HUDSON MALTA PLC

Condensed interim consolidated financial statements (unaudited)

For the period 1 January 2021 to 30 June 2021

Company Registration Number: C 83425

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 2021. 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 Hudson Malta p.l.c (the "Company") is to own the entities operating the retail stores in Malta for the Hudson Holdings Limited group (the "Hudson Group"), of which the Company is a fully owned subsidiary. In 2020 these entities were Hudson Malta Sales Ltd (formerly "Time International (Sport) Limited") and Hudson International Company Limited. These two companies merged by acquisition in March 2021 with Hudson Malta Sales Ltd, as the acquiring company, succeeding to all the assets, rights, liabilities and obligations of Hudson International Company Limited, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021. The said merger by acquisition did not have any effect on the Company's shareholding in Hudson Malta Sales Ltd and the Company continues to hold the totality of the Ordinary shares issued in the said company.

In 2018 the Company raised €12m from a public Bond issue for the main purpose of financing the retail expansion in Malta and overseas of the Hudson Group. The money raised was loaned to its subsidiary companies and to its parent company Hudson Holdings Limited and a sister company also forming part of the Hudson Group. The Company earns interest from these loans.

The Group

The Hudson Malta p.l.c. Group (the "Group") is involved in the importation and distribution of branded consumer products in Malta and Italy and operates a number of retail stores in Malta.

Review of the business

The Company

During the period ended 30 June 2021, the Company earned €323,950 from interest income on loans advanced to Hudson Group companies against €275,298 of bond interest expense. After deducting expenses the Company reported a profit before tax for the six month period of €22,898.

The Group

Although the Group continued to suffer from the extended impact of Covid-19 during the period ended 30 June 2021 with lower footfall and enforced store closures, the overall performance improved when compared to the period ended 30 June 2020. Revenues went up by 32% to €16 million from €12 million and gross profit up by 29% to €4.5 million from €3.5 million. This positive performance was partially offset by higher net operating costs mainly due to lower rent support, higher provisions on inventory and higher operating costs. As a result the net operating loss for the six month period was reduced to €0.2 million from €0.6 million in 2020.

As at 30 June 2021 the Group had maintained its total assets at €44 million (December 2020: €43 million) and its current assets exceeded current liabilities by €5.7 million (December 2020: €3.5 million).

Directors' report - *continued*

Results and dividends

The income statement is set out on page 6.

The Board has resolved not to declare an interim dividend.

Impact of Covid-19

As reflected in the Group's results, the pandemic continues to impact the Group's revenue streams, its supply chain and the way it does business in general. The Group is containing the said impact through mitigating actions that it has developed to protect its cash position and improve trading results in the current environment with closer inventory and cost management.

The revised 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. 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 increase in turnover but is projecting a loss for the financial year ending December 2021.

Future developments

The Hudson Group on 7 April 2021 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.

Once this acquisition is completed the Group will further consolidate its position as Malta's leading sport and fashion retailer. Trilogy's operations will be merged within the Groups and the results of Trilogy Limited will be included in the Group's 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' 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 2021, 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 2021

Consolidated statement of financial position

	As at 30 June 2021 Unaudited €	As at 31 December 2020 Audited €
ASSETS		
Non-current assets		
Property, plant and equipment	**3,334,340**	3,485,967
Right-of-use assets	**15,159,344**	16,422,289
Intangible assets	**1,201,096**	1,202,227
Deferred tax asset	**1,259,830**	1,034,564
Financial assets at amortised cost	**5,518,921**	6,914,219
Total non-current assets	**26,473,531**	29,059,266
Current assets		
Inventories	**4,866,153**	3,493,670
Trade and other receivables	**7,317,735**	6,719,036
Current income tax asset	**2,033**	-
Financial assets at amortised cost	**1,050,000**	-
Cash and cash equivalents	**4,232,295**	4,111,047
Total current assets	**17,468,216**	14,323,753
Total assets	**43,941,747**	43,383,019

Consolidated statement of financial position - continued

	Note	As at 30 June 2021 Unaudited €	As at 31 December 2020 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		**4,661,865**	5,066,615
Total equity		**5,117,009**	5,521,759
Non-current liabilities			
Lease liabilities		**14,372,202**	15,087,442
Deferred tax liability		**6,676**	-
Borrowings	6	**12,732,763**	11,971,108
Total non-current liabilities		**27,111,641**	27,058,550
Current liabilities			
Lease liabilities		**1,407,878**	1,477,942
Trade and other payables		**9,742,945**	9,238,050
Borrowings		**551,738**	71,816
Current tax liabilities		**10,535**	14,902
Total current liabilities		**11,713,096**	10,802,710
Total liabilities		**38,824,737**	37,861,260
Total equity and liabilities		**43,941,747**	43,383,019

The notes on pages 9 to 15 are an integral part of these financial statements.

The financial statements on pages 4 to 15 were approved and authorised for issue by the Board on 27th August 2021 and were signed on its behalf by:

Alfred Borg
Director

Brian Zarb Adami
Director

Consolidated statement of comprehensive income

	Period from 1 January to 30 June 2021 Unaudited €	Period from 1 January to 30 June 2020 Unaudited €
Revenue	**15,785,871**	11,952,064
Cost of sales	**(11,325,772)**	(8,496,996)
Gross profit	**4,460,099**	3,455,068
Other operating income	**13,846**	205,314
Operation and administrative expenses	**(4,664,009)**	(4,271,828)
Operating loss	**(190,064)**	(611,446)
Finance income	**193,752**	249,823
Finance costs	**(627,028)**	(649,463)
Loss before tax	**(623,340)**	(1,011,086)
Income tax impact	**218,590**	354,428
Loss for the period – total comprehensive income	**(404,750)**	(656,658)

The notes on pages 9 to 15 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 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**
Balance as at 1 January 2021	16,450,000	(15,994,856)	5,066,615	5,521,759
Comprehensive income				
Loss for the period	-	-	(404,750)	(404,750)
Total comprehensive income	-	-	**(404,750)**	**(404,750)**
Balance as at 30 June 2021	**16,450,000**	**(15,994,856)**	**4,661,865**	**5,117,009**

The notes on pages 9 to 15 are an integral part of these financial statements.

Consolidated statement of cash flows

	Period from 1 January to 30 June 2021 Unaudited €	Period from 1 January to 30 June 2020 Unaudited €
Cash flows used in operating activities		
Cash used in operations	(237,048)	(459,159)
Interest received	193,752	249,823
Income tax paid	(6,400)	22,333
Interest paid on lease liabilities	(338,352)	(325,312)
Interest paid on borrowings	(274,372)	(309,854)
Net cash used in operating activities	(662,420)	(822,169)
Cash flows from investing activities		
Purchase of property, plant and equipment	(341,952)	(647,581)
Proceeds from disposals of property, plant and equipment	-	320,989
Receipts from loans and receivables	345,298	-
Net cash generated from/(used in) investing activities	3,346	(326,592)
Cash flows used in financing activities		
Principal elements of lease payments	(446,953)	(390,011)
Proceeds from drawdown on borrowings	1,000,000	-
Repayment of borrowings	(7,240)	-
Net cash used in financing activities	545,807	(390,011)
Net movement in cash and cash equivalents	(113,267)	(1,538,772)
Cash and cash equivalents at the beginning of the period	4,067,550	2,718,976
Cash and cash equivalents at the end of the period	3,954,283	1,180,207

The notes on pages 9 to 15 are an integral part of these financial statements.

Selected explanatory notes to the interim consolidated financial statements

1. General information

The principal activity of Hudson Malta p.l.c (the "Company") is to own the entities operating the retail stores in Malta for the Hudson Holdings Limited group (the "Hudson Group"), of which the Company is a fully owned subsidiary. In 2020 these entities were Hudson Malta Sales Ltd (formerly "Time International (Sport) Limited") and Hudson International Company Limited. These two companies merged by acquisition in March 2021 with Hudson Malta Sales Ltd, as the acquiring company, succeeding to all the assets, rights, liabilities and obligations of Hudson International Company Limited, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

On 20 December 2017, Hudson Malta plc acquired from Hudson Holdings Limited the entire issued share capital of Hudson Malta Sales Ltd and Hudson International Company Limited. Hudson Malta plc is a wholly owned subsidiary of Hudson Holdings Limited.

In 2018 the Company raised €12m from a public Bond issue for the main purpose of financing the retail expansion in Malta and overseas of the Hudson Group. The money raised was loaned to its subsidiary companies and to its parent company Hudson Holdings Limited and a sister company also forming part of the Hudson Group. The Company earns interest from these loans.

On 7 April 2021 Hudson Holdings Limited signed an agreement to acquire Trilogy Limited, a Maltese based entity operating retail stores in Malta concentrated mostly in the premium fashion sector. On completion of the transaction Trilogy Limited will become a subsidiary of the Company and the results of Trilogy Limited will form part of the Group.

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 2021.

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 2021 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 2020, 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 2020, as described in those financial statements.

2. **Basis of preparation** - continued

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 in 2020 with key people from the organization to be able to effectively lead and direct the Group through the pandemic. Senior management continues to monior the situation.

Furthermore, management has evaluated the impact COVID-19 is expected to have on Hudson Group projected results and cashflows for 2021 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 increase in turnover but is projecting a loss for the financial year ending December 2021.

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

Retail & e-commerce

As a result of the pandemic retail stores in Malta closed again from 11 March to 26 April 2021. 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.

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. 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.

2. Basis of preparation - continued

Impact of COVID-19- continued

Following the outbreak of COVID-19 in 2020, management updated their projections covering the projected profit and loss and cashflows up to 2027, being the bond repayment date. In compiling these projections a base-case scenario was considered, as well as stress case scenarios assuming a 15% and 25% reduction in turnover assumed in the base case scenario. These projections, including the stress case scenarios, had indicated that the Group had sufficient bank balances and facilities to ensure that the Group could meet its obligations as and when they fall due.

Careful planning and management has resulted in actual financial results and cashflows to date to be aligned with the base-case scenario. In this regard, management determines that the projected cashflows are deemed feasible and effective and the uncertainties surrounding the cashflow projections and the related going concern assumption are not deemed to be significant.

The revised 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. 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

A number of amended standards became applicable for the current reporting period. There is no impact on the adoption of these revisions on the Group's accounting policies and on the Group's financial results.

Impact of standards issued but not yet applied by the Group

Certain amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not mandatory for the Group's accounting periods beginning after 1 January 2021. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the Company's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

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 2021 and 31 December 2020, 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. Fair values of non-financial instruments

Intangible assets held by the Group mainly consist of goodwill arising on the excess of the purchase price attributable to acquisitions in previous years over the carrying amount of net assets acquired allocated to the identifiable assets and liabilities of the acquired entity. The Group makes judgements and estimates in relation to the fair value allocation of the purchase price. The amount of goodwill initially recognised as a result of a business combination is dependent on the allocation of the purchase price to the fair value of the identifiable assets acquired and the liabilities assumed. The determination of the fair value of the assets and liabilities is based, to a considerable extent, on management's judgement. Allocation of the purchase price affects the results of the Group as intangible assets with a finite life are amortised, whereas intangible assets with an indefinite life and goodwill are not amortised.

The recoverable amount of the cash-generating unit (CGU), to which the intangible asset was allocated, as at 30 June 2021 was determined based on value in use (VIU) calculations consistent with the methods used as at 31 December 2020 (for further details refer to Note 4 of the 2020 annual report). It was determined that as 31 December 2020, the recoverable amount of the CGU exceeded its carrying amount by €3,621,000 and consequently, no impairment charge was required for 2020.

Furthermore, management had determined that impairment of intangible assets involves critical accounting estimates. The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 8.4% to 10.9% or projected annual EBITDA is 16% lower.

For the purposes of these interim condensed financial statements, management has considered the key assumptions considered in the impairment assessment performed for 31 December 2020, and in view of the significance of the headroom between the recoverable amount and the carrying amount, determined that there are no significant deviations and changes in estimates which indicate that an impairment is required as at 30 June 2021.

The VIU of the CGU, as a result of this assessment, remains in excess of the carrying amounts by a comfortable headroom.

5. Segment Information

5.1 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.

5. Segment Information- continued

5.2 Information about geographical segments

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

5.3 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.

6. Borrowings – Bond issue

	As at 30 June 2021 € Unaudited	As at 31 December 2020 € Audited
Non-Current		
(4.35%) bonds 2026	**11,864,190**	11,849,889

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 2021 € Unaudited	As at 31 December 2020 € Audited
Face Value		
(4.35%) bonds 2026	**12,000,000**	12,000,000
Bond Issue Costs	**(228,745)**	(228,745)
Accumulated Amortisation	**92,935**	78,634
Closing net book value	**164,406**	150,111
Amortised costs as 30 June	**11,864,190**	11,849,889

7. Investments in subsidiaries

The principal subsidiary as at 30 June 2021 is shown below. Unless otherwise stated, it has share capital consisting solely of ordinary shares.

Subsidiary	Voting rights held by the Group 2021	Interest held directly by the Company 2021	Interest held by the Group 2021
Hudson Malta Sales Ltd	**100.0%**	**100.0%**	**100.0%**

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

8. Contingent liabilities

As at 30 June 2021, the Group provided third parties with guarantees amounting to €2,933,781 (31 December 2020: €2,907,839).

The Group's bank facilities are mainly secured by first general hypothecs and guarantees over Hudson Holdings Group's assets.

9. 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.