La Perla Fashion Holding N.V.
Amsterdam

Annual Report and financial statements
For the year ended 31 December 2022

Contents

Three year summary

	2022	2021	2020
	€ 000	€ 000	€ 000
Income statement in summary			
Net sales Retail	61,132	63,106	54,987
Net sales Wholesale / Other	7,961	9,042	11,250
Revenue	**69,093**	**72,148**	**66,237**
Gross margin	45,431	44,037	35,684
Operating expenses	(77,281)	(83,326)	(75,900)
EBITDA	**(31,850)**	**(39,289)**	**(40,216)**
Operating profit/(loss)	(40,388)	(44,058)	(114,768)
Profit/(loss) before tax	(48,782)	(44,822)	(136,566)
Profit/(loss) for the year	(49,436)	(45,327)	(136,366)
Balance sheet in summary			
Brand and other intangible assets	28,655	28,543	26,292
Right of use assets	6,052	5,784	576
Properties, plant and equipment	2,945	2,922	778
Other non-current assets	4,747	5,680	5,933
Inventories and work in progress	25,569	23,766	27,410
Trade receivables	6,121	7,424	6,001
Other current assets	6,274	5,945	11,081
Cash and cash equivalents	4,156	7,238	7,640
Total assets	**84,519**	**87,302**	**85,711**
Non-current liabilities	322,334	311,686	260,729
Current liabilities	101,937	63,593	60,936
Equity	(339,752)	(287,977)	(235,954)
Total equity and liabilities	**84,519**	**87,302**	**85,711**
Key ratios			
Gross profit margin	0.66	0.61	0.54
Operating profit margin	-0.58	-0.61	-1.73
Average number of employees	971	1,081	1,204
Earnings per share in €	(0.4703)	(0.4312)	(1.2974)
Number of shares	105,111,112	105,111,112	105,111,112

Management board report

Principal activities

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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 June 2023, 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 2023.

Business review

In 2022, revenues amounted to € 69.1 million (2021: € 72.1 million), a 4.2% reported decrease compared with the prior year and comprise sales from the following channels:

	2022		2021	
	€ 000	%	€ 000	%
Continuing operations				
Net sales Boutique	38,684	55%	36,876	51%
Net sales Outlet	6,199	9%	7,858	11%
Net sales Online	16,249	24%	18,372	25%
Net sales Retail	**61,132**	**88%**	**63,106**	**87%**
Net sales Wholesale	7,278	11%	7,664	11%
Net sales Stock	171	0%	813	1%
Royalties and other income	512	1%	565	1%
	69,093	**100%**	**72,148**	**100%**

In 2022, retail revenues decreased by 3.1%. Wholesale revenues decreased by 5.0% compared with the previous year.

Group net debt at 31 December 2022 amounted to € 331.9 million (31 December 2021: € 277.4 million) as follows:

	31 December 2022	31 December 2021
	€ 000	€ 000
Long term borrowings	314,732	274,444
Short term borrowings	21,336	10,214
Cash and cash equivalents	(4,156)	(7,238)
	331,912	**277,420**

For additional details on loan terms please refer to Note 19 of the consolidated financial statements.

Principal risks and uncertainties

The Group is exposed to several uncertainties whose outcome could impact on its financial performance, operations, regulatory or corporate reputation. Some of these are generic to any multinational commercial enterprise and others are more specific to the group. The key risk factors that the directors consider potentially material in nature are set out below, together with mitigating actions in place.

Management of risk is an integral part of the day-to-day activities of the Group and, where reasonably possible, steps are taken to mitigate know material risks. However, these steps can only reduce the likelihood of risk events occurring or the impact on the Group should they occur. They do not provide absolute certainty over the mitigation or elimination of the risks as may risk factors are wholly or partially outside the control of the Group.

Financial risk management

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.

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 fixed rates that expose the Group to interest rate risk.

Other risks

Costs

Management focus on all rising costs included raw materials, transport, rent, rates and wages and seek all possible means to ensure that the effects of price rises are minimised.

Data and IT security

The group relies upon its IT infrastructure to deliver its operations and through which it handles significant volumes of data. The security, resilience and control of these key assets are of significant importance to and focus of management.

Employees

The Group's performance depends largely on its staff. The loss of key individuals and the inability to recruit people with the right experience and skills could adversely impact the Group's results. To mitigate these issues, the Group continues to run programmes to improve staff retention.

Going concern

Full details of the Group's going concern position are disclosed in Note 2.2 to the financial statements.

Dividends

The Board of Managing Directors do not recommend the payment of a dividend (2021: nil).

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.

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.

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 one director:

- E. Speight, appointed per 5 December 2019.

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 June 2023 and is signed on its behalf by:

Sheena Vickers

Consolidated financial statements 2022

Consolidated statement of comprehensive income

For the year ended 31 December 2022

	Notes	2022	2021
		€ 000	**€ 000**
Revenue	4	69,093	72,148
Cost of sales	5	(23,662)	(28,111)
Gross margin		**45,431**	**44,037**
Marketing and selling expenses		(36,337)	(41,381)
General and administrative expenses		(40,944)	(41,945)
Operating loss before amortisation and depreciation		**(31,850)**	**(39,289)**
Amortisation, depreciation & write off		(8,538)	(4,769)
Operating profit/(loss)		**(40,388)**	**(44,058)**
Financial income/(expenses)	8	(23,439)	(18,035)
Other income/(expenses)	9	15,045	17,271
Profit/(loss) before tax		**(48,782)**	**(44,822)**
Taxation	10	(654)	(505)
Profit/(loss) for the year		**(49,436)**	**(45,327)**
Items that will not be reclassified subsequently to the profit and loss		-	-
Actuarial gains/(losses)		468	12
Deferred taxes on actuarial gains/(losses)		-	-
Items that may be reclassified subsequently to the profit and loss		468	12
Exchange differences on translation of operations in foreign currencies		(2,807)	(6,708)
Total other gains/(losses) net of tax effect		**(2,807)**	**(6,708)**
Total comprehensive profit/(loss) for the year		**(51,775)**	**(52,023)**
Earnings per share (in euro)			
Basic, profit/(loss) for the year attributable to the equity holders of the parent		(0.4926)	(0.4949)
Total number of shares (in thousands)			
Per end of period		105,111	105,111

Consolidated statement of financial position

For the year ended 31 December 2022

	Notes	31 December 2022	31 December 2021
		€ 000	€ 000
Non-current assets			
Intangible assets	11	28,655	28,543
Right-of-use assets	12	6,052	5,784
Property, plant, and equipment	13	2,945	2,922
Other non-current assets	14	4,747	5,680
Total non-current assets		**42,399**	**42,929**
Current Assets			
Inventories and work-in-progress	15	25,569	23,766
Trade receivables	16	6,121	7,424
Other current assets	17	6,274	5,945
Cash and cash equivalents	18	4,156	7,238
Total current assets		**42,120**	**44,373**
Non-current liabilities			
Long term borrowings	19	305,278	274,444
Long term financial lease liabilities		9,191	27,721
Provisions	20	4,711	5,504
Deferred tax liabilities	21	5	165
Other non-current liabilities	22	3,149	3,852
Total non-current liabilities		**322,334**	**311,686**
Current liabilities			
Short term borrowings	19	30,790	10,214
Short term financial lease liabilities		26,056	25,627
Trade payables	23	19,262	11,156
Provisions	20	2,722	3,552
Other current liabilities	24	23,107	13,044
Total current liabilities		**101,937**	**63,593**
Net assets/(liabilities)		**(339,752)**	**(287,977)**
Equity			
Share capital		1,051	1,051
Share premium		21,741	21,741
Cumulative translation adjustment		(3,538)	(731)
Other reserves		(8,171)	(8,639)
Retained earnings		(350,835)	(301,399)
Total Equity		**(339,752)**	**(287,977)**

Consolidated statement of changes in shareholder's equity

For the year ended 31 December 2022

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Balance at 1 January 2021	**1,051**	**21,741**	**5,977**	**(8,651)**	**(256,072)**	**(235,954)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(45,327)	(45,327)
Other comprehensive income	-	-	(6,708)	12	-	(6,696)
Total comprehensive income	-	-	(6,708)	12	(45,327)	(52,023)
Balance at 31 December 2021	**1,051**	**21,741**	**(731)**	**(8,639)**	**(301,399)**	**(287,977)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(49,436)	(49,436)
Other comprehensive income	-	-	(2,807)	468		(2,339)
Total comprehensive income	-	-	(2,807)	468	(49,436)	(51,775)
Balance at 31 December 2022	**1,051**	**21,741**	**(3,538)**	**(8,171)**	**(350,835)**	**(339,752)**

Consolidated cash flow statement

For the year ended 31 December 2022

	2022	2021
	€ 000	**€ 000**
Cash and cash equivalent at the beginning of the year	**7,231**	**7,629**
Cash flows from operating activities		
Net income (loss) of the year	(49,235)	(43,870)
Depreciation and amortisation	8,117	4,387
Impairment intangible assets	206	285
Impairment right of use assets	216	87
Impairment tangible assets	-	10
Loss on tangible and intangible assets disposals	(16)	(3,506)
Gain on lease contract closing and tangible assets	(13,954)	(11,972)
Interests expense	20,281	17,763
(Increase)/Decrease in inventories	(2,004)	3,592
(Increase)/Decrease in receivables	213	2,164
Increase/(Decrease) in payables	8,980	(7,650)
Increase/(Decrease) in provision	(2,091)	(1,582)
Other working capital variation	9,907	1,380
Net cash generated from operating activities	**(19,380)**	**(38,912)**
Cash flow from investing activities		
Purchase of property, plant and equipment	(1,726)	(3,422)
Sale of property, plant and equipment	31	43
Purchase of right-of-use assets	(2,130)	(7,351)
Sale of right-of-use assets	-	-
Purchase of intangible assets	(2,025)	(3,509)
Investment in long term receivables	-	3,500
(Increase)/Decrease in security deposits	1,133	583
Net cash used in investing activities	**(4,717)**	**(10,156)**
Cash flow from financing activities		
Short term borrowing	19,316	119
Long term borrowing	11,813	60,371
Lease liabilities	(9,148)	(7,060)
Proceeds from issuance of shares	-	-
Net cash generated from financing activities	**21,981**	**53,430**
Effect of forex on cash	(966)	(4,760)
Net cash at the end of the period	**4,149**	**7,231**

Analysis of net cash

	31 December 2022	31 December 2021
Cash and cash equivalents as per consolidated statement of financial position	4,156	7,238
Bank overdrafts	(7)	(7)
Net cash	**4,149**	**7,231**

Notes to the consolidated financial statements

For the year ended 31 December 2022

1. Corporate information

Principal activities

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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.

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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 2022 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.

2.2 Going concern

For the year ended 31 December 2022, the Group reported the following key figures that are relevant for going concern:

	31 December 2022	31 December 2021
	€ 000	€ 000
Income statement		
Gross margin	45,431	44,037
Result for the year (loss)	(49,436)	(45,327)
Balance sheet		
Shareholders' deficiency	(339,752)	(287,977)
Retained earnings (negative)	(350,835)	(301,399)
Cash flow		
Net operating cash flow	(19,380)	(38,912)
Free cash flow (net operating + net investing cash flow)	(24,097)	(49,068)

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.

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 continue to operate for the foreseeable future, being a period of at least 12 months from the date of approval of these financial statements.

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 2022 but have not had a material effect on this consolidated financial information:

- Reference to the Conceptual Framework (Amendments to IFRS 3)
- Property, Plant and Equipment — Proceeds before Intended Use (Amendments to IAS 16)
- Onerous Contracts — Cost of Fulfilling a Contract (Amendments to IAS 37)
- Annual Improvements to IFRS Standards 2018–2020

All new standards and amendments to standards and interpretations effective for periods beginning on or after 1 January 2022 that are applicable to the Group have been applied in preparing these consolidated financial statements.

A number of amendments to existing standards have been issued and are mandatory for the Company beginning on or after January 1, 2023, or later periods, and the Company has not early-adopted them. The changes to those standards are not expected to have a material impact on the Company’s financial statements.

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.

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

Type of asset	Category of property, plant and equipment	Useful life
Land	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	3 – 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.

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.

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.

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 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 Accounting policies (continued)
- 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.

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.

4. Revenue

Revenues of the year amount to € 69.1 million (2021: € 72.1 million) and include sales as follows:

	2022		2021	
	€ 000	%	€ 000	%
Continuing operations				
Net sales	68,581	99.3%	71,583	99.2%
Royalties and other income	512	0.7%	565	0.8%
	69,093	**100.0%**	**72,148**	**100.0%**

5. Cost of sales

	2022		2021	
	€ 000	%	€ 000	%
Cost of goods sold (raw materials and manufacturing costs)	(17,197)	72.7%	(22,477)	80.0%
Indirect production costs	(6,465)	27.3%	(5,634)	20.0%
	(23,662)	**100.0%**	**(28,111)**	**100.0%**

Cost of inventories included in cost of sales amounts to € 17.2 million (2021: € 22.5 million) and indirect production costs amounts to € 6.5 million (2021: € 5.6 million).

6. Auditor’s remuneration

	2022	2021
	€ 000	€ 000
Fees payables to the company's auditor and their associates for the audit of the company's annual accounts	(41)	(38)
Fees payables to the company's auditor and other audit firms for the audit of the company's subsidiaries	(552)	(504)
	(593)	**(542)**

The fees mentioned in the table for the audit of the financial statements 2022 relate to the total fees for the audit of the financial statements 2022, irrespective of whether the activities have been performed during the financial year 2022.

7. Information regarding directors and employees

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

	2022	2021
	n°.	n°.
Executive	30	40
Manager & Employees	607	692
Factory workers	334	349
	971	**1,081**

The aggregate payroll costs were as follows:

	2022	2021
	€ 000	€ 000
Wages and salaries	(38,400)	(38,696)
Social security costs	(6,739)	(6,467)
Other personnel costs	(6,365)	(5,434)
	(51,504)	**(50,597)**

In 2022 the directors' remuneration amounts to € nil (2021: € nil).

8. Financial income/(expenses)

	2022	2021
	€ 000	€ 000
Interest expense on bank facilities and loans	(19)	(9)
Interest expense on loan from related parties and others	(21,743)	(17,475)
Interest on financial lease liabilities	(2,232)	(3,421)
Other charges	(366)	(255)
Interest income from other non-current assets	20	5
Gain (loss) foreign exchange transaction	901	3,120
	(23,439)	**(18,035)**

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. and one of the beneficial owners, Lars Windhorst.

9. Other income and expenses

Other income and expenses relate to miscellaneous income of € 15.0 million (2021: € 17.3 million).

10. Income taxes

	2022	2021
	€ 000	€ 000
Corporation Tax		
Current year	(245)	(357)
Adjustments in respect of prior years	(366)	(98)
	(611)	**(455)**
Deferred tax	(43)	(50)
	(654)	**(505)**

The tax expense for the year is as follows:

	2022	2021
	€ 000	€ 000
Profit/(loss) before tax	(48,782)	(44,822)
Income tax at the domestic corporation tax rate of 25% (2021: 25%)	12,196	8,516
Effects of:		
Change in unrecognised part of deferred tax assets	(11,908)	(8,445)
Write-off of tax loss carried forward	(567)	(192)
Effect of tax rates in overseas jurisdictions	527	119
Expenses non-deductible for tax purposes	(834)	(394)
Other	(68)	(109)
Tax expense for the year	**(654)**	**(505)**

The Corporation tax rate in the Netherlands is 25%. At 31 December 2022, the unrecognised tax assets at Group level amounted to € 163 million (2021: € 157 million).

11. 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 2021	5,222	35,711	3,370	787	3,304	48,394
Additions	1,334	1,001	-	221	1,323	3,879
Disposals	-	-	-	-	-	-
Currency translation	(179)	-	(800)	-	-	(979)
Impairment	10	-	97	30	-	137
Reclassification	-	208	-	-	(208)	-
At 31 December 2021	6,387	36,920	2,667	1,038	4,419	51,431
Depreciation						
At 1 January 2021	(4,853)	(9,996)	(3,370)	(579)	(3,304)	(22,102)
Charge for the year	(142)	(1,428)	-	(50)	-	(1,620)
Disposals	-	-	-	-	-	-
Currency translation	(9)	-	(97)	(29)	-	(135)
Impairment	169	-	800	-	-	969
Reclassification	-	-	-	-	-	-
At 31 December 2021	(4,835)	(11,424)	(2,667)	(658)	(3,304)	(22,888)
Net book value 31 December 2021	**1,552**	**25,496**	**-**	**380**	**1,115**	**28,543**
Cost						
At 1 January 2022	6,387	36,920	2,667	1,038	4,419	51,431
Additions	530	5	-	-	1,545	2,080
Disposals	(230)	-	-	-	-	(230)
Currency translation	(9)	-	109	26	-	126
Impairment	-	-	-	-	-	-
Reclassification	11	-	-	-	-	11
At 31 December 2022	6,689	36,925	2,776	1,064	5,964	53,418
Depreciation						
At 1 January 2022	(4,835)	(11,424)	(2,667)	(658)	(3,304)	(22,888)
Charge for the year	(452)	(1,428)	-	(81)	-	(1,961)
Disposals	230	-	-	-	-	230
Currency translation	2	-	(109)	(26)	-	(133)
Impairment	-	-	-	-	-	-
Reclassification	(11)	-	-	-	-	(11)
At 31 December 2022	(5,066)	(12,852)	(2,776)	(765)	(3,304)	(24,763)
Net book value 31 December 2022	**1,623**	**24,073**	**-**	**299**	**2,660**	**28,655**

During the year retail Fixtures and Fittings previous recorded under other intangible assets in the Far East were reclassified to tangible assets (see Note 13).

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 2022 is € 22.8 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 2023 to 2027, 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 2023-2027 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of future market conditions (2023-2027 Revenue CAGR of 31.8%, which reflects the Groups Strategic turnaround plan);
- cash flows beyond the budgeted period (2027 and beyond) have been determined using a long-term growth rate of 2.5%; and;
- pre-tax discount rate 23.5%.

Under the parameters described above, the result for the Group was positive, highlighting a differential between the value-in-use based on the parameters outlined above and the corresponding carrying value.

The Plan utilised for the test reflects the results which Group Management expects to develop in the coming years from the restructuring process ongoing. The implementation of this plan, along with the ability of the Group to secure sufficient funding to be able to fulfil its financial projections will allow the Group to rebalance its capital, financial and income structure in the medium to long term.

A sensitivity analysis was carried out according to various risk scenarios in the period of the plan by decreasing the Group marginality during the years of the plan for performing worse case analysis, with positive results. The situation caused by the current economic and financial crisis resulted in the need to make assumptions on a future outlook characterised by significant uncertainty, for which it cannot be excluded that results in the near future will be different from such estimates and which therefore could require adjustment. If the long-term growth rate was reduced by 1%, or if the estimated discount rates applied to the cash flows were increased by 1%, there would still be headroom to support the carrying value of the assets.

12. Right-of-use of assets

	Right-of-use assets
	€ 000
Cost	
At 1 January 2021	60,807
Additions	7,350
Disposals and amendments	(19,011)
Currency translation	2,229
At 31 December 2021	51,375
Amortisation	
At 1 January 2021	(60,225)
Charge for the year	(2,177)
Disposals and amendments	19,005
Impairment	(87)
Currency translation	(2,107)
At 31 December 2021	(45,591)
Net book value at 31 December 2021	**5,784**
Cost	
At 1 January 2022	51,375
Additions	5,323
Disposals and amendments	(11,223)
Currency translation	223
At 31 December 2022	45,698
Amortisation	
At 1 January 2022	(45,591)
Charge for the year	(4,825)
Disposals and amendments	11,223
Impairment	(216)
Currency translation	(237)
At 31 December 2022	(39,646)
Net book value at 31 December 2022	**6,052**

Based on the annual impairment review at 31 December 2022, the net book value of right of use assets at 31 December 2022 was impaired by € 0.2 million (2021: impaired by € 0.1 million).

13. 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 2021	3,163	3,385	10,452	6,198	10,418	16	33,632
Additions	-	81	515	683	2,044	-	3,323
Disposals	-	(19)	(47)	(7)	(4)	(16)	(93)
Currency translation	-	5	245	369	1,508	-	2,127
Reclasses	-	791	(4,752)	3,591	-	-	(370)
At 31 December 2021	3,163	4,243	6,413	10,834	13,966	-	38,619
Depreciation							
At 1 January 2021	(3,163)	(3,358)	(9,801)	(6,098)	(10,418)	(16)	(32,854)
Charge for the year	-	(18)	(114)	(118)	(330)	-	(580)
Disposals and write-off	-	-	39	-	3	16	58
Impairment	-	(9)	(7)	(97)	(172)	-	(285)
Currency translation	-	(5)	(243)	(362)	(1,426)	-	(2,036)
Reclasses	-	(791)	4,382	(3,591)	-	-	-
At 31 December 2021	(3,163)	(4,181)	(5,744)	(10,266)	(12,343)	-	(35,697)
Net book value 31 December 2021	**-**	**62**	**669**	**568**	**1,623**	**-**	**2,922**
Cost							
At 1 January 2022	3,163	4,243	6,413	10,834	13,966	-	38,619
Additions	-	13	225	188	1,018	102.00	1,546
Disposals	-	(16)	(5)	(4)	(5)	-	(30)
Currency translation	-	3	(61)	175	712	-	829
Reclasses	-	(29)	(752)	1,020	175	-	414
At 31 December 2022	3,163	4,214	5,820	12,213	15,866	102	41,378
Depreciation							
At 1 January 2022	(3,163)	(4,181)	(5,744)	(10,266)	(12,343)	-	(35,697)
Charge for the year	-	(27)	(274)	(231)	(795)	-	(1,327)
Disposals and write-off	-	16	5	-	-	-	21
Impairment	-	(13)	(6)	(127)	-	(61)	(207)
Currency translation	-	(3)	59	(174)	(691)	-	(809)
Reclasses	-	29	752	(967)	(228)	-	(414)
At 31 December 2022	(3,163)	(4,179)	(5,208)	(11,765)	(14,057)	(61)	(38,433)
Net book value 31 December 2022	**-**	**35**	**612**	**448**	**1,809**	**41**	**2,945**

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

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

- the cash flow forecasts for the period 2023-2027 have been derived from the most recent executive plan and are based upon past performance, known changes and expectations of future market conditions (2023-2027 Revenue CAGR of 31.8%, which reflects the Groups Strategic turnaround plan,);
- cash flows beyond the budgeted period (2027 and beyond) have been determined using a long-term growth rate of 2.5%; and;
- pre-tax discount rate 23.5%.

The result for the Group was positive, highlighting a differential between the value-in-use based on the parameters outlined above and the corresponding value.

A sensitivity analysis was carried out according to various risk scenarios in the period of the plan by decreasing the Group marginality during the years of the plan for performing worse case analysis, with positive results. If the long-term growth rate was reduced by 1%, or if the estimated discount rates applied to the cash flows were increased by 1%, there would still be headroom to support the carrying value of the assets.

14. Other non-current assets

Other non-current assets, amounting to € 4.7 million as at 31 December 2022 (31 December 2021: € 5.7 million) mainly includes guarantee deposits for store rents in various countries and for utilities and financial assets for a store sublease.

15. Inventories and work in progress

	31 December 2022		31 December 2021	
	€ 000	%	€ 000	%
Raw materials and consumables	1,416	5.5%	4,654	19.6%
Work in process	4,098	16.0%	846	3.6%
Finished goods	19,861	77.7%	16,821	70.7%
Advances	194	0.8%	1,445	6.1%
	25,569	**100.0%**	**23,766**	**100.0%**

Raw materials, work in progress and advances to suppliers relate to lines that will be available for sale in 2023.

As at 31 December 2022, total net inventory is € 25.6 million (31 December 2021: € 23.8 million) and it is aligned at its fair value, with a decrease of € 1.8 million compared with 2021. The decrease is mainly due to the application of the new Group sales strategy.

16. Trade receivables

	31 December 2022	31 December 2021
	€ 000	€ 000
Trade receivables at nominal amount	7,368	8,752
Accrual for bad debt provision	(1,247)	(1,328)
	6,121	**7,424**

The carrying value of trade receivables approximates their fair value after an accrual for bad debt provision amounting to € 1.2 million (31 December 2021: € 1.3 million). Before accepting any new customer, the Group uses an external resource to assess the potential customer’s credit quality and financial reliability.

The Group applies the IFRS 9 simplified approach to measuring the loss allowance on trade receivables from the date credit was initially granted up to the end of the reporting period. To measure the loss allowance, trade receivables are grouped based on similar credit risk and aging. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated.

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

	2022	**2021**
	€ 000	€ 000
At 1 January	1,328	1,336
Uncollectible amounts written off	(100)	(305)
Increase in allowance recognised in the income statement	19	297
At 31 December	**1,247**	**1,328**

17. Other current assets

	31 December 2022	**31 December 2021**
	€ 000	€ 000
Other current assets	1,149	3,416
Accrued income and prepaid expenses	1,448	1,635
Advances to suppliers	1,489	-
VAT receivable	2,188	845
	6,274	**5,896**

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

18. Cash and cash equivalents

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

	31 December 2022	**31 December 2021**
	€ 000	€ 000
Bank and postal account	4,027	7,161
Cash on hand	129	77
	4,156	**7,238**

Cash and cash equivalents of the Group as at 31 December 2022 amount to € 4.2 million (31 December 2021: € 7.2 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 € 0.1 million (31 December 2021: € 0.1 million) of cash deposits that guarantees the rent obligations under lease agreements.

19. Borrowings

	31 December 2022	31 December 2021
	€ 000	€ 000
Unsecured at amortised cost		
Loans from:		
Related parties	335,321	283,790
Banks	740	860
Bank overdraft	7	7
Total Borrowings	**336,068**	**284,657**
Non-current	305,278	274,444
Current	30,790	10,214
Total Borrowings	**336,068**	**284,658**

As at 31 December 2022, the Group presents a total financial indebtedness of € 336.1 million (31 December 2021: € 284.7 million). Current borrowings amounted to € 30.8 million (31 December 2021: € 10.2 million) while the non-current borrowing position amounted to € 305.3 million (2021: €274.4 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 € 273.4 million (31 December 2021: € 247.1 million), from Tennor Holding B.V. € 31.4 million (31 December 2021: € 26.6 million) and from Lars Windhorst € 30.5 million (31 December 2021: € 10.1 million).

Borrowings with related parties are denominated in Euros. The non-current borrowings bear interest at 7.25% plus 1% fee on facility amounts and are due for repayment in 2025.

The long-term borrowings increased in 2022 mainly as consequence of the issuing of new financing.

Changes in loan amounts incurred in 2022 and 2021 are:

	2022	2021
	€ 000	€ 000
Total short-term loan		
At 1 January	10,214	11
Reclass from long term loan	4,107	-
Loans advanced from banks during the year	-	116
Loans advanced from related parties during the year	15,480	10,000
Reimboursment of loan to bank	(120)	-
Financial costs incurred	1,109	87
At period end	**30,790**	**10,214**

	2022	2021
	€ 000	€ 000
Total long-term loan		
At 1 January	274,444	205,025
Loans advanced from related parties during the year	14,307	51,709
Reclass to short term	(4,107)	-
Loans advanced from banks during the year	-	741
Reimboursment of loan to bank	-	(418)
Financial costs incurred	20,634	17,387
At period end	**305,278**	**274,444**

The net debt positions consists of:

	31 December 2022	31 December 2021
	€ 000	€ 000
Long term borrowings	305,278	274,444
Short term borrowings	30,790	10,214
Cash and cash equivalents	(4,156)	(7,238)
	331,912	**277,420**

20. Provisions

The Group as at 31 December 2022 has provisions of € 7.4 million (31 December 2021: € 9.1 million), of which € 2.7 million are current (31 December 2021: € 3.6 million) and € 4.7 million are non-current (31 December 2021: € 5.5 million). The nature of the provisions is detailed below:

	31 December 2022	31 December 2021
	€ 000	€ 000
Provisions		
Allowance for sales return	556	829
Layoff, restructuring and other charges	1,698	1,700
Provision for restoration	3,355	3,834
Restructuring	1,785	2,275
Litigation (agents)	20	20
Litigation (employee)	20	231
Litigation (suppliers)	-	167
	7,434	**9,056**
Non-current	4,711	5,504
Current	2,722	3,552
	7,434	**9,056**

The provision for sales returns € 0.6 million as at 31 December 2022 (31 December 2021: € 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 2022 financial year. This amount has been evaluated based on historical data.

The provision for restoration costs amounting to € 3.4 million (2021: € 3.8 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 € 1.8 million (2021: € 2.3 million) includes the costs to be incurred for the reorganisation plan of the Italian subsidiaries.

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 nil (2021: nil), employees nil (2021: 0.2 million) and suppliers nil (2021: € 0.2 million).

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

21. Deferred tax liabilities

Deferred tax liabilities amount to € 5 as at 31 December 2022 (31 December 2021: € 165) and relates mainly to the value of unrealised exchange gains.

22. Other non-current liabilities

Other non-current liabilities include other employee benefits granted to Group employees in Europe and comprise, amongst others, the Italian TFR with an obligation at 31 December 2022 of € 3.1 million (31 December 2021: € 3.9 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 2022	31 December 2021
Employee leaving Indemnity (Italy)		
Discount rate	3.63%	0.44%
Annual increase in cost of living	3.40%	1.20%
Expected rate of employee turnover	4.09%	2.40%
Probably of death		
- For a male aged 50 now	19%	19%
- For a female aged 46 now	19%	19%
Average age (years)		
Males	52.40	51.34
Females	50.91	47.31
Average working seniority (years)		
Males	23.38	22.01
Females	23.27	18.59

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 2022 is equal to 0.44%. 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 € (158) and € 168, respectively.

For further details please refer to Note 28 to the consolidated financial statements.

23. Trade payables

Trade accounts payable of the Group amounted to € 19.3 million as at 31 December 2022 (31 December 2021: € 11.2 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.

24. Other current liabilities

Below are the details of other current liabilities as at 31 December 2022:

	31 December 2022	31 December 2021
	€ 000	€ 000
Other payables	5,490	4,921
Payables for social security	6,930	2,702
Accrued expenses and deferred income	4,723	3,692
Prepayment	-	11
VAT payable	5,964	1,718
	23,107	**13,044**

Other payables represent, mainly, wages and salaries payable.

25. Equity

Share capital

The share capital as at 31 December 2022 amounts to € 1,051 and consists of authorised, issued and fully paid 105,111,112 shares of € 0.01 per share.

Share premium

Share premium relates to the paid premiums related to issuance of new shares in prior years. During the year there are no movements in share premium.

Translation reserve

The translation reserve compromises of the exchange impact of the translation of the operation occurred in foreign currency.

Other reserves

The cumulated effect of actuarial gain and loss generated by the application of IAS 19.

Retained earnings

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

The changes in the shareholders' equity are illustrated in the equity statement of consolidated financial statements. As at 31 December 2022 and 2021, shareholders and the companies of the Group did not hold any treasury shares.

26. Financial commitments

The Group provided bank guarantees of € 0.1 million as at 31 December 2022 (2021: € 0.1 million).

27. Post-employment benefits

The table below shows the composition of the employee benefits as at 31 December 2022:

	31 December 2022	**31 December 2021**
	€ 000	€ 000
Employee leaving Indemnity (Italy)	3,149	3,802
Pension and good service bonus (France)	-	50
	3,149	**3,852**

Employee Leaving Indemnity (Italy)

Employee leaving indemnity is considered a liability with specific benefits that are to be accounted for according to IAS 19, and therefore the related liability is determined using actuarial techniques. The main assumptions used in the determination of the current value of the employee leaving indemnity are illustrated in Note 22.

The annual discount rate utilised for the valuation of employee leaving indemnity as at 31 December 2022 was based on the weighted average of the iBoxx Eurozone Corporates AA 7- 10 rates in 2022.

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

	2022	**2021**
	€ 000	€ 000
Service cost		
Current service cost	1,327	1,132
Net interest expense	16	(1)
Components of defined benefit costs recognised in profit and loss	**1,343**	**1,131**

Of the expense (service cost) for the year, € 1.3 million (2021: € 1.1 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:

	2022	2021
	€ 000	€ 000
Actuarial gains and losses arising from changes in financial assumptions	(690)	(115)
Acturial gains and losses arising from experience adjustment	220	103
Remeasurement of the net defined benefit liability	**(470)**	**(12)**

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

	2022	2021
	€ 000	€ 000
Opening defined benefit obligation	3,852	3,936
Current service cost	1,327	1,132
Interest cost	16	(1)
Actuarial gains and losses arising from changes in financial assumptions	(690)	(115)
Acturial gains and losses arising from experience adjustment	220	103
Benefit paid	(1,576)	(1,203)
Closing defined benefit obligation	**3,149**	**3,852**

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 € 0 (2021: € 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 2022	31 December 2021
	€ 000	€ 000
Within one year	106	105
Between 2 and 5 years	736	556
Between 5 and 10 years	2,290	1,949
Closing defined benefit obligation	**3,132**	**2,610**

28. Subsequent events

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

29. Related party transactions

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

Trading transaction

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

Loans to/from related parties

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

30. La Perla Group companies

List of Group entities as of 31 December 2022:

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 Beauty France SAS	France	100%
La Perla Beauty US, Inc	United States	100%
La Perla Beauty (HK) Limited	Hong Kong	100%
La Perla Beauty (China) Limited	China	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 España SA	Spain	100%
La Perla Portugal LDA	Portugal	100%
La Perla Store España 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 June 2023 and is signed on its behalf by:

C.S. Vickers

Approved by the Supervisory Board on 27 June 2023 and is signed on its behalf by:

E. Speight

Company financial statements 2022

Statement of company income
For the year ended 31 December 2022

	2022	2021
	€ 000	**€ 000**
Result from investments after tax	(1,661)	(1,660)
Result from operations after tax	1,146	1,139
Profit/(loss) for the year	**(515)**	**(521)**

Statement of company financial position

For the year ended 31 December 2022

After appropriation of the result

	Notes	31 December 2022	31 December 2021
		€ 000	€ 000
Non-current assets			
Investments in subsidiaries	3	-	-
Current assets			
Other current assets		-	-
Cash and cash equivalents	4	42	29
Total current assets		**42**	**29**
Non-current liabilities			
Long term borrowings	5	1,575	1,129
Total non-current liabilities		1,575	1,129
Current liabilities			
Trade payables		295	240
Other current liabilities		100	73
Total current liabilities		**395**	**313**
Net assets/(liabilities)		**(1,928)**	**(1,413)**
Equity	6		
Share capital		1,051	1,051
Share premium		21,741	21,741
Other reserves		(8,171)	(8,639)
Cumulative translation adjustment		(3,538)	(731)
Retained earnings		(13,011)	(14,835)
Total Equity		**(1,928)**	**(1,413)**

Statement of company changes in shareholder's equity

For the year ended 31 December 2022

	Share capital	Share premium	Translation reserve	Other reserves	Retained earnings	Total equity
	€ 000	**€ 000**	**€ 000**	**€ 000**	**€ 000**	**€ 000**
Balance at 1 January 2021	**1,051**	**21,741**	**5,977**	**(8,651)**	**(21,010)**	**(892)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(521)	(521)
Other comprehensive income	-	-	(6,708)	12	6,696	-
Total comprehensive income	-	-	(6,708)	12	6,175	(521)
Balance at 31 December 2021	**1,051**	**21,741**	**(731)**	**(8,639)**	**(14,835)**	**(1,413)**
Comprehensive income						
Profit/(loss) for the period	-	-	-	-	(515)	(515)
Other comprehensive income	-	-	(2,807)	468	2,339	-
Total comprehensive income	-	-	(2,807)	468	1,824	(515)
Balance at 31 December 2022	**1,051**	**21,741**	**(3,538)**	**(8,171)**	**(13,011)**	**(1,928)**

Notes to the company financial statements

For the year ended 31 December 2022

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 2022 were prepared by management and authorised for issue in accordance with a resolution of the Board of Managing Directors on 27 June 2023.

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.

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 € nil.

3. Investments in subsidiaries

Movements of the Company’s investments were as follows:

	2022	2021
	€ 000	€ 000
Balance at 1 January	-	-
Long term loan La Perla Global Man. UK	1,661	1,660
Translation difference	(2,807)	(6,708)
Actuarial gains	468	12
Result subsidiary	678	5,036
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 € 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.

Direct investments of the Company as per 31 December 2022 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

The share capital as at 31 December 2022 amounts to € 1,051 and consists of authorised, issued and fully paid 105,111,112 shares of € 0.01 per share.

Share premium

Share premium relates to the paid premiums related to issuance of new shares in prior years. During the year there are no movements in share premium.

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 2022 and 2021, 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.

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.

6. Non-current liabilities

The non-current liabilities consist of two loans from related parties and refer to the facilities received from La Perla Fashion Finance B.V. and Tennor Holding B.V. amounting to € 1,575 (31 December 2021: € 1,129).

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

	31 December 2022	31 December 2021
	€ 000	€ 000
Equity according to consolidated financial statements	(339,362)	(287,788)
Negative net asset value of consolidated participating interests	366,147	313,427
Loan receivable of consolidated participating interests	(28,713)	(27,052)
Equity according to company financial statements	**(1,928)**	**(1,413)**

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 € nil in the company balance sheet.

8. Average number of employees

During 2022 there were no employees (2021: no employees).

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 2022 is € nil (2021: € nil).

10. Audit fees

The audit fee related to the audit of 2022 in connection with the company financial statements amounts to € 41 (2021: € 38).

11. Subsequent events

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

Approved by the Board of Managing Directors on 27 June 2023 and is signed on its behalf by:

C.S. Vickers

Approved by the Supervisory Board on 27 June 2023 and is signed on its behalf by:

E. Speight

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.

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