

HUDSON MALTA PLC

Condensed interim consolidated financial statements (unaudited)
30 June 2018

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Interim directors' report pursuant to Listing Rules 5.75.2

This condensed interim report is published in terms of the *Malta Financial Services Authority Listing Rules Chapter 5* and the *Prevention of Financial Market Abuse Act, 2005*. The interim consolidated financial information included in this report has been extracted from Hudson Malta plc unaudited financial information for the period ending 30th June 2018. In accordance with the terms of listing rule 5.75.5, this interim report has not been audited or reviewed by the Company's independent auditors.

Principal activities

The Company

The Company was registered in Malta on the 10th November 2017. The principal activity of the Company is to purchase or otherwise acquire, under any title whatsoever, to hold and manage moveable and immovable property or other assets, including but not limited to securities and other financial interests.

On 20 December 2017, Hudson Malta plc acquired from Hudson Holdings Limited the entire issued share capital of Time International (Sport) Limited and Hudson International Company Limited, which together comprise the Group as defined in these financial statements. Hudson Malta plc is a wholly owned subsidiary of Hudson Holdings Limited.

The Group

The Group is involved in the importation and distribution of branded consumer products in Malta, Italy and Tunisia. The Group also operates its own retail stores in Malta.

Review of the business

The Company

In May 2018, the Company issued an aggregate of €12,000,000 in bonds, bearing an interest rate of 4.35% on the Malta Stock Exchange. The two subsidiaries of the Company, Time International (Sport) Limited and Hudson International Company Limited are acting as joint and several guarantors to the Bond issue.

The proceeds from this Bond were used to repay the Group's bank loans, partially used for retail expansion in Malta and loaned or advanced to Hudson Holdings Limited for use in capital projects, including retail expansion and a new enlarged distribution center as per the prospectus.

The Group

During the period ended 30th June 2018, the Group generated revenues amounting to €20,148,409, mainly derived from the results of the subsidiary companies. The Group registered a profit after tax of €535,278 during the same period which is in line with expectations.

As at 30th June 2018 the Group had total assets of €27,823,593 and current assets exceeded current liabilities by €6,757,357

The Directors anticipate that the level of activity for the second half of 2018 will continue to be positive and in line with expected results.

Directors' report - *continued*

Future developments

As a significant operator in the retail industry, the Group will continue with its plans to expand and diversify its retail operations in Malta.

Director's Statement pursuant to Listing Rule 5.75.3

We hereby confirm, to the best of our knowledge:

- That the condensed interim consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the financial position of the Company as at 30th June 2018, and of its financial performance and its cash flows for period then ended and;
- The Interim Directors Reports includes a fair view of the information required in terms of listing rules 5.81 and 5.84.

On behalf of the board



Alfred Borg
Director



Brian Zarb Adami
Director

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

27 August 2018

Consolidated statement of financial position

	As at 30 June
	2018
	€
ASSETS	
Non-current assets	
Property, plant and equipment	2,357,428
Intangible assets	1,206,753
Deferred tax asset	328,164
Loans and receivables	7,000,000
Total non-current assets	<u>10,892,345</u>
Current assets	
Inventories	4,486,858
Trade and other receivables	10,890,490
Cash and cash equivalents	1,553,900
Total current assets	<u>16,931,248</u>
Total assets	<u>27,823,593</u>

Consolidated statement of financial position - continued


	As at 30 June
	2018
	€
EQUITY AND LIABILITIES	
Capital and reserves	
Share capital	16,450,000
Acquisition reserve	(16,196,456)
Other Reserve	201,600
Retained earnings	5,397,245
Total equity	5,852,389
Non-current liabilities	
Borrowings	11,797,313
Total non-current liabilities	11,797,313
Current liabilities	
Trade and other payables	9,532,635
Borrowings	641,256
Total current liabilities	10,173,891
Total liabilities	21,971,204
Total equity and liabilities	27,823,593

The notes on pages 9 to 17 are an integral part of these financial statements.

The financial statements on pages 4 to 17 were authorised for issue by the Board on 27 August 2018 and were signed on its behalf by:



Alfred Borg
Director



Brian Zarb Adami
Director

Consolidated statement of comprehensive income

	Period 10 November 2017 to 30 June 2018
	2018 €
Revenue	20,148,409
Cost of sales	(13,102,108)
Gross profit	7,046,301
Other operating income	67,713
Operation and administrative expenses	(6,188,185)
Operating Profit	925,829
Finance income	257,073
Finance costs	(342,074)
Profit before tax	840,828
Income tax expense	(305,550)
Profit for the period	535,278

Consolidated statement of changes in equity

	Share capital €	Acquisition Reserves	Other Reserves €	Retained earnings €	Total Equity €
Balance at 10 November 2017	50,000		-	-	50,000
Acquisition of Subsidiaries	16,400,000	(16,196,456)	201,600	4,861,966	5,267,110
Comprehensive income					
Profit for the Period	-		-	535,278	535,278
Total comprehensive income	-		-	535,278	535,278
Balance at 30 June 2018	16,450,000	(16,196,456)	201,600	5,397,245	5,852,389

Consolidated statement of cash flows

	Period 10 November 2017 to 30 June 2018
	2018
	€
Cash flows from operating activities	
Cash generated used in operations	(1,942,015)
Interest received	257,073
Income tax paid	(487,888)
Interest paid	(342,074)
	(2,514,904)
Cash flows from investing activities	
Purchase of property, plant and equipment	(107,443)
Disposals of property, plant and equipment	10,329
Loans and receivables granted	(7,000,000)
Receipts from loans and receivables	85,898
	(7,011,216)
Cash flows from financing activities	
Drawdowns on borrowings	10,406,390
Repayment of borrowings	(1,671,141)
	8,735,249
Net movement in cash and cash equivalents	(790,871)
Cash and cash equivalents at the beginning of the period	2,344,768
	1,553,900

Selected explanatory notes to the interim consolidated financial statements

1. General information

Hudson Malta plc is a public limited liability company registered in Malta on the 10th November 2017. The principal activity of the Company is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, moveable and immovable property or other assets, including but not limited to securities and other financial interests.

On 20 December 2017, Hudson Malta plc acquired from Hudson Holdings Limited the entire issued share capital of Time international (Sport) Limited and Hudson International Company Limited Company Limited. Hudson Malta plc is a wholly owned subsidiary of Hudson Holdings Limited.

The interim consolidated financial statements include the financial statements of Hudson Malta plc and its subsidiaries (the Group). The condensed interim financial information has been extracted from the Company's unaudited consolidated financial information as at 30th June 2018.

Comparative financial statements as at 30 June 2017 are not available as the Company was incorporated on the 10 November 2017.

2. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

2.1 Basis of preparation

The financial statements have been prepared in accordance with the accounting policies noted hereunder and they have been prepared under the historical cost convention. These financial statements have not been audited nor reviewed by the Company's independent auditors.

These financial statements have been prepared from the date of incorporation to 30 June 2018.

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

Hudson Malta plc was incorporated on 10 November 2017 and the Group adopted accounting policies that were reflective of the accounting standards as applicable on that date. Certain new standards, amendments and interpretations to existing standards have been published by the date of issue of these condensed interim consolidated financial statements but are mandatory for the Group's accounting periods beginning on or after 1 January 2018. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that with the exception or the possible exception of IFRS 9, IFRS 15, and IFRS 16 there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 9 'Financial instruments' replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. Under IAS 39, all the Group's financial assets – which mainly comprise loans receivable, trade and other receivables and cash and cash equivalents – are classified within the loans and receivables category of financial assets. The Group has determined that these financial assets meet the conditions set out in IFRS 9 to continue to be measured at amortised cost. Other than a mandatory reclassification from IAS 39's 'loans and receivables' category of financial assets to IFRS 9's 'hold to collect' business model, the adoption of IFRS 9 will

2.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are not yet effective - continued.

have no impact on the Group's classification and measurement model for financial assets currently classified as loans and receivables.

There will be no impact on the Group's classification and measurement of financial liabilities.

The standard also introduces a new expected credit losses model for financial assets that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39. The Group's trade receivables do not contain significant financing components, and accordingly the Group is required under IFRS 9 to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk since origination. The Group will estimate the lifetime expected credit loss using a provisions matrix, and management is presently assessing the resultant provision, taking cognisance of the provisions already recognised under IAS 39.

The Group's largest exposure to credit risk arises on amounts due from entities falling under common control with the Group, to which the general model in IFRS 9 will be applied. In determining whether a significant increase in credit risk has occurred, the Group takes into account the related parties' performance and financial position, as well as expected future cash flows. Under IFRS 9, entities are required to provide for credit losses on the basis of expectations of what losses may be incurred, however remote those probabilities of default may be; to this end, although the directors do not foresee that the related party receivables should result in losses being incurred by the Group, the directors estimate that the adoption of IFRS 9 will result in a provision of approximately €175,000 on its related party receivables.

The Group's cash and cash equivalents are held with local financial institutions with high quality standing or rating, and the Group will apply the low credit risk simplification allowed by IFRS 9, through which such balances will be classified within 'stage 1' of the general model. The directors have however determined that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. As the Group does not enter into agreements with significant financing components, the adoption of IFRS 15 is not expected to change the amount of revenue recognised by the Group, however the directors are assessing what impact, if any, the adoption of IFRS 15 will have on the timing of revenue recognition.

Under IFRS 16, 'Leases', 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. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted subject to the Group also adopting IFRS 15; IFRS 16 allows preparers a choice on whether to restate comparatives in the year of adoption.

2.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards that are not yet effective - continued

Although the Group is still assessing the impact of IFRS 16 in detail, the directors expect that the adoption of this standard will result in the recognition of right-of-use assets for the premises rented by the subsidiaries; a lease liability will also be recognised. Although the financial impact of adopting this standard will be dependent upon the lease agreements as at the date of initial application, the directors estimate that, on the basis of the lease agreements currently in place, the resulting asset and liability will approximately amount to €6 to €7 million.

2.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

(b) Business combinations

The Group applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3. The consideration transferred for the acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control and for which consolidated financial statements are prepared. When the controlling party does not prepare consolidated financial statements because it is not a parent company, the financial statement amounts of the acquired entity are used.

No new goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity in a separate reserve. The financial statements incorporate

2.2 Consolidation - continued

(b) Business combinations - continued

the acquired entity's results only from the date on which the business combination between entities under common control occurred.

Under both methods of accounting, upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries are changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Foreign currency translation

a. Functional and presentation currency

Items included in the financial statement are measure 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 Group'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 the income statement.

2.4 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 Group 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 statement during the financial period in which they are incurred.

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

	%
Improvement to premises	10
Furniture, fixtures and other equipment	20 - 33½
Plant and Machinery	25
Motor vehicles	20

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.

2.4 Property, plant and equipment - continued

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

2.5 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 Group'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.

2.6 Financial assets

2.6.1 Classification

The Company classifies its financial assets (other than investments in subsidiaries) as loans and receivable. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise cash and cash equivalents in the statement of financial position.

2.6 Financial assets - continued

2.6.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Company.

Financial assets are initially recognised at fair value plus transaction costs. These are subsequently carried at amortised cost using the effective interest method, less any provision for impairment. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows for the financial assets have expired or have been transferred and the Company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

2.6.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit and loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit and loss.

2.7 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost is determined using the weighted average cost method and comprises expenditure incurred in acquiring the inventories and other cost incurred in bringing the inventories in 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.

2.8 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include deposits held at call with banks.

2.9 Share capital

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

2.10 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 a 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 of the issue of the financial liability. These liabilities are subsequently measure 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.

2.11 Borrowings

Borrowings are recognised initially at the 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 Group 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.

2.12 Trade and other payable

Trade and other payable comprise amounts owed to fellow subsidiaries to pay for good or services that have been acquired in the ordinary course of business. 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 noncurrent liabilities.

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

2.13 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 Group'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 Group 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.

3.0 Borrowings – Bond issue

	June 2018 €
Non Current	
120,000 4.35% bonds 2026	11,797,313

The bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of such bonds, using the effective interest rate as follows:

	June 2018 €
Face Value	
120,000 4.35% bonds 2026	12,000,000
Bond Issue Costs	(228,745)
Accumulated Amortisation	26,058
Closing net book value	202,687
Amortised Cost as 30 June 2018	11,797,313

4.0 Investments in subsidiaries

The principal subsidiaries at 30 June 2018 are shown below. Unless otherwise stated, they have share capital consisting solely of ordinary shares.

Subsidiaries	Voting rights held by the Group 2018	Interest held directly by the Company 2018	Interest held by the Group 2018
Time International (Sport) Limited	100.0%	100.0%	100.0%
Hudson International Company Limited	100.0%	100.0%	100.0%

The registered office of the subsidiaries is *Hudson House, Burmarrad Road, Burmarrad, St Paul's Bay, SPB 9060, Malta.*

5.0 Related party transactions

The Company is a wholly owned subsidiary of Hudson Holdings Limited, the registered office of which is situated at Hudson House, Burmarrad Road, Burmarrad, St Paul's Bay SPB 9060, Malta.

The Company has related party transactions with its ultimate parent company and entities controlled by it. The principal related party transactions during the period under review comprise:

	2018 €
Entities controlled by the same parent entity	
<i>Expenses</i>	
Interest expense	(72,653)
Management fees	(598,374)
Commissions	(181,898)
	<hr/>
<i>Income</i>	
Revenues	1,218,316
Interest income	250,872
Commissions	46,536
	<hr/>
<i>Balance Sheet</i>	
Current: Receivables	6,205,728
Current: Loans	103,031
Non Current: Loans	7,000,000
Current: Payables	(1,164,165)
	<hr/>