non-current assets	12,133
Inventories and work in progress	65,490
Trade receivables	11,029
Other current assets	15,210
Cash and cash equivalents	15,197
	170,091
Liabilities	
Long term borrowings	(10,000)
Provisions	(3,693)
Deferred tax liabilities	(47)
Other non-current liabilities	(5,188)
Short term borrowings	(9,028)
Trade payables	(42,971)
Other current liabilities	(22,551)
	(93,478)
Total identifiable net assets at fair value	**76,613**

The purchase price considered is € 1.00 resulting in a gain from a bargain purchase of € 76,6 million. As part of the purchase agreement with the previous owner, a contingent consideration has been agreed that upon exiting of the new shareholder an earn out payment will be paid. This consideration does not impact the Company but will impact the figures of the parent company.

The brands and other intangible assets are disclosed in the note 11. The value of brands was defined on the acquisition of La Perla S.r.l. by the Italian subsidiary La Perla Manufacturing S.r.l. (previously named "La Perla Global Management S.r.l."), on the basis of an appraisal made by a consultant appointed by the Italian Court in June 2013. The estimated value was confirmed by an internal evaluation made in accordance with the "Relief from Royalty Method". The amount of € 35,714 refers to all the brands acquired during 2013 along with the business.

Inventories and work in progress include a reserve for obsolescence risk of € 41,8 million.

Provisions are current and non-current and relate to restructuring, litigations and allowances for sales return. The breakdown can also be found in note 20 per year end 2018 that does not material deviate from the date of control.

The deferred tax liability mainly comprises the tax effect of not realized exchange gains.

From the date of acquisition, La Perla Global Management UK Limited contributed € 85.7 million in sales and a negative € 71.4 million to profit before tax.

If the combination had taken place at the beginning of the year, revenue from continuing operations would have been € 106.2 million and profit before tax from continuing operations for the Group would have been negative € 92.4 million. This is excluding the waiver of the old shareholder loan in the acquired business combination of € 142.5 million.

5. Revenue and results for the year

Revenues from continuing operations of the year amount include sales as follow:

	2018	2017
	€ 000	€ 000
Net sales	84,503	-
Royalties and other income	1,147	-
	85,650	-

6. Cost of goods sold

	2018	2017
	€ 000	€ 000
Cost of goods sold (raw materials and manufacturing costs)	(42,486)	-
Indirect production costs	(4,756)	-
	(47,242)	-

Cost of inventories included in cost of sales amounts to € 38,195 (2017: € 0) and reversal of write-downs of inventories amounts to € 344 (2017: write-downs of inventory amounts to € 0).

7. Auditor's remuneration

	2018	2017
	€ 000	€ 000
Fees payables to the company's auditor and their associates for the audit of the company's annual accounts	(20)	(15)
Fees payables to the company's auditor and other audit firms for the audit of the company's subsidiaries	(292)	-
	(312)	**(15)**

The Group financial statements also include € 2 (2017: € 0) of audit fees payable to other audit companies.

8. Information regarding directors and employees

The average number of persons employed by the company including directors, during the year was as follows:

INITIALS FOR
IDENTIFICATION PURPOSES
1 7 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

	2018	2017
	n°.	n°.
Executive	20	-
Manager & Employees	928	-
Factory workers	422	-
	1,370	-

The aggregate payroll costs were as follows:

	2018	2017
	€ 000	€ 000
Wages and salaries	(36,447)	-
Social security costs	(8,473)	-
Other personnel costs	(5,287)	-
	(50,207)	-

9. Financial income/(expenses)

	2018	2017
	€ 000	€ 000
Interest expense on bank facilities and loans	(6)	-
Interest expense on loan from related parties and others	(4,482)	-
Other charges	(968)	-
Interest income from other non-current assets	14	13
Financial income as result of bargain purchase	76,613	-
Gain (loss) foreign exchange transaction	3,740	-
	74,911	**13**

The amount of € 4,482 is composed by interests and fees on the financial loan from the new shareholder in accordance the Financing Agreement in place with Tennor Holding B.V.

10. Income taxes

	2018	2017
	€ 000	€ 000
Corporation Tax		
Current year	(314)	-
Adjustments in respect of prior years	(340)	-
	(654)	-
Deferred tax	(8)	-
	(662)	-

INITIALS FOR IDENTIFICATION PURPOSES

17 JULI 2019

FSV ACCOUNTANTS + ADVISORS

	Continuing operations 2018 € 000	Continuing operations 2017 € 000
Profit/(loss) before tax	5,202	(76)
Income tax at the domestic corporation tax rate of 25% (2017: 25%)	(1,301)	15
Effects of:		
Result of one off bargain purchase of the group	19,153	-
Change in unrecognised part of deferred tax assets	(17,548)	-
Write-off of tax loss carried forward	(60)	-
Effect of tax rates in overseas jurisdictions	62	-
Expenses non-deductible for tax purposes	(694)	-
Key money amortisation, permanently not tax deductible	(94)	-
Other	(141)	(15)
Tax expense for the year	**(622)**	-

The corporation tax rate in the Netherlands is 25%. As at 31 December 2018 the unrecognised tax assets at Group level amounted to € 84,456 (2017: € 0).

11. Intangible fixed assets

	Industrial patens & software	Concessions, licences and trademarks	Key money	Other intangibles	Asset under contrution	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost						
At 1 January 2017	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-
Depreciation						
At 1 January 2017	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-
Net book value 31 December 2017	-	-	-	-	-	-
Cost						
At 1 January 2018	-	-	-	-	-	-
Additions	-	-	-	-	153	153
Acquisition of a subsidiary	2,820	29,991	2,590	6	1,237	36,644
Disposals	-	-	-	-	-	-
Impairment losses	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-
At 31 December 2018	2,820	29,991	2,590	6	1,390	36,797
Depreciation						
At 1 January 2018	-	-	-	-	-	-
Charge for the year	(717)	(1,429)	-	-	-	(2,146)
Disposals	-	-	(2,590)	-	-	(2,590)
Currency translation	-	-	-	-	-	-
At 31 December 2018	(717)	(1,429)	(2,590)	-	-	(4,736)
Net book value 31 December 2018	**2,103**	**28,562**	-	**6**	**1,390**	**32,061**

The value of brands was defined on the acquisition of La Perla S.r.l. by the Italian subsidiary La Perla Manufacturing S.r.l. (previously named "La Perla Global Management S.r.l."), on the basis of an appraisal made by a consultant appointed by the Italian Court in June 2013. The estimated value was confirmed by an internal evaluation made in accordance with the "Relief from Royalty Method". The amount of € 29,991 refers to the value of all the brands acquired during 2013 along with the business at the acquisition date of 25 February 2018 (net book value as at 31 December 2018 is € 28,562).

The carrying value of the remaining intangible fixed assets and the value-in-use of tangible fixed assets were subject to an impairment test at year-end. In accordance with IAS 36, in the analysis of the value for the impairment test the discounted cash flow method was used. This criterion is based on the general concept that the value of an enterprise ("Enterprise Value") is equal to the discounted value of the following two elements:

- cash flow that will be generated within the expected time period; and
- residual value, which is the total enterprise value deriving from the period beyond the forecasted time period.

The discount rate from the operating cash flows considered is the weighted average cost of capital ("WACC"). The WACC is the weighted average cost of own capital and debt, based on the average financial structure of comparable groups. In addition to the cash flows expected for the period 2019 to 2023, those relating to the so called Perpetuity criteria establishing the Terminal Value are considered.

The discount rate utilised, as well as the medium-long term growth rate "g", was determined based on the country risk where the Group operates. Key assumptions of the impairment test performed were as follows:

- the cash flow forecasts for the period 2019-2023 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of current market conditions (2019-2023 CAGR approx. 22,7%);
- cash flows beyond the budgeted period (2024 and beyond) have been determined using a long-term growth rate of 2.9%; and
- pre-tax discount rate = 10.3%.

Under the parameters described above, the result for the Group was positive, highlighting a differential between the value-in-use based on the parameters outlined above and the corresponding carrying value. The Plan utilised for the test reflects the results which Group Management expects to develop in the coming years from the restructuring process ongoing. The implementation of this plan, along with the ability of the Group to secure sufficient funding to be able to fulfil its financial projections will allow the Group to rebalance its capital, financial and income structure in the medium to long term. A sensitivity analysis was carried out according to various risk scenarios in the period of the plan by decreasing the Group marginality during the years of the plan for performing worse case analysis, with positive results. The situation caused by the current economic and financial crisis resulted in the need to make assumptions on a future outlook characterised by significant uncertainty, for which it cannot be excluded that results in the near future will be different from such estimates and which therefore could require adjustment. If long–term growth rate were reduced by 1%, or if the estimated discount rates applied to the cash flows were increased by 1%, there would still be headroom to support the carrying value of the assets.

12. Properties, plant and equipment

	Land and buildings	Machinery and equipment	Fixtures and tools	Retail fixtures and fittings	Leaseholds improvements	Contruction in progress	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost							
At 1 January 2017	-	-	-	-	-	-	-
Additions	-	-	-	-	-	-	-
Disposals	-	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-	-
Reclasses	-	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-	-
Depreciation							
At 1 January 2017	-	-	-	-	-	-	-
Charge for the year	-	-	-	-	-	-	-
Disposals and write-off	-	-	-	-	-	-	-
Currency translation	-	-	-	-	-	-	-
At 31 December 2017	-	-	-	-	-	-	-
Net book value 31 December 2017	-	-	-	-	-	-	-
Cost							
At 1 January 2018	-	-	-	-	-	-	-
Additions	1	18	1	197	854	11	1,082
Acquisition of a subsidiar	2,990	1,787	1,365	5,361	2,740	145	14,388
Disposals	-	-	-	(54)	-	-	(54)
Impairment losses	-	-	-	-	(327)	-	(327)
Reclasses	-	-	(320)	(2,569)	2,923	(34)	-
Currency translation	-	-	26	(15)	-	-	11
At 31 December 2018	2,991	1,805	1,072	2,920	6,190	122	15,100
Depreciation							
At 1 January 2018	-	-	-	-	-	-	-
Charge for the year	(123)	(247)	(733)	(589)	(1,161)	-	(2,853)
Disposals and write-off	-	3	298	528	2,191	-	3,020
At 31 December 2018	(123)	(244)	(435)	(61)	1,030	-	167
Net book value 31 December 2018	2,868	1,561	637	2,859	7,220	122	15,267

This caption mainly includes leasehold improvements, boutique and offices' furniture and equipment used in the production process.

As described in Note 11, the value-in-use of tangible fixed assets was subject to an impairment test at year-end. The discount rate utilised, as for the medium-to long-term growth rate "g", was established based on the country risk where the Group operates. The key assumptions of impairment test performed were:

- the cash flow forecasts for the period 2019-2023 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of current market conditions (2019-2023 CAGR approx. 22,7%);
- cash flows beyond the budgeted period (2024 and beyond) have been determined using a long-term growth rate of 2.9%; and
- pre-tax discount rate = 10.3%.

The result for the Group was positive, highlighting a differential between the value-in-use based on the parameters outlined above and the corresponding value. A sensitivity analysis was carried out according to various risk scenarios in the period of the plan by decreasing the Group marginality during the years of the plan for performing worse case analysis, with positive results. If long–term growth rate were reduced by 1%, or if the estimated discount rates applied to the cash flows were increased by 1%, there would still be headroom to support the carrying value of the assets.

The valuation is also comprehensive of the effect of the application of the financial projections that provide the non-renewal of 37 structures (boutique and offices) and the possible non-renewal of other five structures ongoing, worldwide during 2018 and 2019. The impairment losses accounted in 2018 for these closing amounts to € 327.

13. Other non-current assets

	31 December 2018	31 December 2017
	€ 000	€ 000
Long term loan Decapo S.à.r.l	675	675
Guarantee deposits	9,942	-
	10,617	**675**

The long term loan Decapo S.à.r.l. is for a principal amount of € 675. The loan bears interest at 2% per annum and matured for the first time at 31 December 2018. The loan was automatically renewed for a subsequent period of one year. It is not expected that the loan will be repaid within the coming year and is therefore still presented as other non-current assets.

Other non-current assets, amounting to € 9,942 (2017: € 0) includes guarantee deposits for store rents in various countries and for utilities.

14. Inventories and work in progress

	31 December 2018	31 December 2017
	€ 000	€ 000
Raw materials and consumables	8,605	-
Work in process and semi-finished goods	415	-
Finished goods	35,036	-
Advances	296	-
	44,352	-

There is no material difference between the balance sheet value of stocks and their replacement cost. The amount of inventory at the year-end includes a reserve for obsolescence risk amounting to € 38,926 of which € 8,005 for raw materials and the difference for finished goods (2017: € 0). At the year-end finished goods available for sale amount to € 35,036 or 79% of the total inventory value. Raw materials, work in progress and advances to suppliers are related to what will be available for sale in 2019.

As at 31 December 2018 total net inventory is € 44,352 (2017: € 0) and it is aligned at its fair value.

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

15. Trade receivables

	31 December 2018	31 December 2017
	€ 000	€ 000
Trade receivables at nominal amount	8,273	-
Accrual for bad debt provision	(1,725)	-
	6,548	-

The carrying value of trade receivables approximates their fair value after an accrual for bad debt provision amounting € 1,725 (2017: € 0). Before accepting any new customer, the Group uses an external resource to assess the potential customer's credit quality and financial reliability.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

Movement in bad debt provision:

	2018	2017
	€ 000	€ 000
At 1 January	-	-
Acquisition of a subsidiary	(2,497)	-
Uncollectible amounts written off	996	-
Increase in allowance recognised in the income statement	(224)	-
	(1,725)	-

The bad debt provision is sufficient to cover the expected credit losses.

16. Other current assets

	31 December 2018	31 December 2017
	€ 000	€ 000
Other current assets	1,720	13
Accrued income and prepaid expenses	1,989	-
VAT receivable	7,856	-
	11,565	13

Accrued income and prepaid expenses mainly related to the stores' lease agreements.

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

17. Cash and cash equivalents

	31 December 2018	31 December 2017
	€ 000	€ 000
Bank and postal account	32,317	196
Cash on hand	188	-
	32,505	196

Cash and cash equivalents of the Group as at 31 December 2018 amount to € 32,505 (at 31 December 2017: € 196) and are mainly composed of bank and postal accounts. The changes in liquidity are illustrated in the cash flow statement. The above amount includes € 354 (at 31 December 2017: € 0) of cash deposits that guarantees the rent obligations under lease agreements.

18. Equity

The equity of the Group as at 31 December 2018 amount to € 2.199 (at 31 December 2017: € 881).

The share capital as at 31 December 2018 amounts to € 1,000 and consists of authorised, issued and fully paid 100,000,000 shares of € 0.01 per share.

Cumulative translation adjustment and other reserves comprised:

- the exchange impact of the translation of the operation occurred in foreign currency;
- the cumulated effect of actuarial gain and loss generated by the application of IAS 19.

The changes in the shareholders' equity are illustrated in the consolidated financial statements. As at 31 December 2018 and 2017, the parent company and the companies of the Group did not hold any treasury shares.

19. Borrowings

	31 December 2018	31 December 2017
	€ 000	€ 000
Unsecured at amortised cost		
Loans from related parties	103,098	-
Bank overdraft	20	-
Total Borrowings	**103,118**	-
Non-current	103,098	-
Current	20	-
Total Borrowings	**103,118**	-

As at 31 December 2018, the Group presents a total financial indebtedness of € 103,118; as at 31 December 2017 the amount was € 0. Current borrowings amounted to € 20 as at 31 December 2017 the amount was € 0.

Loan from related parties refers to the facilities received from the indirect shareholder Tennor Holding B.V. and includes € 4,426 of interest and fees. The long-term borrowings is significantly increased in 2018 as consequence of the refinancing strategy to make the group profitable.

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Changes in loan amounts incurred in 2018 and 2017 are:

	2018	2017
	€ 000	€ 000
At 1 January	-	-
Acquisition of a subsidiary	10,000	-
Loans advanced during the year	98,650	-
Loan repayment to former shareholder	(10,000)	-
Financial costs incurred	4,448	-
At 31 December	**103,098**	-

20. Provisions

The Group as at 31 December 2018 has provisions of € 3,956 (2017: € 0), of which € 1,249 are current (2017: € 0) and € 2,707 are non-current (2017: € 0). The nature of the provisions is detailed below:

	31 December 2018	31 December 2017
	€ 000	€ 000
Provisions		
Allowance for sales return	800	-
Layoff, restructuring and other charges	1,957	-
Litigation (agents)	550	-
Litigation (employee)	449	-
Litigation (clients)	200	-
	3,956	-
Non-current	2,707	-
Current	1,249	-
	3,956	-

The amounts relating to layoff and restructuring (€ 1,957 in 2018 and € 0 in 2017) relates mainly to the restructuring of the Dubai subsidiaries and to potential charges of the Chinese subsidiaries.

The provision for sales returns (€ 800 thousand in 2018) refers to the expected amount of returns from clients related to goods supplied by the Group in the last two months of the 2018 financial year. This amount has been evaluated based on historical data.

21. Deferred tax liabilities

Deferred tax liabilities amount to € 84 and related mainly to the value of not realised exchange gains. As at 31 December 2017 the value of deferred tax liabilities was € 0.

22. Other non-current liabilities

Other non-current liabilities include other employee benefits granted to Group employees in Europe and comprise, amongst others, the Italian TFR (obligation amounting to € 4,867, € 5,138 as at 31 December 2017 if the company acquired the business combination per 31 December 2017) and the French severance indemnities. These indemnities are the residual obligation for the benefit due to employees of the Italian company until 31 December 2006 having more than 50 employees and accrued over the employee's working life and settled when an employee leaves the Group.

The main assumptions used in developing the required estimates for other post-employment benefits include the discount rate, the retirement or employee leaving rate and the mortality rates.

The main assumptions used for the purposes of the actuarial valuations were as follows:

	2018	2017
Employee leaving Indemnity (Italy)		
Discount rate	1.57%	1.30
Annual increase in cost of living	1.50%	1.50
Expected rate of employee turnover	2.63%	2.63
Probably of death		
- For a male aged 50 now	0.19	0.19
- For a female aged 46 now	0.09	0.09
Average age (years)		
Males	51.05	49.80
Females	46.86	45.17
Average working seniority (years)		
Males	19.44	18.30
Females	17.76	15.53

For comparison purposes the 2017 assumptions are included that were used in the acquired business combination. The discount rates used for the measurement of the Italian TFR obligation are based on yields of high-quality (AA rated) fixed income securities for which the timing and amounts of payments match the timing and amounts of the projected benefit payments. For this plan, the single weighted average discount rate that reflects the estimated timing and amount of the scheme future benefit payments for 2018 is equal to 1.57%. The average duration of the Italian TFR is approximately 10 years. Retirement or employee leaving rates are developed to reflect actual and projected Group experience and law requirements for retirement in Italy. The effect on the TFR obligation of 0.5% increase or decrease in the assumed discount rate, holding all other assumption constant, is negative € 266 and positive € 144, respectively.

For further details please refer to note 27 to the consolidated financial statements.

23. Trade payables

The average credit period on purchases of goods and services for the Group is between 60 and 90 days. The lower amount of accounts payable in 2018 is related to the strong effort from management, focused to decrease significantly all the overdue amounts due to the operational suppliers in order to support the new business strategy and the recover suppliers relationship.

The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

24. Other current liabilities

Below are the details of other current liabilities as at 31 December 2018:

	31 December 2018	31 December 2017
	€ 000	€ 000
Other payables	5,362	-
Payables for social security	2,064	-
Accrued expenses and deferred income	11,062	-
Prepayment	108	-
VAT payable	2,850	-
	21,446	-

The amount of other payables is mainly due to wages and salaries to pay in 2019 to the Group personnel. Accrued expenses include mainly the amounts of rentals whose payment, based on the agreement, are deferred to next years.

25. Analysis and reconciliation of net debt

	31 December 2018	31 December 2017
	€ 000	€ 000
Long term borrowings	103,098	-
Short term borrowings	20	-
Cash and cash equivalents	(32,505)	(196)
Net debt	70,613	(196)

The Group borrowings almost entirely relates to Tennor Holding B.V. For further details on borrowings please refer to Note 20 of the consolidated financial statements.

26. Financial commitments

The Group provided bank guarantees of € 386 as of 31 December 2018 (2017: € 0). In March 2019 the Group through its own subsidiary La Perla Italia obtained an additional bank guarantee of € 2,115 related to Montenapoleone Store.

The future lease commitments relating to operating leases (rentals) are summarised as follows:

	31 December 2018	31 December 2017
	€ 000	€ 000
Expiry date		
- within 12 months	32,943	-
- 1-5 years	47,118	-
- after five years	10,821	-
	90,882	-

Leases of land and buildings are typically subject to rent reviews at specified intervals and provide for the lessee to pay all insurance, maintenance and repair costs.

27. Post-employment benefits

The table below shows the composition of the employee benefits as at 31 December 2018.

	31 December 2018	31 December 2017
	€ 000	€ 000
Employee leaving Indemnity (Italy)	4,867	-
Pension and good service bonus (France)	50	-
	4,917	-

Employee Leaving Indemnity (Italy)

Employee leaving indemnity is considered a liability with specific benefits that are to be accounted for according to IAS 19, and therefore the related liability is determined using actuarial techniques.

The main assumptions used in the determination of the current value of the employee leaving indemnity are illustrated in note 22.

The annual discount rate utilised for the valuation of employee leaving indemnity as at 31 December 2018 was based on the weighted average of the iBoxx Eurozone Corporates AA 10+ rates in 2018.

Amounts recognised in income in respect of these defined benefit scheme are as follows:

	2018	2017
	€ 000	€ 000
Service cost		
Current service cost	1,405	-
Net interest expense	65	-
Components of defines benefit costs recognised in profit and loss	1,470	-

Of the expense (service cost) for the year € 1,405, has been mainly included in the income statement as a selling expense. The net interest expense has been included within finance costs. The re-measurement of the net defined benefit liability is included in the statement of comprehensive income.

Amount recognised in the statement of comprehensive income are as follows:

	2018	2017
	€ 000	€ 000
Actuarial gains and losses arising from changes in financial assumptions	(112)	-
Acturial gains and losses arising from experience adjustment	(8)	-
Remeasurement of the net defined benefit liability	(120)	-

Movements in the present value of defined benefit obligations in the year were as follows:

	2018	2017
	€ 000	€ 000
Opening defined benefit obligation	-	-
Acquisition of a subsidiary	5,188	-
Current service cost	1,405	-
Interest cost	65	-
Actuarial gains and losses arising from changes in financial assumptions	(112)	-
Acturial gains and losses arising from experience adjustment	(8)	-
Benefit paid	(1,621)	-
Closing defined benefit obligation	4,917	-

Pension and good service bonus (France)
The provision allocated by the Group's French subsidiary in applying French legislation with regards to employee severance indemnities is € 50. This provision is considered a defined benefit obligation and recognised in accordance with IAS 19.

28. Subsequent events

In application of the new strategy, the Company has announced the restructuring plan to put in place in 2019, which specifies the number of staff involved and the voluntary redundancy compensation package offered by the group, as well as amounts payable to those made redundant.

The total estimated staff restructuring costs to be incurred are around € 10 million maximum and other direct costs attributable to the restructuring are around € 1 million. The number of people involved is between 100 and 120.

These costs were fully provided in the current reporting period. On the basis of the above information, the remaining amount related to the restructuring strategy will be accrued in the 2019 Financial Statements.

29. Related party transactions

Balances and transactions between the Company and its subsidiaries, which are related parties of the Company, have been eliminated on consolidation and are not disclosed in this note. Details of transactions between the Group and other related parties are disclosed below.

Trading transaction
During the year, group entities did not enter into trading transactions with related parties that are not members of the Group.

Loans to/from related parties
The Group has not provided any loans to related parties or to its key management personnel, while it has received loans from related parties as described in note 19 Borrowings.

30. La Perla Group companies

List of Group entities as of 31 December 2018:

Name	Country of incorporation or legislation	Ownership interest at 31 December 2018
La Perla Management UK Limited	United Kingdom	100%
La Perla Manufacturing S.r.l	Italy	100%
La Perla Italia S.r.l.	Italy	100%
La Perla Fashion Group S.r.l.	Italy	100%
Gruppo La Perla Deutschland GmbH	Germany	100%
La Perla Store France S.à r.l.	France	100%
Gruppo La Perla Fashion Espana SA	Spain	100%
La Perla Portugal LDA	Portugal	100%
La Perla Store Espana SA	Spain	100%
La Perla (UK) Ltd.	United Kingdom	100%
La Perla North America Inc.	United States	100%
La Perla Store Suisse SA	Switzerland	100%
La Perla Far East Ltd.	Hong Kong	100%
La Perla Asia Pte LTD	Singapore	100%
La Perla Beijing Trading Co. LTD	China	100%
La Perla Shanghai Trading Co. Ltd.	China	100%
La Perla Korea Ltd.	Korea	100%
La Perla Malaysia SDN. BHD.	Malaysia	100%
La Perla Macau Limited	Macau	100%
La Perla Japan KK	Japan	100%
LPGM Middle East Readymade Garments Trading LLC U. A.	Emirates	100%
La Perla Middle East & Africa FZ-LLC U. A.	Emirates	100%
La Perla Mexico S.A.	Mexico	100%

Company financial statements 2018

INITIALS FOR
IDENTIFICATION PURPOSES
1 7 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Statement of company income
For the year ended 31 December 2018

	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
		€ 000	€ 000
Result from investments after tax		(75,269)	(76)
Result from operations after tax		76,587	-
		1,318	(76)

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Statement of company financial position
For the year ended 31 December 2018

After appropriation of the result

	Notes	31 december 2018	31 december 2017
		€ 000	€ 000
Non-current assets			
Investments in subsidiaries	3	1,344	-
Other non-current assets	4	675	675
Total non current assets		**2,019**	**675**
Current Assets			
Other current assets		27	13
Cash and cash equivalents	5	196	196
Total current assets		**223**	**209**
Current liabilities			
Trade payables		4	-
Other current liabilities		39	3
Total current liabilities		**43**	**3**
Net assets/(liabilities)		**2,199**	**881**
Shareholders' equity			
Share capital	6	1,000	1,000
Cumulative translation adjustment		2,290	-
Retained earnings		(1,091)	(119)
Total shareholders' equity		**2,199**	**881**

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Notes to the company financial statements

For the year ended 31 December 2018

1. Corporate information

Principal activities

La Perla Fashion Holding N.V. ("the Company") is a public company with limited liability, incorporated under the laws of The Netherlands on 9 September 2016. As of 31 May 2018 the Company changed her name from Glow Media N.V. to La Perla Fashion Holding N.V. The Company's registered office is Schiphol Boulevard 127 1118 BG Schiphol, the Netherlands. The company is registered at the Chamber of Commerce at 66809681.

The principal business activities of the company are to act as holding company for the group companies in the La Perla Group, the group operates in the markets of luxury women's and men's underwear and swimwear (hereinafter the "Business"). The activities of design, production and sale (through retail and wholesale channels) are performed by the Group through its network of subsidiaries.

Per date of authorization of the financial statements, 17 July 2019, the ultimate parent company is Tennor Holding B.V. (previously known as Sapinda Holding B.V.) which controlled 90% of the Company through La Perla Fashion Finance B.V.

Tennor Holding B.V. is a privately-owned Principal Investment holding company, focused on special situation investment opportunities across continental Europe, Africa, Middle-East and Asia. It was formed in 2009 by a select number of entrepreneurs and prominent high-net-worth families seeking exposure to investment opportunities in special situations.

The addresses of its registered office and principal place of business are disclosed in the Company Information.

2. Basis of preparation

Date of authorisation of issue

The financial statements of La Perla Fashion Holding N.V. for the year ended 31 December 2018 were prepared by management and authorised for issue in accordance with a resolution of the Board of Directors on 17 July 2019.

The financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held in August 2019.

Statement of compliance

The company financial statements of La Perla Fashion Holding N.V. has been prepared in accordance with the statutory provisions of Part 9, Book 2 of the Dutch Civil Code while applying IFRS-based accounting principles. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the measurement principles applied in these company financial statements are the same as those applied in the consolidated financial statements, except for investments in subsidiaries which are carried at net asset value. This means that the principles for recognition and measurement of assets and liabilities and determination of the result of La Perla Fashion Holding N.V. are the same as those applied for the consolidated financial statements.

Measurement basis

In the company financial statements of La Perla Fashion Holding N.V., the same accounting principles were applied as set out in the notes of the consolidated financial statements. These principles were consistently applied to all years presented. The amounts in the company financial statements are presented in thousands of euros (€) unless otherwise stated.

As the financial data of La Perla Fashion Holding N.V. (the parent company) is included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Functional and presentation currency

The Company's functional currency is the euro, which is the currency of the primary economic environment in which it operates. The Company's performance is evaluated and its liquidity is managed in euros. Therefore, the euro is considered as the currency that most faithfully represents the economic effects of the underlying transactions, events and conditions. The fund's presentation currency is also the euro.

Going Concern

The director considers the use of the going concern basis of accounting is appropriate because there are no material uncertainties related to events or conditions that may cast significant doubt about the ability of the company to continue as a going concern.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the net asset value. The net asset value of subsidiaries comprises the cost, excluding goodwill, of La Perla Fashion Holding N.V.'s share in the net assets of the subsidiary, plus the share in income or losses since acquisition, less dividends received. In case the net asset value is negative and the Company is liable for the deficit of the subsidiary, the carrying amount is presented as "provision for the net capital deficit of investments".

3. Investments in subsidiaries

Movements of the Company's investments in its only subsidiary, La Perla Global Management UK Limited, were as follows:

	2018	2017
	€ 000	€ 000
Balance at 1 January	-	-
Investments in subsidiary	-	-
Gain from a bargain purchase	76,613	-
Result subsidiary	(75,269)	-
Balance at 31 December	1,344	-

4. Other non-current assets

A summary of the other non-current assets is included below:

	31 December 2018	31 December 2017
	€ 000	€ 000
Long term loan Decapo S.à.r.l	675	675
Total	675	675

The long term loan Decapo S.à.r.l. is for a principal amount of € 675. The loan bears interest at 2% per annum and matured for the first time at 31 December 2018. The loan was automatically renewed for a subsequent period of one year. It is not expected that the loan will be repaid within the coming year and is therefore still presented as other non-current assets.

INITIALS FOR IDENTIFICATION PURPOSES

17 JULI 2019

FSV ACCOUNTANTS + ADVISORS

5. Cash and cash equivalents

There are no restrictions on the availability of cash and cash equivalents. They are at the company's free disposal.

6. Shareholders' equity

Issued and paid up share capital consists of 100,000,000 shares of € 0.01 per share. The changes in the shareholders' equity are:

	Share capital	Cumulative translation adjustment	Retained earnings	Total share-holders' equity
	€ 000	€ 000	€ 000	€ 000
Balance at 1 January 2017	**1,000**	**-**	**(43)**	**957**
Total comprehensive income/(expense) during the period	-	-	(76)	(76)
Balance at 31 December 2017	**1,000**	**-**	**(119)**	**881**
Total comprehensive income/(expense) during the period	-	2,290	(972)	1,318
Balance at 31 December 2018	**1,000**	**2,290**	**(1,091)**	**2,199**

As at 31 December 2018 and 2017, the Company did not hold any treasury shares.

7. Average number of employees

During 2018 there were no employees (2017: 0).

8. Remuneration of the directors

The directors are considered to be key management and they are entitled to receive a compensation for their respective services in terms of an individual agreement. The remuneration is exempted from disclosure requirements as stated in article 383 of Part 9, Book 2 of the Dutch Civil Code. The company does not have supervisory directors.

9. Audit fees

The audit fee related to the audit of 2018 in connection with the company financial statements amounts to € 20 (2017: € 15).

10. Subsequent events

There are no subsequent events.

Approved by the Board of Directors on 17 July 2019 and is signed on its behalf by:

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

La Perla Fashion Finance B.V.

INITIALS FOR
IDENTIFICATION PURPOSES
1 7 JULI 2019
FSV
ACCOUNTANTS + ADVISORS

Other information

Appropriation of result

According to the articles of association of the Company, appropriation of result for the year is at the discretion of the annual general meeting of shareholders of the Company, taking into consideration any limitations by Dutch law.

The Board of Directors proposes to add the result for the year to the retained earnings. This proposal has been reflected in the parent company financial statements.

Independent Auditor's Report

The independent auditor's report is included on the next pages.

INITIALS FOR
IDENTIFICATION PURPOSES

1 7 JULI 2019

FSV
ACCOUNTANTS + ADVISORS

Independent Auditor's Report

To the shareholders of La Perla Fashion Holding N.V.

A. Report on the audit of the financial statements 2018 included in the annual report

Our opinion

We have audited the financial statements 2018 of La Perla Fashion Holding N.V. based in Amsterdam. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion:

- the accompanying consolidated financial statements give a true and fair view of the financial position of La Perla Fashion Holding N.V. as at 31 December 2018, and of its result and cash flows for 2018 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code;
- the accompanying company financial statements give a true and fair view of the financial position of La Perla Fashion Holding N.V. as at 31 December 2018, and of its result for 2018 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. the consolidated statement of financial position as at 31 December 2018;
2. the following statements for 2018:
   a. the consolidated statements of comprehensive income;
   b. changes in equity and cash flows; and
3. the notes comprising a summary of the significant accounting policies and other explanatory information.

The company financial statements comprise:

1. the company balance sheet as at 31 December 2018;
2. the company income statement for 2018; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

FSV Accountants + Adviseurs B.V.
Hogeweg 43
Postbus 128
5300 AC ZALTBOMMEL

Phone: +31 889 005 301
Telefax: +31 418 579 688
E-mail: info@fsv.nl
Internet: www.fsv.nl

Handelsregister te Utrecht nr. 11020683
Lid van de vereniging SRA
Member of Nexia International

Offices:
Amsterdam, Zaltbommel

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report. We are independent of La Perla Fashion Holding N.V. in accordance with the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of uncertainty with respect to the going concern assumption

We draw attention to note 2b 'Going concern' in the consolidated financial statements which indicates that there is a negative operational cash flow in 2018 and that the group operations depends on continuing financial support and funding from its indirect (major) shareholder.

These conditions indicate the existence of a material uncertainty which may cast significant doubt about the company's ability to continue as a going concern. Our opinion is not qualified in respect of this matter.

Emphasis of matter – carrying value of assets and liabilities

We draw attention to note 3 to the financial statements which sets out the key areas where estimates and assumptions applied by the directors have a significant risk of causing a material adjustment to the carrying value of the assets and liabilities.

Our opinion is not modified in respect of this matter.

B. Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the management board report;
- other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Based on the following procedures performed, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains the information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

The management board report refers to the combined corresponding figures as if the group already existed in 2016 and 2017. The corresponding figures of 2016 and 2017 which are taken into account in the management board report were extracted out of the audited financial statements of the acquired company La Perla Global Management (UK) Limited and combined with the audited financial statements 2017 of the company (by us).

We have to note that we did not audit the corresponding figures of La Perla Global Management (UK) Limited ourselves. La Perla Global Management (UK) Limited 2017 financial statements were audited by Crowe UK Ltd who provided an qualified opinion on 6 December 2018. The basis for the qualified opinion was that they were unable to obtain sufficient audit evidence on the opening balance sheet of the group financial statements because of the existence of multiple uncertainties related to the potential valuation and classifications of the assets and liabilities as at 31 December 2016.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

Management is responsible for the preparation of the other information, including the management board's report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information as required by Part 9 of Book 2 of the Dutch Civil Code

C. Description of responsibilities regarding the financial statements

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, management is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, management should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

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 financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgement and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining 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;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the 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 a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. The work and extent depends on the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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 findings in internal control that we identify during our audit.

Zaltbommel, 17 July 2019

FSV Accountants + Adviseurs B.V.

Signed by

A.A.P.M. Stes MSc RA

INITIALS FOR
IDENTIFICATION PURPOSES
17 JULI 2019
FSV
ACCOUNTANTS + ADVISORS