La Perla Fashion Holding N.V.
Registered office: Schiphol Boulevard 127, G4.02, 1118 BG Schiphol, the Netherlands

May 27, 2021

Results for the year ended 31 December 2020

La Perla Fashion Holding N.V. (“La Perla” and together with its consolidated subsidiaries, the “Group”), a luxury holding company incorporating La Perla, a leading designer, manufacturer and retailer of luxury lingerie, nightwear and swimwear, and La Perla Beauty, announces results for the year ended 31 December 2020.

Financial Overview – Consolidated La Perla Group

€ 000 unless stated	**Consolidated La Perla Group 2020**	**Consolidated La Perla Group 2019**
	Actual	Actual
Revenue	66,237	85,821
Retail	54,987	74,077
Wholesale	10,866	10,303
Other	384	1,441
Gross profit	35,684	41,871
Gross profit margin (%)	*54%*	*49%*
Operating Expenses	(75,900)	(86,132) (1)
EBITDA(2)	(40,216)	(44,261)
Operating profit/(loss)	(114,768)	(72,765)
Profit/(loss) for the year	(136,366)	(89,041)
Earnings (loss) per share in €	(1.2974)	(0.8471)
Net cash generated from operating activities(3)	(57,175)	(44,530)
Total non-current liabilities	260,729	218,037
Total current liabilities	60,936	58,691
Cash and cash equivalents	7,640	11,443
Net financial debt(4)	197,396	121,218
Liabilities related to IFRS 16(5)	68,969	99,112

(1) Includes social plan charge of €7.0 million.

(2) EBITDA is calculated as Operating Profit/Loss before amortization and depreciation and write-offs

(3) Lease payments are not included within net cash from operating activities in line with IFRS 16

(4) Net financial debt calculated as Long term borrowings plus Short term borrowings minus Cash and cash equivalents; excludes Financial lease liabilities

(5) Refers to Financial lease liabilities

Financial review
The Covd-19 crisis significantly affected results in 2020. The pandemic brought disruption across the business from the closure of a majority of physical stores for extended periods to significant supply chain interruptions.

Revenue declined 22.8%, from €85.8 million to €66.2 million. By channel:

- Retail revenue declined 26%
    - Boutique and concession sales fell 31%, while outlets sales declined 45%, both primarily as a result of pandemic-related disruption
    - Online sales increased 32%
- Wholesale revenue increased 5%, boosted by new accounts
- Other sales, which includes royalties, fell primarily due to transition of the La Perla fragrance business to direct operation
- Revenue from La Perla Beauty was immaterial in the year as the business was in the start-up phase of operation

Gross margin increased from 49% to 54%, benefitting from a reversal of inventory provisions and a greater proportion of full-price sales, partially offset by increased inventory clearance activity, in 2020 relative to 2019.

Operating expenses decreased from €86.1 million in 2019 to €75.9 million in 2020, driven by reduced personnel costs (including social plan charges), store rents and travel, partially offset by start-up costs of the beauty business, which will formally commence trading in 2021.

The improvement in operating profit/(loss) resulted from the above factors.

Going Concern, Financing and Outlook
With continued uncertainty around the speed and extent of recovery from the Covid-19 pandemic and the impact on the Group's plans, impairment assessments on the carrying value of non-current assets were undertaken using market growth indicators, which indicate lower levels of revenue growth than anticipated in the Group's forward plans. Consequently, an impairment charge for the year of €53.6m has been recognised.

La Perla has concluded that the going concern basis of accounting in preparing the results for the year ended 31 December 2020 is appropriate, supported by La Perla's financing arrangements which include a loan by Tennor Holding B.V. and La Perla Fashion Finance B.V. in the aggregate principal amount of up to €300 million, which does not mature over the next 12 months. The total amount outstanding under these loans stood at €204.6 million as of 31 December 2020, inclusive of €24.9m of accrued interest and €7m of accrued fees.

Given the ongoing Covid-19 crisis and the uncertainty in relation to further impact on the economy and consumer spending, the Group cannot adequately determine the future effect on its business. Therefore, La Perla is currently not providing forward guidance.

Changes in the Corporate Governance
Imran Khan stepped down as managing director on the 31st December 2020.
R.D. Salem stepped down as Supervisory Board member on the 26th May 2021 and is expected to be replaced by S. Kindler during the next Annual General Meeting taking place in June 2021.

Financial Statements Approval and Audit
The financial statements have been approved by the board of managing directors on 27th May 2021 and have been reviewed by the auditors who stated an emphasis of uncertainty with respect to the going concern assumption.

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About La Perla:
La Perla Fashion Holding N.V., a luxury fashion holding company, is the direct shareholder of La Perla Global Management (UK) Limited and its subsidiaries (the "Operating La Perla Group") and La Perla Beauty (UK) Limited. La Perla, through the Operating La Perla Group, is a leading designer, manufacturer and retailer of luxury lingerie, nightwear and swimwear. La Perla Beauty is in the initial phase of operation. The group

operates under the brand “La Perla”. Founded in 1954 in Bologna, Italy, the brand is renowned for its heritage and craftsmanship.

This release may contain forward-looking statements, i.e., statements that do not relate to historical facts or events. By their nature, forward-looking statements involve known and unknown risks and uncertainties, both general and specific. La Perla Fashion Holding N.V. bases these statements on its current plans, estimates, projections and expectations and they relate to events and are based on current assumptions that may not occur in the future. These forward-looking statements may not be indicative of future performance; the actual outcome of the financial condition and results of operations of La Perla Fashion Holding N.V. and its consolidated subsidiaries, and the development of economic conditions, may differ materially from, in particular be more negative than, those conditions expressly or implicitly assumed or described in such statements. Even if the actual results of the La Perla Fashion Holding N.V. or its consolidated subsidiaries, including the financial condition, results of operations and economic conditions, develop in line with the forward-looking statements contained in this press release, there can be no assurance that this will be the case in the future.

La Perla Fashion Holding N.V.
Amsterdam

Annual Report and financial statements
For the year ended 31 December 2020

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Three year summary

Like for like combination of the La Perla Holding N.V. Group as of 1 January 2018:

	Consolidated 2020	Consolidated 2019	Combined 2018
	€ 000	€ 000	€ 000
Income statement in summary			
Net sales Retail	54,987	74,077	94,876
Net sales Wholesale / Other	11,250	11,744	11,364
Revenue	**66,237**	**85,821**	**106,240**
Gross margin	35,684	41,871	43,215
Operating expenses	(75,900)	(86,132)	(124,141)
EBITDA	**(40,216)**	**(44,261)**	**(80,926)**
Operating profit/(loss)	(114,768)	(72,765)	(91,316)
Profit/(loss) before tax	(136,566)	(88,289)	50,729
Profit/(loss) for the year	(136,366)	(89,041)	50,067
Balance sheet in summary			
Brand and other intangible assets	26,292	28,249	32,061
Right of use assets	576	62,218	-
Properties, plant and equipment	778	12,278	15,267
Other non-current assets	5,933	9,526	10,617
Inventories and work in progress	27,410	33,566	44,352
Trade receivables	6,001	6,013	6,548
Other current assets	11,081	7,773	11,565
Cash and cash equivalents	7,640	11,443	32,505
Total assets	**85,711**	**171,066**	**152,915**
Non-current liabilities	260,729	218,037	159,824
Current liabilities	60,936	58,691	76,556
Equity	(235,954)	(105,662)	(44,661)
Total equity and liabilities	**85,711**	**171,066**	**191,719**
Key ratios			
Gross profit margin	0.54	0.49	0.41
Operating profit margin	(1.73)	(0.85)	(0.86)
Average number of employees in FTE	1,199	1,199	1.370
Earnings per share in €	(1.2974)	(0.8471)	0.5007
Number of shares	105,111,112	105,111,112	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 group as of 1 January 2018. This means that the overview above is not a consolidated overview but a combined overview for the year 2018. The separate entities La Perla Fashion N.V. and La Perla Global Management (UK) Ltd are audited in 2018. The 2018 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. The impact of IFRS 16 is not included in 2018 numbers.

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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. 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.

La Perla Fashion Holding N.V. and its Subsidiaries (hereinafter the "Group") operate in the markets of luxury underwear, swimwear, and make-up (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 subsidiaries La Perla Global Management (UK) Ltd and La Perla Beauty (UK) Ltd are the Principals in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

On 27 May 2021, the Board of Managing Directors authorized the consolidated financial statements for issue. The consolidated financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held in June 2021.

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 2.2 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 800 thousand higher/lower.

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Covid – 19 impact on global economy, luxury sector and Group's performances

The pandemic started in China in late 2019 and extended to Europe at the end of the first quarter 2020 before reaching the Americas during the second quarter 2020. The consequences of the measures taken by Governments to mitigate the spread of the virus, have had a profound and lasting effect on the global economy in particular customer consumptions, companies' liquidity and operations.

As the virus is still in active circulation and new targeted and general lockdown measures are still having to be implemented, it is difficult to anticipate the trends to forecast a recovery in 2021.

Over the past few years, luxury market growth has been closely correlated to economic growth and financial market performance, and to a high consumer confidence index. It is therefore logical that the luxury sector is being directly affected by the current difficult macro-economic context, which is dragging down consumers' purchasing power and notably their propensity to consume.

The effect in different geographic markets evidently reflects differing local levels of severity of the health crisis and lockdown durations, as well as the extent to which each region is exposed to tourism.

The partial or full closure of its stores due to lockdowns had a very material effect on the Group's revenue. As from late January, stores located in China were gradually closed, followed by a large number of stores in Asia in February. Europe and the Americas closed starting from mid-March. Since the end of April, stores have started to re-open gradually in some countries with the easing of national lockdowns. Other countries impacted by Covid-19 later in the year, took more time to re-open.

Although the negative impact described above, Covid – 19 has significantly increased the online traffic and sales.

During 2020, the Group had to face some extraordinary costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) accounted for as recurring expenses.

The rent concessions negotiated with lessors due to the consequences of the Covid - 19 pandemic were immediately recognized in the income statement as negative variable lease payments rather than as an amendment to the associated leases as described in Note 6 to the consolidated financial statements.

Business review

In 2020, revenues amounted to € 66.2 million (2019: € 85.8 million), a 23% reported decrease compared with the prior year and comprise sales from the following channels:

	2020		2019	
	€ 000	%	€ 000	%
Continuing operations				
Net sales Boutique	33,251	51%	48,167	56%
Net sales Outlet	8,880	13%	16,189	19%
Net sales Online	12,856	19%	9,721	11%
Net sales Retail	**54,987**	**83%**	**74,077**	**86%**
Net sales Wholesale	9,792	15%	8,951	10%
Net sales Stock	1,074	2%	1,352	2%
Royalties and other income	384	1%	1,441	2%
	66,237	**100%**	**85,821**	**100%**

Decrease in revenues has been driven significantly by the Covid-19 pandemic and the impact of store closings as well as much lower markdown sales. Retail revenues decreased by 26% due to the abovementioned factors. Wholesale revenues, increased by 9% compared with the previous year.

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Group net debt as at 31 December 2020 amounted to € 197.4 million (31 December 2019: € 121.2 million) as follows:

	31 December 2020	31 December 2019
	€ 000	€ 000
Long term borrowings	205,025	132,650
Short term borrowings	11	11
Cash and cash equivalents	(7,640)	(11,443)
	197,396	**121,218**

For additional details on loan terms please refer to Note 20 of the consolidated financial statements.

Going concern

For the year ended 31 December 2020, the Group reported a total loss for the year of € 136.4 million (2019: loss for the year of € 89.0 million), shareholders' deficiency of € 236.0 million (2019: € 105.7 million) and retained earnings of € 256.1 million (2019: € 119.7 million).

The Board of Managing Directors have considered the going concern assumption given the current trading of the Company and Group and the funding considerations of the Group and have 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 board of managing directors also considered the following matters:

i) During 2020 and 2021, the Company received a letter of financial support from a shareholder, La Perla Fashion Finance B.V., backed by a debt facility up to € 300 million. As a result, the consolidated entity will have sufficient funding to enable it to meet its objectives and financial obligations. By the end of 2020, € 197.2 million of funding had been provided and the Directors are confident that La Perla Fashion Finance B.V. has the ability to provide all the necessary financial support. To date La Perla Fashion Finance B.V. has been able to provide financial support when required in support of this assessment.

ii) The consolidated entity reported a net operating cash outflow for the financial year ended 31 December 2020 of € 57.2 million (2019: € 44.5 million). Management expect 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.

iii) At the time of signing, the global impact of Covid-19 is evolving. Management has continually assessed the situation so that as the 'lock down' in Asia was introduced, measures were taken to switch the marketing focus to e-commerce and towards the European and American markets; and as the Chinese markets reopened, and the US and EMEA ones shut, the focus returned to Asia. At the same time, contingency plans, including recruitment freezes and project and investment delays, have been made and the company is able to utilize all the various government backed payroll and taxation support initiatives made available to retail companies around the world.

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

Please refer to Note 2.2 of the consolidated financial statements for further details on going concern.

Dividends

The Board of Managing Directors do not recommend the payment of a dividend (2019: € nihil).

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 factors 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.

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Governance
La Perla Fashion Holding N.V. is set up in a two-tier corporate structure consisting of a Board of Managing Directors and a Supervisory Board.

Board of Managing Directors
La Perla Fashion Holding N.V. is managed by the Board of Directors. Under Dutch Law, the Board of Directors is accountable and ultimate responsible for the management and external reporting of La Perla Fashion Holding N.V. The Board of Directors is answerable to shareholders at the Annual General Meeting of Shareholders and is accountable for its performance to the Supervisory Board.

The Board of Managing Directors consists of one director:
- C.S. Vickers, appointed per 23 August 2019
- Vacancy

Imran Khan stepped down as managing director per 31 December 2020.

Supervisory Board
The Supervisory Board supervises the Board of Managing Directors. The Supervisory Board is an independent corporate body.

The Supervisory Board of the Company consists of two directors:
- F. Kodellas de la Morena, appointed per 23 August 2019
- E. Speight, appointed per 5 December 2019

R.D. Salem stepped down as Supervisory Board member per 26 May 2021 and is expected to be replaced by S. Kindler during the next EGM of June 2021.

Management expectations of future operations
The directors are confident that the proper execution of the strategic plan will allow the Group to break-even in the mid-term.

Responsibility Statement
The Board of Managing Directors is responsible for preparing the Annual Report and the financial statements in accordance with applicable law and regulations.

Company law requires the Directors 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 Board of Managing 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 Board of Managing 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.

Board of Managing Directors Responsibility Statement

We as Board of Managing Directors 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 Managing Directors on 27 May 2021 and is signed on its behalf by:

Sheena Vickers

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Consolidated financial statements 2020

Consolidated statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020	2019
		€ 000	€ 000
Revenue	4	66,237	85,821
Cost of sales	5	(30,553)	(43,950)
Gross margin		**35,684**	**41,871**
Marketing and selling expenses		(38,128)	(50,498)
General and administrative expenses		(37,772)	(35,634)
Operating loss before amortisation and depreciation		**(40,216)**	**(44,261)**
Amortisation, depreciation & write off		(74,552)	(28,504)
Operating profit/(loss)		**(114,768)**	**(72,765)**
Financial income/(expenses)	9	(24,936)	(16,638)
Other income and expenses	10	3,138	1,114
Profit/(loss) before tax		**(136,566)**	**(88,289)**
Income taxes	11	200	(752)
Profit/(loss) for the year		**(136,366)**	**(89,041)**
Items that will not be reclassified subsequently to the profit and loss		-	-
Actuarial gains/(losses)	29	(92)	(304)
Deferred taxes on actuarial gains/(losses)		-	-
Items that may be reclassified subsequently to the profit and loss		**(92)**	**(304)**
Exchange differences on translation of operations in foreign currencies		6,166	(2,479)
Total other gains/(losses) net of tax effect		**6,166**	**(2,479)**
Total comprehensive profit/(loss) for the year		**(130,292)**	**(91,824)**
Earnings per share (in euro)			
Basic, profit/(loss) for the year attributable to the equity holders of the parent		(1.2974)	(0.8471)
Total number of shares (in thousands)			
Per 31 December		105,111	105,111

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Consolidated statement of financial position

For the year ended 31 December 2020

	Notes	31 December 2020	31 December 2019
		€ 000	€ 000
Non-current assets			
Brand and other intangible assets	12	26,292	28,249
Right of use assets	13	576	62,218
Properties, plant and equipment	14	778	12,278
Other non-current assets	15	5,933	9,526
Total non-current assets		**33,579**	**112,271**
Current Assets			
Inventories and work in progress	16	27,410	33,566
Trade receivables	17	6,001	6,013
Other current assets	18	11,081	7,773
Cash and cash equivalents	19	7,640	11,443
Total current assets		**52,132**	**58,795**
Non-current liabilities			
Long term borrowings	20	205,025	132,650
Long term financial lease liabilities		44,905	72,459
Provisions	21	6,760	8,119
Deferred tax liabilities	22	103	100
Other non-current liabilities	23	3,936	4,709
Total non-current liabilities		**260,729**	**218,037**
Current liabilities			
Short term borrowings	20	11	11
Short term financial lease liabilities		24,064	26,653
Trade payables	24	20,564	16,994
Provisions	21	3,543	3,512
Other current liabilities	25	12,754	11,521
Total current liabilities		**60,936**	**58,691**
Net assets/(liabilities)		**(235,954)**	**(105,662)**
Equity			
Share capital	27	1,051	1,051
Share premium	27	21,741	21,741
Cumulative translation adjustment	27	5,977	(189)
Other reserves	27	(8,651)	(8,559)
Retained earnings	27	(256,072)	(119,706)
Total Equity		**(235,954)**	**(105,662)**

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Consolidated statement of changes in shareholder's equity

For the year ended 31 December 2020

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balance at 1 January 2019	**1,000**	**-**	**2,290**	**(8,255)**	**(30,665)**	**(35,630)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(89,041)	(89,041)
Other comprehensive income	-	-	(2,479)	(304)		(2,783)
Total comprehensive income	-	-	(2,479)	(304)	(89,041)	(91,824)
Issued shares						
Issue of share capital	51	22,816	-	-	-	22,867
Transaction cost	-	(1,075)	-	-	-	(1,075)
Total issued shares	51	21,741	-	-	-	21,792
Balance at 31 December 2019	**1,051**	**21,741**	**(189)**	**(8,559)**	**(119,706)**	**(105,662)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(136,366)	(136,366)
Other comprehensive income	-	-	6,166	(92)	-	6,074
Total comprehensive income	-	-	6,166	(92)	(136,366)	(130,292)
Balance at 31 December 2020	**1,051**	**21,741**	**5,977**	**(8,651)**	**(256,072)**	**(235,954)**

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Consolidated cash flow statement

For the year ended 31 December 2020

	2020	2019
	€ 000	€ 000
Cash and cash equivalent at the beginning of the year	**11,432**	**32,485**
Cash flows from operating activities		
Net income (loss) of the year	(136,228)	(89,041)
Depreciation and Amortisation	20,548	25,416
Impairment intangible assets	5,184	2,053
Impairment right of use assets	36,384	919
Impairment tangible assets	11,969	115
Loss on tangible and intangible assets disposals	467	-
Gain on lease contract closing and tangible assets	(1,121)	-
(Increase)/Decrease in inventories	6,019	10,786
(Increase)/Decrease in receivables	(5,108)	495
Increase/(Decrease) in payables	5,268	(261)
Increase/(Decrease) in provision	(1,949)	1,861
Other working capital variation	1,393	3,127
Net cash generated from operating activities	**(57,175)**	**(44,530)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(4,440)	(949)
Sale of property, plant and equipment	59	-
Purchase of right-of-use assets	(8,046)	-
Sale of right-of-use assets	-	3,794
Purchase of intangible assets	(5,105)	(476)
Investment in long term receivables	-	-
(Increase)/Decrease in security deposits	3,249	590
Net cash used in investing activities	**(14,283)**	**2,959**
Cash flow from financing activities		
Short term borrowing	-	-
Long term borrowing	72,379	30,227
Lease liabilities	(8,414)	(29,800)
Proceeds from issuance of shares	-	21,792
Net cash generated from financing activities	**63,965**	**22,219**
Effect of forex on cash	3,689	(1,701)
Cash and cash equivalent at the end of the period	**7,629**	**11,431**

Analysis of Net Cash

	2020	2020
Cash and cash equivalents as per Balance Sheet	7,640	11,443
Bank overdrafts	(11)	(11)
Net Cash	**7,629**	**11,432**

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Notes to the consolidated financial statements

For the year ended 31 December 2020

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. 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.

La Perla Fashion Holding N.V. and its Subsidiaries (hereinafter the "Group") operate in the markets of luxury underwear, swimwear, and make-up (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 subsidiaries La Perla Global Management (UK) Ltd and La Perla Beauty (UK) Ltd are the Principals in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

On 27 May 2021, the Board of Managing Directors authorized the consolidated financial statements for issue. The consolidated financial statements as presented in this report are subject to adoption by the Annual General Meeting of Shareholders, to be held in June 2021.

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.

2.1 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 2020 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.

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.

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2.2 Going concern

For the year ended 31 December 2020, the Group reported a total loss for the year of € 136.4 million (2019: loss for the year of € 89.0 million), shareholders' deficiency of € 236.0 million (2019: € 105.7 million) and retained earnings of € 256.0 million (2019: € 119.7 million).

The Board of Managing Directors have considered the going concern assumption given the current trading of the Company and Group and the funding considerations of the Group and have 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 board of managing directors also considered the following matters:

i) During 2020 and 2021, the Company received a letter of financial support from a shareholder, La Perla Fashion Finance B.V., backed by a debt facility up to € 300 million. As a result, the consolidated entity will have sufficient funding to enable it to meet its objectives and financial obligations. By the end of 2020, € 197.2 million of funding had been provided and the Directors are confident that La Perla Fashion Finance B.V. has the ability to provide all the necessary financial support. To date La Perla Fashion Finance B.V. has been able to provide financial support when required in support of this assessment.

ii) The consolidated entity reported a net operating cash outflow for the financial year ended 31 December 2020 of € 57.2 million (2019: € 44.5 million). Management expect 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 includes uncertainties surrounding its implementation, the directors are confident that the reorganization process will provide positive results in a short period of time allowing the Group to operate in the foreseeable future.

2.3 Application of new and revised International Financial Reporting Standards (IFRSs)

The following IFRS standards, amendments or interpretations became effective during the period ended 31 December 2020 but have not had a material effect on this consolidated financial information:

- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3 Business Combinations (Definition of a Business)
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IFRS 16: Leases (Covid-19-Related Rent Concessions)

All new standards and amendments to standards and interpretations effective for periods beginning on or after 1 January 2020 that are applicable to the Group have been applied in preparing these consolidated financial statements.

The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the consolidated financial statements are disclosed below. The Group intends to adopt these standards, if applicable, when they become effective.

Standard	Effective date
Amendments to IAS 1 Classification of Liabilities as Current or Non-Current	01-Jan-22
Amendments to IFRS 3 Reference to the Conceptual	01-Jan-22
Amendments to IAS 16 Property Plant and Equipment (Proceeds before intended use)	01-Jan-22
Amendments to IAS 37 Onerous Contracts (Cost of fulfilling a contract)	01-Jan-22
Annual Improvements to IFRS Standards 2018-2020	01-Jan-22
IFRS 17 – Insurance Contracts	01-Jan-23

The Directors are continuing to assess the potential impact that the adoption of the standards listed above will have on the consolidated financial statements for the year ended 31 December 2021.

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2.4 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.

2.5 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.

2.6 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 (PPE) 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	Land and buildings	Not depreciated
Freehold buildings	Land and buildings	Up to 50 years
Plant, machinery, fixtures and fittings	Machinery and equipment	3 – 8 years
Retail fixtures and fittings	Retail fixtures and fittings	2 – 8 years
Office equipment	Machinery and equipment	3 years
Computer equipment	Machinery and equipment	3 – 5 years
Assets under construction	Construction in progress	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.

2.7 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	Category of intangible assets	Useful life
Trademarks	Concessions,licences & trademarks	15 – 25 years
Licences	Concessions,licences & trademarks	3 years
Software	Industrial patens & software	5 years
Know How	Industrial patens & software	2 years

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.

2.8 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.

2.9 Leases

In accordance with the exemptions provided by paragraph 5 of the standard, the Group and the Company has elected to apply IFRS 16 to all of its leases, except for the following:

- short-term leases, with a lease term of 12 months or less as of the commencement date;
- leases for which the underlying asset is of low value (equivalent of below € 5), based on the value of the asset when it is new; and
- variable lease payments without minimum guaranteed that, by definition, cannot be considered firm and therefore do not constitute lease liabilities to be recognised in the balance sheet.

Recognition of leases under IFRS 16

Under IFRS 16, for each affected lease, the following items are recognised in the balance sheet as of the commencement date:

- a lease liability, corresponding to the present value of all fixed future payments for the estimated term of the lease. The current and non-current portions of the liability are presented separately. Fixed future lease payments include the remeasurement of any payments that depend on an index or a growth rate established in the lease. They may also include the value of any purchase options or estimated penalties for terminating the lease, where the company is reasonably certain to exercise these options. In addition, any lease incentives receivable as of the commencement date are deducted from fixed payments;
- a right-of-use asset, corresponding to the value of the lease liability less any incentives received from the lessor and plus any prepaid lease payments, initial direct costs and the estimated cost of restoring the asset where required by the terms and conditions of the lease.

After the commencement date and at each reporting date the lease liability is remeasured as follows:

- an increase reflecting the discounting adjustments made over the period depending on the incremental borrowing rate applied to the lease, with a corresponding entry to "Interest expense on leases", a new line item included within "Interest payable and similar charges" in the income statement; a reduction reflecting the lease payments made over the period, with a corresponding entry to "Cash and cash equivalents" in the Statement of financial position;
- an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Right-of-use assets" in the Statement of financial position;
- an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Right-of-use assets" in the Statement of financial position;

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The right-of-use asset is remeasured as follows:

- a reduction reflecting the depreciation of the asset on a straight-line basis over the term of the lease, with a corresponding entry to "Depreciation of right-of-use assets" within "Amortisation, depreciation & write off" in the Statement of comprehensive income;
- a reduction reflecting the potential impairment of right-of-use assets, with a corresponding entry to "Amortisation, depreciation & write off" in the Statement of comprehensive income;
- an increase reflecting any revisions to the index or growth rate applicable to the lease payments, where appropriate, with a corresponding entry to "Lease liabilities" in the Statement of financial position;
- an increase or a reduction reflecting the remeasurement of future lease payments further to a change in the estimated lease term, with a corresponding entry to "Lease liabilities" in the Statement of financial position.

Estimation of lease terms
The lease term corresponds to the non-cancellable period for which a lessee has the right to use an underlying asset, together with both:

- periods covered by an option to extend the lease if the lessee is reasonably certain to exercise that option; and
- periods covered by an option to terminate the lease if the lessee is reasonably certain not to exercise that option.

When estimating the terms of its property leases, the company divides the underlying assets into two categories:

- points of sale: the lease term corresponds to the initial term of the lease on the signature date, namely without taking into account any extension options, except for contracts for which the company intention is to exercise the extension option or to early terminate the lease. For the most part of contracts the company intention, aligned with the strategy of the last two years, is to take advantage of opportunities to relocate its stores or to close the stores with low performances throughout the term of the lease; and
- other properties (offices, logistics, production centres and cars): the lease term corresponds to the initial term of the lease together with any periods covered by an extension option only if the company is reasonably certain to exercise that option, based on expected future usage of the underlying assets, otherwise the extension period are not taken into account considering the intention of the company to improve general expenses.

Certain leases include automatic renewal clauses or have indefinite terms. The company is unable to reliably determine the estimated lease term for these leases beyond their strictly contractual period. Accordingly, they are accounted for as leases with no extension option. For the transition purpose, they were considered for a period of 18 months starting from the transition date.

The company continues to depreciate improvements to its stores and other buildings consistently with the term of the underlying leases, and has not changed its approach compared to the accounting treatment applicable in previous year. Many different factors are taken into account in determining the depreciation period of leasehold improvements, including the term of the underlying lease.

Determination of the discount rate applicable to lease liabilities
The Group and the Company believes that there is no readily available means of determining the interest rates implicit in its leases and has thus elected to apply the incremental borrowing rate.
Considering that the company has no external line of credit, the incremental borrowing rate corresponds to the rate of interest that the company pays on shareholder loans.

The rates used as of 1 January 2019 to calculate the impact of the transition to IFRS 16 were based on the interest rate applicable to the incremental funding of the shareholder loans.

Deferred taxes relating to leases accounted for under IFRS 16
The first-time application of IFRS 16 gave rise to deferred tax assets as of 1 January 2019 because the company has applied the simplified retrospective approach for its transition to the standard, with negative impact on equity due to the impairment of the right-of-use assets for certain point of sales for which the fixed assets were expected not to be recoverable. These deferred tax assets were not recognised in the balance sheet as they were not expected to be recoverable.

Future changes in lease liabilities and right-of-use assets, which each follow their own respective logic in terms of financial amortisation/straight-line depreciation will generate deferred taxes in subsequent periods. These deferred taxes will be recognised on a net basis (deferred tax asset or liability) for each contract if they are expected to be recoverable.

2.10 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.

2.11 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.

2.12 Trade and other payables

Trade and other payables are stated at their cost.

2.13 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, considering 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.

2.14 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.

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.

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2.15 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.

2.16 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.

2.17 Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit and loss' (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.

2.18 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.

2.19 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 Group's existing cash position as of the end of December 2020 and projected cash requirements for the years ending 31 December 2021 and 2022 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 Group to enable it to meet its liabilities and obligations as they fall due.

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The directors have also considered the financial impact of the restructuring of the Group's business operations by the shareholders which commenced in 2019 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. During 2020 and 2021, the Company received a letter of financial support from the parent company, La Perla Fashion Finance B.V. Whilst the Directors do not have visibility over La Perla Fashion Finance B.V.'s financial position, they are confident that La Perla Fashion Finance B.V. has the ability to provide all the necessary financial support. To date La Perla Fashion Finance B.V has been able to provide financial support when required in support this assessment.

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. Refer to Note 17 and 18 for further details on the net carrying value and credit quality of 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.

With continued uncertainty around market recoverability following the Covid-19 pandemic, the Directors concluded it possible to expect lower growth rates than those included in the most recent 5 year strategic plan. When used in the sensitivity analysis, these lower market growth rates (10-12%) compared to the planned growth rates (20%) have resulted in an impairment as at 31 December 2020.

The total impairment loss recognised in the statement of comprehensive income is €53.6 million, recognised separately against tangible assets of €12.0 million, against right of use assets of €36.4m and against intangible assets of €5.2 million.

Valuation of concessions, licences and trademarks
In order to identify the carrying value of the intangible asset "brands" acquired of € 25.4 million, 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.

The Directors reviewed the key estimates and assumptions used, against both actual experience and market data. With continued uncertainty around market recoverability following the Covid-19 pandemic, the Directors applied these market rates to the impairment assessment, which being lower than the planned growth rates have resulted in an impairment to the carrying value of the intangible assets at 31 December 2020, excluding brands.

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.

3.2 Critical judgements in applying the Group's accounting policies
At 31 December 2020, the management booked impairment losses related to intercompany loans and receivables amounting to € nihil (2019: € nihil). 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.

Discount rate used to determine the carrying amount of the Group's defined benefit obligation.
The Group's defined benefit obligation of € 3.9 million 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.

Operating lease - IFRS 16 estimates and judgements
The Group is required to make estimates and critical judgment in the application of the IFRS 16. The main assumptions made by the Group are detailed in the specific section of the IFRS 16 - First Time Application. In particular, leases with a lease term of less than 12 months and leases for which the underlying asset value is less than the equivalent of € 5, have been excluded. A discount rate of 7.25% has been applied in calculating the values to be used, being the rate applicable to all Group borrowings from La Perla Fashion Finance B.V., its sole source of borrowings. The lease terms considered are the non-cancellable periods together with any periods covered by an option to extend where the Group is reasonably certain to extend that term.

4. Revenue

Revenues of the year amount to € 66.2 million (2019: € 85.8 million) and include sales as follows:

	2020		2019	
	€ 000	%	€ 000	%
Continuing operations				
Net sales	65,853	99%	84,380	98%
Royalties and other income	384	1%	1,441	2%
	66,237	**100%**	**85,821**	**100%**

5. Cost of sales

	2020		2019	
	€ 000	%	€ 000	%
Cost of goods sold (raw materials and manufacturing costs)	(24,918)	82%	(37,670)	86%
Indirect production costs	(5,635)	18%	(6,280)	14%
	(30,553)	**100%**	**(43,950)**	**100%**

Cost of inventories included in cost of sales amounts to € 24.9 million (2019: € 37.7 million) and reversal of write-downs of inventories amounts to € 9.6 million (2019: € 7.9 million).

6. Impact of Covid – 19 on consolidated financial statements

The impacts arising from the Covid-19 pandemic have been recognized in the income statement for the year ended 31 December 2020 and essentially affect recurring operating income. In particular, the costs related to health measures put in place (purchases of hand sanitizer and face masks, exceptional measures for regularly disinfecting premises, etc.) have been accounted for as recurring expenses.

During the period the group benefited from € 0.2 million of government grants in the form of the Job Retention Scheme in UK. In addition, the subsidiaries also benefitted from personnel cost reductions for a total amount of € 4.2 million due to Government assistances around the world. In accordance with accounting policy (t), this credit is included in the Income Statement over the same period as the staff costs for which it compensates.

During the period the group benefited from government assistance in the form of Business Rates Relief. This provided a 100% relief for the group's qualifying properties. Without this relief it is estimated that business rates of € 0.3 million would have been recognised within the Income Statement in the period.

In addition, the group benefitted from other government assistances for € 0.3 million as form of contribution to rents and for health measures put in place.

The rent concessions negotiated with lessors due to the consequences of the Covid-19 pandemic were immediately recognized in the income statement as negative variable lease payments rather than as an amendment to the associated leases. This accounting method complies with the simplification measure provided for in the Amendment to IFRS 16 – Leases, issued by the IASB on 28 May 2020 and adopted by the European Union on 9 October 2020.

7. Auditor's remuneration

	2020	2019
	€ 000	€ 000
Fees payables to the company's auditor and their associates for the audit of the company's annual accounts	(38)	(20)
Fees payables to the company's auditor and other audit firms for the audit of the company's subsidiaries	(457)	(382)
	(495)	**(402)**

The Group financial statements also include € 1 (2019: € 2) 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:

	2020	2019
	n°.	n°.
Executive	38	28
Manager & Employees	737	721
Factory workers	429	450
	1,204	**1,199**

The aggregate payroll costs were as follows:

	2020	2019
	€ 000	€ 000
Wages and salaries	(37,392)	(40,863)
Social security costs	(6,323)	(8,778)
Other personnel costs	(5,539)	(12,228)
	(49,253)	**(61,869)**

In 2020 the directors' remuneration amounts to € nil (2019: € nil).

9. Financial income/(expenses)

	2020	2019
	€ 000	€ 000
Interest expense on bank facilities and loans	(2)	(2)
Interest expense on loan from related parties and others	(13,899)	(10,052)
Interest on financial lease liabilities	(5,846)	(7,943)
Other charges	(523)	(656)
Interest income from other non-current assets	7	22
Gain (loss) foreign exchange transaction	(4,673)	1,993
	(24,936)	**(16,638)**

In 2020, interest on loans from related parties and others comprised interest and fees on the shareholder loans in accordance the Financing Agreement in place with La Perla Fashion Finance B.V. (including the facility transferred by Tennor Holding B.V. in 2020) and La Perla Fashion Holding N.V.

10. Other income and expenses

Other income and expenses relate to miscellaneous income of € 3.1 million (2019: € 1.1 million).

11. Income taxes

	2020	2019
	€ 000	€ 000
Corporation Tax		
Current year	215	(662)
Adjustments in respect of prior years	8	(76)
	223	**(738)**
Deferred tax	(23)	(14)
	200	**(752)**

The tax expense for the year is as follows:

	2020	2019
	€ 000	€ 000
Profit/(loss) before tax	(136,566)	(88,289)
Income tax at the domestic corporation tax rate of 25% (2019: 25%)	34,142	22,072
Effects of:		
Change in unrecognised part of deferred tax assets	(25,257)	(17,390)
Write-off of tax loss carried forward	(256)	(170)
Effect of tax rates in overseas jurisdictions	(7,872)	(5,248)
Expenses non-deductible for tax purposes	(351)	(84)
Other	(205)	68
Tax expense for the year	**200**	**(752)**

The Corporation tax rate in the Netherlands is 25%. As at 31 December 2020, the unrecognised tax assets at Group level amounted to € 142.5 million (2019: € 137.8 million).

12. Brand and other intangible assets

	Industrial patens & software	Concessions, licences & trademarks	Key money	Other intangibles	Assets under construction	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost						
At 1 January 2019	5,470	35,709	11,679	2,783	1,390	57,031
Additions	284	-	-	195	-	479
Disposals	-	-	(222)	-	(3)	(225)
Currency translation	17	-	146	178	-	341
Impairment	(898)	-	-	-	(1,387)	(2,285)
At 31 December 2019	4,873	35,709	11,603	3,156	-	55,341
Depreciation						
At 1 January 2019	(3,367)	(7,147)	(11,679)	(2,777)	-	(24,970)
Charge for the year	(778)	(1,428)	-	(29)	-	(2,235)
Disposals	-	-	222	-	-	222
Currency translation	(17)	-	(146)	(178)	-	(341)
Impairment	232	-	-	-	-	232
At 31 December 2019	(3,930)	(8,575)	(11,603)	(2,984)	-	(27,092)
Net book value						
31 December 2019	**943**	**27,134**	**-**	**172**	**-**	**28,249**
Cost						
At 1 January 2020	4,873	35,709	11,603	3,156	-	55,341
Additions	1,951	11	-	209	3,304	5,474
Disposals	-	-	-	-	-	-
Currency translation	(17)	(1)	(16)	(36)	-	(70)
Impairment	(1,585)	(8)	(8,217)	(2,350)	-	(12,160)
Reclassification	-	-	-	(192)	-	(192)
At 31 December 2020	5,222	35,711	3,370	787	3,304	48,393
Depreciation						
At 1 January 2020	(3,930)	(8,575)	(11,603)	(2,984)	-	(27,092)
Charge for the year	(600)	(1,429)	-	(81)	-	(2,110)
Disposals	1,541	8	8,217	2,346	-	12,112
Currency translation	16	-	16	35	-	67
Impairment	(1,880)	-	-	-	(3,304)	(5,184)
Reclassification	-	-	-	106	-	106
At 31 December 2020	(4,853)	(9,996)	(3,370)	(578)	(3,304)	(22,101)
Net book value						
31 December 2020	**369**	**25,714**	**-**	**209**	**-**	**26,292**

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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 € 35.7 million refers to the value of all the brands acquired during 2013 along with the business (net book value as at 31 December 2020 is € 25.7 million).

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 2021 to 2025, 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 2021-2025 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of future market conditions (2021-2025 Revenue CAGR of 20.4%, which reflects the Groups Strategic turnaround plan, over and above the current market growth rates of 10-12%);
- cash flows beyond the budgeted period (2025 and beyond) have been determined using a long-term growth rate of 2.5%; and
- pre-tax discount rate 11.0%.

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.

Sensitivity analysis was performed on the model based on the risk of not achieving 1) planned revenue CAGR of 20%, and 2) planned margin improvement of 20%. The results of this sensitivity analysis shows that 1) a fall in revenue growth to below 16% and/or 2) failure to improve margin by less than 17% would give rise to an indication of the need for impairment.

The economic and financial impact caused by the Covid-19 pandemic has resulted in the need to reassess the likelihood of the above scenarios and assumptions on the future outlook. The Directors recognise that in this period of market uncertainty, the above scenarios are both possible, and therefore concluded to adjust the net book value of the intangible assets, excluding brands, at 31 December 2020 and to book impairment of €5.2 million.

13. Right-of-use of assets

	Right-of-use assets
	€ 000
Cost	
At 1 January 2019	85,298
Disposals	(3,794)
Impairment	(2,687)
Currency translation	990
At 31 December 2019	79,807
Amortisation	
At 1 January 2019	-
Charge for the year	(19,274)
Impairment	1,768
Currency translation	(83)
At 31 December 2019	(17,589)
Net book value at 31 December 2019	**62,218**
Cost	
At 1 January 2020	79,807
Additions	8,046
Disposals and amendments	(25,578)
Currency translation	(1,468)
At 31 December 2020	60,807
Amortisation	
At 1 January 2020	(17,589)
Charge for the year	(15,392)
Disposals and amendments	8,640
Impairment	(36,384)
Currency translation	495
At 31 December 2020	(60,230)
Net book value at 31 December 2020	**576**

Based on the annual impairment review at 31 December 2020, the net book value of right of use assets at 31 December 2020 was impaired by € 36.4 million, details of which can be found in Note 12.

14. Properties, plant and equipment

	Land and buildings	Machinery and equipment	Fixtures and tools	Retail fixtures and fittings	Leasehold improve-ments	Con-struction in progress	Total
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Cost							
At 1 January 2019	3,215	3,058	10,609	9,859	17,443	122	44,306
Additions	5	311	334	213	166	(21)	1,008
Disposals	(59)	(1)	-	(30)	(3)	-	(93)
Impairment losses	-	(36)	(1,432)	(947)	(4,197)	(82)	(6,694)
Currency translation	-	2	213	164	353	-	732
Reclasses	-	-	-	(1,808)	-	-	(1,808)
At 31 December 2019	3,161	3,334	9,724	7,451	13,762	19	37,451
Depreciation							
At 1 January 2019	(347)	(1,497)	(9,972)	(7,000)	(10,223)	-	(29,039)
Charge for the year	(145)	(322)	(358)	(836)	(2,246)	-	(3,907)
Disposals and write-off	-	34	1,417	974	4,188	-	6,613
Currency translation	-	(2)	(193)	(147)	(306)	-	(648)
Reclasses	-	-	-	1,808	-	-	1,808
At 31 December 2019	(492)	(1,787)	(9,106)	(5,201)	(8,587)	-	(25,173)
Net book value							
31 December 2019	**2,669**	**1,547**	**618**	**2,250**	**5,175**	**19**	**12,278**
Cost							
At 1 January 2020	3,161	3,334	9,724	7,451	13,762	19	37,451
Additions	2	60	730	639	2,640	-	4,071
Disposals	-	(5)	(3)	(1,475)	(4,837)	(3)	(6,323)
Currency translation	-	(4)	(225)	(349)	(1,181)	-	(1,759)
Reclasses	-	-	226	(68)	34	-	192
At 31 December 2020	3,163	3,385	10,452	6,198	10,418	16	33,632
Depreciation							
At 1 January 2020	(492)	(1,787)	(9,106)	(5,201)	(8,587)	-	(25,173)
Charge for the year	(146)	(338)	(274)	(650)	(1,637)	-	(3,045)
Disposals and write-off	-	4	-	1,452	4,398	-	5,854
Impairment	(2,525)	(1,241)	(607)	(1,919)	(5,661)	(16)	(11,969)
Currency translation	-	4	186	326	1,069	-	1,585
Reclasses	-	-	-	(106)	-	-	(106)
At 31 December 2020	(3,163)	(3,358)	(9,801)	(6,098)	(10,418)	(16)	(32,854)
Net book value							
31 December 2020	**-**	**27**	**651**	**100**	**-**	**-**	**778**

This caption mainly includes leasehold improvements, boutique and offices' furniture and equipment used in the production process. As described in Note 12, 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 2021-2025 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of future market conditions (2021-2025 Revenue CAGR of 20.4%, which reflects the Groups Strategic turnaround plan, over and above the current market growth rates of 10-12%);
- cash flows beyond the budgeted period (2025 and beyond) have been determined using a long-term growth rate of 2.5%; and
- pre-tax discount rate 11.0%.

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.

Sensitivity analysis was performed on the model based on the risk of not achieving 1) planned revenue CAGR of 20%, and 2) planned margin improvement of 20%. The results of this sensitivity analysis shows that 1) a fall in revenue growth to below 16% and/or 2) failure to improve margin by less than 17% would give rise to an indication of impairment.

The economic and financial impact caused by the Covid-19 pandemic has resulted in the need to reassess the likelihood of the above scenarios and assumptions on the future outlook. The Directors recognise that in this period of market uncertainty, the above scenarios are both possible, and therefore concluded to adjust the net book value of the tangible assets at 31 December 2020 and to book an impairment of €12 million.

15. Other non-current assets

Other non-current assets, amounting to € 5.9 million as at 31 December 2020 (31 December 2019: € 9.5 million) mainly includes guarantee deposits for store rents in various countries and for utilities and financial assets for a store sublease.

16. Inventories and work in progress

	31 December 2020		31 December 2019	
	€ 000	%	€ 000	%
Raw materials and consumables	1,444	5%	2,456	7%
Work in process and semi-finished goods	393	1%	1,325	4%
Finished goods	25,471	93%	29,643	88%
Advances	102	0%	142	0%
	27,410	**100%**	**33,566**	**100%**

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 € 23.1 million made up of € 12.7 million for raw materials and € 10.4 million for finished goods (2019: € 32.7 million made up of € 14.3 million for raw materials and € 18.4 million for finished goods). At the year-end finished goods available for sale amount to € 25.5 million or 93% of the total inventory value (2019: € 29.6 million or 88% of the total inventory amount). Raw materials, work in progress and advances to suppliers relate to lines that will be available for sale in 2021.

As at 31 December 2020, total net inventory is € 27.4 million (31 December 2019: € 33.6 million) and it is aligned at its fair value, with a decrease of € 6.2 million compared with 2019. The decrease is mainly due to the application of the new Group sales strategy.

17. Trade receivables

	31 December 2020	31 December 2019
	€ 000	€ 000
Trade receivables at nominal amount	7,337	8,265
Accrual for bad debt provision	(1,336)	(2,252)
	6,001	**6,013**

The carrying value of trade receivables approximates their fair value after an accrual for bad debt provision amounting to € 1.3 million (31 December 2019: € 2.3 million). 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:

	2020	2019
	€ 000	€ 000
At 1 January	2,252	1,725
Uncollectible amounts written off	(812)	(432)
Increase in allowance recognised in the income statement	(104)	959
At 31 December	**1,336**	**2,252**

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

18. Other current assets

	31 December 2020	31 December 2019
	€ 000	€ 000
Other current assets	2,378	2,965
Accrued income and prepaid expenses	5,604	758
VAT receivable	3,099	4,050
	11,081	**7,773**

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

19. Cash and cash equivalents

The carrying amount of cash and cash equivalents is deemed to reflect its fair value.

	31 December 2020	31 December 2019
	€ 000	€ 000
Bank and postal account	7,508	11,347
Cash on hand	132	96
	7,640	**11,443**

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Cash and cash equivalents of the Group as at 31 December 2020 amount to € 7.6 million (31 December 2019: € 11.4 million) and are mainly composed of bank and postal accounts. The changes in liquidity are illustrated in the cash flow statement. The above amount includes € 2.3 million (31 December 2019: € 2.3 million) of cash deposits that guarantees the rent obligations under lease agreements.

20. Borrowings

As at 31 December 2020, the Group presents a total financial indebtedness of € 205.0 million (31 December 2019: € 132.7 million). Current borrowings amounted to € 11 (31 December 2019: € 11) while the non-current borrowing position amounted to € 205.0 million (2019: €132.7 million). The detail of the borrowings is provided below.

The loans from related parties refers to the facilities received from La Perla Fashion Finance B.V. amounting to € 196.8 million (31 December 2019: € 132.7 million) and from Tennor Holding B.V. € 6.8 million (31 December 2019: € 0).

	31 December 2020	31 December 2019
	€ 000	€ 000
Unsecured at amortised cost		
Loans from:		
Related parties	204,608	132,650
Banks	417	-
Bank overdraft	11	11
Total Borrowings	**205,036**	**132,661**
Non-current	205,025	132,650
Current	11	11
Total Borrowings	**205,036**	**132,661**

Loan from bank was received by the Swiss subsidiary as a measure of financial support to facilitate the cash management of the subsidiary during the pandemic situation caused by Covid-19. The loan is guaranteed by the Swiss Confederation.

The long-term borrowings increased in 2020 mainly as consequence of the issuing of new financing from La Perla Fashion Finance B.V.

Changes in loan amounts incurred in 2020 and 2019 are:

	2020	2019
	€ 000	€ 000
Total long term loan		
At 1 January	132,650	103,098
Loans advanced from related parties during the year	59,056	19,500
Loans advanced from bank during the year	417	-
Financial costs incurred	12,902	10,052
At 31 December	**205,025**	**132,650**

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21. Provisions

The Group as at 31 December 2020 has provisions of € 10.3 million (31 December 2019: € 11.6 million), of which € 3.5 million are current (31 December 2019: € 3.5 million) and € 6.8 million are non-current (31 December 2019: € 8.1 million). The nature of the provisions is detailed below:

	31 December 2020	31 December 2019
	€ 000	€ 000
Provisions		
Allowance for sales return	800	800
Layoff, restructuring and other charges	2,052	1,703
Provision for restoration	4,337	5,756
Restructuring	2,275	2,277
Litigation (agents)	420	460
Litigation (employee)	281	435
Litigation (suppliers)	138	200
	10,303	**11,631**
Non-current	6,760	8,119
Current	3,543	3,512
	10,303	**11,631**

The provision for sales returns € 0.8 million as at 31 December 2020 (31 December 2019: € 0.8 million) refers to the expected amount of returns from clients related to goods supplied by the Group in the last two months of the 2020 financial year. This amount has been evaluated based on historical data.

The provision for restoration costs amounting to € 4.3 million (2019: € 5.8 million) includes the estimated cost of restoring the leased assets where required by the terms and conditions of the lease agreements.

The provision for restructuring amounting to € 2.3 million (2019: € 2.3 million) includes the costs to be incurred for the reorganisation plan of the Italian subsidiaries.

The provision for sales returns € 0.8 million (2019: € 0.8 million) refers to the expected amount of returns from clients related to goods supplied by the Group in the last two months of the 2020 financial year. This amount has been evaluated based on historical data.

Provisions for litigation costs relate to the costs expected to be incurred in closing litigation claims existing at the year end. These are related to agents for an amount of € 0.4 million (2019: € 0.5 million), employees € 0.3 million (2019: 0.4 million) and suppliers € 0.1 million (2019: € 0.2 million).

Current portion consists of allowance for sales returns, restructuring, litigation with employees and € 50,000 of layoff and other charges.

22. Deferred tax liabilities

Deferred tax liabilities amount to € 103 as at 31 December 2020 (31 December 2019: € 100) and relates mainly to the value of unrealised exchange gains.

23. 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 with an obligation at 31 December 2020 of € 3.9 million (31 December 2019: € 4.7 million) and the French severance indemnities. These indemnities are the residual obligation of the benefit due to employees of the Italian company up 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:

	31 December 2020	31 December 2019
Employee leaving Indemnity (Italy)		
Discount rate	0.02%	0.37%
Annual increase in cost of living	1.00%	1.00%
Expected rate of employee turnover	2.25%	2.25%
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	49.14	50.98
Females	46.02	47.55
Average working seniority (years)		
Males	18.90	21.40
Females	17.01	18.89

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 2020 is equal to -0.02%. 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 € (170) and € 181, respectively.

For further details please refer to Note 29 to the consolidated financial statements.

24. Trade payables

Trade accounts payable of the Group amounted to € 20.6 million as at 31 December 2020 (31 December 2019: € 17.0 million). The average credit period on purchases of goods and services for the Group is between 60 and 90 days. The Group has financial risk management policies in place to ensure that all payables are paid within the pre-agreed credit terms.

25. Other current liabilities

Below are the details of other current liabilities as at 31 December 2020:

	31 December 2020	31 December 2019
	€ 000	€ 000
Other payables	4,956	6,525
Payables for social security	3,285	1,707
Accrued expenses and deferred income	1,731	920
Prepayment	5	16
VAT payable	2,777	2,353
	12,754	**11,521**

The amount of other payables is mainly due to wages and salaries to pay in 2021 to the Group personnel. Accrued expenses include mainly the amounts of rentals whose payment, based on the agreement, are deferred to next years.

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26. Analysis and reconciliation of net debt

Group net debt at 31 December 2020 is € 197.4 million (31 December 2019: € 121.2 million). Group borrowings are almost entirely relates to La Perla Fashion Finance B.V. and Tennor Holding B.V., subsidiaries of the ultimate holding company of the Group as of 31 December 2020 and the shareholders.

	31 December 2020	31 December 2019
	€ 000	€ 000
Long term borrowings	205,025	132,650
Short term borrowings	11	11
Cash and cash equivalents	(7,640)	(11,443)
Net debt	**197,396**	**121,218**

For further details on borrowings please refer to Note 20 of the consolidated financial statements.

27. Equity

The equity of the Group as at 31 December 2020 amount to € 236.0 million negative (31 December 2019: € 105.7 million negative).

Share capital

Movement in share capital:

	2020	2019
	n° 000	n° 000
Balance at 1 January	1,051	1,000
Issued during the year	-	51
Balance at 31 December	**1,051**	**1,051**

The share capital as at 31 December 2020 amounts to € 1,051 and consists of authorised, issued and fully paid 105,111,112 shares of € 0.01 per share.

Share premium

Movement in share premium:

	31 December 2020	31 December 2019
	€ 000	€ 000
Balance at 1 January	21,741	-
Issuance of share capital	-	22,816
Transaction costs for issued share capital	-	(1,075)
Balance at 31 December	**21,741**	**21,741**

Cumulative translation adjustment and other reserves

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 equity statement of consolidated financial statements. As at 31 December 2020 and 2019, shareholders and the companies of the Group did not hold any treasury shares.

Retained earnings

The retained earnings consists of the accumulated gains and losses over the previous years.

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28. Financial commitments

The Group provided bank guarantees of € 2.3 million as at 31 December 2020 (2019: € 2.3 million).

29. Post-employment benefits

The table below shows the composition of the employee benefits as at 31 December 2020.

	31 December 2020	31 December 2019
	€ 000	€ 000
Employee leaving Indemnity (Italy)	3,886	4,659
Pension and good service bonus (France)	50	50
	3,936	**4,709**

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 23.

The annual discount rate utilised for the valuation of employee leaving indemnity as at 31 December 2020 was based on the weighted average of the iBoxx Eurozone Corporates AA 7- 10 rates in 2020.

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

	2020	2019
	€ 000	€ 000
Service cost		
Current service cost	1,135	1,250
Net interest expense	16	71
Components of defined benefit costs recognised in profit and loss	**1,151**	**1,321**

Of the expense (service cost) for the year, € 1.2 million (2019: € 1.3 million), 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:

	2020	2019
	€ 000	€ 000
Actuarial gains and losses arising from changes in financial assumptions	133	337
Acturial gains and losses arising from experience adjustment	(41)	(33)
Remeasurement of the net defined benefit liability	**92**	**304**

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

	2020	2019
	€ 000	€ 000
Opening defined benefit obligation	4,709	4,917
Current service cost	1,135	1,250
Interest cost	16	71
Actuarial gains and losses arising from changes in financial assumptions	134	337
Acturial gains and losses arising from experience adjustment	(41)	(33)
Benefit paid	(2,017)	(1,833)
Closing defined benefit obligation	**3,936**	**4,709**

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 (2019: € 50). This provision is considered a defined benefit obligation and recognised in accordance with IAS 19.

Future cash flows of the benefit obligation

	31 December 2020	31 December 2019
	€ 000	€ 000
Within one year	125	421
Between 2 and 5 years	618	935
Between 5 and 10 years	1,615	1,634
Closing defined benefit obligation	**2,358**	**2,990**

30. Subsequent events

There were no events subsequent to the year end to report.

31. 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 20 Borrowings.

32. La Perla Group companies

List of Group entities as of 31 December 2020:

Name	Country of incorporation or legislation	Ownership %
La Perla Global Management (UK) Limited	United Kingdom	100%
La Perla Beauty (UK) Limited	United Kingdom	100%
La Perla Manufacturing S.r.l	Italy	100%
La Perla Italia 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 Mexico S.A.	Mexico	100%

Approved by the Board of Managing Directors on 27 May 2021 and is signed on its behalf by:

C.S. Vickers

Approved by the Supervisory Board on 27 May 2021 and is signed on its behalf by:

F. Kodellas de la Morena E. Speight

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Company financial statements 2020

Statement of company income

For the year ended 31 December 2020

	2020	2019
	€ 000	€ 000
Result from investments after tax	(1,668)	(23,724)
Result from operations after taks	1,094	759
Profit/(loss) for the year	**(574)**	**(22,965)**

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Statement of company financial position

For the year ended 31 December 2020

After appropriation of the result

	Notes	31 December 2020	31 December 2019
		€ 000	€ 000
Non-current assets	3	-	-
Current Assets			
Other current assets		-	129
Cash and cash equivalents	4	29	186
Total current assets			**315**
Non-current liabilities			
Long term borrowings	5	921	-
Total non-current liabilities		921	-
Current liabilities			
Trade payables		-	556
Other current liabilities		-	77
Total current liabilities		-	**633**
Net assets/(liabilities)		**(892)**	**(318)**
Equity			
Share capital	6	1,051	1,051
Share premium	6	21,741	21,741
Other reserves	6	(8,651)	(8,559)
Cumulative translation adjustment	6	5,977	(189)
Retained earnings	6	(21,010)	(14,361)
Total Equity		**(892)**	**(318)**

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Statement of company changes in shareholder's equity

For the year ended 31 December 2020

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
	€ 000	€ 000	€ 000	€ 000	€ 000	€ 000
Balance at 1 january 2019	**1,000**	**-**	**2,290**	**(8,255)**	**5,820**	**855**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(22,965)	(22,965)
Other comprehensive income	-	-	(2,479)	(304)	2,783	-
Total comprehensive income	-	-	(2,479)	(304)	(20,182)	(22,965)
Issued shares						
Issue of share capital	51	22,816	-	-	-	22,867
Transaction cost	-	(1,075)	-	-	-	(1,075)
Total issued shares	51	21,741	-	-	-	21,792
Balance at 31 December 2019	**1,051**	**21,741**	**(189)**	**(8,559)**	**(14,362)**	**(318)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(574)	(574)
Other comprehensive income	-	-	6,166	(92)	(6,074)	-
Total comprehensive income	-	-	6,166	(92)	(6,648)	(574)
Balance at 31 December 2020	**1,051**	**21,741**	**5,977**	**(8,651)**	**(21,010)**	**(892)**

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Notes to the company financial statements

For the year ended 31 December 2020

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. 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.

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 subsidiaries La Perla Global Management (UK) Ltd and La Perla Beauty (UK) Ltd are the Principals in all intercompany transactions, purchasing goods from the manufacturing entity of the Group and reselling those to the distributors and the commercial subsidiaries.

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 2020 were prepared by management and authorised for issue in accordance with a resolution of the Board of Managing Directors on 27 May 2021.

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 directors consider the use of the going concern basis of accounting is appropriate. We refer to the note regarding going concern in the consolidated financial statements for the disclosure.

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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". If the Company is not liable the subsidiary is valued at € nihil.

3. Investments in subsidiaries

Movements of the Company's investments were as follows:

	2020	2019
	€ 000	€ 000
Balance at 31 December	-	**1,344**
IFRS 16 adjustment	-	(1,344)
Balance at 1 January	-	-
Long term loan La Perla Global Man. UK	1,668	23,724
Translation difference	6,166	(2,479)
Actuarial gains	(92)	(304)
Result subsidiary	(7,742)	(20,941)
Balance at 31 December	-	-

The company is the 100 % shareholder of La Perla Global Management (UK) Ltd and La Perla Beauty (UK) Ltd.

La Perla Global Management (UK) Ltd is valued at € nil since the underlying company has a negative asset value. The investment is not given a liability undertaking or any other guarantee for this company.

La Perla Beauty (UK) Ltd is incorporated on 10 October 2019 and had a net asset value of € nihil since the underlying company has a negative asset value. The investment is not given a liability undertaking or any other guarantee for this company.

Direct investments of the Company as per 31 December 2020 are as follows:

Name	Country of incorporation or legislation	Ownership %
La Perla Global Management (UK) Limited	United Kingdom	100%
La Perla Beauty (UK) Limited	United Kingdom	100%

4. Cash and cash equivalents

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

5. Shareholders' equity

Share capital

As of 31 December 2020, issued and fully paid share capital consists 105,111,112 common shares (31 December 2019: 105,111,112 common shares), each share having a par value of € 0.01. Authorized capital consists of 500,000,000 shares.

The following table shows the movements in the outstanding number of shares:

	2020	2019
	n° 000	n° 000
Balance at 1 January	1,051	1,000
Issued during the year	-	51
Balance at 31 December	**1,051**	**1,051**

Share premium

Movement in share premium:

	31 December 2020	31 December 2019
	€ 000	€ 000
Balance at 1 January	21,741	-
Issuance of share capital	-	22,816
Transaction costs for issued share capital	-	(1,075)
Balance at 31 December	**21,741**	**21,741**

Translation and other reserves

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 equity statement of consolidated financial statements. As at 31 December 2020 and 2019, shareholders and the companies of the Group did not hold any treasury shares.

Retained earnings

The retained earnings consists of the accumulated gains and losses over the previous years.

6. Non-current liabilities

The non-current liabilities is a loan from related parties and refers to the facilities received from La Perla Fashion Finance B.V. amounting to € 921 (31 December 2019: € 0).

7. Differences in equity and profit/(loss) between the company and consolidated financial statements

	31 December 2020	31 December 2019
	€ 000	€ 000
Equity according to consolidated financial statements	(177,920)	(105,662)
Negative net asset value of consolidated participating interests	202,420	129,068
Loan receivable of consolidated participating interests	(25,392)	(23,724)
Equity according to company financial statements	**(892)**	**(318)**

The difference between equity according to the company balance sheet and equity according to the consolidated balance sheet is due to the fact that that the consolidated participating interest in La Perla Global Management (UK) Ltd has a negative net asset value but is carried at € nihil in the company balance sheet.

8. Average number of employees

During 2020 there were no employees (2019: 0).

9. Remuneration of the directors

The directors and supervisory board members 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 for 2020 is € nihil (2019: € nihil)

10. Audit fees

The audit fee related to the audit of 2020 in connection with the company financial statements amounts to € 38 (2019: € 20).

11. Subsequent events

There were no events subsequent to the year end to report.

Approved by the Board of Managing Directors on 27 May 2021 and is signed on its behalf by:

C.S. Vickers

Approved by the Supervisory Board on 27 May 2021 and is signed on its behalf by:

F. Kodellas de la Morena   E. Speight

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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 Managing 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.

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Independent Auditor's Report

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

A. Report on the audit of the financial statements 2020 included in the annual report

Our opinion

We have audited the financial statements 2020 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 2020, and of its result and cash flows for 2020 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 2020, and of its result for 2020 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 2020;
2. the following statements for 2020:
   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 2020;
2. the company income statement for 2020; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

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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 2.2 'Going concern' in the consolidated financial statements which indicates that there is a loss of € 136.4 million and a shareholders' definciency of € 236.0 million in 2020 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.

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.

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The management board report refers to the combined corresponding figures as if the group already existed in 2017. The corresponding figures of 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 2020. 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.

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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.

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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, May 27th , 2021

FSV Accountants + Adviseurs B.V.

Signed by,

Signed by

A.A.P.M. Stes MSc RA

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