

HUDSON MALTA PLC

Condensed interim consolidated financial statements (unaudited)

For the period 1 January 2020 to 30 June 2020

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Interim directors' report pursuant to Listing Rule 5.75.2

This condensed interim report is published in terms of Chapter 5 of the *Listing Rules* issued by the Listing Authority and the *Prevention of Financial Markets Abuse Act, 2005* (Chapter 476 of the laws of Malta). The interim consolidated financial information included in this report has been extracted from Hudson Malta plc unaudited financial information for the period ending 30 June 2020. In accordance with the terms of listing rule 5.75.5, this interim report has not been audited or reviewed by the Company's independent auditors.

Principal activities

The Company

The principal activity of the Company is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, moveable and immovable property or other assets, including but not limited to securities and other financial interests.

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

The Group

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

Review of the business

The Company

During the period ended 30 June 2020, the Group generated revenues amounting to €11,952,064 (2019: €19,668,637) and a gross profit of €3,455,068 (2019: €6,147,329). The reduction in revenue was mainly the result of the impact of the Covid19 pandemic which resulted in the closure of the business for a period of time and dampened sales after reopening as a result of supply issues and lower demand. Cost reduction measures taken brought down operating and administrative costs to €4,271,828 from €5,800,892 in 2019 but these were not sufficient to offset the impact of the lost sales.

As at 30 June 2020 the Group had total assets of €44,169,171 (2019: €48,019,430) and its current assets exceeded current liabilities by €3,919,825 (2019: €3,944,396). The reduction in the total assets is mainly attributable to lower receivables following the reduction in turnover as well as reductions in right-of-use assets and cash in hand.

Results and dividends

The Group reported a loss for the period ended 30 June 2020 of €656,658 (2019: €30,830) as noted on page 6.

The Board resolved not to declare an interim dividend.

Directors' report - *continued*

Impact of Covid-19

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams, its supply chain and the way it does business in general.

The Group created a COVID-19 Task Force with key people from the organization to be able to effectively lead and direct the Group through the pandemic. This Task Force is still in place and is continuously monitoring the situation.

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

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

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

The revised cashflow projections for 2020, 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. Furthermore the directors of Hudson Holdings Limited have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

The Group is currently experiencing a year-on-year decline in turnover and is projecting a loss for the financial year ending December 2020.

Director's Statement pursuant to Listing Rule 5.75.3

We hereby confirm, to the best of our knowledge:

- That the condensed interim consolidated financial statements, prepared in accordance with the applicable set of accounting standards, give a true and fair view of the financial position of the Company as at 30 June 2020, and of its financial performance and its cash flows for period then ended and;
- The Interim Directors' Report includes a fair view of the information required in terms of listing rules 5.81 and 5.84.

On behalf of the Board of Directors,



Alfred Borg
Director



Brian Zarb Adami
Director

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

27th August 2020

Consolidated statement of financial position

	As at 30 June 2020 Unaudited €	As at 31 December 2019 Audited €
Note		
ASSETS		
Non-current assets		
Property, plant and equipment	3,813,672	3,810,101
Right-of-use leased assets	17,401,689	18,590,907
Intangible assets	1,203,359	1,204,490
Deferred tax asset	1,103,952	749,524
Financial assets at amortised cost	6,914,219	6,914,219
Total non-current assets	30,436,891	31,269,241
Current assets		
Inventories	4,177,625	3,900,234
Trade and other receivables	7,422,635	9,854,958
Cash and cash equivalents	2,132,020	2,994,997
Total current assets	13,732,280	16,750,189
Total assets	44,169,171	48,019,430

Consolidated statement of financial position - continued

	As at 30 June 2020	As at 31 December 2019
Note	Unaudited €	Audited €
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	16,450,000	16,450,000
Other reserves	(15,994,856)	(15,994,856)
Retained earnings	5,292,908	5,949,566
Total equity	5,748,052	6,404,710
Non-current liabilities		
Lease liabilities	16,773,070	16,987,631
Borrowings	5 11,835,594	11,821,296
Total non-current liabilities	28,608,664	28,808,927
Current liabilities		
Lease liabilities	1,187,173	1,351,725
Trade and other payables	7,554,825	11,081,736
Borrowings	951,813	276,021
Current tax liabilities	118,644	96,311
Total current liabilities	9,812,455	12,805,793
Total liabilities	38,421,119	41,614,720
Total equity and liabilities	44,169,171	48,019,430

The notes on pages 9 to 14 are an integral part of these financial statements.

The financial statements on pages 4 to 14 were approved and authorised for issue by the Board on 27th August 2020 and were signed on its behalf by:


Alfred Borg
Director


Brian Zarb Adam
Director

Consolidated statement of comprehensive income

	Period from 1 January to 30 June 2020 Unaudited €	Period from 1 January to 30 June 2019 Unaudited €
Revenue	11,952,064	19,668,637
Cost of sales	(8,496,996)	(13,521,308)
Gross profit	3,455,068	6,147,329
Other operating income	205,314	80,891
Operation and administrative expenses	(4,271,828)	(5,800,892)
Operating profit/ (loss)	(611,446)	427,328
Finance income	249,823	255,222
Finance costs	(649,463)	(729,988)
Loss before tax	(1,011,086)	(47,438)
Income tax impact	354,428	16,604
Loss for the period – total comprehensive income	(656,658)	(30,834)

The notes on pages 9 to 14 are an integral part of these financial statements.

Consolidated statement of changes in equity

	Share capital €	Other Reserves €	Retained earnings €	Total €
Balance as at 1 January 2019	16,450,000	(15,994,856)	5,680,119	6,135,263
Comprehensive income				
Loss for the period	-	-	(30,834)	(30,834)
Total comprehensive income	-	-	(30,834)	(30,834)
Balance as at 30 June 2019	16,450,000	(15,994,856)	5,649,285	6,104,429
Balance as at 1 January 2020	16,450,000	(15,994,856)	5,949,566	6,404,710
Comprehensive income				
Loss for the period	-	-	(656,658)	(658,658)
Total comprehensive income	-	-	(656,658)	(658,658)
Balance as at 30 June 2020	16,450,000	(15,994,856)	5,292,908	5,748,052

The notes on pages 9 to 14 are an integral part of these financial statements.

Consolidated statement of cash flows

	Period from 1 January to 30 June 2020 Unaudited €	Period from 1 January to 30 June 2019 Unaudited €
Cash flows from operating activities		
Cash (used in) / generated from operations	(459,159)	2,348,409
Interest received	249,823	255,222
Income tax paid	22,333	(149,975)
Interest paid	(635,166)	(312,864)
Net cash generated from/(used in) operating activities	(822,169)	2,140,792
Cash flows from investing activities		
Purchase of property, plant and equipment	(647,581)	(1,517,185)
Proceeds from disposals of property, plant and equipment	320,989	-
Receipts from loans and receivables	-	45,863
Net cash used in investing activities	(326,592)	(1,471,322)
Cash flows from financing activities		
Principal elements of lease payments	(390,011)	(1,172,538)
Net cash (used in)/generated from financing activities	(390,011)	(1,172,538)
Net movement in cash and cash equivalents	(1,538,772)	(503,068)
Cash and cash equivalents at the beginning of the period	2,718,976	2,154,012
Cash and cash equivalents at the end of the period	1,180,207	1,650,944

The notes on pages 9 to 14 are an integral part of these financial statements.

Selected explanatory notes to the interim consolidated financial statements

1. General information

The principal activity of the Company is to purchase or otherwise acquire, under any title whatsoever, to hold and manage, by any title, moveable and immovable property or other assets, including but not limited to securities and other financial interests.

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

The interim consolidated financial statements include the financial statements of Hudson Malta plc and its subsidiaries (the Group). The condensed interim financial information has been extracted from the Company's unaudited consolidated financial information as at 30 June 2020.

2. Basis of preparation

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

The condensed consolidated interim financial information as at and for the six-month period ended 30 June 2020 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting'). These financial statements have not been audited nor reviewed by the Company's independent auditors. The condensed consolidated interim financial information should be read in conjunction with the annual financial statements for the year ended 31 December 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies used in the preparation of the condensed consolidated interim financial statements are consistent with those of the annual financial statements of Hudson Malta p.l.c. for the year ended 31 December 2019, as described in those financial statements.

Impact of COVID-19

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams, its international supply chain and the way it does business in general.

The Group created a COVID-19 Task Force with key people from the organization to be able to effectively lead and direct the Group through the pandemic. This Task Force is still in place and is continuously monitoring the situation.

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

The Group is currently experiencing a year-on-year decline in turnover and is projecting a loss for the financial year ending December 2020.

Management continues to follow closely the key areas of the Group mostly impacted as indicated below;

2. Basis of preparation - continued

Impact of COVID-19 - continued

Retail & e-commerce

The Group operates 26 retail stores in Malta, which had all shut their doors by the third week of March in line with government instructions.

Operations in Malta resumed in May 2020. However, the retail trade has and is not expected to reach pre COVID-19 levels in 2020.

Following the closure of the Malta based stores the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs.

Wholesale

The Group is also involved in the wholesale of branded sportswear goods in Malta and Italy. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of stores of our clients. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

Costs

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

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

Cash flow

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

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

- Retail investments projected for 2020 were postponed and any pending orders in relation to these investments have been cancelled.
- Obtained extended payment terms from key suppliers.
- Cancelled stock orders (where possible) for retail and for wholesale business.
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking.
- Obtained moratoria on repayment of loan facilities with its bankers and temporary increase of its overdraft facilities to ensure it has adequate working capital headroom.
- The Group had also applied for additional financing to further strengthen its short-term liquidity position.

2. Basis of preparation – continued

Impact of COVID-19 - continued

The revised cashflow projections for 2020, 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. Furthermore the directors of Hudson Holdings Limited have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

New and amended standards adopted by the Group

There were no new or amended standards relevant to the Group that became applicable for the current reporting period.

3. Fair values of financial instruments

The Group is required to disclose fair value measurements by level of a fair value measurement hierarchy for financial instruments (Level 1, 2 or 3). The different levels of the fair value hierarchy are defined as fair value measurements using:

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 i.e. as prices, or indirectly i.e. derived from prices (Level 2).

Inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (Level 3).

At 30 June 2020 and 31 December 2019, the carrying amounts of financial instruments not carried at fair value comprising cash at bank, receivables, borrowings, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realization.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

4. Segment Information

4.1 Operating segments

The Group's internal reporting organisation and structure is such that its retail and wholesale operations are treated as one business segment. This comprises the Group's fashion and sportswear retail and wholesale operations in Malta.

Cash flows generated and returns secured from the different services are significantly interdependent, also in the context of commonality of risks to which the Group is exposed as a result of the provision of these services and in the context of commonality of customer base.

The Group's internal reporting to the Board of Directors and Senior Management is analysed accordingly, and the Board of Directors reviews internal management reports at least on a monthly basis.

4.2 Information about geographical segments

The Group's revenues are derived from operations carried out in Malta. Considering the nature of the Group's activities, its non-current assets are located in Malta.

4.3 Information about major customers

The Group does not have any particular major customer, as it largely derives revenue from a significant number of customers availing of its services. Accordingly, the Group does not deem necessary any relevant disclosures in respect of reliance on major customers.

5. Borrowings – Bond issue

	As at 30 June 2020 €	As at 31 December 2019 €
Non-Current	Unaudited	Audited
(4.35%) bonds 2026	11,835,594	11,821,296

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

	As at 30 June 2020 €	As at 31 December 2019 €
Face Value		
(4.35%) bonds 2026	12,000,000	12,000,000
Bond Issue Costs	(228,745)	(228,745)
Accumulated Amortisation	64,339	50,041
Closing net book value	164,406	178,704
Amortised costs as 30 June 2020	11,835,594	11,821,296

6. Investments in subsidiaries

The principal subsidiaries as at 30 June 2020 are shown below. Unless otherwise stated, they have share capital consisting solely of ordinary shares.

Subsidiaries	Voting rights held by the Group 2020	Interest held directly by the Company 2020	Interest held by the Group 2020
Time International (Sport) Limited	100.0%	100.0%	100.0%
Hudson International Company Limited	100.0%	100.0%	100.0%

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

7. Contingent liabilities

As at 30 June 2020, the Group provided third parties with guarantees amounting to €3,316,143 (31 December 2019: €3,252,500).

As at the end of the reporting period, the bank provided the Group with a facility covering these amounts up to a limit of €3,650,867 (31 December 2019: €2,882,000). The unutilised facility as at 30 June 2020 amounts to €3,473,609 (31 December 2019: €1,773,107).

8. Related party transactions

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

The Company has related party transactions with its ultimate parent company and entities controlled by it in the normal course of business.