

TIME INTERNATIONAL (SPORT) LIMITED

Annual Report and Financial Statements
31 December 2020

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Directors' report

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

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

This year has been an unprecedented one with the impacts of COVID-19 negatively impacting the revenue of the retail stores and also the wholesale business due to periods of enforced store closure and lower footfall when open. This led to a 23% reduction in turnover from €20.5 million in 2019 to €15.8 million. However due to strong inventory management and more direct sales the gross profit earned only fell by €0.2 million from €4.2 million in 2019 to €4 million. The net impairment losses on financial and contract assets of €1.4m relate to amounts written-off or provided for in relation to amounts due from fellow subsidiaries following Hudson Holdings Group's decision to close its Spanish operations due to the impact that COVID-19 had on these operations. Cost reduction measures taken by management, support from Hudson Holdings Limited (including additional support in view of the Spanish closure impact in the form of reduced management charges), rent abatement by landlords and support from Government resulted in a reduction in the operating and administrative costs of €1 million from €4.1m in 2019 to €3.1 million. As a result, the Company reported an operating loss of €0.5 million compared to an operating profit of €0.2 million in 2019. After taking into consideration net finance costs of €0.5 million, up from €0.2 million the Company reported a loss before tax of €1 million compared to a loss of €0.1 million in 2019.

At 31 December 2020, the company's current assets exceeded its current liabilities by €0.9 million compared to €1.5 million in 2019 whilst the cash position improved to €1.2 million from €0.5 million in 2019.

Results and dividends

The statement of comprehensive income is set out on page 12. The directors do not recommend a dividend for 2020 (2019: €125,000) and propose that the balance of retained earnings amounting to €2,320,953 (2019: €2,971,794) be carried forward to the next financial year.

Key performance indicators

Financial key performance indicators

The company put its expansionary strategy on hold in 2020 and emphasised on improving operational efficiencies, growing revenue productivity and building a structure that can sustain significant growth with a longer-term vision for the improvement in shareholders' value. The key financial performance indicators used by the board during the year were the following:

	2020	2019
Revenue growth	(23%)	1%
Gross profit margin	25%	21%
Operating profit margin	(3.1%)	0.9%

Directors' report - continued

Non-financial key performance indicators

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

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 the continued negative impact of COVID-19.

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 €1m 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 already experiencing closure from 11th March to 26th April 2021. 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 27, show that the 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.

Directors' report - continued

Future developments

In March 2021 the Company acquired through a merger its sister company Hudson International Company Limited and following this acquisition the Company succeeded to all assets, rights, liabilities and obligations of Hudson International Company Limited. The results of the operations of Hudson International Company Limited will be incorporated in the Company's results from 2021 onwards. Through this acquisition the Company will be the most significant local operator in the fashion and sportswear sector. The Company intends to continue its expansion in this sector.

Directors

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

Alfred Borg
Christopher Muscat
Felice Ilacqua
Kevin Grech (resigned on 15 July 2020)
Ritianne Grech (appointed on 1 September 2020)

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 2020 are included in the Annual Report 2020, 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



Christopher Muscat
Director

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

28 April 2021

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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:

- The financial statements give a true and fair view of the financial position of Time International (Sport) 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

Time International (Sport) Limited's financial statements, set out on pages 11 to 42, 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 Time International (Sport) Limited

Emphasis of matter

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. 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 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 Time International (Sport) 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 Time International (Sport) 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.	<p>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.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>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.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">• 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of Time International (Sport) Limited

<i>Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities</i>	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• 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.	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of Time International (Sport) 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

A handwritten signature in black ink, appearing to read 'Lucienne Pace Ross', is written over a light grey rectangular background.

Lucienne Pace Ross
Partner

28 April 2021

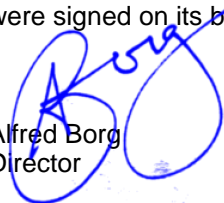
Statement of financial position

		As at 31 December	
		2020	2019
		€	€
ASSETS	Notes		
Non-current assets			
Intangible assets	4	1,202,227	1,204,490
Property, plant and equipment	5	1,471,339	1,643,543
Right-of-use assets	6	7,355,212	8,250,074
Deferred tax asset	7	474,733	201,773
Total non-current assets		10,503,511	11,299,880
Current assets			
Inventories	8	2,358,549	2,350,941
Trade and other receivables	9	3,878,366	6,645,724
Cash and cash equivalents	10	1,277,675	746,214
Current tax assets		25,226	-
Total current assets		7,539,816	9,742,879
Total assets		18,043,327	21,042,759
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	75,332	75,332
Share premium		79,812	79,812
Retained earnings		2,320,953	2,971,794
Total equity		2,476,097	3,126,938
Non-current liabilities			
Borrowings	14	2,101,219	1,980,000
Lease liabilities	13	6,808,170	7,643,178
Total non-current liabilities		8,909,389	9,623,178
Current liabilities			
Trade and other payables	12	6,116,220	7,575,969
Borrowings	14	59,257	276,021
Current tax liabilities		-	5,760
Lease liabilities	13	482,364	434,893
Total current liabilities		6,657,841	8,292,643
Total liabilities		15,567,230	17,915,821
Total equity and liabilities		18,043,327	21,042,759

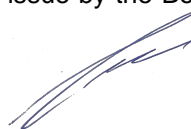
The notes on pages 15 to 42 are an integral part of these financial statements.

The financial statements on pages 11 to 42 were authorised for issue by the Board on 28 April 2021 and were signed on its behalf by:

Alfred Borg
Director



Christopher Muscat
Director



Statement of comprehensive income

	Notes	Year ended 31 December	
		2020 €	2019 €
Revenue	15	15,811,326	20,490,455
Cost of sales	16	(11,786,930)	(16,235,840)
Gross profit		4,024,396	4,254,615
Operating and administrative expenses	16	(3,149,328)	(4,093,392)
Net impairment losses on financial and contract assets	16	(1,424,181)	(630)
Other income	17	65,918	29,762
Operating (loss)/profit		(483,195)	190,355
Finance income	20	-	121,588
Finance costs	21	(494,638)	(361,561)
Loss before tax		(977,833)	(49,618)
Tax credit	22	326,992	11,978
Loss for the year - total comprehensive income		(650,841)	(37,640)

The notes on pages 15 to 42 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Share premium €	Retained earnings €	Total €
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	24	-	-	(125,000)	(125,000)
Balance at 31 December 2019		75,332	79,812	2,971,794	3,126,938
Balance 1 January 2020		75,332	79,812	2,971,794	3,126,938
Comprehensive income					
Loss for the year		-	-	(650,841)	(650,841)
Balance at 31 December 2020		75,332	79,812	2,320,953	2,476,097

The notes on pages 15 to 42 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2020 €	2019 €
Cash flows from operating activities			
Cash generated from operations	23	2,145,223	1,930,000
Interest paid on lease liabilities	21	(325,652)	(195,608)
Interest paid on borrowings	21	(168,986)	(165,953)
Interest received	20	-	121,588
Income tax paid		23,046	(166,474)
Net cash generated from operating activities		1,673,631	1,523,553
Cash flows used in investing activities			
Purchases of property, plant and equipment	5	(245,314)	(723,406)
Net cash used in investing activities		(245,314)	(723,406)
Cash flows (used in) financing activities			
Movement in bank borrowings	14	149,538	-
Dividends paid		-	(125,000)
Principal elements of lease repayments		(801,311)	(874,679)
Net cash (used in) financing activities		(651,773)	(999,679)
Net movement in cash and cash equivalents		776,544	(199,532)
Cash and cash equivalents at the beginning of the year		470,193	669,725
Cash and cash equivalents at end of year	10	1,246,737	470,193

The notes on pages 15 to 42 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).

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 €1m 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 for a month 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The cashflow projections for 2021, which consider the merger described in Note 27, show that the 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.

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Company adopted amendments to existing standards that are mandatory for the 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 Group 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 13.

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.

(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.

1.4 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.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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.

1.5.1 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.

1. Summary of significant accounting policies - continued

1.5 Impairment of non-financial assets - continued

1.5.3 Measurement - continued

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 a separate line item in the statement of profit or loss.

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 is 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 a 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. Summary of significant accounting policies - continued

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 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.

1.8 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, 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.

1.11 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. Summary of significant accounting policies - continued

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.

1.14 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. Summary of significant accounting policies - continued

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.

1.17 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.

(d) Dividend income

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

1. Summary of significant accounting policies - continued

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.

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	11	2 - 16	7	5 - 6	11	-	11

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.

1. Summary of significant accounting policies - continued

1.18 Leases - continued

The company is the lessee - continued

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.

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.

1. Summary of significant accounting policies - continued

1.18 Leases - continued

The company is the lessee - continued

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 intra-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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(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 9)	3,765,681	6,501,427
Cash and cash equivalents (Note 10)	1,277,675	746,214
	5,043,356	7,247,641

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

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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, 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. As at 31 December 2020, trade receivables for the Company amounting to €121,204 (2019: €156,703) were 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.

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
	€	€
<i>Trade receivables</i>		
Balance at 1 January	156,703	167,981
Decrease in loss allowance recognised in profit or loss during the year	(35,499)	(11,278)
Balance at 31 December	121,204	156,703

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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, taking into consideration the impact of COVID-19 on the financial performance and operations of the respective counterparties. The Company's management uses judgement in making these assumptions, based on the counterparty's 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, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting expected credit loss allowance required for Company was of €356,406 (2019: release of €53,136). Furthermore, during the year, the Company wrote-off balances amounting to €1,117,196 (2019: €Nil), on the basis that these amounts are deemed unrecoverable.

(c) Liquidity risk

The closing loss allowances for the Company's financial assets at amortised cost as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020	2019
		€
<i>Other financial assets</i>		
Balance at 1 January	53,136	53,472
Increase/(decrease) in loss allowance recognised in profit or loss during the year	303,270	(336)
Balance at 31 December	356,406	53,136

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), trade and other payables (Note 12) and lease liabilities (Note 13). 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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	7,290,534	9,544,230	1,020,180	3,985,129	4,538,921
Loans from immediate parent	1,980,000	2,851,200	108,900	435,600	2,306,700
Bank loan	149,538	167,852	33,984	133,868	-
Bank overdraft	30,938	30,938	30,938	-	-
Trade and other payables	6,116,220	6,116,220	6,116,220	-	-
	15,567,230	18,710,440	7,310,222	4,554,597	6,845,621
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

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 14)	2,160,476	2,256,021
Lease liabilities (Note 13)	7,290,534	8,078,071
Less: cash and cash equivalents (Note 10)	(1,277,675)	(746,214)
	<hr/>	<hr/>
Net debt	8,173,335	9,587,878
Total equity	2,476,097	3,126,938
	<hr/>	<hr/>
Total capital	10,649,432	12,714,816
	<hr/>	<hr/>
Net debt ratio	76.7%	75.4%
	<hr/>	<hr/>

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. Intangible assets

	Goodwill €	Trademarks €	Total €
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
At 1 January 2020	1,065,688	138,802	1,204,490
Amortisation	-	(2,263)	(2,263)
At 31 December 2020	1,065,688	136,539	1,202,227

Impairment test for goodwill with an indefinite useful life

The Company's reported goodwill is attributable to business combinations effected in prior years. The Company tests whether goodwill suffered any impairment on an annual basis.

For the purposes of the impairment test, one cash generating unit (CGU) was identified. This CGU comprises the operations of Hudson Malta p.l.c. Group, on the basis that internal reporting to the Board of Directors and Senior Management is analysed by one segment: local operations, as subsequent to the above-mentioned business combinations, the Group harmonised the operations of Time International (Sport) Limited (TISL) and Hudson International Company Limited (HICL) (fellow subsidiary). Furthermore, subsequent to the year end and as further detailed in Note 27, HICL was merged into TISL. Therefore, the recoverable amount of goodwill has been determined based on value-in-use calculations of this CGU. These calculations use post-tax cash flow projections reflecting the estimates for the years 2021 to 2027 as approved by the Board of Directors.

The key assumptions in the determination of the recoverable amount of the CGU are the levels of forecast EBITDA, capital expenditure, the terminal value growth rates applied to the estimated cash flows beyond the explicit forecast period and the discount rate. Forecast EBITDA levels are based on past experience, adjusted for market developments and industry trends.

The post-tax discount rate applied to in the value-in-use calculation of the CGU was 8.4% (2019: 8.4%) whilst the long-term growth rate applied in the valuation of the residual value was 1.4% (2019: 1.4%). These parameters have been principally based on market observable data.

Management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. It was determined that the recoverable amount is greater than the carrying amount and consequently, no impairment charge was required for 2020.

The carrying amount of the CGU currently exceeds its recoverable amount by €3,621,000. Management has determined that impairment of intangible assets involves critical accounting estimates. The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 8.4% to 10.9% or projected annual EBITDA is 16% lower.

5. Property, plant and equipment

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
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
Year ended 31 December 2020				
Opening net book amount	160,083	1,445	1,482,015	1,643,543
Additions	650	-	244,664	245,314
Disposals	(3,049)	-	(79,198)	(82,247)
Depreciation charge	(25,578)	(962)	(344,961)	(371,501)
Depreciation released on disposals	446	-	35,784	36,230
Closing net book amount	132,552	483	1,338,304	1,471,339
At 31 December 2020				
Cost	315,845	57,697	2,941,853	3,315,395
Accumulated depreciation	(183,293)	(57,214)	(1,603,549)	(1,844,056)
Net book amount	132,552	483	1,338,304	1,471,339

6. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	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
Year ended 31 December 2020		
Opening net book amount	8,250,074	8,250,074
Additions	210,625	210,625
Disposals	(115,277)	(115,277)
Lease modifications	(242,563)	(242,563)
Amortisation charge	(862,924)	(862,924)
Amortisation released on disposal	115,277	115,277
Closing net book amount	7,355,212	7,355,212

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

	2020 €	2019 €
Depreciation charge of right-of-use assets	862,924	702,676
Interest expense (Note 13)	325,652	195,606
Expense relating to variable lease payments not included in lease liabilities (incl. in administrative expenses)	158,861	82,433
Rent rebates in relation to COVID-19 (Note 13)	(160,527)	-
	1,186,910	980,715

7. Deferred taxation

	2020 €	2019 €
At beginning of year	201,773	116,253
Credited to the income statement (Note 22)	272,960	85,520
	<hr/>	<hr/>
At end of year	474,733	201,773
	<hr/>	<hr/>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35%).

The balance at 31 December represents temporary differences on:

	2020 €	2019 €
Depreciation of property, plant and equipment	290,208	76,161
Depreciation of right-of-use assets	17,361	52,169
Provision for trade and other receivables	167,164	73,443
	<hr/>	<hr/>
	474,733	201,773
	<hr/>	<hr/>

8. Inventories

	2020 €	2019 €
Goods held for re-sale	2,358,549	2,350,941
	<hr/>	<hr/>

9. Trade and other receivables

	2020 €	2019 €
Trade receivables	2,014,634	2,620,420
Less: Provisions for impairment	(121,204)	(156,703)
	<hr/>	<hr/>
Trade receivables – net	1,893,430	2,463,717
Amounts owed by fellow subsidiaries (net of provisions)	1,809,521	3,897,809
Other receivables	62,730	139,901
Prepayments and accrued income	112,685	144,297
	<hr/>	<hr/>
	3,878,366	6,645,724
	<hr/>	<hr/>

Amounts owed by fellow subsidiaries bear interest at 4.00% (2019: 4.48%) per annum. Amounts owed by fellow subsidiaries are stated at net of a credit loss allowance as per IFRS 9 of €356,406 (2019: €53,136).

10. 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	1,277,675	746,214
Bank overdrafts (Note 14)	(30,938)	(276,021)
	1,246,737	470,193

11. Share capital

	2020 €	2019 €
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

	2020 €	2019 €
Trade payables	3,727,606	4,747,530
Amounts owed to ultimate parent	389,301	110,926
Amounts owed to fellow subsidiaries	803,067	2,076,272
Amounts owed to related party	315	3,853
Indirect taxation	910,093	435,824
Other payables	30,195	18,778
Accruals	255,643	182,786
	6,116,220	7,575,969

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

13. Lease liability

	As at 31 December 2020 €	As at 31 December 2019 €
Non-current	6,808,170	7,643,178
Current	482,364	434,893
Total lease liabilities	7,290,534	8,078,071
	2020 €	2019 €
At beginning of the year	8,078,071	7,446,246
Additions	210,624	1,506,502
Disposals	(194,344)	-
Lease modifications	(36,324)	-
COVID-19 lease concessions	(160,527)	-
Interest expense (Note 21)	325,652	195,608
Payments effected	(932,618)	(1,070,285)
	7,290,534	8,078,071

Included in the lease liabilities for properties are amounts of €2,456,627 (2019: €2,789,341) which are attributable arrangements with a related party, of which €2,099,115 (2019: €2,456,627) 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 Company 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.

14. Borrowings

	2020 €	2019 €
Non-current		
Loans owed to immediate parent	1,980,000	1,980,000
Bank loan	121,219	-
	2,101,219	1,980,000
Current		
Bank overdraft (Note 10)	30,938	276,021
Bank loan	28,319	-
	59,257	276,021
Total borrowings	2,160,476	2,256,021

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 €972,000. The overdraft facilities carry floating interest rates averaging 4.00%.

The Company also has 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.

During 2020, the Company successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €1,000,000 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.

15. Revenue

	2020 €	2019 €
Retail	7,640,785	8,855,801
Wholesale	8,170,541	11,634,654
	15,811,326	20,490,455

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

16. Expenses by nature

	2020 €	2019 €
Purchases of goods for resale	11,173,261	15,166,260
Franchise fees	119,522	100,462
Other direct expenses	494,147	969,118
Employee benefit expense (Note 18)	1,137,860	1,542,184
Depreciation of property, plant and equipment (Note 5)	371,501	313,496
Depreciation of right-of-use assets (Note 6)	862,924	702,676
Amortisation of intangible assets (Note 4)	2,263	2,263
Professional fees	7,536	16,012
Rent and common charges	228,309	138,745
COVID-19 rent rebates (Note 13)	(160,527)	-
Shop expenses and consumables	149,232	156,595
Water and electricity	87,880	81,986
Movement in expected credit loss allowance (Note 9)	267,771	(11,614)
Bad debts written-off	1,156,410	10,984
Management fees	30,734	304,560
Advertising	169,116	275,363
Other expenses	262,500	560,772
Total cost of sales, operating and administrative expenses	16,360,439	20,329,862

Auditor's fees

	2020 €	2019 €
Annual statutory audit	12,500	12,500
Other non-assurance services	2,350	200
Tax compliances services	1,300	700
	16,150	13,400

17. Other income

	2020 €	2019 €
Other income	61,710	34,140
Differences on exchange	4,208	(4,378)
	65,918	29,762

18. Employee benefit expense

	2020 €	2019 €
Wages and salaries	1,035,117	1,440,891
Social security costs	102,743	101,293
	1,137,860	1,542,184

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 €377,284 (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 were as follows:

	2020	2019
Distribution	21	20
Retail	79	105
	100	125

19. Directors' emoluments

	2020 €	2019 €
Directors' emoluments	12,000	-

20. Finance income

	2020 €	2019 €
Interest on amounts due from related parties	-	121,303
Interest on amounts due from third parties	-	285
	-	121,588

21. Finance costs

	2020 €	2019 €
Bank interest and charges	44,342	42,282
Interest expense due to related parties	124,644	123,671
Interest charges on lease liabilities (Note 13)	325,652	195,608
	494,638	361,561

22. Tax credit

	2020 €	2019 €
Current tax (credit)/expense	(30,986)	73,542
Group relief	(23,046)	
Deferred tax credit (Note 7)	(272,960)	(85,520)
	(362,992)	(11,978)

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

	2020 €	2019 €
Loss before tax	(977,833)	(49,618)
Tax at 35%	(342,242)	(17,366)
Tax effect of:		
Temporary differences attributable to unrecognised deferred tax in prior years	43,562	1,220
Over provision of current tax in prior year	(30,986)	-
Expenses and provisions not allowable for tax purposes	2,674	4,168
Tax credit	(362,992)	(11,978)

23. Cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations:

	2020 €	2019 €
Operating (loss)/profit	(483,195)	190,355
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	371,501	313,496
Depreciation of right-of-use assets (Note 6)	862,924	702,676
Amortisation of intangible assets (Note 4)	2,263	2,263
COVID-19 rent rebates (Note 13)	(160,527)	-
Lease modifications (Note 6 and 13)	206,239	-
Movement in credit loss allowance	267,771	(11,614)
Loss on disposal of property, plant and equipment	46,017	54,046
Bad debts written-off	1,156,410	10,985
Changes in working capital:		
Inventories	(7,608)	60,879
Trade and other receivables	1,343,177	(436,551)
Trade and other payables	(1,459,749)	1,043,465
Cash generated from operations	2,145,223	1,930,000

24. Dividends

	2020 €	2019 €
Net dividends paid on ordinary shares	-	125,000
Dividends per share	-	3.99

25. Contingent liabilities

As at 31 December 2020, the Company provided third parties with guarantees amounting to €402,500.

The Company's bank facilities disclosed in note 14 are mainly secured by first general hypothecs and guarantees over the Hudson Malta p.l.c Group and Hudson Holdings Group's assets.

26. 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:

	2020	2019 €
Revenue		
Sales - related parties	2,113,857	2,338,010
Other operating income - related parties	-	377,181
Interest income - related parties	-	197,282
Expenses		
Cost of sales - related parties	855,323	1,474,873
Finance costs - related parties	124,644	108,900
Management fees - parent	30,734	1,304,560

Year-end balances with related parties are disclosed in Notes 9, 12 and 13 to these financial statements.

27. 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.

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.