

Parent of 01163921

## PJL Investments B.V.

**Consolidated Financial Statements  
At 31st March, 2019**

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date: 7-11-2019

## **PJL Investments B.V.**

### **Director's report**

#### **The Company**

PJL Investments B.V. (or "the Company") is a Dutch company that was incorporated in Amsterdam. The Company's principle activity is to act as an investment and management vehicle for the Company's interests in other companies acting within the retail fashion segment. The principle brands currently operated by the Group are the "Pepe Jeans", "Hackett" which are well established brands in Europe with a growing footprint in other continents (in particular in India in the case of Pepe Jeans). Since November 2016 also operate the Façonnable Brand in Europe after acquiring 100% of the stores of the Façonnable Group companies. A full list of the Group's subsidiaries is included in Note 1 to the accounts. Since July 7, 2015 the Company's shareholders are Great World Denim Pte. Ltd (L capital Asia), M1 Fashion Investments Ltd., Pepe Holdings Netherlands BV and PJL Group BV. The management team and Group's business strategy remains the same as in previous years.

#### **Group Trading Results**

The financial year ended 31 March, 2019 continues being a year with a lot of challenges in the fashion market that is evolving and changing, to adapt to the new customer demands in a digital world. The Group is experiencing a transformation process to adapt to the market fluctuations and to face the changes that are suffering the traditional channels. For these reasons, the turnover has decreased up to €532 million, (including Pepe, Hackett and Façonnable). In Pepe Jeans, the sales have decreased in 5.7%, mainly due to the reduction of the sales in Europe in the wholesale, distributors and retail full price channels; which was partially compensated with the strong and sustainable growth of the online channel in 32%. Hackett sales have been decreased 6,8% due to the reduction of sales in the Wholesale channel, as well as a reduction on sales in the retail channel; which was also partially compensated with the significant growth of the online channel in 68%. And Façonnable group has decrease its sale to 5,9% mainly explained by Retail channel due to closing of 5 shops during last fiscal year, partially compensated with a better performance in other retail shops, and the relevant increase of 48% in the online channel.


Additionally, in India is possible to note two impacts over the operating result: the negative evolution of its currency, causing a reduction of consolidated sales in 6,8%; and the implementation of the new tax regime which started in 2018, that lead to a fall on demand and the need of customers to limit their stock levels. Once this rationalization is over, the Group expects to achieve a double-digit growth, considering the experience on this market.

The Group continues making significant efforts to improve the operating margin, making plans focused on the good receptions and a better purchasing management. Furthermore, the Group has a continued investment in the expansion of brands into new markets.

The Operating result amounting to €128.9 million is after amortization of the defined life intangible assets and purchase Goodwill amounting to €144.6 million. During this fiscal year, the Group has made an impairment test of Goodwill, which has had a negative impact of €117.3 million in the Annual Accounts.

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The loss for the year amounting to €148.9 million. Excluding the effect of the Goodwill Impairment, the net Group result is €31.6 million. Financial expenses principally relate to

  
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**PJL Investments B.V.**  
Director's report

*interest relating the syndicate loan amounting 250 millions of euros.*

On July 18, 2019, the Group has signed the novation of the syndicated loan, modifying the financial ratios and extending the repayment period until July 2024, which certifies the reliability of the banks in this project.

As of March 31, 2019, the total own stores of the Group amounted to 362, being 228 stores of the Pepe Jeans London brand, 105 stores of the Hackett brand, 27 stores of Tommy Hilfiger brand and 2 of Norton brand. The increase of the number of stores of the brand Pepe was 9, mainly due to the expansion of retail channel in India. Hackett has remained constant.

### **Financial Position**

The attached accounts show a strong equity position of €343M. Total assets amount to €827 million.

### **Personnel**

As of March 31, 2019 the number of employees in the Group amounted to 3.166 people (3.138 people in 2018). The Group continues to develop ambitious training plans for their employees and actively promotes training thereof. The Group has developed policies related to safety, risk prevention and employment of people with disabilities to comply with applicable legislation in the territories in which it operates.

### **Risk management**

The Group manages the key business risks as inventory levels, account receivable recovery and exchange / interest rate fluctuation through a series of detailed policies and monitoring management committees. Such policies include the use of hedging products as credit insurance policies, foreign currency coverage for the dollar, euro & sterling exposures and interest rate hedging, to limit the risks assumed by the Group in these areas.

### **Outlook**

For next year, the effort of the management team of the Group will continue focused on expanding Pepe Jeans, Hackett brands. For Façonnable brand, the Group will continue expanding through Europe in both channel, traditional and digital.

The Group is immersed in an internal transformation process to ensure the future of the company in the short, medium and long term, in order to increase efficiency, profitability and asset management. This process includes programs to improve efficiency in deploying group resources to enable us to continue to face the uncertainties inherent in the market in the coming years.

There has been no other important event after the closing date of these Consolidated Annual Financial Statements that has not been included in these financial statements.

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The only activity that the Group carries out related to research and development, is the activity of product development and in **usually create new collections for our brands in**

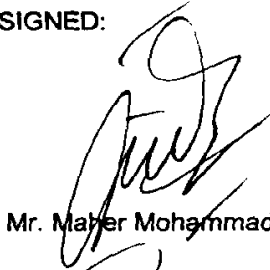
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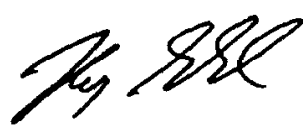
line with consumer requirements.

The Group adopted the measures it considers necessary in relation to protecting the environment and minimizing potential environmental risks.

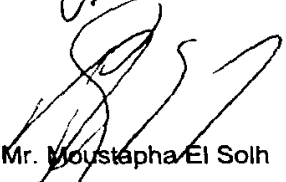
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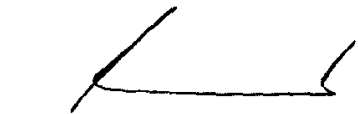
Mr. Maher Mohammad Najib Mikati



Mr. Harry Markl

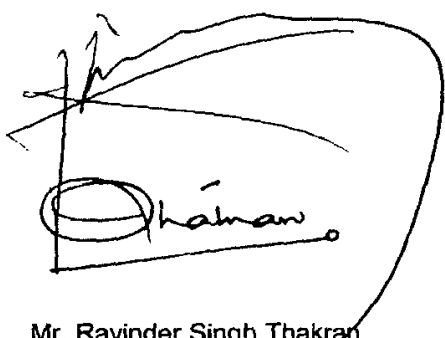


Mr. Moustapha El Solh



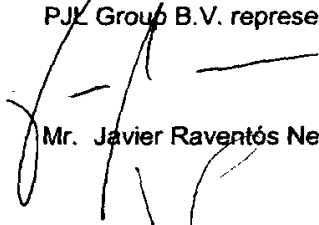
Mr. Carlos Vicente Ortega Cedrón

Mr. Joe Wadih Issa-El-Khoury



Mr. Ravinder Singh Thakran

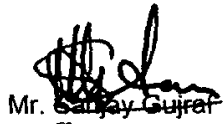
PJL Group B.V. represented by



Mr. Javier Raventós Negra

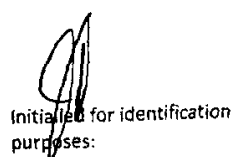


Mr. Vicente Castellano Ortega



Mr. Sanjay Gujral

Shantanu Mukerji



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**PJL Investments B.V.**  
Consolidated Balance Sheet at 31<sup>st</sup> March, 2019 and 2018  
(in Euros)

<b>ASSETS</b>	<b>Note</b>	<b>At 31 March, 2019</b>	<b>At 31 March, 2018</b>
<b>NON CURRENT ASSETS</b>		<b>469.286.114</b>	<b>622.390.452</b>
Intangible assets	5	402.209.536	550.441.084
Property, plant and equipment	6	46.832.777	54.285.935
Long term investments		7.568.730	6.909.514
Long term investments	7	7.568.730	6.909.514
Deferred tax assets	16	12.037.969	10.371.334
Long-term investments in group companies and associates	7	637.102	382.585
<b>CURRENT ASSETS</b>		<b>357.941.785</b>	<b>320.986.340</b>
Inventories	9	144.431.480	135.929.801
Trade and other receivables	8	157.597.400	161.151.673
Sales of goods and services		141.542.260	145.082.913
Sundry receivables		10.095.246	10.346.271
Staff		491.839	503.499
Current tax assets		3.165.041	3.186.414
Other tax refundable		2.303.014	2.032.576
Debtors related companies	20	154.058	25.891
Derivatives		526.684	-
Short term prepayments		6.185.803	5.277.607
Cash and other cash equivalents	10	49.046.360	18.601.368
<b>TOTAL ASSETS</b>		<b>827.227.889</b>	<b>943.376.792</b>

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**PJL Investments B.V.**  
**Consolidated Balance Sheet at 31<sup>st</sup> March, 2019 and 2018**  
**(in Euros)**

<b>NET EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>At 31 March, 2019</b>	<b>At 31 March, 2018</b>
<b>NET EQUITY</b>		<b>343.121.336</b>	<b>485.982.446</b>
Equity		<b>358.349.652</b>	<b>503.972.133</b>
Capital		540.250.000	515.250.000
Prior years losses results		(33.064.225)	(19.595.093)
Profit for the year attributed to the parent company		(148.836.123)	(13.682.774)
Other shareholder contributions		-	22.000.000
Value adjustments		(15.301.513)	(17.759.576)
Translation differences in consolidated companies		(15.301.513)	(17.759.576)
Minority interests	11	73.197	(230.111)
<b>NON-CURRENT LIABILITIES</b>		<b>239.153.305</b>	<b>260.715.052</b>
Long-term payables	12	186.553.008	210.383.341
Bank loans	13	177.240.260	196.359.369
Long term fixed assets suppliers	12	4.067.575	7.663.114
Long Terms Provisions, Grants	12	5.245.173	6.360.858
Deferred tax liabilities	16	30.861.656	31.513.904
Long Term Loans Related Parties		21.738.641	18.817.807
<b>CURRENT LIABILITIES</b>		<b>244.953.258</b>	<b>196.679.294</b>
Short-term provisions	14	27.429.001	33.142.020
Short-term payables	12	98.282.474	40.121.292
Bank loans	12	94.381.432	36.725.707
Derivatives		-	388.213
Short term fixed assets suppliers	12	3.901.042	3.007.372
Debt with related companies	12, 20	402.742	178.897
Trade and other payables	12	118.839.041	123.237.285
Trade payables		94.351.439	96.217.980
Sundry payables		2.010.362	1.593.778
Outstanding remuneration		10.220.647	11.107.806
Current tax liabilities		2.711.022	3.676.366
Other tax payable		9.545.571	10.641.355
<b>TOTAL LIABILITIES</b>		<b>827.227.899</b>	<b>943.376.792</b>

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**PJL Investments B.V.**  
Consolidated Profit and Loss account for the year ended 31<sup>st</sup> March, 2019 and 2018  
(in Euros)

		At 31 March,	At 31 March,
	Nota	2019	2018
<b>CONTINUED OPERATIONS</b>			
<b>Net Turnover</b>	15	<b>532.457.817</b>	<b>566.874.193</b>
Sales		528.942.860	562.900.445
Services rendered		3.514.957	3.973.748
<b>Supplies</b>	15	<b>(253.241.726)</b>	<b>(261.987.113)</b>
Consumption of goods for resale		(245.692.964)	(251.435.523)
Consumption of raw materials and other consumables		(7.788.037)	(8.998.419)
Impairment of goods for resale and other supplies		239.275	(1.553.171)
<b>Other operating income</b>		<b>43.577.468</b>	<b>39.320.310</b>
Ancillary and other operating income	15	43.577.468	39.320.310
<b>Staff costs</b>	15	<b>(112.840.192)</b>	<b>(111.229.097)</b>
Wages, salaries, and the like		(89.328.839)	(87.737.512)
Social welfare expenses		(20.077.119)	(20.094.496)
Other social welfare expenses		(3.434.234)	(3.397.089)
<b>Other operating expenses</b>		<b>(168.294.668)</b>	<b>(178.102.859)</b>
External services	15	(170.941.728)	(167.189.910)
Local taxes		(1.930.042)	(2.152.966)
Loss, impairment and variation in trade provisions	15	4.577.102	(8.759.983)
<b>Amortization and depreciation</b>	5, 6	<b>(167.441.707)</b>	<b>(65.903.738)</b>
Depreciation		(50.124.318)	(65.903.738)
Goodwill impairment		(117.317.389)	-
<b>Release of non-financial fixed assets grants and others</b>		<b>664.681</b>	<b>750.585</b>
<b>Impairment and results of disposals of fixed assets</b>		<b>(3.826.416)</b>	<b>(2.444.427)</b>
<b>NET OPERATING PROFIT</b>		<b>(128.944.743)</b>	<b>(12.722.146)</b>
<b>Financial income</b>	17	<b>(20.494)</b>	<b>25.478</b>
<b>Financial expenses</b>	17	<b>(14.789.475)</b>	<b>(14.838.717)</b>
<b>Exchange differences</b>		<b>84.540</b>	<b>(2.452.912)</b>
<b>NET FINANCIAL INCOME</b>	17	<b>(14.725.429)</b>	<b>(17.266.151)</b>
<b>Share in the result of investments recognized by the equity method</b>		<b>(193.032)</b>	<b>-</b>
<b>PROFIT BEFORE TAX</b>		<b>(143.863.204)</b>	<b>(29.988.297)</b>
<b>Corporate income tax</b>		<b>(5.113.774)</b>	<b>16.253.140</b>
<b>PROFIT (LOSS) FOR THE YEAR</b>		<b>(148.836.123)</b>	<b>(13.682.774)</b>
<b>Profit attributed to the shareholders</b>		<b>(148.976.978)</b>	<b>(13.735.157)</b>
<b>Profit attributed to minority interests</b>	11	<b>140.855</b>	<b>52.383</b>

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**PJL Investments B.V.**  
**Consolidated Statement of Changes in Net Equity for the**  
**year Ended 31 March 2019, and 2018**  
**(in Euros)**

**B) STATEMENT OF TOTAL CHANGES IN NET EQUITY (in Euros)**

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	Authorized share capital	Reserves	Other shareholders contribution	Profit for the year attributed to the Parent Company	Translation difference	Minority Interest	TOTAL
Closing Balance, March 31, 2018	518.250.000	(19.595.093)	22.000.000	(13.882.774)	(17.759.576)	(230.111)	485.982.446
Total recognized income and expenses 2018/2019				(148.836.123)		(140.855)	(148.976.978)
Share capital increase	25.000.000		(22.000.000)				3.000.000
Other variations in net equity		(13.488.132)		13.882.774	2.458.083	444.163	3.115.868
Closing Balance, March 31, 2018	540.250.000	(33.084.225)		(148.836.123)	(15.301.513)	73.197	343.121.336



**PJL Investments B.V.**  
**Consolidated Cash Flow Statement for the Year Ended 31 March, 2019 and 2018**  
**(in Euros)**

		At 31 March 2019	At 31 March, 2018
<b>A) CASH FLOWS FROM OPERATIONS</b>			
1. Profit for the year before tax		-143.863.204	-29.988.297
2. Adjustments to profit and loss		180.790.066	92.723.973
a) Amortization and depreciation (+)	5-6	50.124.318	65.903.738
b) Provisions for impairment (+/-)		118.663.998	2.811.401
c) Provisions variation (+/-)		-6.162.986	7.501.753
d) Release of grants (-)		-664.681	-750.585
e) Results of disposals and sales of fixed assets		3.826.416	2.444.427
f) Financial income (+/-)	17	20.494	-25.478
g) Financial expenses (+)	17	14.789.475	14.838.717
h) Share in the result of investments recognized by the equity method		193.032	
3. Changes in working capital		-4.906.154	-24.872.104
a) Inventories (+/-)		-6.779.532	1.297.148
b) Debtors and other receivables (+/-)		4.229.022	-18.312.765
c) Other current assets (+/-)		-908.196	1.780.958
d) Creditors and other payables (+/-)		-1.447.448	-9.637.445
e) Other current liabilities (+/-)			
4. Other cash flows from operations		-25.349.405	-27.989.017
a) Interest paid (-)		-12.572.162	-14.414.679
b) Interest received (+)		-20.494	25.478
c) Receipts (payments) of corporate income tax (+/-)		-12.272.362	-7.481.304
d) Other payments		-484.387	-6.118.512
5. Cash flows from operations (+/-1+/-2+/-3+/-4)		6.671.303	9.874.555
<b>B) CASH FLOWS FROM INVESTMENTS</b>			
6. Investment payments (-)		-19.673.846	-21.341.549
a) Related company and associates		-482.642	-382.585
b) Intangible assets	5	-5.477.547	-2.631.034
c) Property, plant and equipment	6	-12.676.697	-17.582.814
d) Other financial assets	7	-1.036.960	-745.116
7. Receipts from divestments (+)		1.201.032	1.907.125
a) Related company and associates			
b) Intangible assets			
c) Property, plant and equipment		707.988	866.235
d) Other financial assets	7	493.044	1.040.890
8. Cash flows from investment (7-6)		-18.472.814	-19.434.424
<b>C) CASH FLOWS FROM FINANCING</b>			
9. Receipts and payments for equity instruments		3.000.000	22.000.000
a) Issuance of Equity instruments		3.000.000	22.000.000
b) Equity instruments acquisition (-)	14		
c) Changes in fair value of Parent Group Company own equity (+)	14		
e) Subsidies, gifts and legacies (+)	15		
10. Receipts and payments for financial liability instruments		39.412.347	-13.162.791
a) Issue:			
1. Bank loans (+)	13	56.395.635	10.000.000
2. Debt with related companies (+)		2.920.834	8.900.998
b) Repayment and redemption of:			
1. Bank loans (-)	13	-20.000.000	-33.338.135
2. Debt with related companies (-)		95.878	1.274.346
11. Payment of dividends and remuneration of other equity instruments			
1. Dividends			
12. Cash flows from financing (+/-9+/-10-11)		42.412.347	8.837.209
13. Exchange rate impact		-165.844	-123.727
<b>E) NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS (+/-5+/-8+/-12+/-D)</b>			
Cash or cash equivalents at the beginning of the year	10	18.601.368	19.447.755
Cash or cash equivalents at the year end	10	49.046.360	18.601.368

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**PJL Investments B.V. and Subsidiaries**  
**Annual Accounts at 31<sup>st</sup> March, 2019 and 2018**  
**(in Euros)**

\* Cash flow has been calculated using the indirect method.

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**PJL Investments B.V. and Subsidiaries**  
Annual Accounts at 31<sup>st</sup> March, 2019 and 2018  
(in Euros)

The list of subsidiary companies whose activity includes the commercialization of apparel and the management of industrial property of the PJL Investments B.V. (here on, the Group), and the information regarding them is as follows:

<u>Directly owned subsidiary companies</u>	<u>Registered office</u>	<u>Shareholding (%)</u>
1. Pepe Jeans Group S.L.U	Spain	100%
2. Façonnable Holding S.A.S (**)	France	100%
3. Façonnable S.A.S (**)	France	100%
<u>Non Direct subsidiary companies</u>	<u>Registered office</u>	<u>Shareholding (%)</u>
4. Pepe Jeans, S.L.U	Spain	100%
5. Pepe Retail Comércio Textéis, Unip, Lda.	Portugal	100 %
6. Pepe Jeans France, S.A.R.L.	France	100 %
7. Pepe Jeans Europe, BV	Netherland	100 %
8. Pepe Jeans London, Ltd(*)	United Kingdom	100 %
9. Pepe Jeans Italy S.r.l	Italy	100 %
10. Pepe Jeans Mexico S.r.l de C.V.	Mexico	100 %
11. Hilfiger Stores Spain, S.L.U	Spain	100%
12. Global Jeans – Comércio de Vestuário S.A	Portugal	100%
13. CK Apparel Iberia, S.L. (SLU)	Spain	100%
14. <b>Pepe Jeans Panama SA</b>	<b>Panama</b>	<b>100%</b>
15. Pepe Jeans Nederland, B.V.	Netherlands	100%
16. Pepe Jeans Polska, Sp z.o.o	Poland	100%
17. Pepe Jeans London GmbH	Germany	100%
18. Pepe International B.V	Netherlands	100%
19. Pepe Jeans (H.K.) Ltd	Hong Kong	100%
20. Pepe UK Ltd(*)	United Kingdom	100%
21. PJ Hungary Kft	Hungary	100%
22. Hackett Ltd	United Kingdom	100%
23. Hackett SAS	France	100%
24. Hackett Lim Spain S.L.U.	Spain	100%
25. Hackett Japan Ltd	Japan	100%
26. Hackett Retail Deutschland GmbH	Germany	100%
27. Hackett Italy S.R.L	Italy	100%
28. Pepe Jeans India Ltd	India	100%
29. Venture Retail, Sro	Czech Republic	100%

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**PJL Investments B.V. and Subsidiaries**  
Annual Accounts at 31<sup>st</sup> March, 2019 and 2018  
(in Euros)

**1. General Information**

PJL Investments, B.V (parent Company of the Group) was incorporated on 29 June 2015, authorized by the civil law notary Mr. Wijnand Hendrik Bossenbroek.


On 29 June 2015 by deed authorized by the Amsterdam civil law notary Mr Wijnand Hendrik Bossenbroek, and referred to in Article 18.1 of the Company's articles of association, it was agreed to amend the constitution of the company PJL Investment B.V, which was registered in the city of Amsterdam (Netherlands) on 29 June 2015. The registered offices of the Company located in Dreef, 32 2012HS Haarlem, with trade registration number 63629178.

In July 2015, the Group's Shareholders signed a sale purchase agreement that led to a change in the financial shareholders of the Pepe Jeans Group. The new Group holding company is PJL Investments BV (incorporated in Amsterdam, the Netherlands, on 29 June 2015). The ultimate shareholders are Great World Denim Pte. Ltd (L capital Asia)., M1 Fashion Investments Ltd., Pepe Holdings Netherlands BV and PJL Group BV. There was no change in the current management team or the group business strategy.

Since November 2016 Façonnable Group becomes part of the Group after a non monetary capital income of PJL Investment BV.

The business purposes of the Group is to design, manufacture and sale of all kinds of textile articles, both natural, synthetic leather and fabrics, fittings and accessories; the creation, acquisition, rental, installation and operation of workshops, factories and establishments, as well as the acquisition, exploitation and transfer of projects and patents.

The main facilities of the Group are located in Barcelona, Madrid, Amsterdam, London and Mumbai. Its products are sold mainly in countries in the Euro zone, the UK, Mexico, India, Japan, Hong Kong and China.

  
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**PJL Investments B.V. and Subsidiaries**  
Annual Accounts at 31<sup>st</sup> March, 2019 and 2018  
(in Euros)

30.	Hackett Asia Limited	Hong Kong	100%
31.	Hackett S.à.r.l	Luxembourg	100%
32.	Hackett Netherlands, B.V	Netherlands	100%
33.	Hackett Panama, S.A	Panama	100%
34.	Hackett (Shanghai) Apparel & Accessories Co. Ltd	China	100%
35.	Hackett Retail Belgium, N.V	Belgium	50%
36.	Hackett Portugal Unipessoal Lda	Portugal	100%
37.	Hackett Lim Mexico, SRL de CV	Mexico	100%
38.	Hackett Sweden AB	Sweden	100%
39.	Hackett Austria GmbH	Austria	100%
40.	Hackett USA Corp.	USA	100%
41.	Pepe Jeans Innerfashion Private Limited.	India	50%
42.	RUP J BV (The Netherlands).	Netherlands	51%
43.	PT Pepe Fashindo Adiperkasa	Sahid Sudirman Center, 28th floor, Jalan Jend, Sudirman, Kav. 86, Jakarta Pusat 10220 (India)	50,1%
44.	Façonnable Belgique S.P.R.L(**)	Belgium	100%
45.	Façonnable Italie S.R.L(**)	Italy	100%
46.	Façonnable Portugal Unipessoal L.D.A (**)	Portugal	100%
47.	Façonnable Spain, S.L(**)	Spain	100%
48.	Façonnable Monaco S.C.S(**)	Monaco	100%
49.	Façonnable Sàrl (**)	Luxemburg	100%

(\*) Pepe Jeans London Ltd with company number 2640488 and Pepe (UK) Ltd with company number 1163921 are claiming audit exemption under section 479A of the Companies Act 2006 for the year ended 31 March 2019.


(\*\*) Façonnable companies.

## **2. Basis of presentation**

### **2.1 Fair view**

The consolidated annual accounts, have been prepared on the basis of the accounting records of PJL Investments, B.V. and the consolidated companies, including the adjustments and reclassifications necessary for the homogenization in time and valuation in line with the Group's accounting policies.

The annual accounts are prepared in accordance with the statutory provisions of Part 9, Book 2, of the Netherlands Civil Code and the firm pronouncements in the Guidelines for Annual Reporting in the Netherlands as issued by the Dutch Accounting Standards Board.

  
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In general, assets and liabilities are stated at the amounts at which they were acquired or incurred, or book value. If not specifically stated otherwise, they are recognized at the amounts at which they were acquired or incurred. The balance sheet, income statement and cash flow statement include references to the notes.

The figures presented in these documents that make up these consolidated annual accounts are stated in Euros (€).

Consolidation principles

a) Subsidiaries

Subsidiaries are companies, including special purpose entities, over which the Group has or may have direct or indirect control, which is understood as the power to direct the financial and operational policies of a business in order to obtain economic profits from its activity. When evaluating whether the Group controls another companies we take into account the existence and the effect of the potential voting rights that can now be exercised or converted. The subsidiaries are consolidated as from the date on which control has been transferred to the Group, and there are deconsolidated on the date on which said control ceases to exist.

The assumptions under which the Group companies consolidate are:

- a) That parent company holds a majority of voting rights.
- b) That parent Company has the power to appoint or dismiss the majority of the members of the governing body.
- c) That parent may have, under agreements with other partners, the majority of the voting rights.
- d) That parent Company has designated with their votes most members of the board of directors, who shall hold their charge while the consolidated accounts are formulated and the two immediately preceding years. This fact is presumed when the majority of the members of the board of directors of the acquired company are members of the board of directors or senior managers of the parent company or another one dominated by it.
- e) When a parent company owns half or less of the voting rights, even when it does not participate in another company, or when there is not an explicit managing power (special purpose entities), but it participates in the risks and benefits of the entity, or is able to participate in the operating or financial decisions.

All subsidiaries close their financial year on March 31<sup>st</sup>, except for Pepe Jeans Mexico S.r.l. de C.V., Hackett Lim, Hackett Shanghai Apparel & Accesories and Façonnable Italie S.R.L. end is December 31<sup>st</sup> (see Note 3.1.c.1)

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**2.2 Critical aspects of the measurement and estimation of uncertainty**

The preparation of the annual accounts requires the Group's use of certain estimates and judgments in relation to the future that are evaluated continuously and are based on historical experience and other factors, including the expectations of future success that are considered reasonable under current circumstances.

The resulting accounting estimates, by definition, will rarely equal actual results. Set out below please find an explanation of the estimates and judgments that could considerably influence the carrying value of the assets and liabilities:

- Estimated loss for impairment of concessions and trademarks: The Group carries out annual tests to see whether its concessions and trademarks have been impaired, as per the accounting policy presented in Note 3.3. The recoverable amounts of the cash generating units have been determined on the basis of value in use calculations. These calculations require the use of estimates.
- Impairment tests of property, plant and equipment (PPE): The residual value and the useful lives of the assets are reviewed and adjusted if necessary on each balance sheet date. When the carrying value of an asset is greater than its estimated recoverable amount, its value is reduced immediately to its recoverable value (Note 6).
- Useful lives of the fixed assets located in the shops: Group management determines the estimated useful lives and respective depreciation charges for fixed assets located in the shops. This estimate is based on the lesser of the duration of the lease agreements for these premises, or the useful life of the assets (Note 3.3).
- Tax assets generated by the capitalisation of deductions available for offset: Group management capitalises on its balance sheet the deductions available for offset until the balance sheet date based on estimates that ensure their recoverability (Note 16).
- Fair value of derivatives and other financial instruments: The fair value of the financial instruments that are not traded in an official market is determined using valuation techniques. The Group uses judgements to select a method and make assumptions based mainly on market conditions on the balance sheet date (Note 7).

**2.3 Grouping of items**

For the purposes of understanding the consolidated balance sheet and income statement, consolidated statement of changes in net equity and the consolidated cash flow statement, these items on these statements have been grouped and analyzed in the notes to the accounts.

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**3. Accounting policies and valuation**

The consolidated annual accounts have been formulated in accordance with accounting principles, standards and classifications as per the Chart of Account Dutch GAAP. The main policies are as follows:

**3.1. Subsidiaries**

**a) Acquisition of Control**

The acquisition by the Parent (or another Group company) in the control of a subsidiary establishes a business combination which is booked under the purchasing method. This method requires that the acquiring company books on the date of acquisition, the identifiable assets acquired and the assumed liabilities in a business combination and, where appropriate, the corresponding goodwill or negative difference. Subsidiary companies consolidate starting the date that control is transferred to Group and are excluded from consolidation on the date that control ceases.

Acquisition cost is determined as the sum of the fair values, at acquisition date, of the assets given, liabilities incurred or assumed and equity instruments issued by the acquirer, and fair value of any contingent consideration that depends on future events or depends on the fulfillment of certain conditions that may be registered as an asset, a liability or as equity in accordance with their nature.

The fees paid to legal advisory consultants or other professionals involved in the acquisition of PJGroup S.L.U, Façonnable Holding S.A.S and Façonnable S.A.S have been included in the purchase price.

**b) Control Acquisition by stages**

When control of a subsidiary is acquired through several transactions made at different dates, goodwill (or negative difference) is calculated as the difference between the cost of the business merge, adding the fair value of any investment made by the acquirer over the acquire at acquisition date, and the value of the identifiable assets acquired subtracting the liabilities assumed.

Any profit or loss arising as a result of the valuation at fair value will be recognized in the consolidated income statement. If, previously, the investment has been valued at fair value, any arising valuation adjustments pending to be charged to the year result will be transferred to the consolidated income statement.

**c) Consolidation Methods**

Assets, liabilities, revenues, expenses, cash flows and other items in the Group's financial statements are incorporated into the Group's consolidated annual accounts following the global integration method. This ~~requires~~ requires the following:

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1. Temporary homogenization. The consolidated annual accounts are set the same date and time that the company's annual accounts required to consolidate. The inclusion of companies, whose year-end is different, is done through intermediary accounts referred to the same date and same period as the consolidated accounts.
2. Valuation homogenization. The assets and liabilities, revenues and expenses and other items in the Group annual accounts have been valued according to standardized methods. Those assets or liabilities, or those items of the income statement that were valued under a criteria different of the consolidation criteria have been revalued, making the necessary adjustments, just for the purpose of consolidation.
3. Aggregation. The different items of the annual accounts previously homogenized are added corresponding to their booking nature.
4. Equity-investment elimination. The representative booking value of the equity instruments on the subsidiary companies owned, directly or indirectly, by the parent company, are offset by the proportional part of the equity item of the subsidiary company attributable to the mentioned shares, usually on the basis of the values resulting from applying the acquisition method described above. Regarding consolidations made after exercise where the control was acquired, the excess or deficiency on equity generated by the subsidiary company from the date of acquisition that is attributable to the parent company is presented in the consolidated balance sheet within the entries related to reserves or changes in value adjustments, depending on their booking nature. The portion attributable to external partners is included in the "Minority Interest" entry.
5. External-partners participation. The external-partners assessment is made according to their effective participation in the equity of the subsidiary once incorporated the previous adjustments. Consolidation Goodwill is not attributed to the external partners. The excess between the loss attributable to external partners of a subsidiary and the proportional part of equity that corresponds to them is attributed to themselves, even if this involves a creditor balance under that entry.
6. Intergroup entries elimination. Receivables and payables, incomes, expenses and cash flows generated between Group companies are eliminated for consolidation. Also, all the results generated by internal operations are eliminated and differed until performed against third parties.

3.2 Intangible assets

a) Goodwill

Goodwill represents the excess at date of acquisition, of business associated costs from the fair value of the net assets identifiable acquired along the operation.

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Goodwill is valued as explained in Note 3.1.a) at the date of its recognition. From then on, it will be reduced by the depreciation calculated in 10 years.

At the acquisition date goodwill is assigned to the Cash Generating Units (CGUs) with the purpose of proving the results of the impairment test. The assignment is made to those CGUs that will benefit from the business combination from which goodwill was generated (Note 5.3). The Cash Generating Units are subjected to impairment tests annually and, if applicable, a loss is recognized in the consolidated profit and loss statement.

The value adjustments of impairment recognized from goodwill will not be subject to reversion in following years.

b) Concessions, patents, licenses, trademarks and commercial rights

Concessions, patents, licenses and trademarks are recorded at the amounts deemed with third parties, based on financial valuations of the commercial rights acquired by the Group. These intangible assets are depreciated in 10 years, taking into account a residual value. In the opinion of the Directors of the Group the residual value of these assets is the same as the date of the acquisition, on the other hand they think that, the period of time during which these rights will contribute to obtaining income for the Group is indefinite.

The concessions, patents, licenses and trademarks are not amortized but are subject to annual impairment tests, after their initial recognition, at cost less accumulated impairment losses.

The provisions for impairment of concessions, patents, licenses and trademarks are recognized as an expense in the income statement.

The concessions, patents, licenses and trademarks are assigned to the cash generating units (CGUs) in order to tests for impairment (Note 5.4).

Commercial rights have a finite useful life and are carried at cost less accumulated amortization and recognized impairment. Depreciation is calculated linearly over their estimated useful life (5 years).

When the carrying value of an asset is higher than its estimated recoverable amount, its value is written down immediately to its recoverable amount (Note 3.4).

c) Transfer rights

The transfers rights relate to the rights paid in relation to the rental leases for the group's shops and are written off on the basis of the duration of these leases (between 7 and 10 years).

d) Computer applications

The software licenses purchased from third parties are capitalized on the basis of the costs incurred to acquire them and prepare them for the use of the specific program. These costs are depreciated over their estimated useful lives (3 to 4 years).

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The costs associated with the maintenance of computer software programs are recognized as expenses when incurred. Costs directly related to the production of identifiable, unique software, controlled by the Group, that will probably generate greater economic benefits than the costs for more than a year, are recognized as intangible assets. Direct costs include the staff costs of the personal that develops software and an appropriate proportion of overheads.

Development costs of software recognized as assets are depreciated over their estimated useful lives (not exceeding 4 years).

### 3.3 Property, plant and equipment

Property, plant and equipment are recognized at their acquisition or production cost, less the accumulated amortization and accumulated impairment recognized.

The costs of extension, modernization or improvement of PPE are capitalized only when they represent an increase in their capacity, productivity or a lengthening of their useful life, and as long as it is possible to know or estimate the carrying value of the assets that when replaced, are disposed from stock.

The costs of major repairs are capitalized and depreciated over their estimated useful lives while recurrent maintenance expenses are charged to the profit and loss while incurred during the year.

The depreciation of PPE, except for land, which is not depreciated, is calculated on a straight-line basis according to their estimated useful lives, taking into account ordinary wear and tear.

The estimated useful lives of the PPE are as follows:

	<u>Years of useful life</u>
Machinery	5
Other plant	5 - 10
Furniture	5 - 10
Furniture held by third parties	5
Computer hardware	3 - 4
Vehicles	4

Following the business combination generated during this exercise, the Group has not considered any change in useful life of assets.

The assets located in leased premises are amortized over the duration of the lease or the useful life of the asset, the smaller of the two.

The residual and useful life of assets are reviewed, and adjusted, as the case may be, at each balance sheet date.

When the carrying value of an asset is greater than its estimated recoverable value, it is immediately reduced to the recoverable value. (Note 3.3).

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The profit or loss on the sale of PPE is calculated by comparing the income obtained from the sale against the book value, and then charged to the consolidated profit and loss.

**3.4 Financial assets**

**Loans and other receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not listed on a stock exchange. They are included in current assets, except when they mature in more than 12 months as from the balance sheet date on which they were classified as non-current assets. Loan and receivables are carried under "Loans to companies" and "Trade and other receivables" on the balance sheet.

These financial assets are initially stated at their fair value, including the directly attributable transaction costs, and later stated at their amortized cost, recognizing the interest accrued based on their effective interest rate, understood as the revaluation rate equalizes the carrying value of the instrument to all its estimated cash flows until maturity. Notwithstanding the above, trade debtors falling due in no more than one year are stated at the time of initial recognition and afterwards at their nominal value provided that the effect of not restating the flows is insignificant.

Provisions required for impairment are set up at least at the year-end if there is objective proof that the outstanding amounts will not be received.

The amount of the impairment value is the difference between the book value and the present value of estimated future cash flows, discounted at the effective interest rate when initially recognized. The amount of the provision is recognized in the consolidated income statement.

The financial assets are written down of the consolidated balance sheet when the inherent risks and benefits of the assets are substantially transferred. In the particular case of the accounts receivable it is assumed that this is complete when all the insolvency and default risks are transmitted.

**3.5 Financial derivatives and hedge accounting**

Hedging instruments are valued and recorded depending on their nature to the extent that they are not or are no longer effective hedges.

The loss or gain relating to the non-effective part is recognized immediately in the consolidated income statement.

In the case of derivatives that do not qualify for hedge accounting, gains and losses in their fair value are recognized immediately in the income statement.

**3.6 Inventories**

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Inventories are stated at the lower of their cost and net realisable value. When net realisable value of inventories is lower than their cost, the necessary provisions are set up and they are recognized as an expense in the income statement. If the circumstances that caused the impairment no longer exist, the adjustment is reversed and recognized as income in the consolidated income statement.

Cost is determined by using the FIFO method, including the cost of acquisition of the goods for resale plus the expenses necessary directly attributable to them. The net realisable value is the estimated sale price during the normal course of business, less the estimated costs necessary up to the point of the sale.

### 3.7 Net equity

Share capital is represented by ordinary shares.

The cost of the issue of new shares or options is presented directly against net equity, as fewer reserves.

### 3.8 Financial liabilities

#### Debits and payables

This account includes trade and non-trade creditor operations. These borrowed funds are classified as current liabilities, unless the Company has an unconditional right to defer settlement during at least 12 months after the balance sheet date.

These debts are initially recognized at fair value adjusted by the directly attributable transaction costs, and later recognized at their amortized cost using the effective interest rate method.

Nevertheless the above, trade payables falling due before one year that do not have a contractual interest rate are stated initially and afterwards at their nominal value when the effect of not restating the cash flows is insignificant.

### 3.9 Grants received

Non-refundable grants are recorded in Long Term Provision. Grants are recognized as income on a systematic with the expenses incurred by the grant.

Monetary grants are stated at the fair value of the amount given and non-monetary grants at the fair value of the asset received.

### 3.10 Current and deferred tax

The Group's corporate income tax expense (income) is the sum of the income tax which, for this item, accrues during the year for the parent Company, for each subsidiary in the Group, taking into account the consolidation adjustments and including both the current tax (income) and deferred tax expense.

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The current tax assets and liabilities will be stated at the amounts expected to be paid or refunded from the tax authorities, in accordance with current legislation and legislation pending enactment at the year end.

The deferred tax is calculated using the liability method on the basis of the temporary differences that arise between the tax bases of the assets and liabilities and their book value. However, if the deferred tax arises from the initial recognition of an asset or liability in a transaction other than a business combination which at the time of the transaction does not affect either accounting profit or taxable income, it is not recognized. The deferred tax is determined by applying the legislation and tax rates in force or about to come into force on the balance sheet date and which is expected to be applied when the respective deferred tax asset is realized or the deferred tax liability is settled.

The deferred tax assets are recognized to the extent that it is probable that there will be future tax profits with which to offset the temporary differences.

Deferred income tax is provided for on temporary differences arising on investments in subsidiaries and associates, except where the timing of the reversal of the temporary differences is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

**3.11 Employee benefits**

**a) Provisions for liabilities**

Pepe Jeans S.L.U and Pepe Jeans Group S.L.U are obligated under the collective bargaining agreement to pay a retirement bonus equal to six monthly pays, provided that the worker has put in more than 10 years of service and is older than 55.

The expected costs of these benefits accrued during the years of service of the employees are calculated using an accounting method similar to the one used for defined benefit pension plans.

Pepe Jeans India Ltd, Pepe Jeans Europe, B.V and Hackett Ltd have a defined contribution pension plan, under which these companies makes fixed contributions to a separate entity and has no legal, contractual or implicit duty to make additional contributions if the separate entity does not have sufficient assets to meet its commitments.

**b) Severance indemnities**

Severance indemnities are paid to employees as a result of a Group decision to rescind their employment contract before the normal retirement age or when the employee agrees to voluntarily resign in exchange for benefits. The Company recognizes these benefits when it has demonstrably commitment to dismiss the employees, on the basis of a formal detailed plan that shall not be withdrawn, or to provide indemnities for dismissals as a result of an offer to encourage employees to resign voluntarily. The benefits that are not going to be paid in the next twelve months as from the balance sheet date are discounted from their current value.

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d) Bonuses

The Group recognizes a liability and an expense for bonuses based on formulas established in employee's remuneration policy.

3.12 Provisions and contingent liabilities

Provisions for litigation are recognized when the Group has a present legal or implicit obligation as a result of past events, which will likely lead to an outflow of funds in order to meet the obligation, and when the amount can be reliably estimated. The restructuring provisions include penalties for the cancellation of leases and severance indemnities for employees. No provisions are recognized for future operating losses.

Provisions are stated at the current value of the disbursements that are expected to be necessary to settle the liability using a pre-tax rate reflecting the current market valuations of the temporary value of money and the specific risks to the liability. The adjustments to the provision due to the restatement are recognized as a financial expense as they accrue.

The provisions expiring in less or more than one year, with an insignificant financial effect, are **not discounted**.

When it is expected that part of the disbursement necessary to settle the provision is refundable by a third party, the reimbursement is recognized as a separate asset, provided that its receipt is practically assured.

Previous the incorporation of the Façonnable companies to the Group, started a social plan with the employees that conclude in 2019.

Contingent liabilities are those possible liabilities arising as a result of past events, whose materialization depends on whether future events occur or not that are beyond the control of the Group. These contingent liabilities are not recorded in the accounts and are presented in the notes to the accounts (Note 18).

3.13 Revenue recognition

Income is recorded at the fair value of the consideration to be received and represents the amounts receivable for goods delivered and services rendered during the Group's normal course of business, less returns, price reductions, discounts and value added tax, except if they are deferred in net equity, as is the case of qualifying cash flow hedges.

The Group recognizes income when it can be reliably valued, and when it is probable that future economic profit will be generated for the Group and the specific conditions for each activity under mentioned are met. Income cannot be reliably valued until all the contingencies related to a **sale have been resolved**. The Group bases its estimates on historical results, bearing in mind the type of customer, the type of transaction and the specific terms of each agreement.

Wholesale and retail sales

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The Group makes retail sales in its own shops, franchises and outlets at the El Corte Inglés and Galerias Lafayette. The sales of goods are recognized when the Group sells them to the customer. On the other hand, the Group sells its products wholesale to large shops, big customers and franchises.

The sales of goods and other income are recorded excluding taxes on these operations, and all discounts, whether they are included on the invoice or not, are deducted from the operation.

**3.14 Operating lease**

Leases in which the lesser substantially retains a large part of the risks and rewards of ownership are classified as operating leases. The operating lease payments (net of any incentives received from the lesser) are charged to the income statement for the year in which they accrue on a straight-line basis over the lease periods.

**3.15 Transactions in foreign currency**

**a) Functional and presentation currency**

The Group's annual accounts are presented in Euros, which is its presentation and functional currency.

**b) Transactions and balances**

Transactions in foreign currency are translated into the functional currency using the exchange rates in force on the date of the transactions. The gains and losses in foreign currency that arise from the settlement of these transactions and the translation at closing exchange rates of the monetary assets and liabilities denominated in foreign currency are recognized in the income statement, unless they are differentiated in net equity as qualifying cash flow hedges and qualifying net investment hedges.

The Group uses currency hedging policies for its purchases in US Dollars, Sterling and other currencies.

**c) Conversion of annual accounts in foreign currency**

Currency conversion on the annual accounts of a Group company whose functional currency is different to Euro is made under the following rules:

- The assets and liabilities on each balance sheet are translated using the year end exchange rate.
- Equity entries, including the years result, are converted at the historic exchange rate.
- The difference between the amount of net assets and liabilities, and equity entries, is shown in a section of "den s n difference", and after deducting the part of the co din nal partner.
- Cash flows are converted at the exchange rate of the transaction date or using a monthly average exchange rate, only if there has not been a significant difference.

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The conversion difference booked in the consolidated statement of income and expenses is recognized in the consolidated income statement of the period in which the investment on the consolidated company is alienated.

The historic exchange rate is:

- For the equity entries that exist at the acquisition date of the related parties that consolidate: the exchange rate at transaction date;
- For incomes and expenses, including the ones recognized directly in the equity: the exchange rate at transaction date. If the exchanges rates have not changed significantly, a monthly weighted average is used, and
- Reserves generated after transaction date as a consequence of non-distributed results: the effective exchange rate that results from converting the incomes and expenses produced in the reserves.

The consolidated goodwill and the adjustments at fair value of the assets and liabilities product of application of the acquisition method are considered parts of the subsidiary, therefore are converted at closing exchange rate.

As of 31<sup>st</sup> March, 2019 none of the Group companies had the functional currency of a hyperinflationary economy.

### 3.16 Transactions between related parties

In general, inter-Group operations are recorded initially at their fair value.

### 3.17 Segmented information

As of 31<sup>st</sup> March, 2019 the Group has three main segments established de different operative divisions, being them coincident with the Cash Generating Units (CGU) identified. They are:

- Pepe Jeans: Includes the business, both wholesale and Retail, of commercialization and distribution of products of "Pepe Jeans" brand.
- Hackett: Includes the business, both wholesale and Retail, of commercialization and distribution of products of "Hackett" brand.
- Façonnable: Includes the business, both wholesale and Retail, of commercialization and distribution of products of "Façonnable" brand.

### 3.18 Environment

The elements incorporated into the Group's equity in order to be used permanently in their activity, whose main purpose is to minimize the environmental impact and protect and improve the environment, are reflected in the relevant section of tangible fixed assets, capitalized at the purchase price or production cost and are depreciated over their estimated useful life.

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Environmental expenditure arising from these activities are considered operating expenses of the year in which they are earned, considering as exceptional those occurring outside the ordinary Group activities.

**4. Financial risk management**

**4.1 Financial risk factors**

The Group's activities expose it to a variety of financial risks: market risk, credit risk, interest-rate risk and liquidity risk.

Financial risk management is controlled by General and Financial Management of the Group.

**a) Market risk: exchange rate**

The Group operates internationally and is therefore exposed to foreign exchange risk arising from currency exposures, primarily with respect to the US Dollar and Pound Sterling. Foreign exchange risk arises from future commercial transactions, recognised assets and liabilities and net investments in operations abroad.

Management has established a foreign currency exchange rate risk management policy in relation to the Group's functional currency. The Treasury Department has an obligation to hedge the exchange rate risk to which the Group is exposed. To manage the exchange rate risk arising from future commercial transactions and recognized assets and liabilities, forward contracts are used that are negotiated by the Treasury Department. The exchange rate risk arises when future commercial transactions or recognized assets or liabilities are denominated in a currency that is not the Group's functional currency.

**b) Credit risk**

Credit risk arises from cash and cash equivalents and deposits in banks and financial institutions, as well as from trade and other receivables, including outstanding accounts receivable for committed transactions.

In relation to trade receivables, the Group evaluates the credit rating of customers, taking into account their financial position, past experience and reports from an independent expert. The individual credit limits are established on the basis of internal criteria. Additionally, credit insurance policies are taken out on these balances in other European markets.

**c) Interest rate risk**

The Group has set up a system of cash pooling for all group companies, which charges the respective interest on negative balances while remunerating positive balances.

The interest rate applied to this is the market rate (floating interest rates indexed to the Euribor).

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In addition, obtaining external resources is performed in cases of necessity, also employs variable interest rates (indexed to Euribor). In this regard, the Group uses interest coverage, contracted to partially cover the financial risks of financing the Group's floating rate on loans from financial institutions.

d) Liquidity risk

The Group undertakes management of its liquidity risk exposure, which involves having sufficient financing through credit facilities and the syndicated loan from prior years from various banking entities.

Management follows up the forecast of its liquidity reserves, which includes credit availability (Note 13) and cash and cash equivalents (Note 10) based on expected cash flows.

4.2 Fair value estimates

The fair value of financial instruments that are sold on official markets (such as securities held for trading and available for sale) is based on market price at the balance sheet date. The share price that is used for financial assets is the current purchase price.

The fair value of the financial instruments that are not traded on active markets is determined using valuation techniques. The Group uses a variety of methods and makes assumptions based on the existing market conditions at each balance sheet date.

It is assumed that the carrying values of trade credits and debits approximate their fair value.

5. Intangible assets

5.1 The breakdown and movement in the accounts under Intangible assets as well as their respective accumulated amortization is as follows:

	Goodwill on consolidation	Industrial Property	Transter rights	Informatics applications	Total
<b>2018 – 2019</b>					
Opening Balance NBV	192.389.188	334.910.775	20.538.334	2.602.787	550.441.084
Additions	-	-	190.689	2.584.987	2.775.676
Disposals	-	-	(1.768.062)	(2.026.629)	(3.794.691)
Cost transfer	-	-	22.934	1.394.856	1.417.790
Amortization charge	(27.298.423)	(3.647.800)	(1.093.029)	(2.078.456)	(34.117.708)
Impairment	(117.317.389)	-	-	-	(117.317.389)
Disposals on amortization	-	-	456.853	2.076.323	2.533.176
Amortization transfer	-	-	-	-	-
Translation differences (Cost)	-	239.974	148.579	229.210	617.763
Translation differences (Amortization)	Initialed for identification purposes	(169.616)	(77.975)	(98.574)	(346.165)
<b>Net Book Value</b>	<b>56.090.765</b>	<b>331.333.333</b>	<b>18.418.323</b>	<b>4.684.504</b>	<b>402.209.536</b>

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- 5.2 In the 3<sup>rd</sup> of November 2016 Pepe Jeans Investment B.V acquired Façonnable SAS and Façonnable Holding S.A.S, the impact of this business combination in the Intangible assets is as follows:

	<u>EUR</u>
Net book value of intangible assets from Façonnable Trade Mark	9.394.803
Net book value of intangible assets from Façonnable Key Money and Others	7.549.372
	<b>16.944.175</b>

The difference between the acquisition price and the Façonnable Group's consolidated net equity at October 31st, 2016, by total value of 21.277.484 euros was assigned to the following intangible assets:

- EUR 3.171.344 to "Façonnable" value brands.
- EUR 7.474.819 to "Façonnable" Key Moneys from the difference between Net Book Value and the Resale Value.
- EUR 1.915.363 to Tax Asset for the Tax losses available to compensate in the near future.
- EUR 8.715.958 corresponding to Façonnable Goodwill.

The composition of Façonnable goodwill at March 31, 2019 is as follows:

	<u>At March 31st, 2019</u>
Façonnable Goodwill	8.715.958
Deferred Tax	3.157.339
Goodwill depreciation	(2.968.324)
Goodwill purchase agreement	<b>8.904.973</b>

The recoverable amount of each CGU is determined based on calculations of value in use.

These calculations use cash flow projections based on financial budgets approved by the directors. The key assumptions have been considered an average growth consistent with the historical average and analysis of the future and a reasonable discount rate with the activity of the Group and each business.

In conducting impairment testing it has not revealed the need to depreciate the goodwill of consolidation.

- 5.3 The composition of the goodwill at 31 March, 2019 is as follows:

	<u>At March 31st, 2019</u>
Consolidation Goodwill at 1 <sup>st</sup> April 2018	<b>192.389.188</b>
New Group Goodwill depreciation	(26.051.511)
Old Group Goodwill	(59.582)
Goodwill depreciation Façonnable	<b>(1.187.330)</b>

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Impairment New Group Goodwill	(117.317.389)
<b>Goodwill purchase agreement</b>	<b>47.773.376</b>

	<b>At March, 31st, 2018</b>
Consolidation Goodwill at March 31 <sup>st</sup> , 2017	<b>230.282.271</b>
New Group Goodwill depreciation	(36.646.171)
Old Group Goodwill	(59.582)
Goodwill depreciation Façonnable	(1.187.330)
<b>Goodwill purchase agreement</b>	<b>192.389.188</b>

During the consolidation process after the business combination that occurs on July 7th, 2015 with an effective date April 1st, 2015, a new goodwill arises with a total value of EUR 207.597.280 to which adds the value of deferred tax liabilities for a total of EUR 52.973.302 resulting from the allocation made by business combination on the intangible assets (see note 5.2). Total goodwill after the business combination produced during the current amounts to EUR 260.570.582.

The net book value of the Goodwill prior to the business combination amounts to EUR 840.329 and the consolidation goodwill amounted to EUR 6.756.290, bringing the added value of goodwill produced by this business combination in EUR 200.000.861 (See note 5.2).

The composition of consolidation goodwill generated before the business combination of the current year was as follows:

- EUR 360.880 for the goodwill arising on consolidation following the acquisition of 100% of the shares in the company Hilfiger Stores Spain, S.L. (Spain), in 2010.
- EUR 1.336.156 for the goodwill arising on consolidation following the acquisition of 50.1% of the company Global Jeans - Comércio de Vestuário S.A. (Portugal), in 2010.
- EUR 484.073 for the goodwill arising on consolidation following the acquisition of 100% of the company Retail Venture, Spro (Czech Republic) in the past year.
- EUR 345.863 for the goodwill arising on consolidation following the acquisition of the remaining 50% of Pepe Jeans Polska, Sp. Z.o.o. (Poland).
- EUR 102.135 for the goodwill arising on consolidation following the acquisition of the own stores business of the former distributor in Hungary.
- EUR 3.330.458 for the goodwill arising on consolidation following the past year acquisition of 65% of the shares of the new company Pepe Jeans India Private Ltd.
- EUR 796.725 corresponding to the difference between the book value and the amount paid for the acquisition of Retail business in Belgium.

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- EUR 111.275 for the goodwill arising on the group company Global Jeans - Comércio de Vestuário SA (Portugal) as a result of the merger between the company and the Retail branch of activity of Pepe Retail Comércio Textéis, Unip, Lda (Portugal) in 2010.
- EUR 430.941 corresponding to the difference between the book value of the assets of Pepe Jeans stores in Hungary and the price paid for them in March 2011 to the old distributor.
- EUR 297.913, for the net book value of commercial rights in Ireland.

The recoverable amount of each CGU is determined based on calculations of value in use.

These calculations use cash flow projections based on financial budgets approved by the directors. The key assumptions have been considered an average growth consistent with the historical average and analysis of the future and a reasonable discount rate with the activity of the Group and each business.

In conducting impairment testing it has not revealed the need to depreciate the goodwill of consolidation.

5.4 The concessions, patents, licences and trademarks at 31 March, 2019 include the following items

- EUR 264.794.035 corresponding to the value of the brands of "Pepe Jeans". Of this total, EUR 27.746.468 relate to the acquisition of industrial rights of the brands of "Pepe Jeans" by Pepe Jeans Szolgáltató Kft Hungary in April 2015, EUR 18.610.856 related to the acquisition of industrial rights marks "Pepe Jeans" in the United States and Canada, and EUR 218.436.711 attributable to such marks in the business combination that took place during this year (see note 5.2).
- EUR 16.799.878 for the value of brands "Hackett". EUR 16.339.121 corresponds to the value of the brand Hackett emerged in the process of consolidation as a result of the acquisition of the English group "Hackett" by Pepe Jeans Europe BV in July 2006. This amount represents the difference between the purchase price of the Hackett Group (Hackett and Hackett Ltd SAS), and the value of the consolidated equity of the Group at the date of acquisition. And EUR 460,757 euros attributable to such marks in the business combination that took place during this year (see note 5.2) value.

EUR 26.258.986 to the net book value of the Tommy Hilfiger's agency contract and the operating rights of the trademark in Spain and Portugal through its own stores or franchises including attributed to the contract in the business combination that has taken place value during last year (see note 5.2).

- EUR 12.561.526 corresponding to the value of the Brands of "Façonnable". Of this total EUR 3.171.344 attributable to such marks in the business combination that took place during this year (see note 5.2)

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- EUR 5.870.419 to the net book value of the Calvin Klein's agency contract and services contract to manage the stores and concessions such brand has in Spain and Portugal. This amount consists of the amount recorded in the Group Company CK Apparel Iberia S.L. worth EUR 1.941.000 (corresponding to the value of the agency contract); Attributable following the business combination value and amortization during fiscal year 2015/2016.
- EUR 4.515.611 for the net book value of the marketing rights of Aston Martin by Hackett Uk Ltd over the next 5 years
- EUR 618.269 in net carrying value for the commercialization rights of "Pepe Jeans" products in several countries in Latin America, Africa, the Far East and Europe, acquired from the Group company Pepe Jeans Europe B.V
- EUR 20.641 corresponds to other fixed lower value.

5.5 The recoverable amounts of the CGUs Pepe Jeans and Hackett and Façonnable are determined on the basis of the calculation of value in use. These calculations use cash flow projections (income related to the collection of royalties) based on financial budgets approved by the Directors.

The key assumptions have been used take into account an average growth rate in line with the historical average and future analysis, and the discount rate used has been of 10,4%-15%, in line with prior years for Pepe Jeans and Hackett CGU and 12.5% for Façonnable.

As a result of the impairment test, the business combination was amortized in EUR 117.317.389, included in these Consolidated Annual Financial Statement. This effect has been also recognized in Profit & Loss under the heading "Goodwill impairment".

5.6 Transfer rights added during this year relate primarily to amounts paid mainly in Mexico.

5.7 At 31 March, 2019 there is intangible fixed assets still in use, and fully amortized corresponding to EUR 5.962.327 (EUR 5.215.339 at March 31<sup>st</sup> 2018) of transfer rights and EUR 8.669.846 (EUR 7.429.147 at March 31<sup>st</sup> 2018) corresponding to IT applications.

5.8 During the year 2019 there has been an impairment adjustment as a result of the impairment test.

5.9 There are no guarantees or pledges on these assets except as mentioned in Note 18.

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**6. Tangible Assets**

6.1 The movement of fixed assets during the year is as follows:

	<b>Machinery</b>	<b>Property Plant and equipment</b>	<b>Other Tangible Fixed Assets</b>	<b>Construction in Progress</b>	<b>Total</b>
<b>2018-2019</b>					
Opening Balance NBV	686.081	43.779.960	6.956.183	2.863.711	54.285.935
Additions	100.868	9.835.207	2.390.375	350.247	12.678.697
Disposals	(174.205)	(16.440.400)	(654.159)	-	(17.268.764)
Transfers (cost)	-	724.942	115.332	(2.258.064)	(1.417.790)
Amortization charge	(193.559)	(12.491.068)	(3.321.983)	-	(16.006.610)
Disposals on amortization	96.787	13.259.103	639.983	-	13.995.873
Transfers (amortization)	-	-	-	-	-
		531			
<b>Net book value</b>	<b>513.826</b>	<b>39.198.425</b>	<b>6.216.238</b>	<b>903.289</b>	<b>46.832.777</b>

The additions relate mainly to investment in new stores and corners of Hackett brand in England, Spain, France and Germany; and of Pepe Jeans brand mainly in Spain, England, Germany, France, Poland, Portugal, Czech Republic and Indonesia.

*In Façonnable brand, there are additions mainly in Spain, France, Belgium, Portugal and Monaco.*

The disposals relate mainly to closing of stores and corners of Pepe Jeans brand in Spain, Germany, France, Poland, Italy and Portugal; and of Hackett brand in England, France and Italy. Regarding Façonnable brand, the disposals relate to the closing of Nice office.

6.2 At year-end 2019 are in the tangible fixed assets fully depreciated items, and are still in use, according to the following breakdown:

	<b>2019</b>	<b>2018</b>
Machinery	884.072	667.607
Property Plan and Equipment	76.155.438	64.520.450
Other	24.534.935	17.149.384
	<b>101.574.445</b>	<b>82.337.441</b>

6.3 The Group has taken out several insurance policies to cover the risks to which they are subject property, plant material. The coverage of these policies is considered sufficient for a total amount of 142 million euros

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**7. Financial Assets**

**7.1 Long-term financial investments**

The movement of financial assets during the year 2019 and 2018 is as follows:

	Balance as of 31.03.18	Additions	Disposals	Exchange Diff.	Balance as of 31.03.19
Shares of associate companies	15.025	-	-	-	15.025
Long-term deposits and guarantee deposits (Notes 7 and 9)	6.909.514	1.036.960	(493.044)	115.300	7.568.730
Long-term investments in group companies and associates	382.584	254.518	-	-	637.102
Provision for depreciation of investments	(15.025)	-	-	-	(15.025)
	<b>7.292.098</b>	<b>1.291.478</b>	<b>(493.044)</b>	<b>115.300</b>	<b>8.205.832</b>

On the epigraph of long-term deposits and guarantee deposits are included the deposits given to the tenant of the different premises rented by the Group for the opening of shops, whose due dates are higher to one year.

**8. Current Assets**

**8.1 The breakdown of Trade and other receivables is as it follows:**

	At March 31, 2019	At March 31, 2018
<b>Short-term loans and other receivables:</b>		
Sales of goods and services	146.486.787	150.132.818
Impairment provision	(4.944.527)	(5.049.905)
Sundry receivables	10.095.246	10.346.271
Staff	491.839	503.499
Current tax assets	3.165.041	3.186.414
Other tax refundable	2.303.014	2.032.576
	<b>157.597.400</b>	<b>161.151.673</b>

The book value of the short-term loans and other receivables approximates their fair value, given that the discounting effect is not significant.

8.2 Sundry receivables mainly include the receivable balances for commissions arising from agency agreements for other trademarks managed by the Group and royalties derived from licensing agreements.

8.3 Current tax assets correspond to corporate tax payments done in advance in some of the

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companies.

8.4 The "Other tax refundable" section is mainly the balance of VAT.

8.5 At March 31, 2019, receivables due amounting to EUR 36.541.709. The aging analysis of these accounts is as follows:

	At March 31, 2019	At March 31, 2018
Up to 2 months	13.319.038	15.801.114
Between 2 and 4 months	5.784.252	8.633.286
More than 4 months	17.438.419	11.599.306
	<b>36.541.709</b>	<b>36.033.706</b>

The movement in the provision for the impairment of trade receivables is as follows:

<b>Balance at 2018</b>	<b>5.049.905</b>
Provision for impairment of accounts receivable (Note 15.3)	1.585.884
Write off of old balances	(1.732.716)
Conversion's differences	41.454
<b>Balance at 2019</b>	<b>4.944.527</b>

The ageing of these accounts is as follows:

	At March 31, 2019	At March 31, 2018
Less than 6 months	196.924	690.074
More than 6 months	4.747.603	4.359.831
	<b>4.944.527</b>	<b>5.049.905</b>

The recognition and reversal of the provisions for the impairment of trade receivables has been included in "Loss, impairment and variation in trade provisions" in the consolidated income statement. The rest amount pertains to the trade provisions allowance (Note 15.3).

The maximum exposure to credit risk and the reporting date is the fair value of each account receivable indicated above.

The Group has an insurance policy to cover 80% of its trade receivables in France, Italy, Germany and The Netherlands.

## 9. Inventories

Trade Inventories  
Impairment provision (Nota 15.5)  
Total

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At March 31, 2019	At March 31, 2018
152.688.726	144.940.813
(8.257.246)	(9.011.012)
<b>144.431.480</b>	<b>135.929.801</b>

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The Group has taken out insurance policies to cover the risks to which its inventories are exposed. The coverage of these policies is considered enough.

There are no commitments for purchases at the year end.

**10. Cash and cash equivalents**

The breakdown of cash and other cash equivalents at March 31, 2019 is as follows:

	At March 31, 2019	At March 31, 2018
Cash on hand and banks	48.935.575	18.486.414
Trapped Cash	110.785	114.954
	<b>49.046.360</b>	<b>18.601.368</b>

**11. Minority Interest**

The composition of the final balance is as follows:

2019 Company	Share of profit from previous years	Share of profit from the current year	Total
Hackett Retail Belgium, N.V.	(64.028)	(255.113)	(319.141)
PT Pepe Fashindo Adiperkasa	(76.827)	469.165	392.338
<b>Total</b>	<b>(140.855)</b>	<b>214.052</b>	<b>73.197</b>

**12. Liabilities**

Long Terms provisions and Grants include in fiscal year Grants, Façonnable social plan and provision risk about third party vendors.

Long-Term payables

**Long-term debits and payables:**

	As of 31 March, 2019	As of 31 March, 2018
Loans with credit institutions	177.240.260	196.359.369
Long term fixed assets suppliers	4.067.575	7.663.114
Long term provisions and Grants	5.245.173	6.360.858
	<b>186.553.008</b>	<b>210.383.341</b>

Short-Term payables

**Short-term debits and payables:**

	As of 31 March, 2019	As of 31 March, 2018
Debts to credit institutions	94.381.432	36.725.707
Derivatives	-	388.213
Short term fixed assets suppliers	3.901.042	3.007.372
Debts with related companies (Note 20)	402.742	178.697

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Trade Payables (Providers)	94.351.439	96.217.980
Sundry Payables	2.010.362	1.593.778
Outstanding remunerations	10.220.647	11.107.806
Current tax liabilities	2.711.022	3.676.366
Others tax payables	9.545.571	10.641.355
	<b>217.524.257</b>	<b>163.537.274</b>

### **13. Bank Loans**

The breakdown of debts with credit institutions as of 31<sup>st</sup> March, 2019 is as follows:

<b>2019</b>	<b>Available amount</b>	<b>Limit</b>
<b>Long-term debts:</b>		
Syndicated loan	177.240.260	250.000.000
	<b>177.240.260</b>	<b>250.000.000</b>
<b>Short-term debts:</b>		
Syndicated loan	19.091.545	-
Revolving	45.000.000	50.000.000
Credit Policies	17.586.590	31.377.726
Importation financing	10.954.520	44.500.000
Other loans	300.000	300.000
Other concepts	1.448.777	-
	<b>94.381.432</b>	<b>126.177.726</b>
	<b>271.621.692</b>	<b>376.177.726</b>

During the year 2015/2016, the Parent Company obtained a new syndicated loan granted by a group of banks (being Banco Bilbao Vizcaya Argentaria S.A the agent bank), for a total limit of 250,000,000 euros. The outstanding amount due at March 31, 2019 is EUR 175.500.000 (EUR 200.500.000 as of March 31, 2018). Additionally, a revolving loan amounting 50.000.000 euros was obtained. On July 14, 2017 a novation of the agreement was signed, in order to adapt it to the current circumstances.

The syndicated loan structure as of 31<sup>st</sup> of March, 2019 and 2018 is as follows:

	<b>2019 Available</b>	<b>2018 Available</b>	<b>Initial limit (*)</b>
Tranches A1:	139.895.658	152.874.437	223.300.000
Tranches A2:	36.710.307	39.801.938	47.700.000
Tranches A3:	19.725.840	21.555.899	25.000.000
	<b>196.331.805</b>	<b>214.232.274</b>	<b>296.000.000</b>

(\*) Although those are the aggregated limits, the global maximum limit is 250 million of euros.

In the quarterly periods of December 2018 and March 2019, the Group breached one of the mandatory financial ratios, specifically the leverage ratio and interest hedging ratio. The bank syndicate approved some waivers in relation to these defaults a posteriori, on March 5<sup>th</sup>, 2019 and May 31<sup>st</sup>, 2019 respectively.

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On July 18<sup>th</sup>, 2019, Pepe Jeans Group S.L.U signed an additional novation of the agreement, which included the modification of mandatory financial ratios and the final deadline of the loan repayment was extended until July 2024. The effect of this amendment was included in these financial statements.

The repayment of Section A of the syndicated loan has semiannual maturities, beginning in August 10, 2016 and with the latest maturity on July 2024, according to the last novation described. It pays a variable interest rate currently fixed on the basis of Euribor plus 3,5 %. Following the content of the terms defined, and taking into account the variables arising from the audited Consolidated Annual Financial Statements for special use of financial entities of Pepe Jeans Group, SLU, the syndicated loan agreement sets as guarantors the following: Pepe Jeans Europe BV, Pepe Jeans Hungary Szolgáltató Kft, Hackett Limited, Hackett Lim. Spain, S.L., Hackett Sàrl, Pepe Jeans India Limited, Pepe Jeans, S.L.U, Pepe Jeans Group, S.L.U. and CK Apparel Iberia S.L..

This loan is subject to mandatory clauses, which in general are included in this type of contract, whose breach could mean the early repayment of the loan. The Directors consider that, mandatory clauses and any other obligation are met, considering also that the Group will be able to comply promptly with all future contractual obligations.

Additionally, the Group has submitted as collateral to the loan as follows:

- Pledge on stocks and shares of the following companies: Pepe Jeans Group SL, Pepe Jeans, S.L., Pepe Jeans Europe B.V., PJ Hungary Szolgáltató Kft, Hackett Limited, Hackett Sàrl and Hackett Lim. Spain S.L.
- Promise mortgage over the following brands: Pepe Jeans y Hackett.

The remaining interest payments amount to EUR 1.448.777 as of March 31, 2019 (EUR 1.407.325 as of March 31, 2018).

The average interest rate for the other financial debts has been 4,04% and 4,10% during the fiscal year ended March 31, 2019 and 2018.

There are no additional guarantees related to the loan rather than the ones already mentioned in this note.

#### **14. Other Provisions and deferred income**

Movements in provisions recognized during the years ended March 31, 2019 were as follows:

	Provision for sale returns 2019	Provision for sale returns 2018
Opening balance		
Addition/Reversals	33.142.020	27.949.819
Woff Balance	(6.162.986)	7.501.753
Exchange diff.	449.967	(2.309.552)
<b>Closing Balance</b>	<b>27.429.001</b>	<b>33.142.020</b>

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It is Group policy to sell its products to certain final customers with right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale.

Additionally, the heading Short-term consolidated balance sheets mainly includes prepaid expenses relating advertising and marketing incurred by the Group at March 31, 2019, that will be accrued in the following year.

## **15. Income and Expenses**

### **15.1 Net Turnover**

The net turnover related for the Group's ordinary activities are distributed geographically as follows:

<b>Market</b>	<b>2019</b>	<b>2018</b>
Netherland	4.125.008	4.404.566
UE	386.481.560	438.463.895
Rest	138.336.292	120.031.984
	<b>528.942.860</b>	<b>562.900.445</b>

Similarly, the net amount of revenue can be analyzed by product line as follows:

<b>Line</b>	<b>2019</b>	<b>2018</b>
Wholesale & Distributors	289.740.391	372.205.795
Retail	239.202.469	190.694.650
	<b>528.942.860</b>	<b>562.900.445</b>

Service provision relates mainly to revenue recovery samples.

### **15.2 The breakdown of the consumption of goods is as follows:**

	<b>2019</b>	<b>2018</b>
Purchases	253.440.877	248.973.022
Variation in stocks	(7.747.913)	2.462.501
<b>Total</b>	<b>245.692.964</b>	<b>251.435.523</b>

### **15.3 The breakdown of loss, impairment and changes in provisions for trade receivables is as follows:**

	<b>2019</b>	<b>2018</b>
Provisions for impairment of accounts receivables (Note 8)	1.585.884	1.258.230
Allowances of other commercial provisions (Note 14)	(6.162.986)	7.501.753
	<b>(4.577.102)</b>	<b>8.759.983</b>

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**15.4 Other operating income**

In this respect, the Group includes the revenue commissions earned by sales of Tommy Hilfiger, the Calvin Klein agency commissions and fees received for the retail service agreement with this brand; and the royalty income from contracts with licensees and others for three brands.

**15.5 The movement in the provision for impairment of inventories during the year has been as follows:**

<b>Balance as at 31.03.2018 (Note 9)</b>	<b>(9.011.012)</b>
Allowances of the year	(2.685.368)
Returns of the year	2.924.643
Exchange differences and Woff	514.491
<b>Balance as at 31.03.2019 (Note 9)</b>	<b>(8.257.246)</b>

**15.6 The breakdown of external services at year-end is as follows:**

	<b>At March 31, 2019</b>	<b>At March 31, 2018</b>
Leases and royalties	71.015.544	70.424.967
Repairs and maintenance	2.083.709	2.180.545
Independent professional services	17.419.494	16.372.368
Transport	16.068.382	13.894.792
Insurance premiums	1.205.595	1.457.902
Banking services and similar	3.231.752	3.326.838
Advertising and publicity	31.172.551	30.521.364
Supplies	3.200.946	3.393.236
Other	25.543.755	25.617.898
	<b>170.941.728</b>	<b>167.189.910</b>

**15.7 The volume of transactions in foreign currency is as follows:**

	<b>At March 31, 2019</b>	<b>At March 31, 2018</b>
Sales	147.309.072	148.403.248
Purchases	118.041.381	114.398.539
Services rendered	7.758.724	2.016.279
Services received	49.523.726	52.218.426

**15.8 Payroll costs:**

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**At March 31,  
2019**

**At March 31,  
2018**

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Wages, salaries and others	89.328.839	87.737.512
Social Security	20.077.119	20.094.496
Other staff costs	3.434.234	3.397.089
	<b>112.840.192</b>	<b>111.229.097</b>

There are three companies of the group, Hackett Ltd, Pepe Jeans Europe BV and Pepe Jeans India Limited who have definite outsourced pension's plans.

The line "Wages and salaries" includes, where applicable, severance pay accrued during the year.

15.9 The average number of Company employees at March 31, 2019 and 2018 by gender and job category is as follows:

	Average number of employees 31/03/19	Average number of employees 31/03/18
Senior Management	2	2
Management, administration and general services	236	234
Marketing and sales	816	790
Design and purchasing	289	291
Storage and distribution	143	132
Retail and shop personnel	1680	1689
<b>Total</b>	<b>3166</b>	<b>3.138</b>

Also, the gender distribution at year-end 2019 personnel of the Group is as follows:

	Staff at the yearend by category at 31/03/19	
	Men	Women
Senior Management	2	-
Management, administration and general services	106	126
Marketing and sales	243	619
Design and purchasing	136	155
Storage and distribution	86	45
Retail and shop personnel	521	1127
<b>Total</b>	<b>1.094</b>	<b>2.072</b>

	Staff at the yearend by category at 31/03/18	
	Men	Women
Senior Management	2	-
Management, administration and general services	102	129
Marketing and sales	237	591
Design and purchasing	140	161
Storage and distribution	84	44
Retail and shop personnel	532	1116
<b>Total</b>	<b>1.097</b>	<b>2.041</b>

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15.10 Impairment and gains on disposal of fixed assets mainly includes the results of the disposals of transfer rights of stores in Portugal, Holanda and Poland.

**16. Tax situation and Corporate Income Tax**

Each Group company's filing individual income tax, except for Pepe Jeans, SL and the rest of the Spanish companies, Façonnable France and Façonnable Holding, and Hackett Limited Ltd with Pepe Jeans London Ltd which are taxed in a consolidated terms in Spain, France and UK, respectively.

At March 31, 2019, the Group has tax loss carryforwards to offset as follows:

Year		31.03.2019
1998/1999		5.802.091
1999/2000		726.840
2000/2001		475.672
2001/2002		625.083
2002/2003		1.029.744
2003/2004		1.729.256
2004/2005		1.195.408
2005/2006		1.163.016
2006/2007		1.071.823
2007/2008		428.996
2008/2009		4.033.421
2009/2010		5.047.759
2010/2011		2.477.006
2011/2012		4.313.442
2012/2013		3.713.176
2013/2014		6.681.557
2014/2015		8.018.266
2015/2016		14.561.427
2016/2017		14.038.880
2017/2018		18.324.549
2018/2019		16.319.149
<b>Pepe Jeans &amp; Hackett</b>		<b>111.776.561</b>
France	Unlimited	195.637.067
Spain	Unlimited	8.447.178
Belgium	Unlimited	5.675.756
Portugal	5 years	900.316
Holding	Unlimited	9.640.440
<b>Façonnable Business</b>		
<b>Combination previous</b>		
<b>years</b>		<b>220.300.757</b>
<b>Total Group</b>		<b>332.077.315</b>

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In the Shareholders purchase agreement signed in November 2016, was agreed that the Group has the right to use the tax losses generated in previous years, but has the obligation to return to M1 Fashion Investment Ltd, the 60% of that tax losses, when used.

16.1 The breakdown of deferred tax March 31, 2019 is as follows:

	At March 31, 2019	At March 31, 2018
<b>Deferred tax assets:</b>		
- Temporary differences	10.006.689	8.412.086
- Credits for tax loss carry forwards	1.915.362	1.959.248
- Other tax credits	115.918	-
	<b>12.037.969</b>	<b>10.371.334</b>
<b>Deferred tax liabilities:</b>		
- Temporary differences	(30.861.656)	(31.513.904)
	<b>(30.861.656)</b>	<b>(31.513.904)</b>
<b>Deferred tax (net)</b>	<b>(18.823.687)</b>	<b>(21.142.569)</b>

The movement in deferred tax during the year 2019 has been as follows:

• Assets

	Provisions	Amortization	Deductions	Tax credit	TOTAL
Closing Balance 31.03.2018	6.262.377	2.149.709	-	1.959.248	10.371.334
Exchange differences	20.049	28.515	-	-	46.564
(Charge) / Credit to the profit and loss account	1.226.041	177.744	115.918	(43.886)	1.475.817
Tax Charged directly to equity					
Other adjustments	144.254	-	-	-	144.254
Closing Balance 31.03.2019	<b>7.652.721</b>	<b>2.353.968</b>	<b>115.918</b>	<b>1.915.362</b>	<b>12.037.969</b>

• Liabilities

	Grants	Amortization	TOTAL
Closing Balance 31.03.2018	(323.043)	(31.190.862)	(31.513.904)
(Charge) / Credit to the profit and loss account	4.058	681.262	685.320
Tax charged directly to equity	(3.176)	-	(3.176)
Other adjustments	(259)	-	(259)
Exchange differences	15	(29.652)	(29.637)
Closing Balance 31.03.2019	<b>(322.405)</b>	<b>(30.539.252)</b>	<b>(30.861.656)</b>

**17. Net Financial Income and expenses**

	At March, 31 2019	At March, 31 2018
<b>Financial income:</b>		
From negotiable securities and other financial instruments		
- Bank loan	(20.494)	25.478
	<b>(20.494)</b>	<b>25.478</b>
<b>Financial expenses:</b>		
Interest on loans to credit institutions and other concepts	(14.789.475)	(14.838.717)
Initialised for identification purposes	(14.789.475)	(14.838.717)
Exchange Differences	84.540	(2.452.912)

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<b>Net Financial Income</b>	<u>(14.725.429)</u>	<u>(17.266.151)</u>
<b>Share in the result of investments recognized by the equity method</b>	<u>(193.032)</u>	<u>-</u>

## **18. Commitments and contingent liabilities**

### **18.1 Operating lease commitments**

The Company is the lessee in operating leases for offices, warehouses and shops that it operates.

The expense recognized in the consolidated income statement for the year 2019 for operating leases amounted to EUR 70.990.928 (EUR 70.715.027 in 2018).

Estimated total future minimum lease payments for non-cancellable operating leases are equivalent to the cost of one year.

### **18.2 Guarantees**

Pepe Jeans, S.L.U is guarantor for the credit facilities and foreign trade of its subsidiaries for a total of EUR 11.300.000, GBP 400.000, CHF 15.000 and INR 300.000.000 as of March 31, 2019 (EUR 13.800.000 and GBP 1.000.000 as of March 31, 2018).

In the same way, Pepe Jeans S.L.U. is guarantor for other operational concepts for a total amount of EUR 4.144.411 (EUR 4.264.387 as of March 31, 2018) for the Group subsidiaries.

### **18.3 Contingencies**

At the date of preparation of these consolidated financial statements, the Group has certain pending litigation in the normal course of business. The directors of the parent company, together with their lawyers, do not expect their resolution has an effect on the financial assets financial statements.

### **18.4 Derivative instruments**

The company has a policy in place for hedging its interest and currency exchange risks.

At balance sheet date the company has an interest swap on the syndicated loan for 0,4820%. The fair value of the interest rate swap at balance sheet date is EUR (1.526.202).

The company also has numerous currency swaps, especially for USD. The total amount hedged is USD 47.310.000 with an exchange rate between USD and EUR 1,170. All swaps have a remaining time of less than 1 year. The fair value of the currency swaps at balance sheet date is EUR 40.431.968.

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**18.5 Purchase commitments**

The Group has outstanding purchase commitments in the normal course of business for the new collections in the amount of 78.867.762 euros (83.266.940 euros in 2018).

**19. Remuneration to the Board of Directors and Senior Management**

**a) Remuneration to Board Members**

During the year 2019, the amount accrued for any type of compensation for members of the Board of Directors of the Group companies amounted to EUR 476.487 and consists of the following items and amounts:

	At March, 31 2019	At March, 31 2018
Payroll costs	402.704	558.922
Other remuneration	73.783	61.791
	<b>476.487</b>	<b>620.713</b>

There have been no advances or loans were granted to the directors during the year. Also, there are no advantages or benefits of any kind.

**b) Remuneration and loans to Senior management**

During the year 2019, the amount accrued for any type of compensation for members of the Senior Management of the Group companies amounted to EUR 476.487 and consists of the following items and amounts:

	At March, 31 2019	At March, 31 2018
Payroll costs	402.704	569.615
Other remuneration	73.783	65.295
	<b>476.487</b>	<b>634.910</b>

**20. Other Operations with Related Parties**

The detail of the amounts receivable and payable with related companies is as follows:

	Al 31 de marzo 2019	Al 31 de marzo 2018
<b>Receivables with related companies:</b>		
Pepe Jeans Innerfashion Private Ltd	15.665	-
PJ Group BV	21.017	21.017
PT Pepe Fashindo Adiperkasa	117.376	-
Façonnable USA Corp.	-	4.874
	<b>154.058</b>	<b>25.891</b>

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**Payables with related companies:**

Emerge Distribution Limited	207.748	75.678
M1 Fashion Investment Ltd	5.759	92.663
PT Pepe Fashindo Adiperkasa	186.235	-
Pepe Jeans Investment BV	3.000	
Façonnable USA Corp.	-	9.006
L Capital Singapore PTE Ltd	-	1.350
	<b>402.742</b>	<b>178.697</b>

The balance with Related Parties in Long Term Payables includes the loans received from M1 Fashion Investment LTD.

## 21. Segment Information

The Group has established three main segments based on different operating divisions at March 31, 2019. These divisions are:

- Division Pepe Jeans.
- Division Hackett.
- Division Façonnable

Transactions between segments for the year 2019 have been signed under the normal commercial terms and conditions that apply to unrelated third parties.

Segment results for the year ended March 31, 2019 are as follows:

**At March 31, 2019**

	<b>Pepe Jeans</b>	<b>Hackett</b>	<b>Façonnable</b>	<b>Consolidation Adjustments</b>	<b>TOTAL</b>
Net turnover	359.308.838	154.730.904	18.835.175	(417.099)	532.457.817
Purchases	(179.950.718)	(64.158.814)	(9.792.138)	659.944	(253.241.726)
Other operating income	37.870.367	3.778.808	2.794.073	(865.780)	43.577.468
<b>Net operating profit</b>	<b>21.650.243</b>	<b>(5.573.879)</b>	<b>(4.657.349)</b>	<b>(140.363.758)</b>	<b>(128.944.743)</b>
Net financial income (expense)	(10.627.921)	(3.887.515)	(142.424)	(67.569)	(14.725.429)
<b>Profit before tax</b>	<b>10.829.292</b>	<b>(9.461.394)</b>	<b>(4.799.773)</b>	<b>(140.431.329)</b>	<b>(143.863.204)</b>
<b>Profit (loss) for the year</b>	<b>5.748.707</b>	<b>(9.914.249)</b>	<b>(4.380.107)</b>	<b>(140.431.329)</b>	<b>(148.976.978)</b>

The accounting policies for the three segments are the same as those described for the Group in Note 3.19 of the consolidated hereinafter.

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The Group's home country is Spain and its core business areas in which it operates are essentially local market, European, Mexican and Asian.

At March 31, 2019 there are no commercial customers representing a percentage higher than 10% of the turnover of the Group.

**22. Subsequent Events**

On July 18, 2019, the Group has signed the novation of the syndicated loan (Note 13), modifying the financial ratios and extending the repayment period until July 2024.

In addition to the novation of the contract stated in Note 13, on July 17, 2019 the shareholders of the Group have done a capital contribution of EUR 20.000.000; which have been used to reduce the debt related to the syndicated loan.

*There has been no other important event after the closing date of these Consolidated Annual Financial Statements for special use of financial institutions affecting the economic and financial position of the Group that is not part of normal activity and that has not been included in these financial statements.*

**23. Audit**

The fees incurred in 2019 for the services of auditing amounted to EUR 538.288 and other assurance services, amounted to EUR 11.346. The fees incurred in 2018 for the services of auditing amounted to EUR 573.443 and other assurance services, amounted to EUR 10.450.

**24. Environmental Protection and safety in the workplace**

The Group has taken appropriate action in relation to the protection and improvement of the environment and minimizing, if any, of environmental impact and complies with applicable legislation. During the year the Group made no environmental investments and also has not been considered necessary to record any provisions for liabilities and charges as the absence of environmental contingencies relating to environmental protection and improvement.

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**PJL Investments B.V.**  
**Company Balance Sheet at 31<sup>st</sup> March, 2019 and 2018**  
**(in Euros)**

<b>ASSETS</b>	<b>Note</b>	<b>At 31 March 2019</b>	<b>At 31 March 2018</b>
<b>NON CURRENT ASSETS</b>		<b>339.908.836</b>	<b>486.198.124</b>
Long term investments Group Companies	1	339.908.836	486.198.124
Long term investments Group Companies		339.908.836	486.198.124
<b>CURRENT ASSETS</b>		<b>2.293.198</b>	<b>29.180</b>
Amounts due from Group Companies	2	2.287.908	-
		5.290	29.180
Cash and other cash equivalents		5.290	29.180
<b>TOTAL ASSETS</b>		<b>342.202.034</b>	<b>486.227.304</b>

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**PJL Investments B.V.**  
**Company Balance Sheet at 31<sup>st</sup> March, 2019 and 2018**  
**(in Euros)**

<b>NET EQUITY AND LIABILITIES</b>	<b>Note</b>	<b>At 31 March 2019</b>	<b>At 31 March 2018</b>
<b>NET EQUITY</b>		<b>342.148.510</b>	<b>485.526.572</b>
<b>Equity</b>		<b>357.450.023</b>	<b>481.286.148</b>
Capital	4	540.250.000	515.250.000
Reserves		(33.963.852)	(20.281.078)
Profit for the year attributed to the parent company		(148.836.125)	(13.682.774)
<b>Value adjustments</b>		<b>(15.301.513)</b>	<b>(17.759.576)</b>
Translation differences in consolidated companies		(15.301.513)	(17.759.576)
<b>Other shareholder contributions</b>		<b>-</b>	<b>22.000.000</b>
<b>NON-CURRENT LIABILITIES</b>		<b>-</b>	<b>619.241</b>
<b>Long-term payables Group Companies</b>		<b>-</b>	<b>619.241</b>
Long-term payables Group Companies		-	619.241
<b>CURRENT LIABILITIES</b>		<b>53.524</b>	<b>81.491</b>
<b>Trade and other payables</b>	3	<b>50.524</b>	<b>71.870</b>
Sundry payables		50.524	71.870
<b>Trade and other payables Group Companies</b>	3	<b>3.000</b>	<b>9.621</b>
Sundry payables Group Companies		-	6.621
Sundry payables Associated Companies		3.000	3.000
<b>TOTAL LIABILITIES</b>		<b>342.202.034</b>	<b>486.227.304</b>

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**PJL Investments B.V.**  
**Company Profit and Loss account for the year ended 31<sup>st</sup> March, 2019 and 2018**  
**(in Euros)**

	Nota	At 31 March 2019	At 31 March 2018
<b>CONTINUED OPERATIONS</b>			
<b>Net Turnover</b>			
Sales		-	-
Services rendered		-	-
<b>Supplies</b>		-	-
Consumption of goods for resale		-	-
Consumption of raw materials and other consumables		-	-
Impairment of goods for resale and other supplies		-	-
<b>Other operating income</b>		-	-
Ancillary and other operating income		-	-
<b>Staff costs</b>		-	-
Wages, salaries, and the like		-	-
Social welfare expenses		-	-
Other social welfare expenses		-	-
<b>Other operating expenses</b>		(21.869)	(62.967)
External services	5	(21.869)	(62.967)
Local taxes		-	-
Loss, impairment and variation in trade provisions		-	-
<b>Amortization and depreciation</b>		-	-
<b>Release of non-financial fixed assets 1grants and others</b>		-	-
<b>Impairment and results of disposals of fixed assets</b>		-	-
<b>NET OPERATING PROFIT</b>		(21.869)	(62.967)
<b>Fair Value Financial Investments</b>	6	(148.825.394)	(13.591.697)
<b>Financial expenses</b>	6	11.138	(25.237)
<b>Exchange differences</b>		-	-
<b>NET FINANCIAL INCOME</b>	6	(148.814.256)	(13.616.934)
<b>PROFIT BEFORE TAX</b>		(148.836.125)	(13.679.900)
<b>Corporate income tax</b>		-	(2.874)
<b>PROFIT (LOSS) FOR THE YEAR</b>		(148.836.125)	(13.682.774)
<b>Profit attributed to the parent company</b>		(148.836.125)	(13.682.774)

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(in Euros)

**C) STATEMENT OF TOTAL CHANGES IN NET EQUITY (In Euros)**

	Authorized share capital	Reserves	Other shareholder contributions	Profit for the year attributed to the Parent Company	Translation difference	TOTAL
Closing Balance, March 31, 2017	515.250.000	(7.158.848)		(13.122.230)	(10.287.157)	484.681.765
Total recognized income and expenses 2017/2018	-			(13.682.774)	-	(13.682.774)
Other variations in net equity Closing Balance, March 31, 2018	-	(13.122.230)	22.000.000	13.122.230	(7.472.419)	14.527.581
	515.250.000	(20.281.078)	22.000.000	(13.682.774)	(17.759.576)	485.526.572
Total recognized income and expenses 2018/2019	-			(148.836.125)	-	(148.836.125)
Capital contribution	25.000.000		(22.000.000)			3.000.000
Other variations in net equity Closing Balance, March 31, 2019	-	(13.682.774)	-	13.682.774	2.458.063	2.458.063
	540.250.000	(33.963.852)	-	(148.836.125)	(15.301.513)	342.148.510

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**PJL Investments B.V.**  
Annual Accounts at 31<sup>st</sup> March, 2019 and 2018  
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\* Cash flow has been calculated using the indirect method.

		At 31 March, 2019	At 31 March, 2018
<b>A) CASH FLOWS FROM OPERATIONS</b>			
1. Profit for the year before tax		(148.836.125)	(13.682.774)
2. Adjustments to profit and loss		148.836.125	13.682.774
a) Amortization and depreciation (+)			
b) Provisions for impairment (+/-)	1/6	148.825.394	13.591.697
c) Provisions variation (+/-)			
d) Release of grants (-)			
e) Results of disposals and sales of fixed assets			
f) Expenses not paid		21.869	65.840
g) Financial expenses/income (+/-)	6	-11.138	25.237
3. Changes in working capital		(173.890)	20.555
a) Inventories (+/-)			
b) Debtors and other receivables (+/-)			
c) Other current assets (+/-)			
d) Creditors and other payables (+/-)	3	(121.256)	(166.505)
e) Other current liabilities (+/-)		(52.634)	187.060
4. Other cash flows from operations			
a) Interest paid (-)	6		
b) Interest received (+)			
c) Receipts (payments) of corporate income tax (+/-)			
5. Cash flows from operations (+/-1+/-2+/-3+/-4)			
<b>B) CASH FLOWS FROM INVESTMENTS</b>			
6. Investment payments (-)		(2.850.000)	(22.000.000)
a) Related company and associates	1	(2.850.000)	(22.000.000)
b) Intangible assets			
c) Property, plant and equipment			
d) Other financial assets			
e) Business unit			
7. Receipts from divestments (+)			
a) Related company and associates	3		
b) Intangible assets			
c) Property, plant and equipment			
d) Other financial assets			
e) Business unit			
8. Cash flows from investment (7-6)			
<b>C) CASH FLOWS FROM FINANCING</b>			
9. Receipts and payments for equity instruments		3.000.000	22.000.000
a) Issuance of Equity instruments	1	3.000.000	22.000.000
b) Equity instruments acquisition (-)			
c) Changes in fair value of Parent Group Company own equity (+)			
d) Acquisition of external partners shares (-)			
e) Subsidies, gifts and legacies (+)			
10. Receipts and payments for financial liability instruments			
a) Issue:			
1. Bank loans (+)			
2. Debt with related companies (+)			
b) Repayment and redemption of:			
1. Bank loans (-)			
2. Debt with related companies (-)			
11. Payment of dividends and remuneration of other equity instruments			
1. Dividends			
12. Cash flows from financing (+/-9+/-10-11)			
13. Exchange rate impact			
<b>E) NET INCREASE / DECREASE IN CASH OR CASH EQUIVALENTS     (+/-5+/-8+/-12+/-D)</b>		(23.890)	20.555
Cash or cash equivalents at the beginning of the year		29.180	8.625

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(in Euros)

Cash or cash equivalents at the year end	5.290	29.180
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**1. Long-term financial investments**

The movement of financial assets during the year 2019 is as follows:

	31 <sup>st</sup> March 2019	31 <sup>st</sup> March 2018
Opening balance	486.198.124	485.249.284
Additions	78.041	22.012.956
Disposals	-	-
Share in results of subsidiaries	(148.825.394)	(13.591.697)
Currency Translation Adjustment	2.458.065	(7.472.419)
Net asset value at 31 March	339.908.836	486.198.124

On March 28<sup>TH</sup> 2018, PJL Investments B.V, only shareholder of Pepe Jeans Group S.L.U, according to Article 15 of Spanish Corporation Law, made a contribution without consideration by an amount of EUR 22.000.000 to increase the Company's reserves.

The additions also show 78.041 € of Façonnable legal fees related the transaction done by PJL Investment B.V during the previous fiscal year.

Share in results corresponds to PJ Group S.L.U consolidated negative results. Mainly affected by the depreciation of the Goodwill from Pepe Jeans Group, for a total amount of 26.051.511 euros, plus impairment Goodwill adjustment from Pepe Jeans Group for a total amount of 117.317.389, plus depreciation of the Goodwill from Façonnable Group for a total amount of 871.596 euros that arose during the business combination process that took place during this fiscal year.

The currency translation adjustment relates principally to the revaluation of the Company's investments in PJ Group S.L.U, basically coming from the conversion of companies of the group, Hackett Ltd (primarily affected by the GBP :Euro evolution) and Pepe Jeans India Ltd (devaluation of the Rupee vs. Euro).

**2. Amounts due from Group Companies**

The balance at 31 March, 2019 is EUR 2.287.908. This balance corresponds is receivable to PJGroup S.L.U.

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**3. Current Liabilities**

**Short-term Debits & Payables**

The balance at 31<sup>st</sup> March, 2019 is EUR 50.524 (2018 is EUR 71.871)

	As of 31st of March 2019	As of 31st of March 2018
<b>Short-term debits and payables:</b>		
Other creditors	50.524	71.871

**Short-term Debits & Payables Group Companies**

	As of 31st of March 2019	As of 31st of March 2018
<b>Short-term debits and payables:</b>		
Other creditors Group Companies	-	6.621
Other creditors Associated Companies	3.000	3.000
	<b>3.000</b>	<b>9.621</b>

**4. Equity and Share Capital**

After the non-monetary capital increase of PJL Investment BV November 2016, where Façonnable S.A.S and Façonnable Holding S.A.S became part of the Group, the distribution of the shareholders' participation is as follows:

Capital distribution at March 31, 2019 is as follows:

<b>Shareholder March 2019</b>	<b>Euros</b>	<b>Percentage of shares (%)</b>
PJL Group B.V	65.000.000	12,03%
Pepe Holding Netherland B.V	39.911.723	7,39%
M1 Fashion Investment Limited.	241.833.534	44,76%
Great World denim Pte. Ltd	182.000.000	33,69%
Blue Pairs Pte Ltd	9.156.147	1,70%
Carlos Ortega	2.077.997	0,38%
Javier Raventós	270.599	0,05%
<b>TOTAL</b>	<b>540.250.000</b>	<b>100%</b>

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<b>Shareholder March 2018</b>	<b>Euros</b>	<b>Percentage of shares (%)</b>
PJL Group B.V	65.000.000	12,61%
Pepe Holding Nederland B.V	38.000.000	7,38%
M1 Fashion Investment Limited.	230.250.000	44,69%
Great World denim Pte. Ltd	182.000.000	35,32%
<b>TOTAL</b>	<b>515.250.000</b>	<b>100%</b>

**5. Income and Expenses**

The breakdown of external services at year-end is as follows:

	<b>At March 31, 2019</b>	<b>At March 31, 2018</b>
Independent professional services	21.869	62.967
	<b>21.869</b>	<b>62.967</b>

**6. Net Financial Income and expenses**

	<b>At March 31, 2019</b>	<b>At March 31, 2018</b>
<b>Fair Value Financial Investments:</b>		
Fair Value Financial Investments	(148.825.394)	(13.591.697)
	<b>(148.825.394)</b>	<b>(13.591.697)</b>
<b>Financial expenses:</b>		
Interest on loans to credit institutions and other concepts	11.138	
	<b>11.138</b>	<b>(25.237)</b>
<b>Net Financial Income</b>	<b>(148.814.256)</b>	<b>(13.616.934)</b>

**7. Other Operations with Related Parties**

The outstanding balances with related parties in the short term include the balance payable to 1.350 euros to L Capital Singapore PTE Ltd and 1.650 euros to M1 Fashion Investments Limited.

**8. Audit fees**

The audit fees for the company are EUR 20.320 in 2019 (EUR 19.750 in 2018)

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**PJL Investment B.V.**  
Board of Directors

SIGNED:

Mr. Maher Mohammad Najib Mikati

Mr. Moustapha El Solh

Mr. Joe Wadih Issa-El-Khoury

Mr. Ravinder Singh Thakran

Mr. Sanjay Gujral

Shantanu Mukerji

Mr. Harry Markl

Mr. Carlos Vicente Ortega Cedrón

P.J.L Group B.V. represented by

Mr. Javier Raventós Negra and

Mr. Vicente Castellano Ortega

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**RSM Netherlands Accountants N.V.**

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## **INDEPENDENT AUDITOR'S REPORT**

To: The shareholders of PJL Investments B.V.

**A. Report on the audit of the financial statements for the year ended 31 March 2019 included in the annual report**

### **Our opinion**

We have audited the financial statements for the year ended 31 March 2019 of PJL Investments B.V., based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of PJL Investments B.V. as at 31 March 2019, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 March 2019;
2. the consolidated and company profit and loss account for the year then ended; and
3. the notes comprising a summary of the accounting policies and other explanatory information.

### **Basis for our opinion**

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of PJL Investments B.V. in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (VIO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

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

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

- The director's report;
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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

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

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

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

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

## **C. Description of responsibilities regarding the financial statements**

### **Responsibilities of management for the financial statements**

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

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

Management should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

### **Our responsibilities for the audit of the financial statements**

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

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

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

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

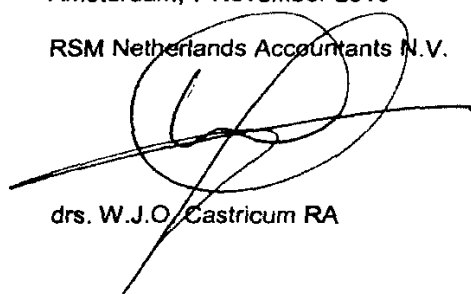
- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

Amsterdam, 7 November 2019

RSM Netherlands Accountants N.V.

A large, stylized handwritten signature in black ink is written over the text 'RSM Netherlands Accountants N.V.' and 'drs. W.J.O. Castricum RA'. The signature is a cursive script that loops around the text.

drs. W.J.O. Castricum RA