TIME INTERNATIONAL (SPORT) LIMITED

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C 32438

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2019.

Principal activities

The company is involved in the importation and distribution of branded consumer products. The company also operates its own retail outlets.

Review of business

During the year under review the company generated a gross profit of €4,254,615 (2018: €4,242,774) on turnover of €20,490,455 (2018: €20,288,625). After deducting operating and administrative expenses of €4,094,022 (2018: €3,847,835), and taking into account other operating income, the company reported an operating profit of €190,355 (2018: €470,863). At 31 December 2019, the company's current assets exceeded its current liabilities by €1,450,236 (2018: €2,658,893).

Details of significant events since the balance sheet dates are contained in Note 26 to the financial statements.

Results and dividends

The statement of comprehensive income is set out on page 11. The directors declared a dividend of €125,000 (2018: €125,000) during the year and propose that the balance of retained earnings amounting to €2,971,794 (2018: €3,134,434) be carried forward to the next financial year.

Key performance indicators

Financial key performance indicators

The company is proceeding with its expansionary strategy with an emphasis on growing revenue and building a structure that can sustain significant growth with a longer-term vision for the improvement in shareholders' value. The key financial performance indicator used by the board during the year related to revenue growth.

	2019	2018
Revenue growth	1%	17%

Non-financial key performance indicators

Non-financial performance is monitored at Hudson Group level. During the year, the board has further strengthened its governance and controls through new procedures and implemented personal development plans across the Group to ensure that its employees are aligned to the Group's overall goals.

Significant risks and uncertainty

The company's principal risks include financial risks as disclosed in Note 2 to these financial statements, obsolescence of inventories, loss of market share as a result of other participants entering the market and negative developments in the economic or political environment.

Directors' report - continued

The impact of COVID-19

Due to the interdependencies between the entities forming the Hudson Malta p.l.c. Group and other entities within the Hudson Holdings Limited Group, management is addressing the impact of COVID-19 at Hudson Holding Limited Group (referred to as the 'Hudson Group') level. As such the impact of COVID-19 being addressed herein is from the Hudson Group perspective.

The global community has been facing an extraordinary and impactful crisis since the beginning of 2020 with the emergence of the COVID-19 pandemic. As a consequence of this pandemic and the various measures implemented by governments to halt the spread of the pandemic, Hudson Group's business operations have been adversely affected. The pandemic has impacted the Group's revenue streams, the international supply chain and the way the Hudson Group does business in general.

Hudson Group created a COVID-19 Task Force with key people from the organization, with different skill-sets in order to be able to effectively lead and direct the Group through this pandemic. The main aim was to immediately assess and address the challenges the pandemic represented to business continuity, workforce, customers, technology, supply chain and business partners. Priority was given to the short-term cash management challenges, the immediate reduction of expenditure, including planned capital expenditure.

Furthermore, management has evaluated the impact COVID-19 is expected to have on Hudson Group projected results and cashflows for 2020 and such evaluations are being revised on a regular basis to take into account developments as they arise.

The revised cashflow projections for 2020, taking into account measures being taken and assuming different scenarios, shows that the Hudson Group has sufficient liquidity to meet its financial obligations as and when they fall due. It is the directors intention that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies within the Hudson Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Hudson Group is currently expected to experience a year-on-year decline in turnover and is projecting a loss for the forthcoming financial year as a result of the impact of COVID-19.

Management has identified key areas where the Group will be most impacted. The below is a high-level analysis on the impact and the safety measures taken to protect the solvency position of the Group until the crisis is over.

Retail & e-commerce

Hudson Group operates more than 50 retail stores in Malta, Italy, Spain, Morocco and Algeria which had all shut their doors by the third week of March in line with respective territory government instructions.

Operations in Malta and Italy resumed in May 2020, whereas Spain, Morocco and Algeria resumed in June 2020. However, the retail trade is not expected to reach pre COVID-19 levels in 2020.

Directors' report - continued

Hudson Group already operated eCommerce prior to Covid-19 through two websites which continued operating with limited restrictions during the period when retail stores were closed. Following the closure of the Malta based stores the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs. In Africa Hudson Group managed to make products available on 3rd party marketplace websites.

Wholesale

Hudson Group is also involved in the wholesale of branded sportswear goods in Malta, Italy, Spain and a number of countries in Africa, primarily of NIKE for which the Group has the exclusive distributorship for a large number of countries in Africa. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of client stores. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

Costs

Initiatives to reduce costs were taken across the Hudson Group, in particular:

- Reducing direct and indirect costs ;
- Payroll costs have been reduced through government support, less overtime and reduced working hours;
- Negotiating downward lease costs in relation to real estate (retail stores, offices, warehouses).

Cash flow

The Group has taken measures to safeguard its cashflow position and ensure it can meet its obligations despite the downturn in revenues. The current and projected liquidity of the Group has been analysed in detail and an assessment has been made to cater for any changes in working capital especially given the high dependency on cash for inventory, property rentals and payroll.

The following initiatives have been taken to protect the short-term cash flow and the knock-on effect on the longer term cash position of the Group:

- Retail investments projected for 2020 have been postponed and any pending orders in relation to these investments have been cancelled. The Group continued solely with two major infrastructure projects that it believes are vital for its continued growth post COVID-19 and for which finance was already in place
- Obtained extended payment terms from key suppliers.
- Cancelled stock orders (where possible) for retail and for wholesale business.
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking.
- Obtaining moratoria on repayment of loan facilities with its bankers and temporary increase of its overdraft facilities to ensure adequate working capital headroom. The Group has also applied for additional bank financing to further strengthen its long-term liquidity position.

The directors consider the outbreak and impact of COVID-19 to be a non-adjusting post-balance sheet event.

Future developments

As a significant operator in the Maltese retail industry, the company will continue to expand and diversify its retail operations and is actively pursuing such options.

Directors' report - continued

Directors

The directors of the company who held office during the period were:

Alfred Borg
Kevin Grech
Felice Ilacqua

The company's Articles of Association do not require the directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Time International (Sport) Limited for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and will be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Alfred Borg
Director

Kevin Grech
Director

Registered office:
Hudson House,
Burmarrad Road,
Burmarrad,
St. Paul's Bay, SPB 9060
Malta

24 June 2020

Independent auditor's report

To the Shareholders of Time International (Sport) Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Time International (Sport) Limited's financial statements give a true and fair view of the Company's financial position as at 31 December 2019, and of the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Time International (Sport) Limited's financial statements, set out on pages 10 to 43, comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report - *continued*

To the Shareholders of Time International (Sport) Limited

Emphasis of matter

We draw attention to Note 26 to these financial statements that explains the impact of COVID-19 on the Group's operations and financial performance subsequent to the end of the reporting period. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Company's trade customers, and suppliers, and the disruption to their business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Independent auditor's report - *continued*

To the Shareholders of Time International (Sport) Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

24 June 2020

Statement of financial position

	Notes	As at 31 December 2019 €	2018 €
ASSETS			
Non-current assets			
Intangible assets	4	**1,204,490**	1,206,753
Property, plant and equipment	5	**1,643,543**	1,287,679
Right-of-use assets	6	**8,250,074**	-
Deferred tax asset	7	**201,773**	116,253
Total non-current assets		**11,299,880**	2,610,685
Current assets			
Inventories	8	**2,350,941**	2,411,820
Trade and other receivables	9	**6,645,724**	6,208,524
Cash and cash equivalents	10	**746,214**	800,021
Total current assets		**9,742,879**	9,420,365
Total assets		**21,042,759**	12,031,050
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	**75,332**	75,332
Share premium		**79,812**	79,812
Retained earnings		**2,971,794**	3,134,434
Total equity		**3,126,938**	3,289,578
Non-current liabilities			
Borrowings	14	**1,980,000**	1,980,000
Lease liabilities	13	**7,643,178**	-
Total non-current liabilities		**9,623,178**	1,980,000
Current liabilities			
Trade and other payables	12	**7,575,969**	6,532,483
Borrowings	14	**276,021**	130,296
Current tax liabilities		**5,760**	98,693
Lease liabilities	13	**434,893**	-
Total current liabilities		**8,292,643**	6,761,472
Total liabilities		**17,915,821**	8,741,472
Total equity and liabilities		**21,042,759**	12,031,050

The notes on pages 14 to 43 are an integral part of these financial statements.

The financial statements on pages 10 to 43 were authorised for issue by the Board on 24 June 2020 and were signed on its behalf by:

Alfred Borg
Director

Kevin Grech
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2019 €	2018 €
Revenue	15	**20,490,455**	20,288,625
Cost of sales	16	**(16,235,840)**	(16,045,851)
Gross profit		**4,254,615**	4,242,774
Operating and administrative expenses	16	**(4,094,022)**	(3,847,835)
Other income	17	**29,762**	75,924
Operating profit		**190,355**	470,863
Finance income	19	**121,588**	4,034
Finance costs	20	**(361,561)**	(162,319)
(Loss)/profit before tax		**(49,618)**	312,578
Tax income/(expense)	21	**11,978**	(124,365)
(Loss)/profit for the year - total comprehensive income		**(37,640)**	188,213

The notes on pages 14 to 43 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Share premium €	Retained earnings €	Total €
Balance 1 January 2018		75,332	79,812	3,071,221	3,226,365
Comprehensive income					
Profit for the year				188,213	188,213
Transactions with Owners					
Dividends	23			(125,000)	(125,000)
Balance at 31 December 2018		**75,332**	**79,812**	**3,134,434**	**3,289,578**
Balance 1 January 2019		75,332	79,812	3,134,434	3,289,578
Comprehensive income					
Loss for the year				(37,640)	(37,640)
Transactions with Owners					
Dividends	23			(125,000)	(125,000)
Balance at 31 December 2019		**75,332**	**79,812**	**2,971,794**	**3,126,938**

The notes on pages 14 to 43 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2019 €	2018 €
Cash flows from operating activities			
Cash generated from operations	22	**1,930,000**	646,789
Interest paid	20	**(361,560)**	(162,319)
Interest received	19	**121,588**	4,034
Income tax paid		**(166,475)**	151,491
Net cash generated from operating activities		**1,523,553**	639,995
Cash flows used in investing activities			
Purchases of property, plant and equipment	5	**(723,406)**	(516,894)
Net cash used in investing activities		**(723,406)**	(516,894)
Cash flows (used in)/ generated from financing activities			
Proceeds from drawdowns on borrowings		**-**	1,980,000
Dividends paid		**(125,000)**	-
Principal elements of lease repayments		**(874,679)**	-
Movement in bank borrowings	14	**-**	(603,588)
Net cash (used in)/generated from financing activities		**(999,679)**	1,376,412
Net movement in cash and cash equivalents		**(199,532)**	1,499,513
Cash and cash equivalents at the beginning of the year		**669,725**	(829,788)
Cash and cash equivalents at end of year	10	**470,193**	669,725

The notes on pages 14 to 43 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386) and in accordance with the requirements of the said Act.

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

On the basis of the projections prepared by management following the outbreak of COVID-19, as described in Note 26, the directors believe that there is no material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and accordingly continue to adopt the going concern assumption in the preparation of the financial statements. Accordingly, the financial statements have been prepared under the historical cost convention.

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Company's accounting policies impacting the financial performance and position. The Company had to change its accounting policies and make retrospective adjustments as a result of adopting IFRS 16, 'Leases', but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of the adoption of this standard disclosed below.

The Company has adopted IFRS 16 retrospectively from 1 January 2019 but has not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 1.18.

(a) The Company's leasing activities

The Company leases various properties. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options

Extension and termination options are included in the majority of property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019

On adoption of IFRS 16, the Company recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.00%.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

- right-of-use assets – increase by €7,446,246
- lease liabilities – increase by €7,446,246

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The recognised right-of-use assets relate to the following types of assets:

Measurement of lease liabilities

	As at 1 January 2019 €
Operating lease commitments disclosed as at 31 December 2018	9,007,019
Add: adjustments as a result of different treatment of extensions	602,514
Discounted using the incremental borrowing rate at the date of initial application	(2,163,287)
Lease liabilities recognised as at 1 January 2019	**7,446,246**
Of which are:	
Current lease liabilities	471,955
Non-current lease liabilities	6,974,291
	7,446,246

Practical expedients applied

In applying IFRS 16 for the first time, the Company has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(c) Amounts recognised in profit and loss

The income statement reflects the following amounts relating to leases:

	2019 **€**
Depreciation charge of right-of-use assets	702,676
Interest expense (included in finance cost)	195,607
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	82,433
	980,716

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

Operating lease charges to be reflected within profit and loss, utilising the accounting principles of IAS 17 Leases had IFRS 16 not been adopted, during the period from 1 January 2019 to 31 December 2019 would have amounted to €749,234. Hence, EBITDA for the year ended 31 December 2019 has been impacted favourably by an amount of €749,234 in view of the adoption of the requirements of IFRS 16.

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2019. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

1. Summary of significant accounting policies - continued

1.3 Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

Property, plant and equipment, is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful life as follows:

	%
Improvement to premises	10
Motor vehicles	20
Furniture, fixtures and other equipment	10 - 25

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other operating income' in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.5).

1.5 Impairment of non-financial assets

Assets that have an indefinite useful life, for example intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.6 Financial assets

1.6.1 Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and

- those to be measured at amortised cost.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.6.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits the purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially sll the risks and rewards of ownership.

1.6.3 Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not a fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial assets. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised Cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

1. Summary of significant accounting policies - continued

1.6 Financial assets – continued

1.6.3 Measurement – continued

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movement in the carrying amount are taken through OCI, except for the recognition of impairment gain or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net with other gains/(losses)in the period in which it arises.

1.6.4 Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to be incurred in marketing, selling and distribution.

1.8 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1. Summary of significant accounting policies - continued

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. which are not at fair value through profit or loss. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These financial liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Redeemable preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

1.13 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1. Summary of significant accounting policies - continued

1.15 Provisions

Provisions for legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.17 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is recognised upon delivery of products or performance of services, and is stated net of sales tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

1. **Summary of significant accounting policies** - continued

1.17 Revenue recognition - continued

(a) Sales of goods - wholesale

The company sells a range of branded consumer products in the wholesale market. Sales of goods are recognised when the company has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of goods - retail

The company operates a number of retail outlets for selling branded consumer products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(c) Interest income

Interest income is recognised for all interest-bearing instruments, using the effective interest method, unless collectability is in doubt.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.18 Leases

(a) The company is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Company has changed its accounting policy for leases where the Company is the lessee. The impact of the change is described in Note 1.1.

Until 31 December 2018, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Company.

1. Summary of significant accounting policies - continued

1.18 Leases - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 5% to 20% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Company, where there is no third party financing; and
- makes adjustments specific to the lease, for example term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

1. **Summary of significant accounting policies** - continued

1.18 Leases - continued

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate);
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1.19 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. The Company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance. The board of directors provides principles for overall Company risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Company did not make use of derivative financial instruments to hedge certain risk exposure ensuring the current and preceding financial years.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the Company's purchases and its revenues are denominated in Great Britain Pound (GBP) and United States Dollar (USD).

The Company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Company's interest principally arises from inter-group borrowings (Note 14) and related party balances (Notes 9 and 12) which have fixed rates of interest. In this respect, the Company is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, including outstanding receivables and, from the Company's perspective, intra-group balances. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

The maximum exposure to credit risk at the reporting date was:

	2019	2018
	€	€
Loans and receivables category:		
Trade and other receivables (Note 9)	**6,501,407**	5,828,728
Cash and cash equivalents (Note 10)	**746,214**	800,021
	7,247,621	6,628,749

The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and deferred expenditure.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Trade and other receivables (including contract assets)

The Company assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Company's standard payment and service delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available. The Company monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable.

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters.

Impairment of trade and other receivables (including contract assets)

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The individually credit impaired trade receivables mainly relate to independent customers which are in unexpectedly difficult economic situations mostly due to geopolitical issues, and which are accordingly not meeting repayment obligations. In this respect, the Company has recognised specific impairment provisions during the current financial year, against credit impaired individual exposures which have demonstrated objective evidence of being impaired.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk – continued

The closing loss allowances for trade receivables at amortised cost as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019	2018
	€	€
Trade receivables		
Balance at 1 January	**167,981**	59,414
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(11,278)**	108,567
Balance at 31 December	**156,703**	167,981

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Other financial assets at amortised cost

The Company's other financial assets at amortised cost include loans due from group and related undertakings. The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

As at year-end, based on the directors' assessments of these factors and the equity position of the respective counterparty, the resulting impairment charge was €53,136 (2018: €53,472).

The closing loss allowances for the Company's financial assets at amortised cost as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019	2018
	€	€
Other financial assets		
Balance at 1 January	**53,472**	64,185
Decrease in loss allowance recognised in profit or loss during the year	**(336)**	(10,713)
Balance at 31 December	**53,136**	53,472

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 14) and trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the company's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs.

The table below analyses the company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount	Contractual Cashflows	Less than 1 year	Between 1 and 5 years	More than 5 years
	€	€	€	€	€
At 31 December 2019					
Lease liabilities	8,078,071	11,474,817	757,821	1,083,732	9,633,265
Loans from immediate Parent	1,980,000	2,851,200	108,900	435,600	2,306,700
Bank overdraft	276,021	276,021	276,021	-	-
Trade and other payables	7,575,949	7,575,949	7,575,949	-	-
	17,910,041	**21,177,987**	**8,718,691**	**1,519,332**	**11,939,965**
At 31 December 2018					
Loans from immediate Parent	1,980,000	2,851,200	108,900	435,600	2,306,700
Bank overdraft	130,296	130,296	130,296	-	-
Trade and other payables	6,532,483	6,532,483	6,532,483	-	-
	8,642,779	**9,513,979**	**6,771,679**	**435,600**	**2,306,700**

2. Financial risk management - continued

2.2 Capital risk management - continued

The company's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains the level of capital by reference to its financial obligations and commitments arising from operations and requirements. In view of the nature of the company's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Intangible assets

	Goodwill €	Trademarks €	Total €
At 1 January 2018	1,065,688	141,065	1,206,753
At 31 December 2018	1,065,688	141,065	1,206,753
At 1 January 2019	1,065,688	141,065	1,206,753
Amortisation	-	(2,263)	(2,263)
At 31 December 2019	**1,065,688**	**138,802**	**1,204,490**

5. Property, plant and equipment

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
At 1 January 2018				
Cost	298,762	57,697	1,735,372	2,091,831
Accumulated depreciation	(176,235)	(43,343)	(808,412)	(1,027,990)
Net book amount	122,527	14,354	926,960	1,063,841
Year ended 31 December 2018				
Opening net book amount	122,527	14,354	926,960	1,063,841
Additions	84,105	-	432,789	516,894
Disposals	-	-	(46,252)	(46,252)
Depreciation charge	(30,363)	(9,755)	(232,123)	(272,241)
Depreciation released on disposals	-	-	25,437	25,437
Closing net book amount	176,269	4,599	1,106,811	1,287,679
At 31 December 2018				
Cost	382,867	57,697	2,121,909	2,562,473
Accumulated depreciation	(206,598)	(53,098)	(1,015,098)	(1,274,794)
Net book amount	176,269	4,599	1,106,811	1,287,679
Year ended 31 December 2019				
Opening net book amount	176,269	4,599	1,106,811	1,287,679
Additions	27,546	-	695,860	723,406
Disposals	(92,169)		(41,382)	(133,551)
Depreciation charge	(22,867)	(3,154)	(287,475)	(313,496)
Depreciation released on Disposals	71,304	-	8,201	79,505
Closing net book amount	**160,083**	**1,445**	**1,482,015**	**1,643,543**
At 31 December 2019				
Cost	318,244	57,697	2,776,387	3,152,328
Accumulated depreciation	(158,161)	(56,252)	(1,294,372)	(1,508,785)
Net book amount	**160,083**	**1,445**	**1,482,015**	**1,643,543**

6. Right-of-use assets

	Property Leases €	Total €
Year ended 31 December 2019		
Impact on adoption of IFRS 16	7,446,246	7,446,246
Additions	1,506,504	1,506,504
Amortisation charge	(702,676)	(702,676)
Closing net book amount	**8,250,074**	**8,250,074**

The statement of profit or loss shows the following amounts relating to leases:

	2019 €
Depreciation charge of right-of-use assets	702,676
Interest expense (included in finance cost)	195,607
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	82,433
	980,716

7. Deferred taxation

	2019 €	2018 €
At beginning of year	**116,253**	77,715
Credited to the income statement (Note 21)	**85,520**	38,538
At end of year	**201,773**	116,253

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2018: 35%).

The balance at 31 December represents temporary differences on:

	2019 €	2018 €
Depreciation of property, plant and equipment	**76,161**	38,744
Depreciation of right-of-use assets	**52,169**	-
Provision for trade and other receivables	**73,443**	77,509
	201,773	116,253

8. Inventories

	2019 €	2018 €
Goods held for re-sale	**2,350,941**	2,411,820

9. Trade and other receivables

	2019 €	2018 €
Trade receivables	**2,620,420**	3,354,035
Less: Provisions for impairment	**(156,703)**	(167,981)
Trade receivables – net	**2,463,717**	3,186,054
Amounts owed by fellow subsidiaries (net of provisions)	**3,897,809**	2,492,713
Other receivables	**139,901**	149,961
Prepayments	**144,297**	379,796
	6,645,724	6,208,524

Amounts owed by fellow subsidiaries bear interest at 4.00% (2018: 4.95%) per annum. Amounts owed by fellow subsidiaries are stated at net of a credit loss allowance as per IFRS 9 of €53,136 (2018: €53,472).

10. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2019 €	2018 €
Cash at bank and in hand	**746,214**	800,021
Bank overdrafts (Note 14)	**(276,021)**	(130,296)
	470,193	669,725

11. Share capital

	2019 €	2018 €
Authorised		
35,300 ordinary shares of €2.329373 each	**82,227**	82,227
1,000 redeemable cumulative preference shares of €2.329373 each	**2,329**	2,329
	84,556	84,556
Issued and fully paid		
31,340 ordinary shares of €2.329373 each	**75,332**	75,332
	75,332	75,332

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividend payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are cumulative.

12. Trade and other payables

	2019 €	2018 €
Trade payables	**4,747,530**	4,432,216
Amounts owed to immediate parent	-	61,625
Amounts owed to ultimate parent	**110,926**	206,199
Amounts owed to fellow subsidiaries	**2,076,272**	1,307,980
Amounts owed to related party	**3,853**	3,853
Indirect taxation	**435,824**	348,725
Other payables	**18,778**	9,185
Accruals	**182,786**	162,700
	7,575,969	6,532,483

Amounts owed to fellow subsidiaries and ultimate parent are unsecured, bear interest at 4.00% (2018: 4.95%) per annum and are repayable on demand.

13. Lease liability

	2019
	€
1 January 2019 – impact on adoption of IFRS 16	**7,446,246**
Additions	**1,506,504**
Interest charges	**195,606**
Payments	**(1,070,285)**
As at 31 December 2019	**8,078,071**
Non-current	**7,643,178**
Current	**434,893**
Total lease liabilities	**8,078,071**

Included in the lease liabilities for properties are amounts of €3,613,316 (1 January 2019: €3,915,071) which are attributable arrangements with a related party, of which €3,225,752 (1 January 2019: €3,566,107) are non-current amounts.

Most extension options in property leases have been included in the lease liability.

14. Borrowings

	2019	2018
	€	€
Non-current		
Loans owed to immediate parent	**1,980,000**	1,980,000
Current		
Bank overdraft (Note 10)	**276,021**	130,296
Total borrowings	**2,256,021**	2,110,296

Loans from immediate parent are secured by the Company's and its fellow subsidiary's assets, bear interest at 5.5% and are repayable by 2026.

The Company's bank facilities are in Note 25. Interest on the overdraft facility is charged at floating interest rates averaging 4.85% (2018: 4.95%). The bank loans bear interest at the floating interest rate of 4.95% per annum (2018: 4.85% per annum).

15. Revenue

	2019 €	2018 €
Retail	**8,855,801**	7,431,086
Wholesale	**11,634,654**	12,857,539
	20,490,455	20,288,625

Revenue represents the amounts receivable for goods sold during the year, net of any indirect taxes.

16. Expenses by nature

	2019 €	2018 €
Purchases of goods for resale	**15,166,260**	15,417,494
Franchise fees	**100,462**	45,649
Other direct expenses	**969,118**	582,708
Employee benefit expense (Note 18)	**1,542,184**	1,460,724
Depreciation of property, plant and equipment (Note 5)	**313,496**	272,241
Depreciation of right-of-use assets (Note 6)	**702,676**	-
Amortisation of intangible assets (Note 4)	**2,263**	-
Professional fees	**16,012**	38,935
Rent and common charges	**138,745**	951,349
Shop expenses and consumables	**156,595**	104,218
Water and electricity	**81,986**	76,840
Movement in provision for bad debts	**(11,278)**	108,567
Movement in provision for intercompany receivables	**(336)**	(10,713)
Bad debts written-off	**10,984**	4,747
Management fees	**304,560**	300,260
Advertising	**275,363**	270,918
Other expenses	**560,772**	269,749
Total cost of sales, operating and administrative expenses	**21,449,862**	19,893,686

<u>Auditor's fees</u>

	2019 €	2018 €
Annual Statutory audit	**12,500**	9,500
Other services	**25**	-
Tax compliances services	**700**	700
	13,225	10,200

17. Other income

	2019 €	2018 €
Commissions received	-	70,285
Other income	**34,140**	29,835
Differences on exchange	**(4,378)**	(24,196)
	29,762	75,924

18. Employee benefit expense

	2019 €	2018 €
Wages and salaries	**1,440,891**	1,360,208
Social security costs	**101,293**	100,516
	1,542,184	1,460,724

The average number of persons employed by the company during the financial reporting period was:

	2019	2018
Distribution	**20**	17
Retail	**105**	92
	125	109

19. Finance income

	2019 €	2018 €
Interest on amounts due from related parties	**121,303**	-
Interest on amounts due from third parties	**285**	4,034
	121,588	4,034

20. Finance costs

	2019 €	2018 €
Bank interest and charges	**42,282**	29,058
Interest expense due to related parties	**123,671**	133,261
Interest charges on lease liabilities	**195,608**	-
	361,561	162,319

21. Tax (income)/expense

	2019	2018
	€	€
Current tax expense	**73,542**	162,903
Deferred tax credit (Note 7)	**(85,520)**	(38,538)
	(11,978)	124,365

The tax on the Company's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2019	2018
	€	€
(Loss)/profit before tax	**(49,618)**	312,578
Tax at 35%	**(17,366)**	109,402
Tax effect of:		
Temporary differences attributable to unrecognised deferred tax in prior years	**1,220**	-
Expenses and provisions not allowable for tax purposes	**4,168**	14,963
Tax (income)/expense	**(11,978)**	124,365

22. Cash generated from operations

Reconciliation of operating profit to net cash generated from operations:

	2019	2018
	€	€
Operating profit	**190,355**	470,863
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	**313,496**	272,241
Depreciation of right-of-use assets (Note 6)	**702,676**	-
Amortisation of intangible assets (Note 4)	**2,263**	-
Movement in impairment on receivables	**(11,614)**	97,854
Loss on disposal of property, plant and equipment	**54,046**	20,815
Bad debts written-off	**10,985**	-
Changes in working capital:		
Inventories	**60,879**	413,108
Trade and other receivables	**(436,551)**	(672,711)
Trade and other payables	**1,043,465**	44,619
Cash generated from operations	**1,930,000**	646,789

23. Dividends

	2019 €	2018 €
Net dividends paid on ordinary shares	**125,000**	125,000
Dividends per share	**3.54**	3.54

24. Commitments

Operating lease commitments - company as lessee

The company leases various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2019 €	2018 €
No later than 1 year	-	680,851
Later than 1 year and no later than 5 years	-	3,380,945
Later than 5 years	-	4,945,223
	-	9,007,019

25. Contingent liabilities

As at 31 December 2019, the Company provided third parties with guarantees amounting to €302,500 (2018: €302,500). As at the end of the reporting period, the bank provided the Company with a facility covering these amounts up to a limit of €1,085,000 (2018: €1,085,000). The unutilised facility at year end amounted to €791,760 (2018: €782,500).

This facility is secured by a cash margin, cash pledges over certain bank accounts of the Company and of related undertakings and by guarantees issued by the parent company and other related undertakings.

As at the end of the reporting period, the bank provided the company with a facility up to a limit of €2,403,000 (2018: €2,403,000) which includes an invoice financing arrangement with a local financial institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of €850,000 (2018: €850,000). The unutilised facility at year-end amounted to €791,760.

The above facilities are mainly secured by a first general hypothec over the company's assets together with personal guarantees given by the directors, parent company and the ultimate shareholders of the company.

26. Event subsequent to the end of the reporting period

Due to the interdependencies between the entities forming the Hudson Malta p.l.c. Group and other entities within the Hudson Holdings Limited Group, management is addressing the impact of COVID-19 at Hudson Holding Limited Group (referred to as the 'Hudson Group') level. As such the impact of COVID-19 being addressed herein is from the Hudson Group perspective.

The global community has been facing an extraordinary and impactful crisis since the beginning of 2020 with the emergence of the COVID-19 pandemic. As a consequence of this pandemic and the various measures implemented by governments to halt the spread of the pandemic, Hudson Group's business operations have been adversely affected. The pandemic has impacted the Group's revenue streams, the international supply chain and the way the Hudson Group does business in general.

Hudson Group created a COVID-19 Task Force with key people from the organization, with different skill-sets in order to be able to effectively lead and direct the Group through this pandemic. The main aim was to immediately assess and address the challenges the pandemic represented to business continuity, workforce, customers, technology, supply chain and business partners. Priority was given to the short-term cash management challenges, the immediate reduction of expenditure, including planned capital expenditure.

Furthermore, management has evaluated the impact COVID-19 is expected to have on Hudson Group projected results and cashflows for 2020 and such evaluations are being revised on a regular basis to take into account developments as they arise.

The revised cashflow projections for 2020, taking into account measures being taken and assuming different scenarios, shows that the Hudson Group has sufficient liquidity to meet its financial obligations as and when they fall due. It is the directors intention that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies within the Hudson Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Hudson Group is currently expected to experience a year-on-year decline in turnover and is projecting a loss for the forthcoming financial year as a result of the impact of COVID-19.

Management has identified key areas where the Group will be most impacted. The below is a high-level analysis on the impact and the safety measures taken to protect the solvency position of the Group until the crisis is over.

Retail & e-commerce

Hudson Group operates more than 50 retail stores in Malta, Italy, Spain, Morocco and Algeria which had all shut their doors by the third week of March in line with respective territory government instructions.

Operations in Malta and Italy resumed in May 2020, whereas Spain, Morocco and Algeria resumed in June 2020. However, the retail trade is not expected to reach pre COVID-19 levels in 2020.

Hudson Group already operated eCommerce prior to Covid-19 through two websites which continued operating with limited restrictions during the period when retail stores were closed. Following the closure of the Malta based stores the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs. In Africa Hudson Group managed to make products available on 3rd party marketplace websites.

26. Events subsequent to the end of the reporting period - continued

Wholesale

Hudson Group is also involved in the wholesale of branded sportswear goods in Malta, Italy, Spain and a number of countries in Africa, primarily of NIKE for which the Group has the exclusive distributorship for a large number of countries in Africa. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of client stores. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

Costs

Initiatives to reduce costs were taken across the Hudson Group, in particular:

- Reducing direct and indirect costs ;
- Payroll costs have been reduced through government support, less overtime and reduced working hours;
- Negotiating downward lease costs in relation to real estate (retail stores, offices, warehouses).

Cash flow

The Group has taken measures to safeguard its cashflow position and ensure it can meet its obligations despite the downturn in revenues. The current and projected liquidity of the Group has been analysed in detail and an assessment has been made to cater for any changes in working capital especially given the high dependency on cash for inventory, property rentals and payroll.

The following initiatives have been taken to protect the short-term cash flow and the knock-on effect on the longer term cash position of the Group:

- Retail investments projected for 2020 have been postponed and any pending orders in relation to these investments have been cancelled. The Group continued solely with two major infrastructure projects that it believes are vital for its continued growth post COVID-19 and for which finance was already in place
- Obtained extended payment terms from key suppliers.
- Cancelled stock orders (where possible) for retail and for wholesale business.
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking.
- Obtaining moratoria on repayment of loan facilities with its bankers and temporary increase of its overdraft facilities to ensure adequate working capital headroom. The Group has also applied for additional bank financing to further strengthen its long-term liquidity position.

The directors consider the outbreak and impact of COVID-19 to be a non-adjusting post-balance sheet event.

27. Related party transactions

All companies forming part of the Hudson Group, which comprises Hudson Holdings Limited, the company's immediate and ultimate parent, and its subsidiaries are related parties since these companies all have common ultimate shareholders.

In the ordinary course of its operations, the company sells goods to companies forming part of the group for trading purposes. The following transactions were entered into with related parties during the financial reporting period:

	2019	2018
	€	€
Revenue		
Sales - related parties	**2,338,010**	2,413,088
Other operating income - related parties	**377,181**	-
Interest income - related parties	**197,282**	-
Expenses		
Cost of sales - related parties	**1,474,873**	1,340,089
Finance costs - related parties	-	133,261
Management fees - parent	**1,304,560**	300,260
Payments relating to leases treated in accordance with IFRS 16 requirements	**505,567**	-

Year-end balances with related parties are disclosed in Notes 9 and 12 to these financial statements.

28. Statutory information

Time International (Sport) Limited is a limited liability company and is incorporated in Malta.

The immediate parent company of Time International (Sport) Limited is Hudson Malta p.l.c., a company registered in Malta, with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, SPB 9060, Malta.

The ultimate parent company of Time International (Sport) Limited is Hudson Holding Limited, a company registered in Malta with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay SPB 9060 Malta