HUDSON HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements
31 December 2020

Company Registration Number: C 37866

Directors' report

The directors present their report of Hudson Holdings Limited (the "Company") and the Group of which it is the parent for the year ended 31 December 2020.

Principal activities

The Company holds investments in a number of subsidiary companies and an associated company involved in the retail and distribution of branded consumer products in Malta and internationally (as detailed in Note 8 to the financial statements). The Company carries out the central management function through which it furthers the business of the Group.

Review of the business development and financial position

Group results

The year under review has been an unprecedented one for the Group with the impact of Covid-19 negatively impacting revenue generation across its retail and wholesale business, with periods of enforced store closures, lower traffic when open, and supply chain issues. Consequently, the Group curtailed its physical retail expansion with the result that physical retail store openings were limited to 3, whilst it closed 4 retail stores, including its store in Spain. In the meantime, it expanded its online presence by opening a new online store. At the end of 2020, the Group operated 46 stores in 4 countries and 3 e-commerce sites.

The Groups' turnover decreased by 25% from €113.2 million in 2019 to €84.8 million in 2020 with gross profit reduced to €22.3 million, €9.1 million lower than the €31.4 million reported in 2019. Despite the prevailing circumstances, the Group managed to limit the impact on its gross margin, achieving a slightly lower margin in 2020 of 26% compared to 28% in 2019.

Strong cost reduction measures taken by management, rent abatement by landlords and support from Governments resulted in a significant reduction in net operating and administrative costs by €5.5 million, with the result that operating profit amounted to €1.7 million, compared to €5.3 million in 2019.

After taking into consideration the impact of financing costs, which were greater than in 2020, the Group reported a loss before tax of €0.8 million compared to a profit before tax of €3.7 million in 2019.

From a balance sheet aspect, management managed to improve the liquidity position of the Group with net current assets of €8.2 million as at 31 December 2020 compared to €4.9 million in 2019. Further, reduced capital investment activities and additional borrowing resulted in an overall improvement in the cash position of the Group as at 31 December 2020.

Directors' report - continued

Company results and dividends

The Company registered a loss before tax of €492,783 for the year ended 31 December 2020 (2019: profit before tax of €150,610) mainly as a result of an increase in the movement in provision for intercompany receivables.

The income statement and statements of other comprehensive income are set out on pages 14 and 15. The directors do not recommend the payment of a final dividend and, propose that the balance of retained earnings amounting to €16,379,207 (2019: €16,872,792) be carried forward to the next financial year.

Key performance indicators

Non-financial key performance

During the year, the board has further strengthened its governance, compliance and control framework through new procedures and continued its personal development plans across the Group to ensure that its employees are aligned to the Group's overall goals.

Significant risks and uncertainties

The Group'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, negative developments in the economic or political environment.and the continued impact of COVID-19.

Whilst the Group has significant operations located in stable economies, the Group also operates in emerging markets with a lesser degree of social, political and economic stability. The Group aims to mitigate this risk through operating solely with leading brands of international repute which place it in a better position to weather any unexpected adverse conditions.

Directors' report - continued

Significant risks and uncertainties - continued

The impact of COVID-19

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Group 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 Group:

- Postponed most of the physical retail investments 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.
- Obtained 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 MDB loans amounting to €5.35 million to further strengthen its long-term liquidity position. These are in place in 2021.
- 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 is expected to continue to impact performance even in 2021 with retail stores lockdowns, reduced trading hours and supply chain issues. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. The Group has and is continuously looking at ways to improve performance from existing operations and from new business.

The cashflow projections for 2021, taking into account measures being taken and assuming different scenarios, show that the Group has sufficient liquidity to meet its financial obligations as and when they fall due. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Future developments

On 7 April 2021 Hudson Holdings Limited entered into a conditional share-for-share exchange agreement to acquire Trilogy Limited, a leading premium fashion retailer in Malta. The agreement is subject to the satisfaction of certain conditions precedent and upon their completion, an intra-group restructuring is to be carried out, whereby Trilogy Limited will become a fully owned subsidiary of Hudson Malta p.l.c. Through this acquisition the Group will further consolidate its position as Malta's leading sport and fashion retailer. Trilogy's operations will be merged within the Group's and the results of Trilogy Limited will be included in the Groups' consolidated results of 2021. The Group expects this acquisition to positively contribute to the Group's profitability despite the current negative impact of Covid-19.

Directors' report - continued

Directors

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

George Amato
Alfred Borg
Christopher Muscat
Kevin Grech (resigned on 22 December 2020)
Ray Grech
Martin Gregory
Kevin Valenzia
Tara Borg Manche
Etienne Camenzuli
David Cherubino (appointed on 22 December 2020)

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Parent 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 Group and the Parent 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 Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Hudson Holdings Limited for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may 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

23 June 2021

Independent auditor's report

To the Shareholders of Hudson Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of Hudson Holdings Limited as at 31 December 2020, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Hudson Holdings Limited's financial statements, set out on pages 12 to 68, comprise:

-
- the Consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Consolidated and Parent Company income statements and statements of other comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explantory 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 Group 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.

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Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

Emphasis of matter

We draw attention to Note 1.1 to these financial statements that explains the impact of COVID-19 on the Group'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 Group'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 Group or to cease operations, or have no realistic alternative but to do so.

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Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings 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 Group'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 Group'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 Group's or the Parent 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 Group's and the Parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings 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 5) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

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Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent 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 CBD 5090
Malta

Lucienne Pace Ross
Partner

23 June 2021

Statements of financial position

		As at 31 December			
		Group		**Company**	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	4	**1,914,829**	1,263,628	**655,560**	-
Property, plant and equipment	5	**10,096,240**	10,839,527	**900,600**	1,039,292
Right-of-use assets	6	**23,632,459**	26,750,948	**824,095**	834,873
Lease receivables	7	-	-	**7,672,965**	9,436,815
Investment in subsidiaries	8	-	-	**18,451,227**	18,451,227
Investment in associate	9	**533,198**	762,913	-	-
Equity investments at fair value through other comprehensive income	10	-	321,000	-	321,000
Financial assets at amortised cost	11	-	-	**3,391,625**	3,391,625
Trade and other receivables	12	**164,051**	165,509	-	-
Deferred tax assets	13	**859,702**	844,066	**67,315**	39,855
Total non-current assets		**37,200,479**	40,947,591	**31,963,387**	33,514,687
Current assets					
Inventories	14	**14,138,417**	15,038,922	-	-
Lease receivables	7	-	-	**1,074,070**	1,116,526
Trade and other receivables	12	**13,702,437**	17,688,770	**1,876,499**	2,713,783
Current tax assets		**167,317**	33,143	-	-
Cash and cash equivalents	15	**17,685,787**	12,192,223	**1,173,033**	1,143,632
Total current assets		**45,693,958**	44,953,058	**4,123,602**	4,973,941
Total assets		**82,894,437**	85,900,649	**36,086,989**	38,488,628

Statements of financial position - continued

	Notes	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	16	**85,107**	85,107	**85,107**	85,107
Share premium		**873,056**	873,056	**873,056**	873,056
Other reserve		**272,818**	272,818	**-**	-
Foreign exchange translation reserve		**1,345,120**	1,448,481	**-**	-
Fair value reserve	10	**(418,476)**	(97,476)	**(418,476)**	(97,476)
Retained earnings		**6,595,599**	7,372,303	**16,379,207**	16,872,792
		8,753,224	9,954,289	**16,918,894**	17,733,479
Non-controlling interest		**(162,714)**	(165,910)	**-**	-
Total equity		**8,590,510**	9,788,379	**16,918,894**	17,733,479
Non-current liabilities					
Borrowings	19	**16,188,826**	12,263,493	**5,001,644**	4,928,792
Deferred tax liabilities	13	**45,231**	54,562	**8,402**	-
Lease liabilities	17	**20,589,229**	23,714,890	**8,475,115**	10,220,375
Total non-current liabilities		**36,823,286**	36,032,945	**13,485,161**	15,149,167
Current liabilities					
Trade and other payables	18	**25,408,326**	27,385,752	**4,122,868**	3,801,160
Lease liabilities	17	**3,475,410**	2,982,171	**1,115,909**	1,215,191
Borrowings	19	**7,514,789**	7,176,878	**409,546**	491,413
Current tax liabilities		**1,082,116**	2,534,524	**34,611**	98,218
Total current liabilities		**37,480,641**	40,079,325	**5,682,934**	5,605,982
Total liabilities		**74,303,927**	76,112,270	**19,168,095**	20,755,149
Total equity and liabilities		**82,894,437**	85,900,649	**36,086,989**	38,488,628

The notes on pages 20 to 68 are an integral part of these financial statements.

The financial statements on pages 12 to 68 were authorised for issue by the Board on 23 June 2021 and were signed on its behalf by:

Alfred Borg
Director

Christopher Muscat
Director

Income statements

		Year ended 31 December			
		Group		Company	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
Revenue	20	**84,755,111**	113,216,261	**3,680,544**	4,323,254
Cost of sales	21	**(62,449,346)**	(81,767,241)	**(21,386)**	(61,146)
Gross profit		**22,305,765**	31,449,020	**3,659,158**	4,262,108
Operation and administrative expenses	21	**(20,548,060)**	(25,683,361)	**(3,596,133)**	(4,039,512)
Net impairment losses on financial and contract assets	21	**(100,579)**	(497,834)	**(378,612)**	1,935
Income from investments in subsidiaries		**-**	-	**-**	384,615
Operating profit		**1,657,126**	5,267,825	**(315,587)**	609,146
Finance income	23	**1,532**	30,353	**574,220**	694,301
Finance costs	24	**(2,231,694)**	(2,093,289)	**(751,416)**	(839,464)
Impairment of investments in subsidiaries		**-**	-	**-**	(313,373)
Share of (loss)/profit in associate		**(201,626)**	471,581	**-**	-
(Loss)/profit before tax		**(774,662)**	3,676,470	**(492,783)**	150,610
Income tax credit/(expense)	25	**1,154**	(1,979,838)	**(802)**	(162,948)
(Loss)/profit for the year		**(773,508)**	1,696,632	**(493,585)**	(12,338)
(Loss)/profit attributable to:					
Owners of the Company		**(776,704)**	1,695,361	**(493,585)**	(12,338)
Non-controlling interests		**3,196**	1,271	**-**	-
		(773,508)	1,696,632	**(493,585)**	(12,338)

The notes on pages 20 to 68 are an integral part of these financial statements.

Statements of other comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
(Loss)/profit for the year		**(773,508)**	1,696,632	**(493,585)**	(12,338)
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Changes in the fair value of equity assets at fair value through other comprehensive income					
- Movement in fair value	10	**(321,000)**	(1,179,000)	**(321,000)**	(1,179,000)
- Movement in deferred tax liability	13	**-**	202,786	**-**	202,786
Net movement in fair value		**(321,000)**	(976,214)	**(321,000)**	(976,214)
Currency translation differences - gross and net of tax		**(103,361)**	442,423	**-**	-
Other comprehensive income for the year, net of tax		**(424,361)**	(533,791)	**(321,000)**	(976,214)
Total comprehensive income for the year		**(1,197,869)**	1,162,841	**(814,585)**	(988,552)
Total comprehensive income attributable to:					
Owners of the Company		**(1,201,065)**	1,161,570	**(814,585)**	(988,552)
Non-controlling interests		**3,196**	1,271	**-**	-
		(1,197,869)	1,162,841	**(814,585)**	(988,552)

The notes on pages 20 to 68 are an integral part of these financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the Company								
		Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2019		**85,107**	**873,056**	**1,006,058**	**272,818**	**878,738**	**6,476,942**	**9,592,719**	**(167,181)**	**9,425,538**
Comprehensive income										
Profit for the year		-	-	-	-	-	1,695,361	1,695,361	1,271	1,696,632
Other comprehensive income										
Currency translation differences		-	-	442,423	-	-	-	442,423	-	442,423
Changes in the fair value of Equity assets at fair value through OCI, net of tax	10	-	-	-	-	(976,214)	-	(976,214)	-	(976,214)
		-	**-**	**442,423**	**-**	**(976,214)**	**1,695,361**	**1,161,570**	**1,271**	**1,162,841**
Transacton with owners										
Dividends	26	-	-	-	-	-	(800,000)	(800,000)	-	(800,000)
Balance at 31 December 2019		**85,107**	**873,056**	**1,448,481**	**272,818**	**(97,476)**	**7,372,303**	**9,954,289**	**(165,910)**	**9,788,379**

Statements of changes in equity - continued

Group

		Attributable to owners of the Company								
	Note	Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2020		**85,107**	**873,056**	**1,448,481**	**272,818**	**(97,476)**	**7,372,303**	**9,954,289**	**(165,910)**	**9,788,379**
Comprehensive income										
(Loss)/profit for the year		-	-	-	-	-	(776,704)	(776,704)	3,196	(773,508)
Other comprehensive income										
Currency translation differences		-	-	(103,361)	-	-	-	(103,361)	-	(103,361)
Changes in the fair value of equity assets at fair value through OCI, net of tax	10	-	-	-	-	(321,000)	-	(321,000)	-	(321,000)
		-	**-**	**(103,361)**	**-**	**(321,000)**	**(776,704)**	**(1,201,065)**	**3,196**	**(1,197,869)**
Balance at 31 December 2020		**85,107**	**873,056**	**1,345,120**	**272,818**	**(418,476)**	**6,595,599**	**8,753,224**	**(162,714)**	**8,590,510**

Statements of changes in equity - continued

Company	Notes	Share capital €	Share premium €	Retained earnings €	Fair value reserve €	Total €
Balance as 1 January 2019		**85,107**	**873,056**	**17,685,130**	**878,738**	**19,522,031**
Transactions with Owners						
Dividends declared	26	-	-	(800,000)	-	(800,000)
Comprehensive income						
Loss for the year		-	-	(12,338)	-	(12,338)
Fair value adjustment	10	-	-	-	(976,214)	(976,214)
Balance at 31 December 2019		**85,107**	**873,056**	**16,872,792**	**(97,476)**	**17,733,479**
Balance as 1 January 2020		**85,107**	**873,056**	**16,872,792**	**(97,476)**	**17,733,479**
Comprehensive income						
Loss for the year		-	-	(493,585)	-	(493,585)
Fair value adjustment	10	-	-	-	(321,000)	(321,000)
		-	**-**	**(493,585)**	**(321,000)**	**(814,585)**
Balance at 31 December 2020		**85,107**	**873,056**	**16,379,207**	**(418,476)**	**16,918,894**

The notes on pages 20 to 68 are an integral part of these financial statements.

Statements of cash flows

	Notes	Year ended 31 December Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Cash flows from operating activities					
Cash generated from operations	28	**10,384,363**	19,421,944	**1,116,343**	2,363,476
Finance income	23	**1,532**	30,353	**574,220**	694,301
Interest paid on borrowings	24	**(1,143,115)**	(1,060,481)	**(350,452)**	(390,196)
Interest paid on lease liabilities	24	**(1,088,579)**	(1,032,808)	**(400,964)**	(449,268)
Income tax paid		**(1,610,395)**	(1,726,972)	**(63,607)**	(160,136)
Foreign currency translation movements		**419,423**	309,492	**(19,858)**	-
Net cash generated from operating activities		**6,963,229**	15,941,528	**855,682**	2,058,177
Cash flows from investing activities					
Purchases of property, plant and equipment	5	**(1,891,896)**	(6,573,360)	**(41,873)**	(582,648)
Purchase of intangible asset	4	**(674,392)**	(10,465)	**(655,560)**	-
Investment in subsidiary	8	**-**	-	**-**	(26)
Net cash used in investing activities		**(2,566,288)**	(6,583,825)	**(697,433)**	(582,674)
Cash flows from financing activities					
Dividends paid		**-**	(800,000)	**-**	(800,000)
Repayments of borrowings		**(590,908)**	(1,491,117)	**(270,760)**	(119,919)
Proceeds from drawdowns of borrowings		**4,785,556**	146,168	**269,967**	410,410
Principal elements of lease payments (IFRS16)		**(3,166,622)**	(4,054,110)	**(119,834)**	(28,622)
Net cash generated from financing activities		**1,028,026**	(6,199,059)	**(120,627)**	(538,131)
Movement in cash and cash equivalents		**5,424,967**	3,158,646	**37,622**	937,372
Cash and cash equivalents at the beginning of the year		**11,767,118**	8,608,472	**1,021,103**	83,731
Cash and cash equivalents at the end of the year	15	**17,192,085**	11,767,118	**1,058,725**	1,021,103

The notes on pages 20 to 68 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 consolidated 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

The consolidated financial statements include the financial statements of Hudson Holdings Group and its subsidiaries and are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386).

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 Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Group 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 Group:

- 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.
- Obtained 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 MDB loans amounting to €5.35 million 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 is expected to continue to impact performance even in 2021 with retail stores lockdowns, reduced trading hours, and supply chain issues. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. The Group has and is continuously looking at ways to improve performance from existing operations and from new business.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The cashflow projections for 2021, taking into account measures being taken and assuming different scenarios, show that the Group has sufficient liquidity to meet its financial obligations as and when they fall due.

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 which may cast significant doubt on the Group and Company's ability to continue as a going concern and accordingly continue to adopt the going concern assumption in the preparation of the financial statements. Accordingly, the financial statements have been prepared under the historical cost convention.

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Group and Company adopted amendments to existing standards that are mandatory for the Group and 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 Group and 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 17.

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 Group's accounting periods beginning after 1 January 2020. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group and Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group and Company's financial statements in the period of initial application.

1.2 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.

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to govern control the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) 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 values 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 values 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 statements amount of the acquired entity are used.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Business combinations - continued

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 transaction) of the acquired entity, is include in equity in a separate reserve. The financial statements incorporate 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 have been changed where necessary to ensure consistency with the policies adopted by the Group.

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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.

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/(charges) - net'.

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

1.3 Foreign currency translation - continued

(c) Group companies

Income statements of foreign entities are translated into the Group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal or partial disposal of a foreign entity, translation differences that were previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences are recognised in other comprehensive income.

1.4 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.

1. Summary of significant accounting policies - continued

1.5 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 - 33⅓
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.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.7).

1.6 Leases

The Group 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 Group.

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 Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

1. Summary of significant accounting policies - continued

1.6 Leases - continued

The Group 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 Group 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 Group'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	46	1 - 63	6	5 - 6	46	-	46

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 based on variable payment terms with percentages ranging from 6.5% to 10% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, 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.

1. Summary of significant accounting policies - continued

1.6 Leases - continued

To determine the incremental borrowing rate, the Group:

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group 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. Summary of significant accounting policies - continued

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example certain 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.

1.8 Financial assets

1.8.1 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 of 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 change.

1.8.2 Recognition and measurement

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

1.8.3 Measurement

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

Financial assets with embedded derivatives are considered in their entirely when determining whether their cashflows are solely payment of principal and interest.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

1.8.3 Measurement - continued

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 classified 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 on other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

- FVOCI: Assets that are held for collection 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. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains 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 gain/ (losses) and impairment expenses are presented as separate line items in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost of 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 within other gains/ (losses) in the period in which it arises.

1.8.4 Impairment

The Group assesses on a forward-looking basis the expected credit loss 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 Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. Summary of significant accounting policies - continued

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost 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.

1.10 Trade and other receivables

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

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.8.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.11 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.

1.12 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.

1.13 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group'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 Group 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. **Summary of significant accounting policies** - continued

1.14 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.

1.15 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.

1.16 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.

1.17 Provisions

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. 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.

1.18 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 substantially 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.

1. Summary of significant accounting policies - continued

1.18 Current and deferred tax - continued

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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.19 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.

1.20 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.

(a) Sales of goods - wholesale

The Group sells a range of branded consumer products in the wholesale market. Sales of goods are recognised when the Group has delivered products to the wholesale customer, 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 wholesale customer, and the wholesale customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of goods - retail

The Group operates a number of retail stores 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.

1. Summary of significant accounting policies - continued

1.20 Revenue recognition - continued

(c) Dividend income

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

(d) Interest income

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

1.21 Dividend distribution

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(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 respective group entity's functional currency.

The table below summarises the Group's exposure to foreign currencies, other than the functional currency, as at 31 December 2020 and 2019.

	Assets	Liabilities	Net exposure
	€	€	€
Group			
As at 31 December 2020			
USD to EUR	602	(95,215)	(94,613)
EUR to USD	434,016	(2,087,809)	(1,653,793)
GBP to EUR	110,986	(232,623)	(121,637)
Other currencies	70,605	-	70,605
	616,209	**(2,415,647)**	**(1,799,438)**

	Assets	Liabilities	Net exposure
	€	€	€
Group			
As at 31 December 2019			
USD to EUR	12,126	(1,019,184)	(1,007,058)
EUR to USD	1,605	(116,517)	(114,912)
GBP to EUR	228,723	(476,425)	(247,702)
Other currencies	70,000	-	70,000
	312,454	**(1,612,126)**	**(1,299,672)**

Based on the amounts disclosed above, the directors are of the opinion that the Group is not significantly exposed to changes in exchange rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is not required.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk

In general, the Group and Company are exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. The Group and Company's main exposure to interest rate risk arises on the financial assets and liabilities described in the tables below. The Group and Company's borrowings are issued at variable/fixed rates and expose the Group to cash flow interest rate risk. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

The exposure to cash flow interest rate risk as at 31 December is shown below:

	Group		**Company**	
	At floating rates			
	2020	2019	**2020**	2019
	€	€	**€**	€
Interest-bearing assets				
Amounts owed by subsidiaries (Note 12)	**-**	-	**980,169**	2,299,257
Interest-bearing liabilities				
Bank overdraft (Note 19)	**493,702**	425,105	**114,308**	122,529
Bank loans (Note 19)	**6,157,017**	6,345,065	**796,882**	797,676
Amounts owed to subsidiaries (Note 18)	**-**	-	**2,232,139**	2,386,565
	6,650,719	6,770,170	**3,143,329**	3,306,770
Net	**(6,650,719)**	(6,770,170)	**(2,163,160)**	(1,007,513)

	Group		**Company**	
	At fixed rates			
	2020	2019	**2020**	2019
	€	€	**€**	€
Interest-bearing assets				
Lease receivables (Note 7)	**-**	-	**8,747,035**	10,533,341
Gross loans from subsidiaries (Note 11)	**-**	-	**3,440,000**	3,440,000
	-	-	**12,187,035**	13,973,341
Interest-bearing liabilities				
Lease liabilities (Note 17)	**24,064,639**	26,697,061	**9,591,024**	11,435,566
Listed bond (Note 19)	**11,849,892**	11,821,296	**-**	-
Bank loans (Note 19)	**5,203,004**	848,905	**-**	-
Loan from subsidiary (Note 19)	**-**	-	**4,500,000**	4,500,000
	41,117,535	39,367,262	**14,091,024**	15,935,566
Net	**(41,117,535)**	(39,367,262)	**(1,903,989)**	(1,962,225)

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk - continued

Based on the amounts disclosed above, the directors are of the opinion that the Group and Company are not significantly exposed to changes in interest rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is not required.

(b) Credit risk

Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions, loans receivable and cash and cash equivalents. The Group and the Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

	Group		**Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Loans and receivables category:				
Lease receivables (Note 7)	-	-	**8,747,035**	10,553,341
Trade and other receivables - gross (Note 12)	**14,805,934**	19,876,137	**2,305,667**	2,770,177
Loans and receivables (Note 11)	-	-	**3,440,000**	3,440,000
Cash and cash equivalents - net of provisions (Note 15)	**17,685,787**	12,192,223	**1,173,033**	1,143,632
	32,491,721	32,068,360	**15,665,735**	17,907,150
Less: other receivables that do not give rise to credit risk	**(2,150,065)**	(2,560,778)	**(644,824)**	(398,792)
Provision for impairment	**(939,446)**	(2,021,858)	**(429,168)**	(56,394)
Maximum exposure to credit risk	**29,402,210**	27,485,724	**14,591,738**	17,451,664

<u>Trade and other receivables (including contract assets)</u>

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

The Group has debtor balances amounting to €7,342,512 (2019: €8,696,458) that are covered by letters of credit. The Group does not hold any other significant collateral as security.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. The largest client exposure accounts for 50% (2019: 40%) of the trade debtor balances of which 100% (2019: 100%) are covered by letters of credit. The exposure is further covered by a credit note which has been accrued for within these financial statements. These exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management, usually taking cognisance of the performance history without defaults, to have excellent credit standing.

Impairment of trade and other receivables (including contract assets)

The Group applies 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 have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with costumers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers. On the basis of this analysis and considering that the Group never experienced material defaults from its receivables, no adjustments to impairment provisions on trade receivables were required upon adoption of IFRS 9, as the identified impairment loss is insignificant.

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

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 Group and Company amounting to €939,446 (2019: €2,021,858) and €266 (2019: €6,114), respectively, were impaired and the amount of the provisions in this respect are equivalent to these amounts.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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 Group.

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.

Cash and cash equivalents

The credit risk for cash and cash equivalents for Group and Company is considered negligible since the majority of the counterparties are reputable banks with high quality external credit ratings. The Group and Company assessed the expected credit loss for cash and cash equivalents. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The identified impairment loss was insignificant except for a bank balance at a subsidiary for which a credit loss allowance of €109,072 (2019: €114,935) was considered.

The closing loss allowances for cash and cash equivalents as at 31 December 2020 reconcile to the opening loss allowances as follows:

	2020	2019
Group	**€**	€
Cash		
Balance at 1 January	**114,935**	112,416
Decrease in loss allowance recognised in profit or loss during the year	**(5,863)**	2,519
Balance at 31 December	**109,072**	114,935

Other financial assets at amortised cost

The Company's other financial assets at amortised cost include lease receivables, loans and other current receivables due from subsidiaries, which are eliminated on consolidation (Notes 7, 11 and 12). The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

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

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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 impairment charge required for loans and other current receivables was of €48,375 and €428,902 respectively (2019: €48,375 and €50,290 respectively).

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

	2020	2019
Company	**€**	€
Other financial assets at amortised cost		
Balance at 1 January	**98,665**	102,025
Increase in loss allowance recognised in profit or loss during the year	**378,612**	(3,360)
Balance at 31 December	**477,277**	98,665

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities (Note 17) interest-bearing borrowings (Note 19) and trade and other payables (Note 18). 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 means of cash flow forecasts which are updated on a regular basis. The Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from operations.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The table below analyses the Group and 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 cash flows	Due within 1 year	Due between 2 and 5 years	Due after more than 5 years
	€	€	€	€	€
Group					
31 December 2020					
Listed bond	11,849,892	15,132,000	522,000	2,088,000	12,522,000
Bank overdraft	493,702	493,702	493,702	-	-
Trade and other payables	25,408,326	25,408,326	25,408,326	-	-
Lease liabilities	24,064,639	32,720,526	4,787,974	14,450,146	13,482,406
Other bank loans and facilities	11,360,021	11,710,473	7,087,284	4,218,461	404,728
Total	**73,176,580**	**85,465,027**	**38,299,286**	**20,756,607**	**26,409,134**
31 December 2019					
Listed bond	11,821,296	15,654,000	522,000	2,088,000	13,044,000
Bank overdraft	425,105	425,105	425,105	-	-
Trade and other payables	27,385,752	27,385,752	27,385,752	-	-
Lease liabilities	26,697,061	40,673,004	4,829,770	5,394,164	30,449,070
Other bank loans and facilities	7,193,970	7,216,876	6,776,698	440,178	-
Total	**73,523,184**	**91,354,737**	**39,939,325**	**7,922,342**	**43,493,070**

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

	Carrying amount €	Contractual cash flows €	Due within 1 year €	Due between 2 and 5 years €	Due after more than 5 years €
Company					
31 December 2020					
Loan from subsidiary	4,500,000	5,517,500	247,500	4,216,000	1,054,000
Bank overdraft	114,308	114,308	114,308	-	-
Trade and other payables	4,122,868	4,122,868	4,122,868	-	-
Lease liabilities	9,591,024	11,215,659	1,606,316	6,831,805	2,777,538
Bank and other loans	796,882	819,094	316,914	502,180	-
Total	**19,125,082**	**21,789,429**	**6,407,906**	**11,549,985**	**3,881,538**
31 December 2019					
Loan from subsidiary	4,500,000	5,765,500	247,500	3,410,000	2,108,000
Bank overdraft	122,529	122,529	122,529	-	-
Trade and other payables	3,801,160	3,801,160	3,801,160	-	-
Lease liabilities	11,411,091	14,159,364	1,459,841	1,556,980	11,142,543
Bank and other loans	797,676	820,582	380,404	440,178	-
Total	**20,632,456**	**24,669,135**	**6,011,434**	**5,407,158**	**13,250,543**

Contractual cashflows on lease liabilities payable by the Company include €10,133,024 (2019: €12,955,934) for which cashflows will be funded by the lease receivables due from subsidiaries (Note 7).

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group'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 Group may issue new shares or adjust the amount of dividends paid to shareholders.

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

2. **Financial risk management** - continued

2.2 Capital risk management - continued

The Group 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 Group's and Company's equity and borrowings as at 31 December are reflected below:

	Group		**Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Borrowings (Note 19)	**23,703,615**	19,440,371	**5,411,190**	5,420,205
Lease liabilities (Note 17)	**24,064,639**	26,697,061	**9,591,024**	11,435,566
Less: cash and cash equivalents (Note 15)	**(17,685,787)**	(12,192,223)	**(1,173,033)**	(1,143,632)
Net debt	**30,082,467**	33,945,209	**13,829,181**	15,712,139
Total equity	**8,590,510**	9,788,379	**16,918,894**	17,733,479
Total capital	**38,672,977**	43,733,588	**30,748,075**	33,445,618
Net debt ratio	**77.8%**	77.6%	**45.0%**	46.9%

The Group 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 Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group'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.

2. Financial risk management - continued

2.3 Fair values of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Group and Company

	Level 3 €
31 December 2020	
Assets	
Equity investments at fair value through other comprehensive income:	
Equity securities	
Unlisted	-
31 December 2019	
Assets	
Equity investments at fair value through other comprehensive income:	
Equity securities	
Unlisted	321,000

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group and Company's instrument included in level 3 comprises a private equity investment, disclosed in Note 10 of these financial statements, which also includes a reconciliation from opening to closing value of the instrument.

At 31 December 2020 and 2019 the carrying amounts of cash at bank, loans and receivables, receivables, payables, and borrowings reflected in the financial statements are reasonable estimates of fair value.

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

Group	Computer software (in development stage) €	Goodwill €	Others €	Total €
At 1 January 2019				
Cost	-	1,065,688	247,759	1,313,447
Accumulated amortisation	-	-	(50,890)	(50,890)
Net book amount	-	1,065,688	196,869	1,262,557
Year ended 31 December 2019				
Opening net book amount	-	1,065,688	196,869	1,262,557
Additions	-	-	10,465	10,465
Currency translation	-		(24)	(24)
Amortisation charges	-	-	(9,370)	(9,370)
Closing net book amount	-	1,065,688	197,940	1,263,628
At 31 December 2019				
Cost	-	1,065,688	258,200	1,323,888
Accumulated amortisation	-	-	(60,260)	(60,260)
Net book amount	**-**	**1,065,688**	**197,940**	**1,263,628**
Year ended 31 December 2020				
Opening net book amount	-	1,065,688	197,940	1,263,628
Additions	655,560	-	18,832	674,392
Currency translation	-	-	1,022	1,022
Amortisation charges	-	-	(24,213)	(24,213)
Closing net book amount	655,560	1,065,688	193,581	1,914,829
At 31 December 2020				
Cost	655,560	1,065,688	278,054	1,999,302
Accumulated amortisation	-	-	(84,473)	(84,473)
Net book amount	**655,560**	**1,065,688**	**193,581**	**1,914,829**

Impairment test for goodwill with an indefinite useful life

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

For the purposes of the impairment test, one cash generating unit (CGU) was identified, which comprises the operations of Hudson Malta p.l.c. Group. Therefore, the recoverable amount of goodwill has been determined based on value-in-use calculations of the 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.

4. **Intangible assets** - continued

Impairment test for goodwill with an indefinite useful life - continued

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 cashflows 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.

Group 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. 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.

Company	**Computer software (in development stage)** €	**Total** €
Year ended 31 December 2020		
Opening net book amount	-	-
Additions	655,560	655,560
Closing net book amount	655,560	655,560
At 31 December 2020		
Cost	655,560	655,560
Net book amount	**655,560**	**655,560**

5. Property, plant and equipment

Group

	Assets in the course of of construction €	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2019					
Cost	-	3,262,615	167,200	9,006,587	12,436,402
Accumulated depreciation	-	(989,990)	(130,475)	(4,816,182)	(5,936,647)
Net book amount	-	2,272,625	36,725	4,190,405	6,499,755
Year ended 31 December 2019					
Opening net book amount	-	2,272,625	36,725	4,190,405	6,499,755
Additions	1,992,988	887,350	-	3,693,022	6,573,360
Disposals	-	(192,479)	-	(303,227)	(495,706)
Currency translation differences	-	20	-	1,554	1,574
Depreciation released on disposals	-	150,426	-	198,202	348,628
Depreciation charge	-	(348,208)	(11,764)	(1,728,112)	(2,088,084)
Closing net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,527
At 31 December 2019					
Cost	1,992,988	3,957,506	167,200	12,397,936	18,515,630
Accumulated depreciation	-	(1,187,772)	(142,239)	(6,346,092)	(7,676,103)
Net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,527

5. **Property, plant and equipment** - continued

Group

	Assets in the course of of construction €	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
Year ended 31 December 2020					
Opening net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,527
Additions	-	676,109	28,884	1,186,903	1,891,896
Disposals	-	(462,512)	(10,883)	(1,397,638)	(1,871,033)
Transfers	(1,917,201)	1,917,201	-	-	-
Currency translation differences	(28,902)	(132,108)	(3,810)	(66,283)	(231,103)
Depreciation released on disposals	-	347,583	7,981	1,042,534	1,398,098
Deprecation charge	-	(385,596)	(8,078)	(1,537,471)	(1,931,145)
Closing net book amount	46,885	4,730,411	39,055	5,279,889	10,096,240
At 31 December 2020					
Cost	46,885	5,956,196	181,391	12,120,918	18,305,390
Accumulated depreciation	-	(1,225,785)	(142,336)	(6,841,029)	(8,209,150)
Net book amount	**46,885**	**4,730,411**	**39,055**	**5,279,889**	**10,096,240**

5. Property, plant and equipment - continued

Company

	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2019				
Cost	22,516	16,184	1,121,406	1,160,106
Accumulated depreciation	(6,617)	(8,044)	(512,334)	(526,995)
Net book amount	15,899	8,140	609,072	633,111
Year ended 31 December 2019				
Opening net book amount	15,899	8,140	609,072	633,111
Additions	-	-	582,648	582,648
Depreciation charge	(2,252)	(2,789)	(171,426)	(176,467)
Closing net book amount	13,647	5,351	1,020,294	1,039,292
At 31 December 2019				
Cost	22,516	16,184	1,704,054	1,742,754
Accumulated depreciation	(8,869)	(10,833)	(683,760)	(703,462)
Net book amount	13,647	5,351	1,020,294	1,039,292
Year ended 31 December 2020				
Opening net book amount	13,647	5,351	1,020,294	1,039,292
Additions	-	2,778	39,095	41,873
Depreciation charge	(2,252)	(2,424)	(175,889)	(180,565)
Closing net book amount	11,395	5,705	883,500	900,600
At 31 December 2020				
Cost	22,516	18,962	1,743,149	1,784,627
Accumulated depreciation	(11,121)	(13,257)	(859,649)	(884,027)
Net book amount	**11,395**	**5,705**	**883,500**	**900,600**

6. Right-of-use assets

	Group €	Company €
Year ended 31 December 2019		
Impact on adoption of IFRS 16	26,473,406	910,847
Additions	4,469,054	-
Amortisation charge	(4,316,624)	(75,974)
Currency translation differences	125,112	-
Closing net book amount	**26,750,948**	**834,873**
Year ended 31 December 2020		
Opening net book value	26,750,948	834,873
Additions	2,800,039	66,521
Disposals	(1,475,378)	-
Lease modifications	(502,079)	-
Currency translation differences	(21,585)	-
Amortisation charge	(4,564,071)	(77,299)
Amortisation released on disposal	644,585	-
Closing net book amount	**23,632,459**	**824,095**

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Amortisation charge of right-of-use assets	**4,564,071**	4,316,624	**77,299**	75,974
Interest income (included in finance income)	**-**	-	**(366,143)**	(412,834)
Interest expense (included in finance cost)	**1,088,579**	1,032,808	**400,964**	449,268
Rent rebates in relation to Covid-19 (Note 17)	**(993,085)**	-	**(5,920)**	-
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	**874,742**	382,049	**5,600**	4,258

7. Lease receivables

Company

	2020	2019
	€	€
Non-current	**7,672,965**	9,436,815
Current	**1,074,070**	1,116,526
	8,747,035	10,533,341

All lease receivables relate to amounts due from subsidiaries, relating to sub-leasing of leased properties by the Company. Such leases are deemed to be finance leases as the terms of the sub-lease agreements with subsidiaries are aligned with the original lease agreements with third parties and therefore, the Company is effectively transferring all risks and rewards relating to the leased assets for the same term and consideration. Therefore, the right-of-use assets relating to such agreements have been derecognised by the Company.

8. Investment in subsidiaries

	Company	
	2020	2019
	€	€
Year ended 31 December		
At beginning of year	**18,451,227**	18,764,574
Additions	-	26
Movement in provision for impairment	-	(313,373)
At end of year	**18,451,227**	18,451,227

8. **Investments in subsidiaries** - continued

The principal subsidiaries as at 31 December 2020 and 2019 are shown below. Unless otherwise stated, they have share capital consisting solely of ordinary shares.

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2020	2019	**2020**	2019	**2020**	2019
Hudson Malta Sales Limited (formerly Time International (Sport) Limited)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Italian Operations Limited SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	**99.00%**	99.00%	**100.00%**	100.00%	**100.00%**	100.00%
UJ International Co Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Urban Jungle Sneakers SL (in liquidation as from 2021)	Madrid	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%

8. **Investments in subsidiaries** - continued

Subsidiaries	Registered office	Voting rights held by the Group **2020**	2019	Ownership interest held directly by the Company **2020**	2019	Ownership interest held by the Group **2020**	2019
Times 5 Limited (in liquidation)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
Time International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD International Group Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD Tunisia SARL (in liquidation)	4 rue 7036, 2ème étage, El Menzah IV 1004, Tunis, Tunisia	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD International Group Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD Morocco SARL	7, Rue El Messoudi Quartier Racine Casablanca	**100.00%**	100.00%	-	-	**100.00%**	100.00%

8. **Investments in subsidiaries** - continued

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2020	2019	**2020**	2019	**2020**	2019
Sports Alliance Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	**100.00%**	100.00%	-	-	**100.00%**	100.00%
Hudson International Company Limited (merged into Hudson Malta Sales Limited in 2021)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Libya Utilities *Management and Operation Services Joint Venture SC Company*	Gergaresh Street, Tripoli, Libya	**65.00%**	65.00%	-	-	**65.00%**	65.00%
Hudson Malta Plc	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Italia SRL	Milano Via Monte Rosa 91 CAP 20149, Italy	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Brand Development Nigeria Limited	5B Water Corporation Road, Victoria Island, PO Box 2419 Lagos, Nigeria	**100.00%**	100.00%	-	-	**100.00%**	100.00%

9. Investment in associate

	Group 2020 €	Group 2019 €
Year ended 31 December		
At beginning of year	**792,913**	285,062
Additions	**-**	-
Share of (loss)/profit for the year	**(201,627)**	471,581
Currency translation differences	**(58,088)**	6,270
At end of year	**533,198**	762,913

Associate	**Registered office**	**Percentage of shares directly held by the Group** 2020 %	2019 %
Premium Brands SARL	29 rue des Pins Investments Park 2, 16035, Hydra, Algeria	**44.50**	44.50

10. Equity investments at fair value through other comprehensive income

	Group and Company 2020 €	Group and Company 2019 €
Year ended 31 December		
As at 1 January	**321,000**	1,500,000
Fair value movements	**(321,000)**	(1,179,000)
As at 31 December	**-**	321,000
As at 31 December		
Cost	**418,476**	418,476
Fair value	**(418,476)**	(97,476)
	-	321,000

The Group's equity investments, as at 31 December 2020, consists of equity instruments in an unlisted foreign private company, GRP 3ina SL, which is fair valued annually. Fair value is estimated by reference to recent transactions. Accordingly, the available-for-sale investment is categorised as Level 3 within the fair value measurement hierarchy required by IFRS 13. The change in the fair value of the investment is recognised in other comprehensive income in a fair value reserve.

11. Financial assets at amortised cost

	Company	
	2020	2019
	€	€
Current		
Loans receivable from subsidiaries	**3,440,000**	3,440,000
Less: credit loss allowance in line with IFRS 9	**(48,375)**	(48,375)
	3,391,625	3,391,625

Loans receivable from subsidiaries bear interest at 5.5% and are repayable by 2026.

12. Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Trade receivables	**11,423,925**	14,958,936	**251,772**	21,848
Less: Provisions for impairment	**(939,446)**	(2,021,858)	**(266)**	(6,114)
Trade receivables - net	**10,484,479**	12,937,078	**251,506**	15,734
Other receivables	**1,230,351**	1,429,561	**190,512**	-
Amount owed by subsidiaries - net of provisions	**-**	-	**980,169**	2,299,257
Amount due from associate	**1,593**	926,862	**-**	-
Indirect tax recoverable	**895,317**	1,545,964	**26,029**	248,097
Prepayments and accrued income	**1,254,748**	1,014,814	**428,283**	150,695
	13,866,488	17,854,279	**1,876,499**	2,713,783
Current	**13,702,437**	17,688,770	**1,876,499**	2,713,783
Non-current	**164,051**	165,509	**-**	-

The amounts owed by subsidiaries and associates are unsecured, repayable on demand and subject to interest at 4% (2019: 4%). Amounts owed by subsidiaries are stated net of a provision of €428,902 (2019: €50,280).

13. Deferred tax liability/(asset)

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2019: 35%).

The movement on the deferred tax account is as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
At beginning of year	**(789,504)**	843,492	**(39,855)**	177,717
Credited to income statements (Note 25)	**(33,945)**	(1,428,891)	**(19,058)**	(14,786)
Currency translation differences	**8,978**	(1,319)	**-**	-
Directly in other comprehensive income (Note 25)	**-**	(202,786)	**-**	(202,786)
At end of year	**(814,471)**	(789,504)	**(58,913)**	(39,855)

Deferred tax movement recognised in other comprehensive income relate to movement in fair value of equity investments held at fair value through other comprehensive income.

The balance at 31 December represents:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Net temporary difference arising on of property, plant and equipment	**(202,758)**	(200,173)	**(5,009)**	6,587
Temporary differences arising on impairment of receivables	**(106,703)**	(376,536)	**(35,802)**	(37,849)
Temporary differences arising on foreign income	**37,824**	(27,441)	**-**	-
Temporary differences arising on unutilised tax losses	**(67,156)**	(6,390)	**-**	-
Temporary differences arising due unabsorbed capital allowances	**(271,853)**	(2,007)	**-**	-
Temporary differences on right-of-use assets	**(203,825)**	(176,957)	**(18,102)**	(8,593)
Deferred tax (asset)/liability	**(814,471)**	(789,504)	**(58,913)**	(39,855)

13. Deferred tax liability/(asset) - continued

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Deferred tax assets	**(859,702)**	(844,066)	**(67,315)**	39,855
Deferred tax liabilities	**45,231**	54,562	**8,402**	-
Deferred tax (asset)/liability	**(814,471)**	(789,504)	**(58,913)**	39,855

14. Inventories

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Goods held for resale	**14,138,417**	15,038,922	**-**	-

15. Cash and cash equivalents

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and in hand - net of provisions	**17,685,787**	12,192,223	**1,173,033**	1,143,632
Bank overdrafts (Note 19)	**(493,702)**	(425,105)	**(114,308)**	(122,529)
	17,192,085	11,767,118	**1,058,725**	1,021,103

Cash at bank is stated net of a provision of €109,072 (2019: €114,935) in line with the expected credit loss model following the adoption of IFRS 9.

16. Share capital and reserves

The authorised and issued share capital as at 31 December 2020 and 2019 were as follows:

	Company	
	2020	2019
	€	€
Authorised		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
	85,107	**85,107**
Issued and fully paid		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
	85,107	**85,107**

The holders of the ordinary A, B, C, D, E, and F shares rank 'pari passu' in all respects except for voting rights for appointment of directors. The holders of ordinary shares A have a right to appoint five directors, holders of ordinary shares B, C, D, and E have a right to appoint one director each and holders of ordinary shares F are not entitled to appoint a director.

The foreign exchange translation reserve represents the effect of translation into the Group's presentation currency of the financial performance and position of those entities whose functional currency is not the euro.

17. Lease liabilities

	2020	2019
	€	€
Group		
Non-current	**20,589,229**	23,714,890
Current	**3,475,410**	2,982,171
	24,064,639	26,697,061
Group		
At beginning of the year	**26,697,061**	26,282,118
Additions	**2,800,039**	4,469,054
Disposals	**(1,055,225)**	-
Lease modifications	**(357,198)**	-
Covid-19 lease concessions	**(993,085)**	-
Interest expense	**1,088,579**	1,032,808
Payments effected	**(4,255,201)**	(5,091,140)
Difference on exchange	**139,669**	4,221
	24,064,639	26,697,061

	2020	2019
	€	€
Company		
Non-current	**8,475,115**	10,220,375
Current	**1,115,909**	1,215,191
	9,591,024	11,435,566
Company		
At beginning of the year	**11,435,566**	11,788,132
Additions	**66,521**	674,910
Covid-19 lease concessions	**(5,920)**	-
Interest expense	**(400,964)**	(449,268)
Payments effected for propeties used by the company	**(85,013)**	(89,531)
Payments effected for properties used by subsidiaries of the company (Note 7)	**(1,419,166)**	(488,677)
	9,591,024	11,435,566

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

The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c).

17. Lease liabilities - continued

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

18. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current				
Trade payables	**18,073,210**	20,653,319	**588,959**	271,317
Amounts owed to subsidiaries	**-**	-	**2,232,139**	2,386,565
Amounts owed to related undertakings	**-**	3,853	**-**	-
Amounts owed to shareholders	**265,834**	757,942	**265,834**	757,942
Indirect taxation and other payables	**3,801,263**	2,366,474	**445,286**	169,548
Accruals	**3,268,019**	3,604,164	**590,650**	215,788
	25,408,326	27,385,752	**4,122,868**	3,801,160

Amounts owed to group and related undertakings are unsecured, repayable on demand and subject to interest at 4% (2019: 4%). Amounts owed to shareholders are unsecured and bear interest at 4% (2019: 4%). These amounts have no fixed date for repayment and the Group has an unconditional right to defer settlement of these amounts for at least twelve months after the date of the statement of financial position.

19. Borrowings

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current				
Bank overdrafts	**493,702**	425,105	**114,308**	122,529
Bank loans and other facilities	**7,021,087**	6,751,773	**295,238**	368,884
Total current	**7,514,789**	7,176,878	**409,546**	491,413
Non-current				
Loan from subsidiary	**-**	-	**4,500,000**	4,500,000
Listed bond	**11,849,892**	11,821,296	**-**	-
Bank loans	**4,338,934**	442,197	**501,644**	428,792
Total non-current	**16,188,826**	12,263,493	**5,001,644**	4,928,792
Total borrowings	**23,703,615**	19,440,371	**5,411,190**	5,420,205

The carrying amounts of borrowings approximate their fair value.

19. Borrowings - continued

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Within one year	**7,514,789**	7,176,878	**409,546**	491,413
Between 1 and 2 years	**1,085,955**	168,756	**253,735**	168,756
Between 2 and 5 years	**2,334,663**	260,036	**247,909**	260,036
Over 5 years	**12,768,208**	11,834,701	**4,500,000**	4,500,000
	23,703,615	19,440,371	**5,411,190**	5,420,205

At the end of the reporting period, the Group and the Company had a total maximum general banking facility limit of €32.5 million (2019: €33.3 million) and €2.4 million (2019: €2.6 million) respectively.

The Group has an invoice financing arrangement with a local institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of €850,000 (2019: €850,000).

The Bond of €12,000,000 is repayable by 2026, bears interest at 4.35%, payable annually in arrears on 6 April of each year and is stated at net of unamortised bond issue costs of €150,108.

The Group is charged interest on bank loans and other facilities at the rate of 4% per annum (2019: 4% per annum). The Company's overdraft facilities and bank loans bear interest at the rate of 4% (2019: 4%). These facilities are secured by a first special hypothec over the Group and the Company's assets.

BD Morocco, a subsidiary of the Group has a banking facility amounting to €0.9 mllion, bearing interest of 3.5% and repayable by 2028.

Loan from subsidiary bears interest at 5.5%, is unsecured, and is repayable by 2026.

During 2020, the Group successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €5,350,000 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 Group had not yet drawn down facilities amounting to €1,850,000.

20. Revenue

Revenue represents the amounts receivable for goods sold and services rendered during the year, net of any indirect taxes. The following amounts have been included in the income statement line for the reporting period presented:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Retail	**33,005,012**	44,245,962	**-**	-
Wholesale	**51,750,099**	68,970,299	**-**	-
Management fees	**-**	-	**3,680,544**	4,323,254
	84,755,111	113,216,261	**3,680,544**	4,323,254

21. Expenses by nature

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Purchases of goods for resale	**58,266,912**	77,324,671	**-**	-
Write down in inventory value	**292,865**	322,600	**-**	-
Commissions payable	**551,338**	1,039,521	**-**	-
Royalties	**1,207,290**	1,634,322	**-**	-
Other direct expenses	**2,130,941**	1,446,127	**-**	61,146
Employee benefit expense (Note 22)	**7,751,192**	10,339,306	**2,365,957**	2,685,542
Covid-19 rent rebates	**(993,085)**	-	**(5,920)**	-
Amortisation of intangible assets (Note 4)	**24,213**	9,370	**-**	-
Depreciation of property, plant and equipment (Note 5)	**1,931,145**	2,088,084	**180,565**	176,467
Depreciation of right of use assets (Note 6)	**4,564,071**	4,316,624	**77,299**	75,974
Rent and common charges	**874,742**	1,549,458	**5,600**	4,258
Legal and professional fees	**874,506**	1,109,631	**244,682**	213,615
Movement in expected credit loss allowance (Note 12)	**(1,082,412)**	497,834	**378,612**	1,935
Bad debts written off	**1,182,991**	-	**-**	-
Bank charges	**736,148**	869,869	**15,036**	21,135
Advertising	**1,474,821**	1,409,286	**19,482**	43,253
Other expenses	**3,310,307**	3,991,733	**714,818**	815,398
Total cost of sales, operation and administrative expenses	**83,097,985**	107,948,436	**3,996,131**	4,098,723

Auditor's fees

	Group		Company	
	2020	2019	**2020**	2019
	€	€	€	€
Annual statutory audit	**88,950**	85,350	13,700	13,700
Non-audit fees	**5,500**	4,190	2,950	12,050
	94,450	89,540	16,650	25,750

22. Employee benefit expense

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Wages and salaries	**7,159,031**	9,392,592	**2,228,665**	2,552,265
Social security costs	**592,161**	946,714	**137,292**	133,277
	7,751,192	10,339,306	**2,365,957**	2,685,542

Wages and salaries of the Group and Company are presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €1,484,175 (2019: €NIL) and €353,901 (2019: €NIL) respectively. Grants related to income are presented as a deduction in reporting the related expense.

The average number of persons employed during the year, including executive directors was made up as follows:

	Group		Company	
	2020	2019	**2020**	2019
Administration and finance	**43**	47	**34**	38
Operations	**117**	120	**31**	34
Retail	**291**	406	**-**	-
	451	573	**65**	72

23. Finance income

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Interest income on lease receivables	**-**	-	**366,143**	412,834
Interest income on amounts due by third parties	**1,532**	30,353	**-**	-
Interest income on amounts due by subsidiaries	**-**	-	**208,077**	281,467
	1,532	30,353	**574,220**	694,301

24. Finance costs

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Interest on bank overdrafts and loans	**1,132,433**	1,015,107	**38,311**	35,875
Interest on amounts due to subsidiaries	**-**	-	**53,959**	61,447
Interest on loan from subsidiary	**-**	-	**247,500**	247,500
Interest charges on lease liabilities	**1,088,579**	1,032,808	**400,964**	449,268
Interest on loans to shareholders	**10,682**	45,374	**10,682**	45,374
	2,231,694	2,093,289	**751,416**	839,464

25. Tax (credit)/expense

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current tax expense	**32,791**	3,408,729	**-**	177,734
Group relief	**-**	-	**19,860**	-
Deferred tax credit (Note 13)	**(33,945)**	(1,428,891)	**(19,058)**	(14,786)
Tax (credit)/expense through profit or loss	**(1,154)**	1,979,838	**802**	162,948
Tax expense through other comprehensive income				
Deferred tax on impairment of equity investments held through OCI (Note 13)	**-**	(202,786)	**-**	(202,786)
Total tax (credit)/expense	**(1,154)**	1,777,052	**802**	(39,838)

25. Tax (credit)/expense - continued

The tax on the profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
(Loss)/profit before tax	**(774,662)**	3,676,470	**(492,783)**	150,610
Tax at 35%	**(271,132)**	1,286,765	**(172,474)**	52,714
Tax effect of:				
Difference in tax rates	**11,673**	144,353	-	-
Unrecognised deferred tax in prior year	**43,096**	(44,665)	-	-
Expenses not allowable for tax purposes	**216,405**	427,138	**173,276**	110,234
Other	**(1,196)**	166,247	-	-
Tax (credit)/expense	**(1,154)**	1,979,838	**802**	162,948

26. Dividends

	Group and Company 2020 €	Group and Company 2019 €
Dividends paid on ordinary shares - net	-	800,000
Dividends per share	-	21.896

27. Directors' emoluments

	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Salaries and other emoluments	**757,180**	851,884	**618,743**	815,123
	757,180	851,884	**618,743**	815,123

28. Cash generated from operating activities

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Operating profit	**1,657,126**	5,267,825	**(315,587)**	609,146
Adjustments for:				
Amortisation of intangible assets (Note 4)	**24,213**	9,370	**-**	-
Depreciation of property, plant and equipment (Note 5)	**1,931,145**	2,088,084	**180,565**	176,467
Loss on disposal of property, plant and equipment (Note 5)	**472,935**	-	**-**	-
Amortisation right-of-use assets (Note 6)	**4,564,071**	4,316,624	**77,299**	75,974
Covid-19 rent rebates (Note 17)	**(993,085)**	-	**(5,920)**	-
Loss on disposal of group companies	**-**	147,077	**-**	-
Lease modifications (Note 6)	**(79,551)**	-	**20,997**	-
Movement in impairment of provision on trade receivables	**(1,082,412)**	497,834	**(5,848)**	1,886
Bad debts written off (Note 21)	**1,182,991**	-	**-**	-
Changes in working capital:				
Inventories	**900,505**	4,347,752	**-**	-
Trade and other receivables	**3,783,851**	(156,164)	**843,129**	437,156
Trade and other payables	**(1,977,426)**	2,903,542	**321,708**	1,062,847
Cash generated from operations	**10,384,363**	19,421,944	**1,116,343**	2,363,476

29. Related party transactions

Group

In the normal course of business, the Group enters into various transactions with related parties. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operational decisions. These include directors and shareholders who hold a substantial amount of the votes able to be cast at general meetings.

Company

All companies forming part of the Hudson Group are considered by the directors to be related parties.

The following transactions were carried out by the Company with related parties:

	2020	2019
	€	€
Revenue		
Revenue - subsidiaries	**3,680,544**	4,323,254
Interest income on lease receivables	**366,143**	412,834
Interest income on amounts due by subsidiaries	**208,077**	281,467
Expenses		
Administrative expenses - key management personnel	**1,169,221**	1,056,349
Interest on lease liabilities	**366,143**	412,834
Interest on amounts due to subsidiaries	**53,959**	61,447
Interest on loans due to subsidiaries	**247,500**	247,500
Interest on amounts due to shareholders	**10,682**	45,374

Key management personnel compensation consisting of directors' remuneration is disclosed in Note 27 to these financial statements.

Year end balances owed by/to related parties are disclosed separately in Notes 7, 11, 12, 18 and 19 to these financial statements.

30. Events subsequent to the reporting period

Completion of Merger of Subsidiaries

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

In virtue of the afore-mentioned merger by acquisition, 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 Hudson Malta p.l.c.'s shareholding in TISL and the company continues to hold the totality of the Ordinary shares issued in the said company.

Conditional Completion of Acquisition of Trilogy Limited

Following the obtaining of regulatory approval, Hudson Holdings Limited, the ultimate parent company of the Hudson Group, has entered into a share-for-share exchange agreement with Trilogy Limited (C 42528) dated 7 April 2021 (the 'Framework Agreement For The Exchange Of Shares') in connection with the potential acquisition of Trilogy Limited that will result in the shareholders of Trilogy Limited taking up shares in Hudson Holdings Limited. In terms of the Framework Agreement For The Exchange Of Shares, completion of the proposed acquisition is subject to the satisfaction of certain conditions precedent.

If the Framework Agreement for The Exchange Of Shares is executed, an intra-group restructuring is to be carried out pursuant to the terms thereof, whereby Trilogy Limited will become a fully-owned subsidiary of Hudson Malta p.l.c.

31. Statutory information

Hudson Holdings Limited is a limited liability company and is incorporated in Malta, with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta.