Baagøe | Schou
statsautoriseret revisionsaktieselskab

Vreem Studios ApS

Sturlasgade 14 D, 2300 København S

Company reg. no. 37 78 96 23

Annual report
1 January - 31 December 2018

The annual report was submitted and approved by the general meeting on the 25 July 2019.

Stephane Park
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, British English terminology has been used.
- Please note that decimal points have not been used in the usual English way. This means that for instance DKK 146.940 means the amount of DKK 146,940, and that 23,5 % means 23.5 %.

Management's report

The managing director has today presented the annual report of Vreem Studios ApS for the financial year 1 January to 31 December 2018.

The annual report has been presented in accordance with the Danish Financial Statements Act.

I consider the accounting policies used appropriate, and in my opinion the annual accounts provide a true and fair view of the company's assets and liabilities and its financial position at 31 December 2018 and of the company's results of its activities in the financial year 1 January to 31 December 2018.

I am of the opinion that the management's review includes a fair description of the issues dealt with.

The annual report is recommended for approval by the general meeting.

København S, 25 July 2019

Managing Director

Stephane Park

Independent auditor's report

To the shareholders of Vreem Studios ApS

Auditor's report on the annual accounts

Opinion

We have audited the annual accounts of Vreem Studios ApS for the financial year 1 January to 31 December 2018, which comprise accounting policies used, profit and loss account, balance sheet and notes. The annual accounts are prepared in accordance with the Danish Financial Statements Act.

In our opinion, the annual accounts give a true and fair view of the company's assets, liabilities and financial position at 31 December 2018 and of the results of the company's operations for the financial year 1 January to 31 December 2018 in accordance with the Danish Financial Statements Act.

Basis for opinion

We conducted our audit in accordance with international standards on auditing and the additional requirements applicable in Denmark. Our responsibilities under those standards and requirements are further described in the below section "Auditor's responsibilities for the audit of the annual accounts". We are independent of the company in accordance with international ethics standards for accountants (IESBA's Code of Ethics) and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these standards and requirements. We believe that the audit evidence obtained is sufficient and appropriate to provide a basis for our opinion.

The management's responsibilities for the annual accounts

The management is responsible for the preparation of annual accounts that give a true and fair view in accordance with the Danish Financial Statements Act. The management is also responsible for such internal control as the management determines is necessary to enable the preparation of annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts, the management is responsible for evaluating the company's ability to continue as a going concern, and, when relevant, disclosing matters related to going concern and using the going concern basis of accounting when preparing the annual accounts, unless the management either intends to liquidate the company or to cease operations, or if it has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the annual accounts

Our objectives are to obtain reasonable assurance about whether the annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report including an opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark will always detect a material misstatement when it exists. Misstatements may arise due to fraud or error and may be considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions made by users on the basis of the annual accounts.

As part of an audit conducted in accordance with international standards on auditing and the additional requirements applicable in Denmark, we exercise professional evaluations and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement in the annual accounts, whether due to fraud or error, design and perform audit procedures in response to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting a misstatement resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of the 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.

- Evaluate the appropriateness of accounting policies used by the management and the reasonableness of accounting estimates and related disclosures made by the management.

- Conclude on the appropriateness of the management’s preparation of the annual accounts being based on the going concern principle and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may raise significant doubt about 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 annual accounts or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and contents of the annual accounts, including the disclosures in the notes, and whether the annual accounts reflect the underlying transactions and events in a manner that gives a true and fair view.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in the internal control that we identify during our audit.

Statement on the management's review
The management is responsible for the management's review.

Our opinion on the annual accounts does not cover the management’s review, and we do not express any kind of assurance opinion on the management's review.

In connection with our audit of the annual accounts, our responsibility is to read the management's review and in that connection consider whether the management's review is materially inconsistent with the annual accounts or our knowledge obtained during the audit, or whether it otherwise appears to contain material misstatement.

Furthermore, it is our responsibility to consider whether the management's review provides the information required under the Danish Financial Statements Act.

Based on the work we have performed, we believe that the management's review is in accordance with the annual accounts and that it has been prepared in accordance with the requirements of the Danish Financial Statement Acts. We did not find any material misstatement in the management's review.

Violation of the Danish Financial Statements Act

In contravention of the Danish Financial Statements Act, the company has not prepared the annual report within the deadline, whereby management can be held responsible.

Copenhagen, 25 July 2019

Baagøe | Schou
State Authorised Public Accountants
Company reg. no. 21 14 81 48

Torben B. Petersen
State Authorised Public Accountant
mne34097

Company data

The company

Vreem Studios ApS
Sturlasgade 14 D
2300 København S

Company reg. no.	37 78 96 23
Domicile:	Copenhagen
Financial year:	1 January - 31 December

Managing Director

Stephane Park

Auditors

Baagøe | Schou
statsautoriseret revisionsaktieselskab
Fiolstræde 44, 3. th.
1171 København K

Subsidiary

EURL VREEM STUDIOS PARIS, France

The principal activities of the company

The principal activities of the company is to provide design and handling solutions for fashion companies, as well as designing and selling its own products, includin leather accessories.

Development in activities and financial matters

The gross loss for the year is DKK -620.349 against DKK -569.705 last year. The results from ordinary activities after tax are DKK -540.384 against DKK -635.625 last year. The management consider the results unsatisfactory.

The management of the company is aware that the company has lost its share capital. The share capital is proposed to be re-stablished by future operating profits in the subsidairy.

The shareholders have agreed to provide the company with sufficient financial support up to the ordinary general meeting for the financial year 2020. Furthermore, the lenders, which primarily comprise shareholders, have agreed not to demand their loans fully or partially redeemed before the company has the financial capacity to make repayments on the loans. At December 31 2018, the carrying amount of the loans amounted to kr. 839,656.

Events subsequent to the financial year

No events have occurred subsequent the balance sheet date, which would have material impact on the financial position of the company.

The annual report for Vreem Studios ApS is presented in accordance with those regulations of the Danish Financial Statements Act concerning companies identified as class B enterprises. Furthermore, the company has chosen to comply with some of the rules applying for class C enterprises.

The annual accounts are presented in Danish kroner (DKK). The annual report comprises the first financial year, and consequently, comparative figures are not included.

Recognition and measurement in general

Income is recognised in the profit and loss account concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs, these including depreciation, amortisation, writedown, provisions, and reversals which are due to changes in estimated amounts previously recognised in the profit and loss account are recognised in the profit and loss account.

Assets are recognised in the balance sheet when the company is liable to achieve future, financial benefits and the value of the asset can be measured reliably.

Liabilities are recognised in the balance sheet when the company is liable to lose future, financial benefits and the value of the liability can be measured reliably.

At the first recognition, assets and liabilities are measured at cost. Later, assets and liabilities are measured as described below for each individual accounting item.

Certain fixed asset investments and liabilities are measured at amortised cost, by which method a fixed, effective interest is recognised during the useful life of the asset or the liability. Amortised cost is recognised as the original cost with deduction of any payments and additions/deductions of the accrued amortisation of the difference between cost and nominal amount. In this way capital losses and capital profits are spread over the useful life.

At recognition and measurement, such predictable losses and risks are taken into consideration, which may appear before the annual report is presented, and which concern matters existing on the balance sheet date.

Translation of foreign currency

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of the transaction. Differences in the rate of exchange arising between the rate at the date of transaction and the rate at the date of payment are recognised in the profit and loss account as an item under net financials.

Debtors, creditors, and other monetary items in foreign currency are translated by using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or the recognition in the latest annual accounts of the amount owed or the liability is recognised in the profit and loss account under financial income and expenses.

The profit and loss account

Gross loss

The gross loss comprises the net turnover, changes in inventories of finished goods and work in progress, work performed for own purposes and capitalised, other operating income, and external costs.

The net turnover is recognised in the profit and loss account if delivery and risk transfer to the buyer have taken place before the end of the year, and if the income can be determined reliably and is expected to be received. The net turnover is recognised exclusive of VAT and taxes and with the deduction of any discounts granted in connection with the sale.

Cost of sales include costs for the purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs for distribution, sales, advertisement, administration, premises, loss on debtors, and operational leasing costs.

Depreciation, amortisation and writedown

Depreciation, amortisation and writedown comprise depreciation on, amortisation of and writedown relating to intangible and tangible fixed assets respectively.

Net financials

Net financials comprise interest, realised and unrealised capital gains and losses concerning financial assets and liabilities, amortisation of financial assets and liabilities, additions and reimbursements under the Danish tax prepayment scheme, etc. Financial income and expenses are recognised in the profit and loss account with the amounts that concern the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss and deduction of amortisation of consolidated goodwill, the equity investment in the individual group enterprises are recognised in the profit and loss account at a proportional share of the group enterprises' results after tax.

Tax of the results for the year

The tax for the year comprises the current tax for the year and the changes in deferred tax, and it is recognised in the profit and loss account with the share referring to the results for the year and directly in the equity with the share referring to entries directly on the equity.

The balance sheet

Tangible fixed assets

Tangible fixed assets are measured at cost with deduction of accrued depreciation and writedown.

The basis of depreciation is cost with deduction of any expected residual value after the end of the useful life of the asset. The amortisation period and the residual value are determined at the acquisition date and reassessed annually. If the residual value exceeds the book value, the amortisation discontinues.

If the amortisation period or the residual value is changed, the effect on amortisation will in the future be recognised as a change in the accounting estimates.

The cost comprises the acquisition cost and costs directly attached to the acquisition until the time when the asset is ready for use.

The cost of a total asset is divided into separate components. These components are depreciated separately, the useful lives of each individual components differing.

Depreciation takes place on a straight line basis and based on an evaluation of the expected useful life:

	Useful life
Other plants, operating assets, fixtures and furniture	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the profit and loss account in the year of acquisition.

Profit or loss deriving from the sales of tangible fixed assets is measured as the difference between the sales price reduced by the selling costs and the book value at the time of the sale. Profit or losses are recognised in the profit and loss account as other operating income or other operating expenses.

Writedown of fixed assets

The book values of both intangible and tangible fixed assets as well as equity investments in subsidiaries and associated enterprises are subject to annual impairment tests in order to disclose any indications of impairment beyond those expressed by amortisation and depreciation respectively.

If indications of impairment are disclosed, impairment tests are carried out for each individual asset or group of assets respectively. Writedown takes place to the recoverable amount, if this value is lower than the book value.

The recoverable value is equal to the value of the net selling price or the value in use, whichever is higher. The value in use is determined as the present value of the expected net cash flow deriving from the use of the asset or the group of assets.

Financial fixed assets

Equity investments in group enterprises

Equity investments in group enterprises are recognised in the balance sheet at a proportional share under the equity method, the value being calculated on the basis of the accounting policies of the parent company by the deduction or addition of unrealised intercompany profits and losses, and with the addition or deduction of residual value of positive or negative goodwill measured by applying the acquisition method.

To the extent the equity exceeds the cost, the net revaluation of equity investments in group enterprises are transferred to the reserves under the equity for net revaluation as per the equity method. Dividends from group enterprises expected to be decided before the approval of this annual report are not subject to a limitation of the revaluation reserves. The reserves are adjusted by other equity movements in group enterprises.

Newly taken over or newly established companies are recognised in the annual accounts as of the time of acquisition. Sold or liquidated companies are recognised at the time of cession.

Inventories

Inventories are measured at cost on the basis of the FIFO method. In case the net realisable value of the inventories is lower than the cost, writedown takes place to this lower value.

The cost for trade goods, raw materials, and consumables comprises the acquisition cost with the addition of the delivery costs.

Debtors

Debtors are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, writedown takes place at the net realisable value.

Available funds

Available funds comprise cash at bank and in hand.

Equity

Reserves for net revaluation as per the equity method

Reserves for net revaluation as per the equity method comprise net revaluation of equity investments in subsidiaries and associates in proportion to cost.

The reserves may be eliminated in case of losses, realisation of equity investments or changes in the financial estimates.

It is not possible to recognise the reserves with a negative amount.

Corporate tax and deferred tax

Current tax receivable and tax liabilities are recognised in the balance sheet at the amount calculated on the basis of the expected taxable income for the year adjusted for tax on previous years' taxable income and prepaid taxes. Tax receivable and tax liabilities are set off to the extent that legal right of set-off exists and if the items are expected to be settled net or simultaneously.

Deferred tax is measured on the basis of all temporary differences in assets and liabilities with a balance sheet focus.

Deferred tax assets, including the tax value of tax losses eligible for carry-over, are recognised at the value at which they are expected to be realisable, either by settlement against tax of future earnings or by set-off in deferred tax liabilities within the same legal tax unit.

Deferred tax is measured based on the tax rules and tax rates applying under the legislation on the balance sheet date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities

Liabilities are measured at amortised cost which usually corresponds to the nominal value.

Profit and loss account 1 January - 31 December

All amounts in DKK.

Note		2018	2017
	Gross loss	**-620.349**	**-569.705**
	Depreciation and writedown relating to fixed assets	-11.187	-11.187
	Income from equity investments in group enterprises	126.481	0
	Other financial costs	-35.329	-54.733
	Results before tax	**-540.384**	**-635.625**
2	Tax on ordinary results	0	0
	Results for the year	**-540.384**	**-635.625**
	Proposed distribution of the results:		
	Reserves for net revaluation as per the equity method	126.481	0
	Allocated from results brought forward	-666.865	-635.625
	Distribution in total	**-540.384**	**-635.625**

Balance sheet 31 December

All amounts in DKK.

Assets

Note		2018	2017
	Fixed assets		
3	Other plants, operating assets, and fixtures and furniture	8.390	19.577
	Tangible fixed assets in total	8.390	19.577
4	Equity investments in group enterprises	163.818	0
	Financial fixed assets in total	163.818	0
	Fixed assets in total	**172.208**	**19.577**
	Current assets		
	Manufactured goods and trade goods	194.224	123.213
	Prepayments for goods	0	345.187
	Inventories in total	194.224	468.400
	Trade debtors	20.173	101.553
	Amounts owed by group enterprises	540.856	0
	Debtors in total	561.029	101.553
	Available funds	223.238	770.214
	Current assets in total	**978.491**	**1.340.167**
	Assets in total	**1.150.699**	**1.359.744**

Balance sheet 31 December

All amounts in DKK.

Equity and liabilities

Note		2018	2017
	Equity		
5	Contributed capital	200.000	200.000
6	Reserves for net revaluation as per the equity method	126.507	0
7	Results brought forward	-370.719	296.146
	Equity in total	**-44.212**	**496.146**
	Liabilities		
	Other debts	839.656	740.430
	Long-term liabilities in total	839.656	740.430
	Trade creditors	139.834	121.122
	Debt to group enterprises	183.383	0
	Other debts	32.038	2.046
	Short-term liabilities in total	355.255	123.168
	Liabilities in total	**1.194.911**	**863.598**
	Equity and liabilities in total	**1.150.699**	**1.359.744**

1 Uncertainties concerning the enterprise's ability to continue as a going concern

8 Mortgage and securities

9 Contingencies

Notes

All amounts in DKK.

1. Uncertainties concerning the enterprise's ability to continue as a going concern

The management of the company is aware that the company has lost its share capital. The share capital is proposed to be re-stablished by future operating profits in the subsidairy.

The shareholders have agreed to provide the company with sufficient financial support up to the ordinary general meeting for the financial year 2020. Furthermore, the lenders, which primarily comprise shareholders, have agreed not to demand their loans fully or partially redeemed before the company has the financial capacity to make repayments on the loans. At December 31 2018, the carrying amount of the loans amounted to kr. 839,656.

		2018	2017
2.	**Tax on ordinary results**		
	Tax of the results for the year, parent company	0	0
	Adjustment for the year of deferred tax	0	0
		0	**0**

		31/12 2018	31/12 2017
3.	**Other plants, operating assets, and fixtures and furniture**		
	Cost 1 January 2018	33.561	33.561
	Additions during the year	0	0
	Disposals during the year	0	0
	Cost 31 December 2018	**33.561**	**33.561**
	Amortisation and writedown 1 January 2018	-13.984	-2.797
	Depreciation for the year	-11.187	-11.187
	Amortisation and writedown 31 December 2018	**-25.171**	**-13.984**
	Book value 31 December 2018	**8.390**	**19.577**

Notes

All amounts in DKK.

		31/12 2018	31/12 2017
4.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2018	0	0
	Additions during the year	37.311	0
	Disposals during the year	0	0
	Cost 31 December 2018	**37.311**	**0**
	Revaluations, opening balance 1 January 2018	0	0
	Translation by use of the exchange rate valid on b	26	0
	Results for the year before goodwill amortisation	126.481	0
	Revaluation 31 December 2018	**126.507**	**0**
	Book value 31 December 2018	**163.818**	**0**

5.	**Contributed capital**		
	Contributed capital 1 January 2018	200.000	50.000
	Cash capital increase	0	150.000
		200.000	**200.000**

6.	**Reserves for net revaluation as per the equity method**		
	Share of results	126.481	0
	Exchange rate adjustments	26	0
		126.507	**0**

7.	**Results brought forward**		
	Results brought forward 1 January 2018	296.146	-280.598
	Profit or loss for the year brought forward	-666.865	-635.625
	Share premium	0	1.212.369
		-370.719	**296.146**

Notes

All amounts in DKK.

8. Mortgage and securities

There are no pledges or collateral for the company.

9. Contingencies

The company has an unused deffered tax assets of 343 TDKK.

Stephane Park

Som Direktør
PID: 9208-2002-2-111082037496
Dato for underskrift: 25-07-2019
Underskrevet med NemID

NEM ID

Torben B. Petersen

Som Statsautoriseret revisor
RID: 1295939049169
Dato for underskrift: 25-07-2019
Underskrevet med NemID

NEM ID

Stephane Park

Som Dirigent
PID: 9208-2002-2-111082037496
Dato for underskrift: 25-07-2019
Underskrevet med NemID

NEM ID