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 2019

The annual report was submitted and approved by the general meeting on the 21 October 2020.

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Stephane Park
Chairman of the meeting

Contents

Notes:

- To ensure the greatest possible applicability of this document, IAS/IFRS 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

Today, the managing director has presented the annual report of Vreem Studios ApS for the financial year 1 January - 31 December 2019.

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

I consider the accounting policies appropriate and, in my opinion, the financial statements provide a fair presentation of the company’s assets, equity and liabilities, and financial position at 31 December 2019 and of the company’s results of activities in the financial year 1 January – 31 December 2019.

I am of the opinion that the management commentary presents a fair account of the issues dealt with.

We recommend that the annual report be approved by the general meeting.

København S, 21 October 2020

Managing Director

Stephane Park

To the shareholders of Vreem Studios ApS

Auditor's report on the financial statements

Opinion

We have audited the financial statements of Vreem Studios ApS for the financial year 1 January - 31 December 2019, which comprise accounting policies, income statement, statement of financial position and notes. The financial statements have been prepared in accordance with the Danish Financial Statements Act.

In our opinion, the financial statements present a fair view of the company's assets, equity and liabilities, and financial position at 31 December 2019 and of the results of the company's activities for the financial year 1 January - 31 December 2019 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 section "Auditor's responsibilities for the audit of the financial statements". We are independent of the company in accordance with international ethical requirements for auditors (IESBA's Code of Ethics), and the additional requirements applicable in Denmark, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of management and those charged with governance for the financial statements

Management is responsible for the preparation of financial statements that provide a fair view in accordance with the Danish Financial Statements Act. Management is also responsible for such internal control as the management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements, 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 can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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

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

- Obtain an understanding of 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 and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management’s preparation of the financial statements using the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists arising from events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure, and contents of the financial statements, including disclosures in notes, and whether the financial statements reflect the underlying transactions and events in a manner that presents a 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 commentary

Management is responsible for the management commentary.

Our opinion on the financial statements does not cover the management commentary, and we express no assurance opinion thereon.

In connection with our audit of the financial statements, it is our responsibility to read the management commentary and to consider whether the management commentary is materially inconsistent with the financial statements or the evidence obtained during the audit, or whether it otherwise appears to contain material misstatement.

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

Based on the work we have performed, we believe that management commentary is consistent with the financial statements and that it has been prepared in accordance with the provisions of the Danish Financial Statement Act. We did not discover any material misstatement in the management commentary.

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, 21 October 2020

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

Torben B. Petersen
State Authorised Public Accountant
mne34097

Company information

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	

Management commentary

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 totals DKK -321.812 against DKK -620.349 last year. Income or loss from ordinary activities after tax totals DKK -393.151 against DKK -540.384 last year. Management considers the net profit or loss for the year 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 2019, the carrying amount of the loans amounted to kr. 1,115,786.

Events occurring after the end of the financial year

In view of the considerable uncertainty created by COVID-19 and the uncertainty of the duration of the situation, it is at the moment not possible to make a reasonable assessment of the financial consequences of COVID-19. On the same basis, it is not possible to express a sufficiently reliable expectation of revenue and pre-tax net profit or loss. However, it is estimated that COVID-19 will not have a significant impact on expected revenue and profit for the coming year, as the enterprise is not affected by shutdown to the same extent as certain other enterprises.

Accounting policies

The annual report for Vreem Studios ApS has been presented in accordance with the Danish Financial Statements Act regulations concerning reporting class B enterprises. Furthermore, the company has decided to comply with certain rules applying to reporting class C enterprises.

The accounting policies are unchanged from last year, and the annual report is presented in DKK.

Recognition and measurement in general

Income is recognised in the income statement concurrently with its realisation, including the recognition of value adjustments of financial assets and liabilities. Likewise, all costs are recognised in the income statement, including depreciations amortisations, writedowns for impairment, provisions, and reversals due to changes in estimated amounts previously recognised in the income statement.

Assets are recognised in the statement of financial position when it seems probable that future economic benefits will flow to the company and the value of the asset can be reliably measured.

Liabilities are recognised in the statement of financial position when it is seems probable that future economic benefits will flow out of the company and the value of the liability can be reliably measured.

Assets and liabilities are measured at cost at the initial recognition. Hereafter, assets and liabilities are measured as described below for each individual accounting item.

Certain financial assets and liabilities are measured at amortised cost, allowing a constant effective interest rate to be recognised during the useful life of the asset or liability. Amortised cost is recognised as the original cost less any payments, plus/less accrued amortisations of the difference between cost and nominal amount. In this way, capital losses and gains are allocated over the useful life of the liability.

Upon recognition and measurement, allowances are made for such predictable losses and risks which may arise prior to the presentation of the annual report and concern matters that exist on the reporting date.

Foreign currency translation

Transactions in foreign currency are translated by using the exchange rate prevailing at the date of transaction. Exchange rate differences arising between the rate at the date of transaction and the rate at the date of payment are recognised in the income statement as an item under net financials.

Receivables, payables, and other foreign currency monetary items are translated using the closing rate. The difference between the closing rate and the rate at the time of the occurrence or initial recognition in the latest financial statements of the receivable or payable is recognised in the income statement under financial income and expenses.

Income statement

Gross loss

Gross loss comprises the revenue, changes in inventories of finished goods, and work in progress, work performed for own account and capitalised, other operating income, and external costs.

Revenue is recognised in the income statement if delivery and passing of risk to the buyer have taken place before the end of the year and if the income can be determined reliably and inflow is anticipated. Recognition of revenue is exclusive of VAT and taxes and less any discounts relating directly to sales.

Cost of sales comprises costs concerning purchase of raw materials and consumables less discounts and changes in inventories.

Other external costs comprise costs incurred for distribution, sales, advertising, administration, premises, loss on receivables, and operational leasing costs.

Depreciation, amortisation, and writedown for impairment

Depreciation, amortisation, and writedown for impairment comprise depreciation on, amortisation of, and writedown for impairment of intangible and tangible assets, respectively.

Financial income and expenses

Financial income and expenses 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 income statement with the amounts concerning the financial year.

Results from equity investments in group enterprises

After full elimination of intercompany profit or loss less amortised consolidated goodwill, the equity investment in the individual group enterprises are recognised in the income statement as a proportional share of the group enterprises' post-tax profit or loss.

Tax on net profit or loss for the year

Tax for the year comprises the current income tax for the year and changes in deferred tax and is recognised in the income statement with the share attributable to the net profit or loss for the year and directly in equity with the share attributable to entries directly in equity.

Statement of financial position

Tangible fixed assets

Tangible fixed assets are measured at cost less accrued depreciation and writedown for impairment.

The depreciable amount is cost less 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 carrying amount, the depreciation is discontinued.

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

The cost comprises acquisition cost and costs directly associated with 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 when the useful lives of each individual components differ.

Depreciation is done on a straight-line basis according to an assessment of the expected useful life:

	Useful life
Other fixtures and fittings, tools and equipment	3-5 years

Minor assets with an expected useful life of less than 1 year are recognised as costs in the income statement in the year of acquisition.

Profit or loss derived from the disposal of property, land, and equipment is measured as the difference between the sales price less selling costs and the carrying amount at the date of disposal. Profit or loss is recognised in the income statement as other operating income or other operating expenses.

Impairment loss relating to non-current assets

The carrying amount of both intangible and tangible assets as well as equity investments in subsidiaries and associates 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 for impairment is done to the recoverable amount if this value is lower than the carrying amount.

The recoverable amount 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 derived from the use of the asset or group of assets.

Previously recognised impairment losses are reversed when conditions for impairment no longer exist. Impairment relating to goodwill is not reversed.

Investments

Equity in group enterprises

Equity in group enterprises recognised in the statement of financial position as a proportional share of the enterprise's equity value. This is calculated on the basis of the accounting policies of the parent less/plus unrealised intercompany profits and losses, and less/plus residual value of positive or negative goodwill measured by applying the purchase method.

Group enterprises with negative equity are recognised at no value and, to the extent they are considered irrevocable, amounts owed by these companies are made subject to impairment by the parent's share of the equity. If the negative equity exceeds the receivables, the residual amount is recognised under liability provisions to the extent that the parent has a legal or actual liability to cover the negative equity of these subsidiaries.

Newly acquired or newly established companies are recognised in the financial statement as of the time of acquisition. Sold or liquidated companies are recognised until the date of disposal.

Inventories

Inventories are measured at cost according to the FIFO method. In cases when the net realisable value of the inventories is lower than the cost, the latter is written down for impairment to this lower value.

Costs of goods for resale, raw materials, and consumables comprise acquisition costs plus delivery costs.

Receivables

Receivables are measured at amortised cost which usually corresponds to face value. In order to meet expected losses, they are written down for impairment to the net realisable value.

Cash on hand and demand deposits

Cash on hand and demand deposits comprise cash at bank and on hand.

Equity

Reserve for net revaluation according to the equity method

The reserve for net revaluation according to the equity method comprises net revaluation of equity investments in subsidiaries and associates proportional to cost.

The reserve may be eliminated in the event of losses, realisation of equity investments, or changes in the accounting estimates.

The reserve cannot be recognised by a negative amount.

Income tax and deferred tax

Current tax receivables and tax liabilities are recognised in the statement of financial position with 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 receivables and tax liabilities are offset to the extent that a legal right of set-off exists and the items are expected to be settled net or simultaneously.

Deferred tax is tax on all temporary differences in the carrying amount and tax base of assets and liabilities measured on the basis of the planned application of the asset and disposal of the liability, respectively.

Deferred tax assets, including the tax value of tax losses eligible for carryforward, are recognised at their expected realisable value, either by settlement against tax of future earnings or by setoff in deferred tax liabilities within the same legal tax unit. Any deferred net tax assets are measured at net realisation value.

Deferred tax is measured on the basis of the tax rules and tax rates of applicable legislation at the reporting date and prevailing when the deferred tax is expected to be released as current tax.

Liabilities other than provisions

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

Income statement 1 January - 31 December

All amounts in DKK.

Note		2019	2018
	Gross loss	**-321.812**	**-620.349**
	Depreciation and writedown relating to fixed assets	-8.390	-11.187
	Income from equity investments in group enterprises	-2.339	126.481
	Other financial costs	-60.610	-35.329
	Pre-tax net profit or loss	**-393.151**	**-540.384**
2	Tax on net profit or loss for the year	0	0
	Net profit or loss for the year	**-393.151**	**-540.384**
	Proposed appropriation of net profit:		
	Reserves for net revaluation according to the equity method	-2.339	126.481
	Allocated from retained earnings	-390.812	-666.865
	Total allocations and transfers	**-393.151**	**-540.384**

Statement of financial position at 31 December

All amounts in DKK.

Note	Assets	2019	2018
	Non-current assets		
3	Other fixtures and fittings, tools and equipment	0	8.390
	Total property, plant, and equipment	0	8.390
4	Equity investments in group enterprises	161.479	163.818
	Total investments	161.479	163.818
	Total non-current assets	**161.479**	**172.208**
	Current assets		
	Manufactured goods and trade goods	0	194.224
	Total inventories	0	194.224
	Trade debtors	0	20.173
	Receivables from group enterprises	542.574	540.856
	Other receivables	69.514	0
	Total receivables	612.088	561.029
	Cash on hand and demand deposits	27.827	223.238
	Total current assets	**639.915**	**978.491**
	Total assets	**801.394**	**1.150.699**

Statement of financial position at 31 December

All amounts in DKK.

Note	Equity and liabilities	2019	2018
	Equity		
	Contributed capital	200.000	200.000
5	Reserve for net revaluation according to the equity method	124.168	126.507
6	Retained earnings	-761.531	-370.719
	Total equity	**-437.363**	**-44.212**
	Liabilities other than provisions		
	Other payables	1.115.786	839.656
	Total long term liabilities other than provisions	1.115.786	839.656
	Trade payables	113.375	139.834
	Payables to group enterprises	0	183.384
	Other payables	9.596	32.037
	Total short term liabilities other than provisions	122.971	355.255
	Total liabilities other than provisions	**1.238.757**	**1.194.911**
	Total equity and liabilities	**801.394**	**1.150.699**

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

7 Charges and security

8 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 2021. 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 2019, the carrying amount of the loans amounted to kr. 1,115,785.

	2019	2018
2. Tax on net profit or loss for the year		
Tax of the results for the year, parent company	0	0
Adjustment for the year of deferred tax	0	0
	0	**0**

	31/12 2019	31/12 2018
3. Other fixtures and fittings, tools and equipment		
Cost 1 January 2019	33.561	33.561
Additions during the year	0	0
Disposals during the year	0	0
Cost 31 December 2019	**33.561**	**33.561**
Amortisation and writedown 1 January 2019	-25.171	-13.984
Depreciation for the year	-8.390	-11.187
Amortisation and writedown 31 December 2019	**-33.561**	**-25.171**
Carrying amount, 31 December 2019	**0**	**8.390**

All amounts in DKK.

		31/12 2019	31/12 2018
4.	**Equity investments in group enterprises**		
	Acquisition sum, opening balance 1 January 2019	37.311	0
	Additions during the year	0	37.311
	Cost 31 December 2019	**37.311**	**37.311**
	Revaluations, opening balance 1 January 2019	126.507	0
	Adjustment of previous revaluations	-4.005	0
	Translation by use of the exchange rate valid on b	0	26
	Results for the year before goodwill amortisation	1.666	126.481
	Revaluation 31 December 2019	**124.168**	**126.507**
	Carrying amount, 31 December 2019	**161.479**	**163.818**

Group enterprises:

	Domicile	Equity interest
EURL VREEM STUDIOS PARIS	France	100 %

		31/12 2019	31/12 2018
5.	**Reserve for net revaluation according to the equity method**		
	Reserves for net revaluation 1 January 2019	126.507	0
	Share of results	-2.339	126.481
	Exchange rate adjustments	0	26
		124.168	**126.507**
6.	**Retained earnings**		
	Retained earnings 1 January 2019	-370.719	296.146
	Profit or loss for the year brought forward	-390.812	-666.865
		-761.531	**-370.719**

7. Charges and security

There are no pledges or collateral for the company.

Notes

All amounts in DKK.

8. Contingencies

The company has an unused deffered tax assets of 426 TDKK.