HUDSON INTERNATIONAL COMPANY LIMITED

Annual Report and Financial Statements
31 December 2020

Company Registration Number: C 48705

Directors' report

The directors present their report and the audited individual financial statements for the year 31 December 2020.

Principal activities

The principal activities of the company are the importation and retailing of branded fashion wear.

Review of the business

This year has been an unprecedented one with the impacts of COVID-19 negatively impacting the revenue generation of the retail stores due to periods of enforced store closure and lower footfall when open. This led to a 35% reduction in turnover from €22.3 million in 2019 to €14.4 million leading to a lower gross profit earned by €4 million from €9 million in 2019 to €5 million. Cost reduction measures taken , rent abatement by landlords and support from the Government of Malta, resulted in a reduction in the operating and administrative costs by €2.9 million from €7.7 million in 2019 to €4.6 million in 2020. As a result, the Company reported a reduced operating profit of €0.2 million compared to €1.4 million in 2019.

At 31 December 2020, the company's current assets exceeded its current liabilities by €2.3 million (2019: €2.2 million).

Results and dividends

The income statement is set out on page 13. The directors did not recommend a dividend for 2020 (2019: €125,000) and propose that the balance of retained earnings amounting to €2,351,015 (2019: €2,579,517) be carried forward to the next financial year.

Key performance indicators

Financial key performance indicators

The company has due to COVID-19 put its expansionary strategy on hold for 2020. The key financial performance indicator used by the board during the year were as follows:

	2020	2019
Revenue growth	(35%)	7%
Gross profit margin	34.7%	40.5%
Operating profit margin	1.7%	6.3%

Non-financial key performance indicators

Non-financial performance is monitored at Hudson Group level. During the year, the board has maintained its existing governance and controls.

Directors' report - continued

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.

The impact of COVID-19

As reflected in the Company's results, the pandemic has impacted the Company's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Company needed to change the way it does business in general, look for efficiencies and continue with its efforts to digitalise the business.

From the initial stages of the pandemic the Group took mitigating action to protect its cash position whilst continuing significant projects that will enable future growth. Specifically, the Company:

- Postponed retail investments originally planned for 2020 and is now undertaking these investments in 2021.
- Cancelled or postponed the intake of inventory to ensure that its inventory levels are well managed.
- Obtained extended payment terms from key suppliers.
- Availed itself of government support.
- Obtaining moratoria on repayment of loan facilities with its bankers, a temporary increase of its overdraft facility to ensure it has adequate working capital headroom and secured an MDB loan amounting to €0.85m to further strengthen its long-term liquidity position.
- Launched an eCommerce site in Malta to be able to support customers with their retail needs even when physical stores were closed.
- Closely managed its cost base including wage reductions lead by the senior leadership team and obtained lease concessions from lessors.

The pandemic will continue to impact performance even in 2021 with the retail stores in Malta closed from 11th March to 26th April 2021 already this year. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. The Company has implemented plans that are expected to improve performance from existing operations.

The cashflow projections for 2021, which consider the merger described in Note 26, show that the surviving company will have sufficient liquidity to meet its financial obligations as and when they fall due, taking into account measures being taken and assuming different scenarios. Furthermore, the directors of Hudson Holdings Limited, the Company's ultimate parent company, have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the Company 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.

Future developments

In March 2021 the Company was acquired through a merger by its sister company Time International (Sport) Limited and following this acquisition Time International (Sport) Limited succeeded to all assets, rights, liabilities and obligations of the Company and the Company was dissolved.

Directors' report - continued

Directors

The directors of the Company who held office during the year were:

Alfred Borg
Kevin Grech (resigned on 15th July 2020)
Ritianne Grech
Christopher Muscat

The Company's Articles of Association do not require any 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.

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

Christopher Muscat
Director

Registered office
Hudson House
Burmarrad Road
Burmarrad
St. Paul's Bay, SPB9060
Malta

28 April 2021

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Independent auditor's report

To the Shareholders of Hudson International Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Hudson International Company Limited (the Company) as at 31 December 2020, 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

Hudson International Company Limited's financial statements, set out on pages 11 to 41, comprise:

- the statement of financial position as at 31 December 2020;
- 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 significant accounting policies and other explanatory information.

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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 Hudson International Company Limited

Emphasis of matters

We draw attention to Note 1.1 to these financial statements that explains the impact of COVID-19 on the Company's operations and financial performance.

Furthermore, we draw attention to Note 26 to these financial statements which refers to the fact that the Company entered into a merger agreement with Time International (Sport) Limited, a fellow subsidiary company. Following the legal effective date of 14 March 2021, the Company was dissolved.

These matters are considered to be of fundamental importance to the users of the financial statements due to their nature and significance. Our opinion is not modified in respect of these matters.

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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

Independent auditor's report - *continued*

To the Shareholders of Hudson International Company Limited

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 Hudson International Company Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 4) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report *- continued*

To the Shareholders of Hudson International Company Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - *continued*

To the Shareholders of Hudson International Company Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Lucienne Pace Ross
Partner

28 April 2021

Statements of financial position

	Notes	**2020**	2019
		As at 31 December	
		€	€
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,014,629**	2,166,558
Right-of-use assets	5	**9,067,077**	10,340,833
Deferred tax assets	10	**559,831**	547,751
Total non-current assets		**11,641,537**	13,055,142
Current assets			
Inventories	6	**1,135,121**	1,549,293
Trade and other receivables	7	**2,881,538**	3,208,726
Cash and cash equivalents	8	**2,062,444**	1,469,250
Total current assets		**6,079,103**	6,227,269
Total assets		**17,720,640**	19,282,411

Statements of financial position - continued

	Notes	As at 31 December 2020 €	2019 €
EQUITY AND LIABILITIES			
Equity			
Share capital	9	**500,000**	500,000
Retained earnings		**2,351,015**	2,579,517
Total equity		**2,851,015**	3,079,517
LIABILITIES			
Non-current liabilities			
Borrowings	11	**2,800,000**	2,800,000
Lease liabilities	12	**8,279,272**	9,344,453
Total non-current liabilities		**11,079,272**	12,144,453
Current liabilities			
Lease liabilities	12	**995,578**	916,832
Trade and other payables	13	**2,759,023**	3,081,939
Current tax liabilities		**23,193**	59,670
Borrowings	11	**12,559**	-
Total current liabilities		**3,790,353**	4,058,441
Total liabilities		**14,869,625**	16,202,894
Total equity and liabilities		**17,720,640**	19,282,411

The notes on pages 16 to 41 are an integral part of these financial statements.

The financial statements on pages 11 to 41 were authorised for issue by the board on 28 April 2021 and were signed on its behalf by:

Alfred Borg
Director

Christopher Muscat
Director

Statements of comprehensive income

	Notes	Year ended 31 December 2020 €	2019 €
Revenue	14	**14,443,113**	22,252,200
Cost of sales	16	**(9,431,087)**	(13,240,269)
Gross profit		**5,012,026**	9,011,931
Other income	15	**71,367**	85,759
Operating and administrative expenses	16	**(4,690,328)**	(7,706,899)
Net impairment losses on financial and contract assets	16	**(153,353)**	4,655
Operating profit		**239,712**	1,395,446
Finance income	19	**60,574**	86,123
Finance costs	20	**(604,570)**	(639,100)
(Loss)/profit before tax		**(304,284)**	842,469
Tax credit/(expense)	21	**75,782**	(281,839)
(Loss)/profit for the year		**(228,502)**	560,630

The notes on pages 16 to 41 are an integral part of these financial statements.

Statements of changes in equity

	Note	**Share capital €**	**Retained earnings €**	**Total €**
Balance at 1 January 2019		**250,000**	**2,393,887**	**2,643,887**
Comprehensive income				
Profit for the year		-	560,630	560,630
Transactions with owners				
Issue of share capital		250,000	(250,000)	-
Dividends	23	-	(125,000)	(125,000)
Balance at 31 December 2019		**500,000**	**2,579,517**	**3,079,517**
Balance at 1 January 2020		500,000	2,579,517	3,079,517
Comprehensive income				
Loss for the year			(228,502)	(228,502)
Balance at 31 December 2020		**500,000**	**2,351,015**	**2,851,015**

The notes on pages 16 to 41 are an integral part of these financial statements.

Statements of cash flows

	Notes	Year ended 31 December 2020 €	2019 €
Cash flows from operating activities			
Cash generated from operations	22	**2,672,536**	4,436,056
Interest paid on borrowings	20	**(176,956)**	(177,628)
Interest paid on lease liabilities	20	**(427,614)**	(461,472)
Interest received	19	**60,574**	86,123
Income tax paid		**27,225**	(377,077)
Net cash generated from operating activities		**2,155,765**	3,506,002
Cash flows from investing activities			
Purchases of property, plant and equipment		**(619,742)**	(1,611,833)
Net cash used in investing activities		**(619,742)**	(1,611,833)
Cash flows from financing activities			
Dividends paid		**-**	(125,000)
Principal elements of lease repayments		**(955,388)**	(1,479,397)
Net cash used in financing activities		**(955,388)**	(1,604,397)
Net movement in cash and cash equivalents		**580,635**	289,772
Cash and cash equivalents at beginning of year		**1,469,250**	1,179,478
Cash and cash equivalents at end of year	8	**2,049,885**	1,469,250

The notes on pages 16 to 41 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 individual 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. Hudson International Company Limited's ultimate parent company (Note 27) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Registrar of Companies in Malta.

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).

As reflected in the Company's results, the pandemic has impacted the Company's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Company needed to change the way it does business in general, look for efficiencies and continue with its efforts to digitalise the business.

From the initial stages of the pandemic the Group took mitigating action to protect its cash position whilst continuing significant projects that will enable future growth. Specifically, the Company:

- Postponed retail investments originally planned for 2020 and is now undertaking these investments in 2021.
- Cancelled or postponed the intake of inventory to ensure that its inventory levels are well managed.
- Obtained extended payment terms from key suppliers.
- Availed itself of government support.
- Obtaining moratoria on repayment of loan facilities with its bankers, a temporary increase of its overdraft facility to ensure it has adequate working capital headroom and secured an MDB loan amounting to €0.85m to further strengthen its long-term liquidity position.
- Launched an eCommerce site in Malta to be able to support customers with their retail needs even when physical stores were closed.
- Closely managed its cost base including wage reductions lead by the senior leadership team and obtained lease concessions from lessors.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The pandemic will continue to impact performance even in 2021 with the retail stores in Malta closed from 11 March to 26 April 2021 already this year. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. Management has implemented plans that are expected to improve performance from existing operations.

The cashflow projections for 2021, which consider the merger described in Note 26, show that the surviving company will have sufficient liquidity to meet its financial obligations as and when they fall due, taking into account measures being taken and assuming different scenarios. Furthermore, the directors of Hudson Holdings Limited, the Group's parent company, have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the surviving company 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 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 2020

In 2020, the Company adopted amendments to existing standards that are mandatory for Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies impacting the financial performance and position. Furthermore, the Company has adopted amendments to IFRS 16 issued in May 2020 in relation to COVID-19 related rent concessions. The impact of adoption of this amendment is further explained in Note 12.

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 2020. 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.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation - continued

(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)'.

1.3 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 1.4).

1.4 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

1.5 Financial assets

1.5.1 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.

1.5.2 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 all the risks and rewards of ownership.

1.5.3 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

1.5 Financial assets - continued

1.5.3 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.

1.5.4 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.

1.6 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.

1.7 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 provision for impairment (Note 1.6.4). 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

1.8 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.

1.9 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.

1.10 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 are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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 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.

1.11 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.

1.12 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.

1.13 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

1.14 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.

1.15 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.

1.16 Deferred government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight line basis over the expected lives of the related assets, presented within ‘Other operating income’.

Grants related to income are presented as a deduction in reporting the related expense.

1. Summary of significant accounting policies - continued

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.

(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.

1.18 Leases

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.

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.

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.

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

1.18 Leases - continued

The company is the lessee - continued

The Company leases various properties. Rental contracts are typically made of fixed periods but may have extension options to renew the lease after the original period as described below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

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

The Table below describes the nature of the Company's leasing activities by type of right-of-use asset (ROU) recognised on the balance sheet:

ROU asset	No of ROU assets leased	Range of remaining lease term (years)	Average remaining lease term (years)	Average extension option considered (years)	No of leases with extension options	No of leases with option to purchase	No of leases with termination options
Properties	13	2 - 16	6	5 - 6	13	-	13

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 6.5% to 10% 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, e.g. term, country, currency and security.

1. Summary of significant accounting policies - continued

1.18 Leases - continued

The company is the lessee - continued

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.

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).

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 rate risk principally arises from bank borrowings (Note 11) and related party balances (Notes 7 and 13), issued at floating rates, which expose the company to cash flow interest rate risk. Management monitors the level of floating rate borrowings and related party balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central bank.

(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:

	2020	2019
	€	€
Loans and receivables category:		
Trade and other receivables (Note 7)	**2,764,174**	3,110,132
Cash and cash equivalents (Note 8)	**2,062,444**	1,469,250
	4,826,618	4,579,382

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 Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

Following the outbreak of COVID-19, the Company has monitored information available on macroeconomic factors, affecting repayment ability, as well as the actual and projected impact of the pandemic on the business model of the customers serviced by the Company. Payment patterns attributable to the Company's customers post COVID-19 outbreak was thoroughly and regularly assessed to determine whether any deterioration in collection rates was being experienced. The Company determined that the expected credit losses have not materially changed taking cognisance of the projected impact on the repayment ability of the Company's customers, the repayment pattern actually experienced, and the estimated life of receivables.

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, such as clients situated in Libya, and which are accordingly not meeting repayment obligations. In this respect, the group had previously recognised specific impairment provisions in prior years on the basis of objective evidence of such balances being impaired. During the current financial year, the Group has written-off amounts of €346,616 relating to clients situated in Libya which were provided for in prior years. As a result, the related provision was released in the current year.

As at 31 December 2020, trade receivables for the Company amounting to €64,517 (2019: €366,413) were impaired.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Impairment of trade and other receivables (including contract assets) - continued

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.

The closing loss allowances for trade receivables at amortised cost as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020	2019
	€	€
Trade receivables		
Balance at 1 January	**366,413**	356,745
Release of provision following write-offs	**(346,616)**	-
Increase in loss allowance recognised in profit or loss during the year	**44,720**	9,668
Balance at 31 December	**64,517**	366,413

<u>Cash and cash equivalents</u>

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.

<u>Other financial assets at amortised cost</u>

The Company's other financial assets at amortised cost include other current balances due from the ultimate parent and fellow subsidiaries (Note 7). 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.

Following the outbreak of COVID-19, the Group has monitored information available on macroeconomic factors, affecting repayment ability, as well as the actual and projected impact of the pandemic on the business model of the customers serviced by the Group. Payment patterns attributable to the Group's customers post COVID-19 outbreak was thoroughly and regularly assessed to determine whether any deterioration in collection rates was being experienced. The Group determined that the expected credit losses have not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of receivables.

As at year-end, based on the directors' assessments of these factors and the equity position of the respective counterparty, the resulting expected credit loss allowance was €479,143 (2019: €370,510).

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 11), trade and other payables (Note 13) and lease liabilities (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 2020					
Lease liabilities	9,274,850	11,354,922	1,649,565	6,396,385	3,308,972
Loans from immediate parent	2,800,000	3,463,235	154,422	2,051,372	1,257,441
Bank overdraft	12,559	12,559	12,559	-	-
Trade and other payables	2,759,023	2,759,023	2,759,023	-	-
	14,846,43	**17,589,739**	**4,575,569**	**8,447,757**	**4,566,413**
At 31 December 2019					
Lease liabilities	10,261,285	14,339,992	1,500,538	1,575,006	11,264,448
Loans from immediate parent	2,800,000	3,463,235	154,422	2,051,372	1,257,441
Trade and other payables	3,081,939	3,081,939	3,081,939	-	-
	16,143,224	20,885,166	4,736,899	3,626,378	12,521,889

2. Financial risk management - continued

2.2 Capital risk management

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 monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt.

The figures in respect of the Company's equity and borrowings as at 31 December are reflected below:

	2020	2019
	€	€
Borrowings (Note 11)	**2,812,559**	2,800,000
Lease liabilities (Note 12)	**9,274,850**	10,261,285
Less: cash and cash equivalents (Note 8)	**(2,062,444)**	(1,469,250)
Net debt	**10,024,965**	11,592,035
Total equity	**2,851,015**	3,079,517
Total capital	**12,875,980**	14,671,552
Net debt ratio	**77.9%**	79.0%

The Company manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Company's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the extent of debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements 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. Property, plant and equipment

	Improvements to premises €	Motor vehicles €	Furniture, fixtures and equipment €	Total €
Year ended 31 December 2019				
Opening net book amount	312,247	3,475	866,118	1,181,840
Additions	-	-	1,611,833	1,611,833
Disposals	(100,310)	-	(250,620)	(350,930)
Depreciation charge	(76,525)	(1,390)	(467,393)	(545,308)
Depreciation released on disposal	79,122	-	190,001	269,123
Closing net book amount	**214,534**	**2,085**	**1,949,939**	**2,166,558**
At 31 December 2019				
Cost	765,188	10,750	4,329,741	5,105,679
Accumulated depreciation and impairment	(550,654)	(8,665)	(2,379,802)	(2,939,121)
Net book amount	**214,534**	**2,085**	**1,949,939**	**2,166,558**
Year ended 31 December 2020				
Opening net book amount	214,534	2,085	1,949,939	2,166,558
Additions	-	-	619,742	619,742
Disposals	(297,795)	-	(1,003,800)	(1,301,595)
Depreciation charge	(46,743)	(1,390)	(452,251)	(500,384)
Depreciation released on disposal	280,104	-	750,204	1,030,308
Closing net book amount	**150,100**	**695**	**1,863,834**	**2,014,629**
At 31 December 2020				
Cost	467,393	10,750	3,945,683	4,423,826
Accumulated depreciation and impairment	(317,293)	(10,055)	(2,081,849)	(2,409,197)
Net book amount	**150,100**	**695**	**1,863,834**	**2,014,629**

5. Right-of-use assets

	Property leases €	Total €
Year ended 31 December 2019		
Impact on adoption of IFRS 16	9,576,945	9,576,945
Additions	2,186,076	2,186,076
Amortisation charge	(1,422,188)	(1,422,188)
Closing net book amount	**10,340,833**	**10,340,833**
Year ended 31 December 2020		
Opening net book amount	10,340,833	10,340,833
Additions	273,458	273,389
Amortisation charge	(1,547,214)	(1,547,214)
Closing net book amount	**9,067,077**	**9,067,077**

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

	2020 **€**	2019 €
Depreciation charge of right-of-use assets	**1,547,214**	1,422,188
Interest expense (Note 12)	**427,614**	461,472
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**18,842**	112,762
Rent rebates in relation to COVID-19 (Note 12)	**(304,506)**	-
	1,689,164	1,996,422

6. Inventories

	2020 **€**	2019 €
Goods for resale	**1,135,121**	1,549,293

Write-downs to net realisable value have been charged to statement of comprehensive income and are included within ‘Cost of sales’ in the income statement.

7. Trade and other receivables

	2020 €	2019 €
Trade receivables	**382,181**	535,827
Less provision for impairment	**(64,517)**	(366,413)
Trade receivables - net	**317,664**	169,414
Amounts owed by ultimate parent - net of provision	**2,125,818**	2,249,250
Amount owed by fellow subsidiaries - net of provision	**154,762**	517,961
Other receivables	**165,930**	104,690
Prepayments and accrued income	**117,364**	167,411
	2,881,538	3,208,726

Amounts owed by ultimate parent and related undertakings are unsecured, bear interest at 4.00% (2019: 4.00%) per annum and are repayable on demand.

Amounts owed by ultimate parent and fellow subsidiaries are stated at net of a credit loss allowance as per IFRS 9, as per table below:

	2020 €	2019 €
Provision on amounts owed by ultimate parent	**23,915**	25,592
Provision on amounts owed by fellow subsidiaries	**455,228**	344,918
	479,143	370,510

8. Cash and cash equivalents

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

	2020 €	2019 €
Cash at bank and in hand	**2,062,444**	1,469,250
Bank overdrafts (Note 11)	**(12,559)**	-
	2,049,885	1,469,250

9. Share capital

	2020	2019
	€	€
Authorised, issued and fully paid		
500,000 Ord shares of €1 each (2019: 250,000 Ord shares of €1 each)	**500,000**	500,000

By virtue of a shareholder's resolution on 31 March 2019, the Company modified the structure of its share capital by increasing its authorised share capital to 500,000 shares of € 1 each. By virtue of the same resolution, it increased its issued share capital by issuing and allotting 250,000 of €1 each by way of capitalisation of own reserves.

10. Deferred tax

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2019: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% of the transfer value.

The movement on the deferred tax account is as follows:

	2020	2019
	€	€
At beginning of year	**547,751**	430,607
Credited to income statement (Note 21)	**12,080**	117,144
At end of year	**559,831**	547,751

The balance at 31 December represents:

	2020	2019
	€	€
Depreciation of property, plant and equipment	**224,987**	158,453
Provision for receivables	**190,281**	257,923
Temporary differences on right-of-use assets	**144,563**	131,375
	559,831	547,751

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

11. Borrowings

	2020	2019
	€	€
Non-current		
Loans from immediate parent	**2,800,000**	2,800,000
Current		
Bank overdraft (Note 8)	**12,559**	-

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 borrowings relate to a loan carrying an effective interest rate of 4% and repayable within 5 years from initial drawdown. Furthermore, the Company has unutilised overdraft facilities as at 31 December 2020 amounting to €1,000,000. The overdraft facilities carry floating interest rates averaging 4.00%.

The Company also has a financing arrangement with a local financial institution allowing for a foreign exchange facility up to a maximum of €425,000.

During 2020, the Company successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €850,000 repayable within five years from initial drawdown and carries interest of 2.5% plus 3-month EURIBOR. In line with the Malta Development Bank COVID-19 Guarantee Scheme, this loan will benefit from a subsidy of 2.4% for the first two years. As at 31 December 2020, the Company had not yet drawn down these facilities.

12. Lease liabilities

	As at 31 December 2020	As at 1 January 2020
	€	€
Non-current	**8,279,272**	9,344,453
Current	**995,578**	916,832
	9,274,850	10,261,285

	2020	2019
	€	€
At beginning of the year	**10,261,285**	9,385,657
Additions	**273,388**	2,186,077
COVID-19 lease concessions	**(304,506)**	-
Interest expense (Note 20)	**427,614**	461,469
Payments effected	**(1,382,931)**	(1,771,918)
	9,274,850	10,261,285

12. Lease liabilities - continued

Included in the lease liabilities for properties are amounts of €6,290,408 (2019: €6,940,025) which are attributable arrangements with the ultimate parent, of which €5,573,850 (2019: €6,211,063) are non-current amounts.

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

The contractual undiscounted cashflows attributable to lease liabilities as at 31 December are analysed in Note 2.1 (c).

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Group has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted.

13. Trade and other payables

	2020	2019
	€	€
Trade payables	**822,720**	1,670,047
Other payables	**69,347**	20,647
Indirect taxation	**1,639,602**	1,089,315
Accruals and deferred income	**227,354**	298,946
Amount due to fellow subsidiary	**-**	2,984
	2,759,023	3,081,939

Amounts owed to fellow subsidiaries and immediate parent are unsecured, bear interest at 4.00% (2019: 4.48%) per annum and are repayable on demand.

14. Revenue

All the company's revenue represents the amount receivable for goods sold during the year, net of any indirect taxes.

	2020	2019
	€	€
Retail	**14,066,463**	21,646,785
Wholesale	**376,650**	605,415
	14,443,113	22,252,200

All the Company's revenue represents the amount receivable for goods sold during the year, net of any indirect taxes.

15. Other income

	2020 €	2019 €
Other income	**71,367**	85,759

16. Expenses by nature

	2020 €	2019 €
Cost of goods sold	**8,082,034**	11,542,627
Franchise fees	**1,003,451**	1,486,694
Other direct expenses	**345,601**	210,948
Employee benefit expense (Note 17)	**1,316,408**	2,460,237
Depreciation of property, plant and equipment (Note 4)	**500,384**	545,308
Depreciation of right-of-use assets (Note 5)	**1,547,214**	1,422,188
Rent and common charges	**252,914**	834,576
COVID-19 rent rebates (Note 12)	**(304,506)**	-
Movement in credit loss allowance (Note 7)	**(193,263)**	4,655
Bad debts written-off	**346,616**	-
Management fees	**699,770**	1,160,368
Advertising	**124,266**	293,699
Professional fees	**13,293**	18,306
Other expenses	**540,586**	962,907
Total cost of sales, operating and administrative expenses	**14,274,768**	20,942,513

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2020 and 2019 relate to the following:

	2020 €	2019 €
Annual statutory audit	**11,500**	11,500
Other services	**-**	80
Tax compliances services	**1,360**	1,360
	12,860	12,940

17. Employee benefit expense

	2020	2019
	€	€
Wages and salaries	**1,160,527**	2,277,156
Social security costs	**155,881**	183,081
	1,316,408	2,460,237

Wages and salaries in the table above are presented net of grants received from the Government of Malta under the COVID-19 Wage Supplement Scheme amounting to €611,591 (2019: €Nil). Grants related to income are presented as a deduction in reporting the related expense which the grant is intended to compensate for.

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

	2020	2019
Administration	**8**	10
Retail	**128**	201
	136	211

18. Directors' emoluments

	2020	2019
	€	€
Directors' emoluments	**6,000**	-

19. Finance income

	2020	2019
	€	€
Interest on amounts due from group undertakings	**60,574**	86,123

20. Finance costs

	2020	2019
	€	€
Interest charges on lease liabilities	**427,614**	461,472
Interest on loan from immediate parent	**154,000**	154,000
Bank interest and charges	**22,956**	23,628
	604,570	639,100

21. Tax (credit)/expense

	2020	2019
	€	€
Deferred tax credit (Note 10)	**(12,080)**	(117,144)
Current tax (credit)/expense	**(63,702)**	398,983
	(75,782)	281,839

The tax on the company's results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2020	2019
		€
(Loss)/profit before tax	**(304,284)**	842,469
Tax on profit at 35%	**(106,499)**	294,864
Tax effect of:		
Expenses and provision not allowable for tax purposes	**7,829**	3,291
Unrecognised deferred tax in prior year	**87,833**	-
Over provision of deferred tax in previous periods	**-**	(16,316)
Over provision of current tax in prior year	**(63,703)**	-
Other	**(1,242)**	-
Tax expense	**(75,782)**	281,839

22. Cash generated from operations

Reconciliation of operating profit to cash generated from/(used in) operations:

	2020	2019
	€	€
Operating profit	**239,712**	1,395,446
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**500,384**	545,308
Loss on disposal of property, plant and equipment	**271,288**	81,807
Depreciation of right-of-use assets (Note 5)	**1,547,214**	1,422,188
COVID-19 rent rebates (Note 12)	**(304,506)**	-
Movement in credit loss allowance	**(193,263)**	4,655
Bad debts written off	**346,616**	-
Changes in working capital:		
Inventories	**414,172**	164,987
Trade and other receivables	**173,835**	1,130,001
Trade and other payables	**(322,916)**	(308,336)
Cash generated from generated from operations	**2,672,536**	4,436,056

23. Dividends

	2020	2019
	€	€
Net dividends paid on ordinary shares	**-**	125,000
Dividends per share	**-**	0.25

24. Contingencies

As at 31 December 2020, the Company provided third parties with guarantees amounting to €2,505,339.

The Company’s bank facilities disclosed in note 11 are mainly secured by first general hypothecs and guarantees over the Hudson Malta p.l.c Group and Hudson Holdings Group’s assets.

25. Related party transactions

All companies forming part of the Hudson Group are considered by the directors to be related parties since these companies all have a common ultimate controlling party.

The following transactions were entered into with related parties during the financial reporting period:

	2020	2019
	€	€
Revenue		
Interest income from group undertakings	**60,574**	86,123
Expenses		
Finance costs on loan from immediate parent	**154,000**	154,000
Management fees – ultimate parent	**699,770**	1,160,368

The above balances are unsecured, interest free and have no fixed date of repayment.

Year-end balances with related parties are disclosed in Notes 7, 12 and 13 to these financial statements.

26. Events subsequent to the end of the reporting period

On 14 March 2021, HM p.l.c. completed the merger by acquisition of Hudson International Company Limited by Time International (Sport) Limited, both being subsidiaries of the Company.

In virtue of the afore-mentioned merger by acquisition having taken effect, TISL, as the acquiring company, succeeded to all the assets, rights, liabilities and obligations of HICL, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

The said merger by acquisition will not have any effect on the HM p.l.c.'s shareholding in TISL and HM p.l.c. continues to hold the totality of the Ordinary shares issued in the said company.

27. Statutory information

Hudson International Company Limited is a limited liability company and is incorporated in Malta.

The immediate parent company of Hudson International Company 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 Hudson International Company Limited is Hudson Holdings Limited, a company registered in Malta with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, SPB 9060, Malta.