

HUDSON HOLDINGS LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2017

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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 2017.

Principal activities

The Company owns a number of investments in subsidiary companies involved in the retail and distribution of branded consumer products in Malta and internationally (as detailed in Note 6 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 was characterised by the following key developments:

1. Continued expansion in the retail sector with the opening of new retail stores, which drove increased revenues and contribution from the retail business. At the end of FY 2017, the Hudson Group operated 37 stores in 5 countries (FY 2016: 30 stores).
2. The full year impact of the Nike distribution contract in Africa, which commenced in the latter part of 2016, as well as the addition of further territories in Africa to the contract which has resulted in growth in the client portfolio resulting in increased revenues and gross profitability. The business was negatively impacted by an issue with a significant client who was terminated in mid-2017 resulting in lost revenues and profitability. This resulted in a high level of unsold inventory at the year end on which the Group felt it prudent to write down values by €1.7m, thereby significantly impacting the bottom line. This inventory was sold in 2018.
3. The Group continued with the grouping of minority shareholdings of various companies in the Group through share exchanges. This will allow the Group to benefit from improved efficiencies and goal alignment in the coming years.

As a result of the above, revenue increased by 47% from €58.8 million in 2016 to €86.5 million in 2017, driven by the distribution business in Africa and additional retail stores. The improved turnover positively impacted the Hudson Group's profitability as it reported an increase in profit before tax of €1.0 million to €2.4 million (FY 2016: €1.4 million), despite the inventory write down of €1.7m.

As at 31st December the Group had total assets of €47.2 million and current assets exceeded current liabilities by €4.5 million.

Company results

The Company registered a profit before tax of €17,910,523 for the year ended 31 December 2017 (2016: €1,088,402) mainly as a result of the transfer of various Group companies and the dividends received.

Results and dividends

The statements of comprehensive income are set out on page 11. The directors do not recommend the payment of a dividend and propose that the balance of retained earnings of €17,937,034 (2016: €617,048) be carried forward to the next financial year.

Directors' report - continued

Key performance indicators

Financial key performance indicators

The Group is in expansionary mode with an emphasis on growing revenue and building an organisation structure that can sustain significant growth with a longer-term vision for the improvement in shareholders' value. As such the directors consistently monitor the Group's performance in terms of revenue growth whilst ensuring that the Group is well funded to continue growing. The main financial key performance indicators in use are as follows:

	2017	2016
Revenue growth	47%	38.2%
Debt to asset ratio	27.7%	16.7%
Interest cover ratio	4.1	4.6

Non-financial key performance

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

Significant risks and uncertainties

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.

Future developments

The Group will continue to expand its retail and wholesale operations with a focus on opening further retail stores in Malta and other territories, and establishing a new distribution centre in Malta to better serve its growing Africa business.

Subsequent events

In May 2018, the Group successfully launched a €12 million Bond on the local market through a new subsidiary company, Hudson Malta p.l.c.. The proceeds from the Bond are to be used to partially repay the Group's bank loans as well as finance investment in capital projects, including retail expansions and a new enlarged distribution centre.

Directors' report - continued

Directors

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

George Amato
Alfred Borg
Christopher Muscat
Kevin Grech
Veronica Borg
Tara Borg Manche
Etienne Camenzuli – appointed on 29 May 2017

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 2017 are included in the Annual Report 2017, 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



George Amato
Director



Christopher Muscat
Director

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

28 June 2018



Independent auditor's report

To the Shareholders of Hudson Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Hudson Holdings Limited's 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 as at 31 December 2017, 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 9 to 51, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2017;
- the Consolidated and Parent Company statements of 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 a summary of significant accounting policies.

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 Ethics Standards Board for Accountants' Code of Ethics for Professional 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 the IESBA Code.



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

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, including the directors' report.

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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, 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).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. 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.



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, future events or conditions may cause the Group to cease to continue as a going concern.
- 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

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 that 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 we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in blue ink, appearing to read 'LPR' with '00' and '2018' written below it.

Lucienne Pace Ross
Partner

28 June 2018

Statements of financial position

	Notes	As at 31 December			
		Group		Company	
		2017 €	2016 €	2017 €	2016 €
ASSETS					
Non-current assets					
Intangible assets	4	1,257,604	1,278,052	-	-
Property, plant and equipment	5	4,658,183	4,570,210	625,365	637,501
Investment in subsidiaries	6	-	-	18,452,771	146,501
Available for sale investments	8	1,800,000	1,200,000	1,800,000	1,200,000
Trade and other receivables	9	1,081,322	662,421	-	-
Deferred tax assets	10	448,482	370,638	-	-
Total non-current assets		9,245,591	8,081,321	20,878,136	1,984,002
Current assets					
Inventories	11	19,042,576	15,822,606	90	190
Loans and receivables	7	45,163	135,163	45,163	135,163
Trade and other receivables	9	12,534,292	11,231,549	3,561,357	2,423,204
Cash and cash equivalents	12	6,166,287	4,952,452	7,811	12,399
Current tax assets		215,701	199,704	-	23,609
Total current assets		38,004,019	32,341,474	3,614,421	2,594,565
Total assets		47,249,610	40,422,795	24,492,557	4,578,567

Statements of financial position - continued

	Notes	As at 31 December			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	13	85,107	66,970	85,107	66,970
Share premium		873,056	476,205	873,056	476,205
Other reserve		1,030,920	79,594	-	-
Foreign exchange translation reserve		631,219	1,179,392	-	-
Fair value reserve		1,122,488	721,094	1,122,488	721,094
Retained earnings		6,274,958	4,711,701	17,937,034	617,048
		10,017,748	7,234,956	20,017,685	1,881,317
Non-controlling interest		388,152	1,552,475	-	-
Total equity		10,405,900	8,787,431	20,017,685	1,881,317
Non-current liabilities					
Trade and other payables	14	-	261,040	-	-
Borrowings	15	2,009,012	2,752,466	410,716	628,746
Deferred tax liabilities	10	1,352,381	1,126,102	267,438	172,402
Total non-current liabilities		3,361,393	4,139,608	678,154	801,148
Current liabilities					
Trade and other payables	14	21,923,443	23,162,292	3,159,968	1,298,471
Borrowings	15	11,101,017	4,001,815	600,842	597,631
Current tax liabilities		457,857	331,649	35,908	-
Total current liabilities		33,482,317	27,495,756	3,796,718	1,896,102
Total liabilities		36,843,710	31,635,364	4,474,872	2,697,250
Total equity and liabilities		47,249,610	40,422,795	24,492,557	4,578,567

The notes on pages 17 to 51 are an integral part of these financial statements.

The financial statements on pages 9 to 51 were authorised for issue by the Board on 28 June 2018 and were signed on its behalf by:


George Amato
Director


Christopher Muscat
Director

Statements of comprehensive income

	Notes	Year ended 31 December			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
Revenue	16	86,512,920	58,758,881	2,232,748	3,332,398
Cost of sales	17	(64,999,512)	(42,391,275)	(32,842)	(153,512)
Gross profit		21,513,408	16,367,606	2,199,906	3,178,886
Other operating income		883,933	429,983	16,069,643	45,378
Operation and administrative expenses	17	(19,281,148)	(15,064,356)	(1,971,859)	(2,098,123)
Income from investments in subsidiaries		-	-	1,538,462	-
Operating profit		3,116,193	1,733,233	17,836,152	1,126,141
Finance income	19	184	391	156,998	28,058
Finance costs	20	(756,017)	(374,977)	(82,627)	(65,797)
Profit before tax		2,360,360	1,358,647	17,910,523	1,088,402
Income tax expense	21	(808,787)	(548,091)	(590,537)	(371,535)
Profit for the year		1,551,573	810,556	17,319,986	716,867
Profit attributable to:					
Owners of the Company		1,563,257	817,916	17,319,986	716,867
Non-controlling interests		(11,684)	(7,360)	-	-
		1,551,573	810,556	17,319,986	716,867
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Currency translation differences on translating foreign operations		(749,486)	183,626	-	-
Fair value movements on available-for-sale financial investments, net of deferred tax		401,394	721,094	401,394	721,094
Other comprehensive income for the year, net of tax		(348,092)	904,720	401,394	721,094
Total comprehensive income for the year		1,203,481	1,715,276	17,721,380	1,437,961
Total comprehensive income attributable to:					
Owners of the Company		1,416,478	1,678,763	17,721,380	1,437,961
Non-controlling interests		(212,997)	36,513	-	-
		1,203,481	1,715,276	17,721,380	1,437,961

The notes on pages 17 to 51 are an integral part of these financial statements.

Statements of changes in equity
Group

	Attributable to owners of the Company						Non-		
	Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €	controlling interest €	Total equity €
Balance at 1 January 2016	66,970	476,205	1,039,639	79,594	-	4,213,785	5,876,193	1,515,962	7,392,155
Comprehensive income									
Profit for the year	-	-	-	-	-	817,916	817,916	(7,360)	810,556
Other comprehensive income									
Currency translation differences	-	-	139,753	-	-	-	139,753	43,873	183,626
Fair value movements	-	-	-	-	721,094	-	721,094	-	721,094
Total comprehensive income	-	-	139,753	-	721,094	817,916	1,678,763	36,513	1,715,276
Transactions with owners									
Dividends (Note 22)	-	-	-	-	-	(320,000)	(320,000)	-	(320,000)
Balance at 31 December 2016	66,970	476,205	1,179,392	79,594	721,094	4,711,701	7,234,956	1,552,475	8,787,431

Statements of changes in equity - continued
Group

	Attributable to owners of the Company							Total equity €	
	Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €		Non-controlling interest €
Balance at 1 January 2017	66,970	476,205	1,179,392	79,594	721,094	4,711,701	7,234,956	1,552,475	8,787,431
Comprehensive income									
Profit for the year	-	-	-	-	-	1,563,257	1,563,257	(11,684)	1,551,573
Other comprehensive income									
Currency translation differences	-	-	(548,173)	-	-	-	(548,173)	(201,313)	(749,486)
Fair value movements	-	-	-	-	401,394	-	401,394	-	401,394
Total comprehensive income	-	-	(548,173)	-	401,394	1,563,257	1,416,478	(212,997)	1,203,481
Transactions with owners									
Increase in share capital	18,137	-	-	-	-	-	18,137	-	18,137
Increase in share premium	-	396,851	-	-	-	-	396,851	-	396,851
Reduction in non-controlling interests	-	-	-	951,326	-	-	951,326	(951,326)	-
Balance at 31 December 2017	85,107	873,056	631,219	1,030,920	1,122,488	6,274,958	10,017,748	388,152	10,405,900

Statements of changes in equity - continued

Company	Share capital €	Share premium €	Retained earnings €	Fair value reserve €	Total €
Balance at 1 January 2016	66,970	476,205	220,181	-	763,356
Comprehensive income					
Profit for the year	-	-	716,867	-	716,867
Other comprehensive income					
Fair value movements, net of deferred tax	-	-	-	721,094	721,094
Total comprehensive income	-	-	716,867	721,094	1,437,961
Transactions with owners					
Dividends (Note 22)	-	-	(320,000)	-	(320,000)
Balance at 31 December 2016	66,970	476,205	617,048	721,094	1,881,317
Comprehensive income					
Profit for the year	-	-	17,319,986	-	17,319,986
Other comprehensive income					
Fair value movements, net of deferred tax	-	-	-	401,394	401,394
Total comprehensive income	-	-	17,319,986	401,394	17,721,380
Transactions with owners					
Increase in share capital	18,137	-	-	-	18,137
Increase in share premium	-	396,851	-	-	396,851
Balance at 31 December 2017	85,107	873,056	17,937,034	1,122,488	20,017,685

The notes on pages 17 to 51 are an integral part of these financial statements.

Statements of cash flows

	Notes	Year ended 31 December			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
Cash flows from operating activities					
Cash (used in)/generated from operations	24	(2,934,104)	3,620,190	18,151,064	573,624
Finance income	19	184	391	156,998	28,058
Income tax refunded/(paid)		(642,771)	(974,640)	9,848	(355,830)
Interest paid	20	(756,017)	(374,977)	(82,627)	(65,797)
Net cash (used in)/generated from operating activities		(4,332,708)	2,270,964	18,235,283	180,055
Cash flows from investing activities					
Purchase of property, plant and equipment	5	(1,249,570)	(2,553,802)	(117,794)	(634,761)
Proceeds from sale of property, plant and equipment		27,350	26,634	-	26,634
Purchase of intangible asset	4	(15,276)	(4,900)	-	-
Proceeds from disposal of intangible assets	4	30,850	-	-	-
Purchase of available-for-sale financial asset	8	(105,976)	-	(105,976)	-
Movement in loans and receivables		65,589	103,013	90,000	133,221
Acquisition of non-controlling interests		-	-	(18,306,270)	-
Net cash used in investing activities		(1,247,033)	(2,429,055)	(18,440,040)	(474,906)

Statements of cash flows - continued

	Notes	Group		Company	
		Year ended 31 December		Year ended 31 December	
		2017	2016	2017	2016
		€	€		€
Cash flows from financing activities					
Dividends paid		-	(320,000)	-	(320,000)
Drawdowns on borrowings		6,812,492	1,566,602	-	647,810
Repayments of borrowings		(680,531)	(1,050,496)	(245,695)	-
Increase in share capital		18,137	-	18,137	-
Increase in share premium		396,851	-	396,851	-
Net cash generated from financing activities		6,546,949	196,106	169,293	327,810
Movement in cash and cash equivalents		967,208	38,015	(35,464)	32,959
Cash and cash equivalents at the beginning of the year		3,076,504	3,015,649	(341,179)	(374,138)
Exchange differences on cash Balances		22,840	22,840	-	-
Cash and cash equivalents at the end of the year	12	4,066,552	3,076,504	(376,643)	(341,179)

The notes on pages 17 to 51 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 Limited and its subsidiaries. The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings class of property, plant and equipment.

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 (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2017

In 2017, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Group's accounting policies.

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

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 2017. 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, except for IFRS 15 'Revenue from contracts with customers'.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through OCI and fair value through P&L. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. Investments in equity instruments are required to be measured at fair value through profit or loss with the irrevocable *option* at inception to present changes in fair value in OCI not recycling. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. The standard is effective for accounting periods beginning on or after 1 January 2018. The Group is considering the implications of the standard and its impact on the Group's financial results and position.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The Group is assessing the impact of IFRS 15.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

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.

The Group applies the acquisition method of accounting to account for business combinations. 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 (Note 1.5).

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

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.

A listing of the Group's subsidiaries is set out in Note 6.

(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.

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.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

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'.

(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 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 - 33 $\frac{1}{3}$
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 1.6).

1. Summary of significant accounting policies - continued

1.5 Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated statement of comprehensive income. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

(b) Trademarks

Separately acquired trademarks are shown at historical cost. Trademarks and licences acquired in a business combination are recognised at fair value at the acquisition date. Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives of 15 to 20 years.

1.6 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.

1.7 Financial assets

1.7.1 Classification

The Group classifies its financial assets, (other than investments in subsidiaries) as loans and receivables and available-for-sale investments. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.1 Classification - continued

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Group provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Note 1.9 and 1.10).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1.7.2 Recognition and measurement

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

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

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

1.7.3 Impairment

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.3 Impairment - continued

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

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1.9.

(b) Assets classified as available-for-sale

For debt securities, the Company uses the criteria referred to in (a) above. In the case of equity securities classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the securities are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.8 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.

1.9 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 1.7.3). 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. Summary of significant accounting policies - continued

1.10 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.

1.11 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.

1.12 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 are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These 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.

1.13 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.

1.14 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 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. Summary of significant accounting policies - continued

1.16 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.

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.

1.17 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 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.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition - continued

(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 wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of goods - retail

The Group operates a number of retail outlets for selling branded consumer products. Sales of goods are recognised when a group entity sells a product to the customer. Retail sales are usually in cash or by credit card.

(c) 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.

1.19 Operating leases

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1.20 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial risk management

2.1 Financial risk factors

The 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 2017 and 2016.

Group	Assets €	Liabilities €	Net exposure €
As at 31 December 2017			
USD to EUR	157,248	(307,131)	(149,883)
EUR to USD	7,517	(115,186)	(107,669)
LYD to USD	-	-	-
GBP to EUR	28,468	(468,253)	(439,785)
Other currencies	16,927	(4,500)	12,427
	210,160	(895,070)	(684,910)

Group	Assets €	Liabilities €	Net exposure €
As at 31 December 2016			
USD to EUR	356,800	(214,586)	142,214
EUR to USD	1,536,232	(429,929)	1,106,303
LYD to USD	932,785	-	932,785
GBP to EUR	248,656	(482,180)	(233,524)
Other currencies	46,812	(20,271)	26,541
	3,121,285	(1,146,966)	1,974,319

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

(i) Interest rate risk

In general, the Group is exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. The Group's main exposure to interest rate risk arises on its borrowings (Note 15); it does not have significant interest-bearing assets. The Group's borrowings are issued at variable 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	
	2017	2016	2017	2016
	€	€		€
<i>Interest-bearing assets</i>				
Other receivables (Note 9)	-	-	3,443,593	2,237,310
<i>Interest-bearing liabilities</i>				
Borrowings (Note 15)	13,110,029	6,754,281	1,011,558	1,226,377
Other payables (Note 14)	43,853	400,000	967,723	43,579
	13,113,882	7,154,281	1,979,281	1,269,956
Net	(13,113,882)	(7,154,281)	1,464,312	967,354

Based on the amounts disclosed above, the directors are of the opinion that the Group is 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's and the Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Loans and receivables category:				
Trade and other receivables – gross (Note 9)	15,027,376	13,441,972	3,565,601	2,428,024
Loans and receivables (Note 7)	45,163	135,163	45,163	135,163
Cash and cash equivalents (Note 12)	6,166,287	4,952,452	7,811	12,399
	21,238,826	18,529,587	3,618,575	2,575,586
Less: other receivables that do not give rise to credit risk	(2,677,012)	(1,512,865)	(81,073)	(79,184)
Provision for impairment	(1,411,762)	(1,548,002)	(4,244)	(4,820)
Maximum exposure to credit risk	17,150,052	15,468,720	3,533,258	2,491,582

The Group has debtor balances amounting to €4,682,618 (2016: €3,094,515) that are covered by letters of credit. The Group does not hold any other significant collateral as security.

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 19% (2016: 37%) of the trade debtor balances, of which 100% (2016: 35%) are covered by letters of credit. 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.

The Group manages credit limits and exposures actively in a practicable manner such that past due receivable from customers are minimised at the reporting date. The Group's receivables are presented net of an allowance for impairment and the allowance as at year end covers the extent of impaired receivables. As at 31 December 2017, trade receivables of €1,411,762 (2016: €1,548,002) were impaired and the amount of the provisions in this respect are equivalent to these amounts. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. Reversal of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group does not hold any collateral as security in respect of the impaired assets.

The Company's receivables also include amounts due from subsidiaries. The Group's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The Company assesses the credit quality of these subsidiaries taking into account financial position, performance and other factors. The Company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

The Group's cash is placed with quality financial institutions and as such does not consider credit risk in this respect to be significant.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 15) and trade and other payables (Note 14). 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.

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 €	Due			
		on demand €	within 1 year €	between 1 and 5 years €	after more than 5 years €
Group					
31 December 2017					
Bank overdraft	2,099,735	2,099,735	-	-	-
Trade and other payables	21,923,443	-	21,923,443	-	-
Bank and other loans	11,010,294	-	9,001,282	1,788,452	220,560
Total	35,033,472	2,099,735	30,924,725	1,788,452	220,560
31 December 2016					
Bank overdraft	1,875,948	1,875,948	-	-	-
Trade and other payables	23,423,332	-	23,162,292	261,040	-
Bank and other loans	4,878,333	1,069,097	2,303,743	2,120,184	582,094
Total	30,177,613	2,945,045	25,466,035	2,381,224	582,094

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

	Carrying amount €	Due			
		on demand €	within 1 year €	between 1 and 5 years €	after more than 5 years €
Company					
31 December 2017					
Bank overdraft	384,454	384,454	-	-	-
Trade and other payables	3,159,968	967,723	2,192,245	-	-
Bank and other loans	627,104	-	247,613	428,978	-
Total	4,171,526	1,352,177	2,439,858	428,978	-
31 December 2016					
Bank overdraft	353,578	353,578	-	-	-
Trade and other payables	1,298,471	-	1,298,471	-	-
Bank and other loans	872,799	-	282,182	678,214	-
Total	2,524,848	353,578	1,580,653	678,214	-

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.

2.3 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).

2. Financial risk management - continued

2.3 Fair values of financial instruments - continued

Group and Company

	Level 3 €
31 December 2016	
Assets	
Available-for-sale financial investment:	
Equity securities	
Unlisted	1,200,000
31 December 2017	
Assets	
Available-for-sale financial investment:	
Equity securities	
Unlisted	1,800,000

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 8 of these financial statements, which also includes a reconciliation from opening to closing value of the instrument.

At 31 December 2017 and 2016 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	Goodwill €	Others €	Total €
At 1 January 2016			
Cost	1,065,688	245,112	1,310,800
Accumulated amortisation	-	(18,434)	(18,434)
Net book amount	1,065,688	226,678	1,292,366
Year ended 31 December 2016			
Opening net book amount	1,065,688	226,678	1,292,366
Additions	-	4,900	4,900
Amortisation charge	-	(19,214)	(19,214)
Closing net book amount	1,065,688	212,364	1,278,052
At 31 December 2016			
Cost	1,065,688	250,012	1,315,700
Accumulated amortisation	-	(37,648)	(37,648)
Net book amount	1,065,688	212,364	1,278,052
Year ended 31 December 2017			
Opening net book amount	1,065,688	212,364	1,278,052
Additions	-	15,276	15,276
Amortisation charge	-	(10,414)	(10,414)
Disposals	-	(30,850)	(30,850)
Amortisation released on disposal	-	5,540	5,540
Closing net book amount	1,065,688	191,916	1,257,604
At 31 December 2017			
Cost	1,065,688	234,438	1,300,126
Accumulated amortisation	-	(42,522)	(42,522)
Net book amount	1,065,688	191,916	1,257,604

5. Property, plant and equipment

Group	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2016				
Cost	1,267,914	131,176	4,219,065	5,618,155
Accumulated depreciation	(477,238)	(69,241)	(2,086,983)	(2,633,642)
Net book amount	790,676	61,755	2,132,082	2,984,513
Year ended 31 December 2016				
Opening net book amount	790,676	61,755	2,132,082	2,984,513
Additions	282,700	11,762	2,259,340	2,553,802
Disposals	(20,848)	(9,022)	(87,376)	(117,246)
Currency translation differences	(3,779)	223	2,401	(1,155)
Depreciation charge	(121,672)	(20,607)	(806,985)	(949,264)
Depreciation released on disposal	13,162	4,210	82,188	99,560
Closing net book amount	940,239	48,321	3,581,650	4,570,210
At 31 December 2016				
Cost	1,546,774	134,916	6,378,280	8,059,970
Accumulated depreciation	(606,535)	(86,595)	(2,796,630)	(3,489,760)
Net book amount	940,239	48,321	3,581,650	4,570,210
Year ended 31 December 2017				
Opening net book amount	940,239	48,321	3,581,650	4,570,210
Additions	294,928	45,573	909,069	1,249,570
Disposals	(21,134)	(11,523)	-	(32,657)
Currency translation differences	-	(204)	17,347	17,143
Depreciation charge	(177,678)	(22,422)	(945,983)	(1,146,083)
Closing net book amount	1,036,355	59,745	3,562,083	4,658,183
At 31 December 2017				
Cost	1,820,568	168,762	7,304,696	9,294,026
Accumulated depreciation	(784,213)	(109,017)	(3,742,613)	(4,635,843)
Net book amount	1,036,355	59,745	3,562,083	4,658,183

5. Property, plant and equipment - continued

Company	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2016				
Cost	22,634	13,316	325,619	361,569
Accumulated depreciation	(11,860)	(4,614)	(225,167)	(241,641)
Net book amount	10,774	8,702	100,452	119,928
Year ended 31 December 2016				
Opening net book amount	10,774	8,702	100,452	119,928
Additions	19,651	-	615,110	634,761
Disposals	(20,848)	(9,022)	(87,376)	(117,246)
Depreciation charge	(3,469)	(1,911)	(94,122)	(99,502)
Depreciation released on disposals	13,162	4,210	82,188	99,560
Closing net book amount	19,270	1,979	616,252	637,501
At 31 December 2016				
Cost	21,437	4,294	853,353	879,084
Accumulated depreciation	(2,167)	(2,315)	(237,101)	(241,583)
Net book amount	19,270	1,979	616,252	637,501
Year ended 31 December 2017				
Opening net book amount	19,270	1,979	616,252	637,501
Additions	1,079	11,890	104,825	117,794
Depreciation charge	(2,198)	(2,492)	(125,240)	(129,930)
Closing net book amount	18,151	11,377	595,837	625,365
At 31 December 2017				
Cost	22,516	16,184	958,178	996,878
Accumulated depreciation	(4,365)	(4,807)	(362,341)	(371,513)
Net book amount	18,151	11,377	595,837	625,365

6. Investment in subsidiaries

	Company	
	2017 €	2016 €
Year ended 31 December		
At beginning of year	146,501	146,501
Additions	18,451,301	-
Disposals	(145,031)	-
At end of year	18,452,771	146,501

6. Investments in subsidiaries - continued

The principal subsidiaries at 31 December 2017 and 2016 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		Ownership interest held by non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
Time International (Sport) Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	75.26%	100.00%	75.26%	100.00%	75.26%	-	24.74%
Italian Operations Limited SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	99.00%	99.00%	100.00%	-	100.00%	37.63%	-	62.37%
Italian Operations Limited Retail SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	99.00%	99.00%	-	-	100.00%	37.63%	-	62.37%
UJ International Co Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	100.00%	-	100.00%	75.26%	-	24.74%
Urban Jungle Sneakers SL	21 C/Velazquez Madrid	100.00%	100.00%	-	-	100.00%	75.26%	-	24.74%

6. 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		Ownership interest held by non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
Times 5 Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	-	-	100.00%	75.26%	-	24.74%
Time International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	95.00%	100.00%	95.00%	100.00%	95.00%	-	5.00%
Everchase Overseas Limited	Dubai Investments Park 2, Silver Colour Building, Office 13 & 14, P.O. Box 487770 Dubai, UAE	100.00%	100.00%	-	-	100.00%	47.50%	-	52.50%
BD International Group Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	-	-	50.00%	47.50%	50.00%	52.50%
BD Tunisia SARL	4 rue 7036, 2ème étage, El Menzah IV 1004, Tunis, Tunisia	100.00%	100.00%	-	-	50.00%	47.50%	50.00%	52.50%
BD International Group Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	100.00%	100.00%	-	-	50.00%	47.50%	50.00%	52.50%

6. 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		Ownership interest held by non-controlling interests	
		2017	2016	2017	2016	2017	2016	2017	2016
BD Morocco SARL	7, Rue El Messoudi Quartier Racine Casablanca	100.00%	100.00%	-	-	50.00%	47.50%	50.00%	52.50%
Sports Alliance Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	100.00%	100.00%	-	-	100.00%	95.00%	-	5.00%
Hudson International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	64.20%	100.00%	64.20%	100.00%	66.32%	-	33.68%
Hudson Libya Utilities Management and Operation Services Joint Venture SC Company	Gergaresh Street, Tripoli, Libya	65.00%	65.00%	-	-	65.00%	43.11%	35.00%	56.89%
Hudson Malta Plc	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	-	100.00%	-	100.00%	-	-	-
Hudson Italia SRL	Milano Via Monte Rosa 91 CAP 20149, Italy	100.00%	-	100.00%	-	100.00%	-	-	-

6. Investments in subsidiaries - continued

Summarised financial information on subsidiaries with material non-controlling interests

Set out below is the summarised financial information for the subsidiary that has non-controlling interests that are material to the Group.

	BD International Group Limited	
	2017 €	2016 €
As at 31 December		
Non-current assets	1,432,560	570,501
Current assets	20,198,909	16,364,959
Non-current liabilities	185,242	359,811
Current liabilities	22,365,601	17,358,847
	(459,687)	(411,179)
Year ended 31 December		
Revenue	41,399,919	17,084,289
Profit/(loss)	(189,926)	(834,212)
Total comprehensive income/(expense)	(189,926)	(834,212)
Cash flows from/(used in) operating activities	(5,539,783)	(418,622)
Cash flows (used in)/from investing activities	(919,490)	(473,683)
Cash flows from/(used in) financing activities	6,797,790	(498,713)
	(94,963)	(437,961)
Dividends paid to non-controlling interests	-	-

The information above is the amount before inter-company eliminations.

7. Loans and receivables

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Current				
Loans to related parties	45,163	135,163	45,163	135,163
	45,163	135,163	45,163	135,163

The loans are unsecured, interest-free and repayable in yearly instalments, which vary on annual basis.

8. Available-for-sale financial investments

	Group and Company	
	2017	2016
	€	€
Year ended 31 December		
Opening cost and carrying amount	1,200,000	312,500
Additions	105,976	-
Fair value movements	494,024	887,500
	1,800,000	1,200,000

The Group's available-for-sale investment, as at 31 December 2017, consists of equity instruments in an unlisted foreign private company, 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.

9. Trade and other receivables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Trade receivables	11,253,326	9,218,729	19,397	76,478
Less: Provisions for impairment	(1,411,762)	(1,548,002)	(4,244)	(4,820)
Trade receivables - net	9,841,564	7,670,727	15,153	71,658
Other receivables	1,097,038	1,264,616	21,538	35,052
Amount owed by subsidiaries	-	-	3,443,593	2,237,310
Amount owed by non-controlling interests	-	1,445,762	-	-
Indirect tax recoverable	1,008,795	382,809	-	-
Prepayments and accrued income	1,668,217	1,130,056	81,073	79,184
	13,615,614	11,893,970	3,561,357	2,423,204
Current	12,534,292	11,231,549	3,561,357	2,423,204
Non-current	1,081,322	662,421	-	-

The amounts owed by subsidiaries are unsecured, repayable on demand and subject to interest at 4.85% - 5.35% up to July 2017 and 4.95% as of August 2017 (2016 4.85% - 5.35%).

10. 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 realised 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% (2016: 35%).

The movement on the deferred tax account is as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
At beginning of year	755,464	649,016	172,402	2,070
Charged/(credited) to statement of comprehensive income (Note 21)	55,805	(58,716)	2,406	3,926
Currency translation differences	-	(1,242)	-	-
Directly in other comprehensive income	92,630	166,406	92,630	166,406
At end of year	903,899	755,464	267,438	172,402

The balance at 31 December represents:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Temporary difference arising on of property, plant and equipment	(153,225)	(47,387)	9,887	7,683
Temporary differences arising on impairment of receivables	(171,985)	(175,211)	(1,485)	(1,687)
Temporary differences arising on foreign income	1,084,943	855,797	-	-
Temporary differences arising on unutilised tax losses	(66,930)	-	-	-
Temporary differences arising due other timing differences	(47,940)	(44,141)	-	-
Temporary differences arising on fair value movements	259,036	166,406	259,036	166,406
Deferred tax liability	903,899	755,464	267,438	172,402

10. 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	
	2017	2016	2017	2016
	€	€	€	€
Deferred tax assets	(448,482)	(370,638)	-	-
Deferred tax liabilities	1,352,381	1,126,102	267,438	172,402
Deferred tax liability	903,899	755,464	267,438	172,402

11. Inventories

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Goods held for resale	19,042,576	15,822,606	90	190

12. Cash and cash equivalents

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	6,166,287	4,952,452	7,811	12,399
Bank overdrafts (Note 15)	(2,099,735)	(1,875,948)	(384,454)	(353,578)
	4,066,552	3,076,504	(376,643)	(341,179)

13. Share capital and reserves

The authorised and issued share capital as at 31 December 2017 and 2016 were as follows:

	Company	
	2017	2016
	€	€
Authorised		
21,000 ordinary 'A' shares of €2.329373 each	-	48,917
4,500 ordinary 'B' shares of €2.329373 each	-	10,482
4,500 ordinary 'C' shares of €2.329373 each	-	10,482
4,500 ordinary 'D' shares of €2.329373 each	-	10,482
18,341 ordinary 'A' shares of €2.329373 each	42,723	-
4,546 ordinary 'B' shares of €2.329373 each	10,590	-
4,546 ordinary 'C' shares of €2.329373 each	10,590	-
4,546 ordinary 'D' shares of €2.329373 each	10,590	-
3,205 ordinary 'E' shares of €2.329373 each	7,465	-
1,352 ordinary 'F' shares of €2.329373 each	3,149	-
	85,107	80,363
Issued and fully paid		
17,500 ordinary 'A' shares of €2.329373 each	-	40,765
3,750 ordinary 'B' shares of €2.329373 each	-	8,735
3,750 ordinary 'C' shares of €2.329373 each	-	8,735
3,750 ordinary 'D' shares of €2.329373 each	-	8,735
18,341 ordinary 'A' shares of €2.329373 each	42,723	-
4,546 ordinary 'B' shares of €2.329373 each	10,590	-
4,546 ordinary 'C' shares of €2.329373 each	10,590	-
4,546 ordinary 'D' shares of €2.329373 each	10,590	-
3,205 ordinary 'E' shares of €2.329373 each	7,465	-
1,352 ordinary 'F' shares of €2.329373 each	3,149	-
	85,107	66,970

The holders of the ordinary A, B, C and D shares rank 'pari passu' in all respects.

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.

14. Trade and other payables

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Trade payables	16,956,067	17,789,681	606,969	495,923
Amounts owed to group undertakings	-	-	967,723	43,579
Amounts owed to related undertakings	3,853	400,000	-	-
Amounts owed to shareholders	221,051	505,387	221,051	505,387
Other payables	3,198,926	1,341,032	227,618	177,223
Accruals and deferred income	1,543,546	3,386,067	1,136,607	76,359
Redeemable preference shares	-	1,165	-	-
	21,923,443	23,423,332	3,159,968	1,298,471
Non-current portion	-	261,040	-	-
Current portion	21,923,443	23,162,292	3,159,968	1,298,471

Amounts owed to group and related undertakings are unsecured, repayable on demand and subject to interest at 4.85%- 5.35% (2016: 5.35%).

Amounts owed to shareholders are unsecured and interest-free. 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.

As at 31 December 2017, the Company's subsidiaries sold 500 redeemable cumulative preference shares of €2.329373 each in issue and fully paid up (2016: 500 shares). Until 2016, the subsidiary had the right, at any time by ordinary resolution, to redeem at par all or part of the preference shares. Preference shareholders were entitled to a dividend of 3% per annum pre-2017.

15. Borrowings

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current				
Bank overdrafts	2,099,735	1,875,948	384,454	353,578
Bank loans	8,917,942	926,060	216,388	244,053
Loan from related party	83,340	1,199,807	-	-
Total current	11,101,017	4,001,815	600,842	597,631
Non-current				
Bank loans	2,009,012	2,752,466	410,716	628,746
Total borrowings	13,110,029	6,754,281	1,011,558	1,226,377

The carrying amounts of borrowings approximate their fair value.

15. Borrowings - continued

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Within one year	11,101,017	4,001,815	600,842	597,631
Between 1 and 2 years	846,340	1,205,972	160,176	398,389
Between 2 and 5 years	942,112	1,332,819	250,540	230,357
Over 5 years	220,560	213,675	-	-
	13,110,029	6,754,281	1,011,558	1,226,377

At the end of the reporting period, the Group and the Company had a total maximum general banking facility limit of €46.1 million (2016: €33.29 million) and €1,193,850 (2016: €1,437,794) 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 €1,437,794 (2016: €1,437,794). In 2016, the Company also had an invoice finance arrangement of €50,000.

The Group is charged interest at the rate of 2.35% - 5.35% per annum (2016: 2.35% - 5.35% per annum). The Company's overdraft facilities and bank loans bear interest at the rate of 5% (2016: 5.35%). These facilities are secured by a first special hypothec over the Group and the Company's assets together with personal guarantees given by the directors and ultimate shareholders of the Group.

16. Revenue

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

17. Expenses by nature

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Purchases of goods for resale	64,770,300	50,870,989	32,742	90,849
Changes in inventories	(2,964,778)	(9,352,760)	100	62,663
Write down in inventory value	1,677,491	-	-	-
Employee benefit expense (Note 18)	7,397,232	5,635,389	1,234,112	1,405,670
Amortisation of intangible assets (Note 4)	10,414	19,214	-	-
Depreciation of property, plant and equipment (Note 5)	1,146,083	949,264	129,930	99,502
Royalties	1,477,061	1,400,980	-	-
Rent	4,192,086	3,176,936	94,779	123,315
Legal and professional fees	520,985	435,835	40,234	22,553
Increase/(decrease) in provision for bad debts	(136,240)	(133,043)	(576)	4,820
Bad debts written off	-	191,864	-	-
Bank charges	875,700	726,132	4,196	8,979
Advertising	1,554,739	621,495	5,465	1,746
Other expenses	3,759,587	2,913,336	463,719	431,538
Total cost of sales, operation and administrative expenses	84,280,660	57,455,631	2,004,701	2,251,635

Auditor's fees

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Annual statutory audit	57,000	57,000	2,000	2,000
Non-audit fees	2,110	6,755	750	430
	59,110	63,755	2,750	2,430

18. Employee benefit expense

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Wages and salaries	6,826,940	5,342,116	1,527,855	1,312,064
Social security costs	570,292	293,273	90,626	93,606
	7,397,232	5,635,389	1,618,481	1,405,670
Recharged to group undertakings	-	-	(384,369)	-
	7,397,232	5,635,389	1,234,112	1,405,670

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

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Administration and finance	50	27	36	37
Operations	106	69	29	25
Retail	346	230	-	-
	502	326	65	62

19. Finance income

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Interest income on amounts due by third parties	184	391	-	-
Interest income on amounts due by subsidiaries and group undertakings	-	-	156,998	28,058
	184	391	156,998	28,058

20. Finance costs

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Interest on bank overdrafts and loans	755,977	258,556	56,444	10,874
Interest on amounts owed to group undertakings	-	-	26,183	15,482
Interest on loan to other related parties	40	32,453	-	-
Interest on other loans	-	20,280	-	-
Other finance charges	-	63,688	-	39,441
	756,017	374,977	82,627	65,797

21. Tax expense

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Current tax expense	752,982	606,807	588,131	-
Deferred tax (credit)/charge (Note 10)	55,805	(58,716)	2,406	3,926
Group loss relief	-	-	-	367,609
	808,787	548,091	590,537	371,535

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Profit before tax	2,360,360	1,358,647	17,910,523	1,088,402
Tax at 35%	798,302	532,095	6,268,683	380,941
Tax effect of:				
Income subject to tax at reduced rates	(4)	(18)	-	-
Income not subject to tax	(88,353)	(119,447)	(5,683,994)	(12,135)
Unrecognised deferred tax	-	56,816	-	(4,322)
Expenses not allowable for tax purposes	110,008	78,645	2,482	7,051
Other	(11,166)	-	3,366	-
Tax expense	808,787	548,091	590,537	371,535

22. Dividends

	Group and Company	
	2017	2016
	€	€
Dividends paid on ordinary shares - net	-	320,000
Dividends per share	-	4.78

23. Directors' emoluments

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Salaries and other emoluments	620,243	508,695	520,438	491,976
	620,243	508,695	520,438	491,976

24. Cash (used in)/generated from operating activities

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Operating profit	3,116,193	2,341,908	17,297,690	1,126,141
Adjustments for:				
Amortisation (Note 4)	10,414	19,214	-	-
Depreciation (Note 5)	1,146,083	949,264	129,930	99,502
Gain on disposal of property, plant and equipment (Note 5)	-	(8,948)	-	(8,948)
Movement in impairment of provision on trade receivables	(136,240)	(133,043)	576	4,820
Impairment of receivables	-	191,864	-	-
Changes in working capital:				
Inventories	(3,219,970)	(9,352,760)	100	62,663
Trade and other receivables	(2,350,695)	(2,501,978)	(1,138,730)	(1,109,269)
Trade and other payables	(1,499,889)	12,115,911	1,861,498	398,715
Other	-	(1,242)	-	-
Cash (used in)/generated from operations	(2,934,104)	3,620,190	18,151,064	573,624

25. Commitments

Operating lease commitments - as lessee

The Group and Company lease various retail outlets, offices and warehouses under non-cancellable operating lease agreements. The majority of lease agreements are renewable at the end of the lease period at market rate.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
No later than 1 year	3,629,478	1,897,181	115,500	107,250
Later than 1 year and no later than 5 years	12,491,849	6,584,263	517,447	476,046
Later than 5 years	2,672,222	3,619,405	-	156,901
	18,793,549	12,100,849	632,947	740,197

26. 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.

The directors of all subsidiaries are considered as key management personnel. The following represents compensation to the directors of the Company and of all subsidiaries:

	2017	2016
	€	€
Key management compensation		
Salaries and emoluments	620,243	508,695

26. Related party transactions - continued

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:

	2017 €	2016 €
Revenue		
Revenue - subsidiaries	6,714,273	3,180,808
Expenses		
Administrative expenses - key management personnel	520,438	491,976
Wages and salaries – recharges	384,369	-

Key management personnel compensation consisting of directors' remuneration is disclosed in Note 23 to these financial statements.

Year end balances owed by/to related parties are disclosed separately in Notes 7, 9, 14 and 15 to these financial statements.

27. Subsequent events

In May 2018, Hudson Malta p.l.c., issued an aggregate of €12,000,000 in bonds, bearing an interest rate of 4.35%. Hudson International Company Limited and Time International (Sport) Limited are acting as joint and several guarantors on this bond issue. All three companies are ultimately owned by Hudson Holdings Limited.

28. Statutory information

Hudson Holdings Limited is a limited liability company and is incorporated in Malta.

