HUDSON HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements
31 December 2019

Company Registration Number: C 37866

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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 2019.

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 8 to the financial statements). The Company carries out the central management function through which it furthers the business of the Group.

Review of the business development and financial position

Group results

The year under review was characterised by the following key developments:

1. The Group continued its expansion into the retail sector through the opening of seven (7) new stores, of which four (4) are located in Malta and three (3) are located in Morocco. These new openings helped the Group to drive increased revenues and contribution from the retail business. At the end of 2019, the Hudson Group operated 43 stores in 4 countries.

2. The Group continued with its expansion in Africa by setting up a new company in Nigeria. Through this company the Group will continue to grow its Nike Africa Business resulting in increased revenues and gross profitability.

As a result of the above, revenue increased by 8% from €105.0 million in 2018 to €113.2 million in 2019, driven by the distribution business in Africa and new retail stores. Gross profit increased to €31.0 million, representing a gross profit margin of 27.3% (2018: 24.8%). Following the adoption of IFRS 16 on 1 January 2019, profit before tax was adversely impacted by €0.8 million. After taking these factors into consideration, profit for the year amounted to €1.7 million (2018: €1.0 million).

As at 31 December 2019 the Group had total assets of €85.9 million (2018: €56.6 million). The increase is mainly brought about by the adoption of IFRS 16, whereby the Group recognised right-of-use assets amounting to €26.4 million and a net increase in property, plant and equipment amounting to €4.3 million. These increases were partially offset by decreased inventory holding levels of €4.3 million and an impairment in GRP 3ina SL of €1.2 million. Current assets exceeded current liabilities by €4.9 million. Following

Company results

The Company registered a profit before tax of €150,610 for the year ended 31 December 2019 (2018: €330,961) mainly as a result of the transfer of various Group companies and the dividends received.

Directors' report - continued

Results and dividends

The income statements and statements of other comprehensive income are set out on pages 13 and 14. The directors paid an interim dividend of €400,000 (2018: €400,000) together with a final dividend of €400,000 and propose that the balance of retained earnings of €16,872,792 (2018: €17,685,130) be carried forward to the next financial year.

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 indictors in use are as follows:

	2019	**2018**
Revenue growth	**8%**	**21%**
Debt to asset ratio	**53.7%**	**36.5%**
Net interest cover ratio	**2.5**	**3.5**

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.

The Group's principal risks include financial risks as disclosed in Note 2 to these financial statements, obsolescence of inventories, loss of market share as a result of other participants entering the market and negative developments in the economic or political environment.

The impact of COVID-19

The global community has been facing an extraordinary and impactful crisis since the beginning of 2020 with the emergence of the COVID-19 pandemic. As a consequence of this pandemic and the various measures implemented by governments to halt the spread of the pandemic, Hudson Group's business operations have been adversely affected. The pandemic has impacted the Group's revenue streams, the international supply chain and the way the Hudson Group does business in general.

Directors' report - continued

Hudson Group created a COVID-19 Task Force with key people from the organization, with different skill-sets in order to be able to effectively lead and direct the Group through this pandemic. The main aim was to immediately assess and address the challenges the pandemic represented to business continuity, workforce, customers, technology, supply chain and business partners. Priority was given to the short-term cash management challenges, the immediate reduction of expenditure, including planned capital expenditure.

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

The revised cashflow projections for 2020, taking into account measures being taken and assuming different scenarios, shows that the Hudson Group has sufficient liquidity to meet its financial obligations as and when they fall due. It is the Directors intention that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies within the Hudson Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Hudson Group is currently expected to experience a year-on-year decline in turnover and is projecting a loss for the forthcoming financial year as a result of the impact of COVID-19.

The Hudson Group leadership has identified key areas where the Group will be most impacted. The below is a high-level analysis on the impact and the safety measures taken to protect the solvency position of the Group until the crisis is over.

Retail & e-commerce

Hudson Group operates more than 50 retail stores in Malta, Italy, Spain, Morocco and Algeria which had all shut their doors by the third week of March in line with respective territory government instructions.

Operations in Malta and Italy resumed in May 2020, whereas Spain, Morocco and Algeria resumed in June 2020. However, the retail trade is not expected to reach pre COVID-19 levels in 2020.

Hudson Group already operated eCommerce prior to Covid-19 through two websites which continued operating with limited restrictions during the period when retail stores were closed. Following the closure of the Malta based stores the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs. In Africa Hudson Group managed to make products available on 3rd party marketplace websites.

Wholesale

Hudson Group is also involved in the wholesale of branded sportswear goods in Malta, Italy, Spain and a number of countries in Africa, primarily of NIKE for which the Group has the exclusive distributorship for a large number of countries in Africa. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of stores of our clients. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

Directors' report - continued

Costs

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

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

Cash flow

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

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

- Retail investments projected for 2020 were postponed and any pending orders in relation to these investments have been cancelled. The Group continued solely with two major infrastructure projects that it believes are vital for its continued growth post COVID-19 and for which finance was already in place
- Obtained extended payment terms from key suppliers.
- Cancelled stock orders (where possible) for retail and for wholesale business.
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking.
- Obtaining moratoria on repayment of loan facilities with its bankers and temporary increased its overdraft facilities to ensure it has adequate working capital headroom. The Group has also applied for additional financing to further strengthen its long-term liquidity position.

The directors consider the outbreak and impact of COVID-19 to be a non-adjusting post-balance sheet event.

Future developments

As a significant operator in the retail industry, and through its distribution contract, the Group will ensure that it retains its position through measured activities and investments in Malta and other territories and whilst continuing with the establishment a new distribution centre in Malta for its Africa business.

Directors' report - continued

Directors

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

George Amato
Alfred Borg
Christopher Muscat
Kevin Grech
Ray Grech
Martin Gregory
Kevin Valenzia (appointed 21 January 2019)
Veronica Borg (resigned 21 January 2019)
Tara Borg Manche
Etienne Camenzuli

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the Parent Company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group and the Parent Company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the Group and the Parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Hudson Holdings Limited for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and may be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

Alfred Borg
Director

Christopher Muscat
Director

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

30 June 2020

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 2019, 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 11 to 65, comprise:

-
- the Consolidated and Parent Company statements of financial position as at 31 December 2019;
- the Consolidated and Parent Company income statements and statements of other comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include 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 these Codes.

Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings Limited

Emphasis of matter

We draw attention to Note 32 to these financial statements that explains the impact of COVID-19 on the Group's operations and financial performance subsequent to the end of the reporting period. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, 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. 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group or the Parent Company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group and Parent Company's trade, customers, and suppliers, and the disruption to their business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

Independent auditor's report - *continued*

To the Shareholders of Hudson Holdings Limited

Report on other legal and regulatory requirements

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.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

30 June 2020

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	4	**1,263,628**	1,262,557	**-**	-
Property, plant and equipment	5	**10,839,527**	6,499,755	**1,039,292**	633,111
Right-of-use assets	6	**26,750,948**	-	**834,873**	-
Lease receivables	7	**-**	-	**9,436,815**	-
Investment in subsidiaries	8	**-**	-	**18,451,227**	18,764,574
Investment in associates	9	**762,913**	285,062	**-**	-
Equity investments at fair value through other comprehensive income	10	**321,000**	1,500,000	**321,000**	1,500,000
Financial assets at amortised cost	11	**-**	-	**3,391,625**	3,391,625
Trade and other receivables	12	**165,509**	499,237	**-**	-
Deferred tax assets	13	**844,066**	394,464	**39,855**	33,471
Total non-current assets		**40,947,591**	10,441,075	**33,514,687**	24,322,781
Current assets					
Inventories	14	**15,038,922**	19,386,674	**-**	-
Leases receivables	7	**-**	-	**1,116,526**	-
Trade and other receivables	12	**17,688,770**	17,888,000	**2,713,783**	3,152,825
Current tax assets		**33,143**	19,272	**-**	-
Cash and cash equivalents	15	**12,192,223**	8,906,524	**1,143,632**	195,185
Total current assets		**44,953,058**	46,200,470	**4,973,941**	3,348,010
Total assets		**85,900,649**	56,641,545	**38,488,628**	27,670,791

Statements of financial position - continued

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
		As at 31 December			
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	16	**85,107**	85,107	**85,107**	85,107
Share premium		**873,056**	873,056	**873,056**	873,056
Other reserve		**272,818**	272,818	**-**	-
Foreign exchange translation reserve		**1,448,481**	1,006,058	**-**	-
Fair value reserve		**(97,476)**	878,738	**(97,476)**	878,738
Retained earnings		**7,372,303**	6,476,942	**16,872,792**	17,685,130
		9,954,289	9,592,719	**17,733,479**	19,522,031
Non-controlling interest		**(165,910)**	(167,181)	**-**	-
Total equity		**9,788,379**	9,425,538	**17,733,479**	19,522,031
Non-current liabilities					
Borrowings	19	**12,263,493**	12,165,569	**4,928,792**	4,824,947
Deferred tax liabilities	13	**54,562**	1,237,956	**-**	211,188
Lease liabilities	17	**23,714,890**	-	**10,220,375**	-
Total non-current liabilities		**36,032,945**	13,403,525	**15,149,167**	5,036,135
Current liabilities					
Trade and other payables	18	**27,385,752**	24,482,210	**3,801,160**	2,738,313
Lease liabilities	17	**2,982,171**	-	**1,215,191**	-
Borrowings	19	**7,176,878**	8,492,696	**491,413**	293,692
Current tax liabilities		**2,534,524**	837,576	**98,218**	80,620
Total current liabilities		**40,079,325**	33,812,482	**5,605,982**	3,112,625
Total liabilities		**76,112,270**	47,216,007	**20,755,149**	8,148,760
Total equity and liabilities		**85,900,649**	56,641,545	**38,488,628**	27,670,791

The notes on pages 19 to 65 are an integral part of these financial statements.

The financial statements on pages 11 to 65 were authorised for issue by the Board on 30 June 2020 and were signed on its behalf by:

Alfred Borg
Director

Christopher Muscat
Director

Income statements

		Year ended 31 December			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Revenue	20	**113,216,261**	105,028,987	**4,323,254**	2,791,778
Cost of sales	21	**(82,178,640)**	(78,932,412)	**(61,146)**	(35,005)
Gross profit		**31,037,621**	26,096,575	**4,262,108**	2,756,773
Other operating income		**669,944**	603,215	**21,672**	116,249
Operation and administrative expenses	21	**(26,439,740)**	(23,341,369)	**(4,059,249)**	(2,698,199)
Income from investments in subsidiaries		**-**	-	**384,615**	184,615
Operating profit		**5,267,825**	3,358,421	**609,146**	359,438
Finance income	23	**30,353**	10,484	**694,301**	254,231
Finance costs	24	**(2,093,289)**	(966,861)	**(839,464)**	(282,708)
Impairment of investment in subsidiaries		**-**	-	**(313,373)**	-
Share of profit/(loss) in associate		**471,581**	(41,037)	**-**	-
Profit before tax		**3,676,470**	2,361,007	**150,610**	330,961
Income tax expense	25	**(1,979,838)**	(1,380,889)	**(162,948)**	(120,705)
Profit/(loss) for the year		**1,696,632**	980,118	**(12,338)**	210,256
Profit attributable to:					
Owners of the Company		**1,695,361**	1,018,246	**(12,338)**	210,256
Non-controlling interests		**1,271**	(38,128)	**-**	-
		1,696,632	980,118	**(12,338)**	210,256

The notes on pages 19 to 65 are an integral part of these financial statements.

Statements of other comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Profit/(loss) for the year		**1,696,632**	980,118	**(12,338)**	210,256
Other comprehensive income:					
Items that may be subsequently reclassified to profit or loss:					
Changes in the fair value of equity assets at fair value through other comprehensive income					
- Movement in fair value	10	**(1,179,000)**	(300,000)	**(1,179,000)**	(300,000)
- Movement in deferred tax liability	13	**202,786**	56,250	**202,786**	56,250
Net movement in fair value		**(976,214)**	(243,750)	**(976,214)**	(243,750)
Currency translation differences - gross and net of tax		**442,423**	374,839	**-**	-
Other comprehensive income for the year, net of tax		**(533,791)**	131,089	**(976,214)**	(243,750)
Total comprehensive income for the Year		**1,162,841**	1,111,207	**(988,552)**	(33,494)
Total comprehensive income attributable to:					
Owners of the Company		**1,161,570**	1,149,335	**(988,552)**	(33,494)
Non-controlling interests		**1,271**	(38,128)	**-**	-
		1,162,841	1,111,207	**(988,552)**	(33,494)

The notes on pages 19 to 65 are an integral part of these financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the Company								
		Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €	Non-controlling interest €	Total equity €
Balance at 1 January 2018		85,107	873,056	631,219	1,030,920	1,122,488	6,160,599	9,903,389	388,152	10,291,541
Comprehensive income										
Profit for the year		-	-	-	-	-	1,018,246	1,018,246	(38,128)	980,118
Other comprehensive income										
Currency translation differences		-	-	374,839	-	-	-	374,839	-	374,839
Changes in the fair value of equity assets at fair value through other comprehensive income, net of tax	10	-	-	-	-	(243,750)	-	(243,750)	-	(243,750)
		85,107	873,056	374,839	-	(243,750)	1,018,246	1,149,335	(38,128)	1,111,207
Transactions with owners										
Acquisition of further investments in subsidiaries		-	-	-	(1,060,005)	-	-	(1,060,005)	(517,205)	(1,577,210)
Captailisation of losses		-	-	-	301,903	-	(301,903)	-	-	-
Dividends	26	-	-	-	-	-	(400,000)	(400,000)	-	(400,000)
Balance at 31 December 2018		85,107	873,056	1,006,058	272,818	878,738	6,476,942	9,592,719	(167,181)	9,425,538

Statements of changes in equity - continued

Group

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

Statements of changes in equity - continued

Company	Note	Share capital €	Share premium €	Retained earnings €	Fair value reserve €	Total €
Balances as at 1 January 2018		85,107	873,056	17,874,874	1,122,488	19,955,525
Comprehensive income						
Profit for the year		-	-	210,256	-	210,256
Other comprehensive income						
Fair value movements, net of deferred tax		-	-	-	(243,750)	(243,750)
Transactions with owners						
Dividend		-	-	(400,000)	-	(400,000)
Balance at 31 December 2018		85,107	873,056	17,685,130	878,738	19,522,031
Balance as 1 January 2019		**85,107**	**873,056**	**17,685,130**	**878,738**	**19,522,031**
Transactions with Owners						
Dividends declared	26	-	-	(800,000)	-	(800,000)
Comprehensive income						
Profit for the year		-	-	(12,338)	-	(12,338)
Fair value adjustment		-	-	-	(976,214)	(976,214)
Balance at 31 December 2019		**85,107**	**873,056**	**16,872,792**	**(97,476)**	**17,733,479**

The notes on pages 19 to 65 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from operations	28	**19,421,944**	785,957	**2,363,476**	454,631
Finance income	23	**30,353**	10,484	**281,467**	254,231
Income tax paid		**(1,726,972)**	(808,898)	**(160,136)**	(75,993)
Interest paid	24	**(2,093,289)**	(966,861)	**(426,630)**	(282,708)
Foreign currency translation movements		**309,492**	373,400	**-**	-
Net cash generated from/(used in) operating activities		**15,941,528**	(605,918)	**2,058,177**	350,161
Cash flows from investing activities					
Purchases of property, plant and equipment	5	**(6,573,360)**	(3,498,805)	**(582,648)**	(163,228)
Purchase of intangible asset	4	**(10,465)**	(22,340)	**-**	-
Movement in loans and receivables		**-**	45,163	**-**	(3,394,837)
Investment in subsidiary	8	**-**	-	**(26)**	(311,803)
Investment in associate	9	**-**	(326,099)	**-**	-
Net cash used in investing activities		**(6,583,825)**	(3,802,081)	**(582,674)**	(3,869,868)
Cash flows from financing activities					
Dividends paid		**(800,000)**	(400,000)	**(800,000)**	(400,000)
Drawdowns on borrowings		**-**	11,771,255	**-**	4,500,000
Repayments of borrowings		**(1,491,117)**	(2,421,336)	**(119,919)**	(119,919)
Proceeds from drawdowns of borrowings		**146,170**	-	**410,411**	-
Principal elements of lease payments (IFRS16)		**(4,054,110)**	-	**(28,622)**	-
Net cash generated from financing activities		**(6,199,059)**	8,949,919	**(538,131)**	3,980,081
Movement in cash and cash equivalents		**3,158,646**	4,541,921	**937,372**	460,374
Cash and cash equivalents at the beginning of the year		**8,608,472**	4,066,552	**83,731**	(376,643)
Cash and cash equivalents at the end of the year	15	**11,767,118**	8,608,472	**1,021,103**	83,731

The notes on pages 19 to 65 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

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386) and in accordance with the requirements of the said Act.

On the basis of the projections prepared by management following the outbreak of COVID-19, as described in note 32, the directors firmly believe that there is no material uncertainty which may cast significant doubt on the company's ability to continue as a going concern and accordingly continue to adopt the going concern assumption in the preparation of the financial statements. Accordingly, the financial statements have been prepared under the historical cost convention.

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 company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the Group and Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Group and Company's accounting policies impacting the financial performance and position. The Group and Company had to change their accounting policies and make retrospective adjustments as a result of adopting IFRS 16, 'Leases', but recognised the cumulative effect of initially applying the new standard on 1 January 2019. The impact of the adoption of this standard disclosed below.

The Group and Company have adopted IFRS 16 retrospectively from 1 January 2019 but have not restated comparatives for the 2018 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 January 2019. The new accounting policies are disclosed in Note 1.19.

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

1.1 Basis of preparation - continued

(a) The Group and Company's leasing activities

The Group leases various properties. Rental contracts are typically made for fixed periods of 5 to 10 years but may have extension options as described below. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options

Extension and termination options are included in the majority of property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

Variable lease payments

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 6.5% to 10% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 January 2019

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate as of 1 January 2019. The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 4.00%.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 December 2018. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The change in accounting policy affected the following items in the balance sheet on 1 January 2019:

	Group €	Company €
Increase in right-of-use assets	26,473,406	910,847
Increase in lease receivables	-	10,877,285
Increase in lease liabilities	26,282,118	11,788,132
Decrease in prepayments	(191,288)	-

The recognised right-of-use assets relate to the following types of assets:

Measurement of lease liabilities

	As at 1 January 2019 Group €	Company €
Operating lease commitments disclosed as at 31 December 2018	34,164,142	11,083,913
Add: adjustments as a result of different treatment of extensions	1,011,786	3,246,705
Discounted using the incremental borrowing rate at the date of initial application	(8,893,810)	(2,542,486)
Lease liabilities recognised as at 1 January 2019	**26,282,118**	**11,788,132**
Of which are:		
Current lease liabilities	3,613,663	1,000,248
Non-current lease liabilities	22,668,455	10,787,884
	26,282,118	**11,788,132**

Practical expedients applied

In applying IFRS 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(c) Amounts recognised in profit and loss

The income statement reflects the following amounts relating to leases:

	Group 2019 €	Company 2019 €
Depreciation charge of right-of-use assets	4,316,624	75,974
Interest income (included in finance income)	-	(412,384)
Interest expense (included in finance cost)	1,032,808	449,268
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	382,049	4,258
	5,731,481	**117,116**

Operating lease charges to be reflected within profit and loss, utilising the accounting principles of IAS 17 Leases had IFRS 16 not been adopted, during the period from 1 January 2019 to 31 December 2019 for Group and Company would have amounted to €4,560,676 and €65,056, respectively. Hence, EBITDA for the year ended 31 December 2019 has been impacted favourably for Group and Company by an amount of €4,560,676 and €65,056, respectively, in view of the adoption of the requirements of IFRS 16.

Therefore, the impact on net profit before tax for the year ended 31 December 2019 had IFRS not been adopted, would have been favourable impacted as per below:

	Group 2019 €	Company 2019 €
Add: Depreciation charge of right-of-use assets under IFRS 16	4,316,624	75,974
Add: Interest expense (included in finance cost) under IFRS 16	1,032,808	36,434
Less: Lease charge under IAS 17	(4,560,676)	(65,056)
	788,756	**47,352**

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group and Company's accounting periods beginning after 1 January 2019. The Group and Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

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.

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 8.

(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.

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

1.2 Consolidation - continued

(b) Transactions with non-controlling interests - continued

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.

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

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 - 33⅓
Plant and Machinery	25
Motor vehicles	20

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other operating income' in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.6).

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.

1. Summary of significant accounting policies - continued

1.5 Intangible assets - continued

(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 Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through OCI or through profit or loss), and
- those to be measured at amortised costs

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit of loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets change.

1.7.2 Recognition and measurement

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.3 Measurement

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

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

Debt Instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Company classified its debt instruments:

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented on other gains/ (losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

- FVOCI: Assets that are held for collection contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses).

  Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gain/ (losses) and impairment expenses are presented as separate line items in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost of FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/ (losses) in the period in which it arises.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.4 Impairment

The Group and Company assess on a forward-looking basis the expected credit loss associated with debt instruments carried at amortised costs and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group and Company apply the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

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 1.7.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.10 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. Summary of significant accounting policies - continued

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, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. which are not at fair value through profit or loss. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These financial liabilities are subsequently measured at amortised cost. The Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.13 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 Leases

(a) The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the Group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in the same note.

Until 31 December 2018, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 January 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

1.19 Leases - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 6.5% to 10% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Group, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

1. Summary of significant accounting policies - continued

1.19 Leases - continued

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

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

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

(b) The Company is the lessor

The Company enters into various sub-leasing agreements, as an intermediate lessor with its subsidiaries, whereby the sub-leasing agreements are aligned with the head lease agreements with third parties, thereby effectively transferring all risks and rewards relating to the leased assets for the same term and consideration.

Upon entering into such sub-leasing agreements, the Company derecognises the right-of-use assets relating to such agreements and accounts for the arising lease receivables separately from the lease liabilities arising from the head 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 2019 and 2018.

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

Group	Assets €	Liabilities €	Net exposure €
As at 31 December 2018			
USD to EUR	109,606	(966,544)	(856,938)
EUR to USD	1,605	(161,143)	(159,538)
GBP to EUR	95,210	(396,442)	(301,232)
Other currencies	-	-	-
	206,421	**(1,524,129)**	**(1,317,708)**

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk

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

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

	Group		Company	
	At floating rates			
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest-bearing assets				
Amounts owed by subsidiaries (Note 12)	**-**	-	**2,299,257**	3,033,835
Interest-bearing liabilities				
Bank overdraft (Note 19)	**425,105**	298,052	**122,529**	111,454
Bank loans (Note 19)	**6,345,065**	7,864,778	**797,676**	507,185
Amount owed to subsidiaries (Note 18)	**-**	-	**2,386,565**	2,145,643
	6,770,170	8,162,830	**3,306,770**	2,764,282
Net	**(6,770,170)**	(8,162,830)	**(1,007,513)**	269,553

	Group		Company	
	At Fixed rates			
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest-bearing assets				
Lease receivables (Note 7)	**-**	-	**10,533,341**	-
Gross loans from subsidiaries (Note 11)	**-**	-	**3,440,000**	3,440,000
	-	-	**13,973,341**	3,440,000
Interest-bearing liabilities				
Lease liabilities (Note 17)	**26,697,061**	-	**11,435,566**	-
Listed bond (Note 20)	**11,821,296**	11,792,700	**-**	-
Bank loans (Note 20)	**848,905**	702,735	**4,500,000**	4,500,000
	39,367,262	12,495,435	**15,935,566**	4,500,000
Net	**(39,367,262)**	(12,495,435)	**(1,962,225)**	(1,060,000)

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk - continued

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

(b) Credit risk

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

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Loans and receivables category:				
Lease receivables (Note 7)	-	-	**10,553,341**	-
Trade and other receivables – gross (Note 12)	**19,876,137**	19,911,261	**2,719,897**	3,210,703
Loans and receivables (Note 11)	-	-	**3,440,000**	3,440,000
Cash and cash equivalents – net of provisions (Note 15)	**12,192,223**	8,906,524	**1,143,632**	195,185
	32,068,360	28,817,785	**17,856,570**	6,845,888
Less: other receivables that do not give rise to credit risk	**(2,560,778)**	(3,863,176)	**(398,792)**	(106,666)
Provision for impairment	**(2,021,858)**	(1,524,024)	**(6,114)**	(57,878)
Maximum exposure to credit risk	**27,485,724**	23,430,585	**17,451,664**	6,681,344

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history. Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available.

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

The Group has debtor balances amounting to €8,696,458 (2018: €7,951,054) that are covered by letters of credit. The Group does not hold any other significant collateral as security.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. The largest client exposure accounts for 40% (2018: 46%) of the trade debtor balances of which 100% (2018: 100%) are covered by letters of credit. The exposure is further covered by a credit note which has been accrued for within these financial statements. These exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management, usually taking cognisance of the performance history without defaults, to have excellent credit standing.

Impairment of trade and other receivables (including contract assets)

The Group applies IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

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

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The individually credit impaired trade receivables mainly relate to independent customers which are in unexpectedly difficult economic situations mostly due to geopolitical issues and which are accordingly not meeting repayment obligations. In this respect, the Company has recognised specific impairment provisions during the current financial year, against credit impaired individual exposures which have demonstrated objective evidence of being impaired. As at 31 December 2019, trade receivables of €2,021,858 (2018: €1,524,024) were impaired and the amount of the provisions in this respect are equivalent to these amounts.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group.

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Cash and cash equivalents

The credit risk for cash and cash equivalents for Group and Company is considered negligible since the majority of the counterparties are reputable banks with high quality external credit ratings. The Group and Company assessed the expected credit loss for cash and cash equivalents. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The identified impairment loss was insignificant except for a bank balance at a subsidiary for which a credit loss allowance of €114,935 (2018: €112,416) was considered.

The closing loss allowances for cash and cash equivalents as at 31 December 2019 reconcile to the opening loss allowances as follows:

Group *Cash*	**2019** **€**	2018 €
Balance at 1 January	**112,416**	-
Amounts restated through retained earnings	**-**	114,359
Balance at 1 January – as restated	**112,416**	114,359
Increase in loss allowance recognised in profit or loss during the year	**2,519**	(1,943)
Balance at 31 December	**114,935**	112,416

Other financial assets at amortised cost

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

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

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting impairment charge required for loans and other current receivables was of €48,375 and €50,290 respectively (2018: €48,375 and €53,650 respectively).

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The closing loss allowances for other financial assets at amortised cost as at 31 December 2019 reconcile to the opening loss allowances as follows:

	2019	2018
Company	**€**	€
Other financial assets at amortised cost		
Balance at 1 January	**102,025**	-
Amounts restated through retained earnings	**-**	95,631
Balance at 1 January – as restated	**102,025**	95,631
Decrease in loss allowance recognised in profit or loss during the year	**(3,360)**	6,394
Balance at 31 December	**98,665**	102,025

(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 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts which are updated on a regular basis. The Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from operations.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The table below analyses the Group and Company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	Carrying Amount €	Contractual cash flows €	Due within 1 year €	Due between 2 and 5 years €	Due after more than 5 years €
Group					
31 December 2019					
Listed Bond	11,821,296	15,132,000	522,000	2,088,000	12,522,000
Bank overdraft	425,105	425,105	425,105	-	-
Trade and other payables	27,385,752	27,385,752	27,385,752	-	-
Lease liabilities	26,697,061	40,673,004	4,829,770	5,394,164	30,449,070
Other bank loans and facilities	7,193,970	7,216,876	6,776,698	440,178	-
Total	**73,523,184**	**90,832,737**	**39,939,325**	**7,922,342**	**42,971,070**
31 December 2018					
Listed bond	11,792,700	16,206,000	552,000	2,088,000	13,566,000
Bank overdraft	298,052	298,052	298,052	-	-
Trade and other payables	24,482,210	24,482,210	24,482,210		
Other bank loans and facilities	8,567,513	9,098,640	8,660,582	438,058	-
Total	**45,140,475**	**50,084,902**	**33,992,844**	**2,526,058**	**13,566,000**

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

	Carrying amount €	Contractual cash flows €	Due within 1 year	Due between 2 and 5 years €	Due after more than 5 years €
Company					
31 December 2019					
Loan from subsidiary	4,500,000	6,320,390	247,500	2,602,670	3,470,220
Bank overdraft	122,529	122,529	122,529	-	-
Trade and other payables	3,801,160	3,801,160	3,801,160	-	-
Lease liabilities	11,411,091	14,159,364	1,459,841	1,556,980	11,142,543
Bank and other loans	797,676	820,582	380,404	440,178	-
Total	**20,632,456**	**25,224,025**	**6,011,434**	**4,599,828**	**14,612,763**
31 December 2018					
Loan from subsidiary	4,500,000	6,320,390	247,500	2,602,670	3,470,220
Bank overdraft	111,454	111,454	111,454	-	-
Trade and other payables	2,738,313	2,738,313	2,738,313	-	-
Bank and other loans	507,185	542,278	217,512	324,766	-
Total	**7,856,952**	**9,712,435**	**3,314,779**	**2,927,436**	**3,470,220**

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

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares or adjust the amount of dividends paid to shareholders.

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

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

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

Group and Company

	Level 3 €
31 December 2019	
Assets	
Equity investments at fair value through other comprehensive income:	
Equity securities	
Unlisted	321,000
31 December 2018	
Assets	
Equity investments at fair value through other comprehensive income:	
Equity securities	
Unlisted	1,500,000

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

At 31 December 2019 and 2018 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 2018			
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
Year ended 31 December 2018			
Opening net book amount	1,065,688	191,916	1,257,604
Additions	-	22,340	22,340
Amortisation charges	-	(13,857)	(13,857)
Disposals	-	(9,019)	(9,019)
Amortisation released on disposal	-	5,489	5,489
Closing net book amount	1,065,688	196,869	1,262,557
At 31 December 2018			
Cost	1,065,688	247,759	1,313,447
Accumulated amortisation	-	(50,890)	(50,890)
Net book amount	1,065,688	196,869	1,262,557
Year ended 31 December 2019			
Opening net book amount	1,065,688	196,869	1,262,557
Additions	-	10,465	10,465
Currency translation		(24)	(24)
Amortisation charges	-	(9,370)	(9,370)
Closing net book amount	1,065,688	197,940	1,263,628
At 31 December 2019			
Cost	1,065,688	258,588	1,324,276
Accumulated amortisation	-	(60,648)	(60,648)
Net book amount	**1,065,688**	**197,940**	**1,263,628**

5. Property, plant and equipment

Group

	Assets in the course of of construction €	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2018					
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
Year ended 31 December 2018					
Opening net book amount	-	1,036,355	59,745	3,562,083	4,658,183
Additions	-	1,528,945	1,088	1,968,772	3,498,805
Disposals	-	(87,911)	(3,144)	(266,813)	(357,868)
Currency translation differences	-	1,013	494	(68)	1,439
Depreciation released on disposals	-	38,634	-	92,319	130,953
Deprecation charge	-	(244,411)	(21,458)	(1,165,888)	(1,431,757)
Closing net book amount	-	2,272,625	36,725	4,190,405	6,499,755
At 31 December 2018					
Cost	-	3,262,615	167,200	9,006,587	12,436,402
Accumulated depreciation	-	(989,990)	(130,475)	(4,816,182)	(5,936,647)
Net book amount	-	2,272,625	36,725	4,190,405	6,499,755

5. Property, plant and equipment - continued

Group

	Assets in the course of of construction €	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
Year ended 31 December 2019					
Opening net book amount	-	2,272,625	36,725	4,190,405	6,499,755
Additions	1,992,988	887,350	-	3,693,022	6,573,360
Disposals	-	(192,479)	-	(303,227)	(495,705)
Currency translation differences	-	20	-	1,554	1,573
Depreciation released on disposals	-	150,426	-	198,202	348,628
Deprecation charge	-	(348,208)	(11,764)	(1,728,112)	(2,088,084)
Closing net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,257
At 31 December 2019					
Cost	1,992,988	3,954,549	160,317	12,171,117	18,278,971
Accumulated depreciation	-	(1,184,815)	(135,356)	(6,119,273)	(7,439,444)
Net book amount	**1,992,988**	**2,769,734**	**24,961**	**6,051,844**	**10,839,527**

5. Property, plant and equipment - continued

Company

	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 Janaury 2018				
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
Year ended 31 December 2018				
Opening net book amount	18,151	11,377	595,837	625,365
Additions	-	-	163,228	163,228
Deprecation charge	(2,252)	(3,237)	(149,933)	(155,482)
Closing net book amount	15,899	8,140	609,072	633,111
At 31 December 2018				
Cost	22,516	16,184	1,121,406	1,160,106
Accumulated depreciation	(6,617)	(8,044)	(512,334)	(526,995)
Net book amount	15,899	8,140	609,072	633,111
Year ended 31 December 2019				
Opening net book amount	15,899	8,140	609,072	633,111
Additions	-	-	582,648	582,648
Deprecation charge	(2,252)	(2,789)	(171,426)	(176,467)
Closing net book amount	13,647	5,351	1,020,294	1,039,292
At 31 December 2019				
Cost	22,516	16,184	1,704,054	1,742,754
Accumulated depreciation	(8,869)	(10,833)	(683,760)	(703,462)
Net book amount	**13,647**	**5,351**	**1,020,294**	**1,039,292**

6. Right-of-use assets

Group

	Group 2019 €	Company 2019 €
Year ended 31 December 2019		
Impact on adoption of IFRS 16	26,473,406	910,847
Additions	4,469,054	-
Amortisation charge	(4,316,624)	(75,974)
Currency translation differences	125,112	-
Closing net book amount	**26,750,948**	**834,873**

6. Right-of-use assets - continued

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

	Group 2019 €	Company 2019 €
Depreciation charge of right-of-use assets	4,316,624	75,974
Interest income (included in finance income)	-	(412,834)
Interest expense (included in finance cost)	1,032,808	449,268
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	382,049	4,258

7. Lease receivables

Company

	As at 31 December 2019 €	As at 1 January 2019 €
Non-current	**9,436,815**	9,928,459
Current	**1,116,526**	948,826
	10,533,341	10,877,285

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

8. Investment in subsidiaries

	Company	
	2019 €	2018 €
Year ended 31 December		
At beginning of year	**18,764,574**	18,452,771
Additions	**26**	311,803
Movement in provision for impairment	**(313,373)**	-
At end of year	**18,451,227**	18,764,574

During the year, the Company impaired its investments in Hudson Italia SRL and UJ International Company Limited.

8. Investments in subsidiaries - continued

The principal subsidiaries at 31 December 2019 and 2018 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	
		2019	2018	**2019**	2018	**2019**	2018
Time International (Sport) Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Italian Operations Limited SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	**99.00%**	99.00%	**100.00%**	100.00%	**100.00%**	100.00%
Italian Operations Limited Retail SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	-	99.00%	-	-	-	100.00%
UJ International Co Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Urban Jungle Sneakers SL	21 C/Velazquez Madrid	**100.00%**	100.00%	**100.00%**	-	**100.00%**	100.00%

8. Investments in subsidiaries - continued

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2019	2018	**2019**	2018	**2019**	2018
Times 5 Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
Time International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD International Group Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD Tunisia SARL	4 rue 7036, 2ème étage, El Menzah IV 1004, Tunis, Tunisia	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD International Group Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	**100.00%**	100.00%	-	-	**100.00%**	100.00%
BD Morocco SARL	7, Rue El Messoudi Quartier Racine Casablanca	**100.00%**	100.00%	-	-	**100.00%**	100.00%

8. **Investments in subsidiaries** - continued

Subsidiaries	**Registered office**	**Voting rights held by the Group**		**Ownership interest held directly by the Company**		**Ownership interest held by the Group**	
		2019	2018	**2019**	2018	**2019**	2018
Sports Alliance Limited	P.O. Box 3175, Road Town, Tortola British Virgin Islands	**100.00%**	100.00%	-	-	**100.00%**	100.00%
Hudson International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Libya Utilities *Management and Operation Services Joint Venture SC Company*	Gergaresh Street, Tripoli, Libya	**65.00%**	65.00%	-	-	**65.00%**	65.00%
Hudson Malta Plc	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Italia SRL	Milano Via Monte Rosa 91 CAP 20149, Italy	**100.00%**	100.00%	**100.00%**	100.00%	**100.00%**	100.00%
Hudson Brand Development Nigeria Limited	5B Water Corporation Road, Victoria Island, PO Box 2419 Lagos, Nigeria	**100.00%**	-	-	-	**100.00%**	-

9. Investment in associates

	Group 2019 €	Group 2018 €
Year ended 31 December		
At beginning of year	**285,062**	-
Additions	**-**	326,099
Share of profit/(loss) for the year	**471,581**	(41,037)
Currency translation differences	**6,270**	-
At end of year	**762,913**	285,062

Associate	Registered office	Percentage of shares directly held by the Group 2019 %	Percentage of shares directly held by the Group 2018 %
Premium Brands SARL	29 rue des Pins Investments Park 2, 16035, Hydra, Algeria	**43.56**	**43.56**

10. Equity investments at fair value through other comprehensive income

	Group and Company 2019 €	Group and Company 2018 €
Year ended 31 December		
As at 1 January	**1,500,000**	1,800,000
Additions	**-**	-
Fair value movements	**(1,179,000)**	(300,000)
As at 31 December	**321,000**	1,500,000
As at 31 December		
Cost	**418,476**	418,476
Fair value	**(97,476)**	1,081,524
	321,000	1,500,000

The Group's equity investments, as at 31 December 2019, consists of equity instruments in an unlisted foreign private company, GRP 3ina SL, which is fair valued annually. Fair value is estimated by reference to recent transactions. Accordingly, the available-for-sale investment is categorised as Level 3 within the fair value measurement hierarchy required by IFRS 13. The change in the fair value of the investment is recognised in other comprehensive income in a fair value reserve.

11. Financial assets at amortised cost

	Company 2019 €	Company 2018 €
Current		
Loans receivable from subsidiaries	**3,440,000**	3,440,000
Less: credit loss allowance in line with IFRS 9	**(48,375)**	(48,375)
	3,391,625	3,391,625

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

12. Trade and other receivables

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Trade receivables	**14,958,936**	14,040,514	**21,848**	8,879
Less: Provisions for impairment	**(2,021,858)**	(1,524,024)	**(6,114)**	(4,228)
Trade receivables - net	**12,937,078**	12,516,490	**15,734**	4,651
Other receivables	**1,429,561**	2,007,402		7,673
Amount owed by subsidiaries – net of provisions	**-**	-	**2,299,257**	3,033,835
Amount due from associate	**926,862**	-	**-**	-
Indirect tax recoverable	**1,545,964**	1,990,108	**248,097**	-
Prepayments and accrued income	**1,014,814**	1,873,068	**150,695**	106,666
	17,854,279	18,387,237	**2,713,783**	3,152,825
Current	**17,688,770**	17,888,000	**2,713,783**	3,152,825
Non-current	**165,509**	499,237	**-**	-

The amounts owed by subsidiaries and associates are unsecured, repayable on demand and subject to interest at 4.85% - 5.35%. Amounts owed by subsidiaries are stated net of a provision of €50,280 (2018: €53,650).

13. Deferred tax liability/(asset)

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is 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% (2018: 35%).

The movement on the deferred tax account is as follows:

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
At beginning of year	**843,492**	903,899	**177,717**	233,967
Credited to income statements (Note 25)	**(1,428,891)**	(197)	**(14,786)**	-
Currency translation differences	**(1,319)**	(3,960)	**-**	-
Directly in other comprehensive income (Note 25)	**(202,786)**	(56,250)	**(202,786)**	(56,250)
At end of year	**(789,504)**	843,492	**(39,855)**	177,717

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

The balance at 31 December represents:

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Net temporary difference arising on of property, plant and equipment	**(200,173)**	(240,022)	**8,593**	9887
Temporary differences arising on impairment of receivables	**(376,536)**	(74,485)	**37,849**	(34,956)
Temporary differences arising on foreign income	**(27,441)**	972,846	**-**	-
Temporary differences arising on unutilised tax losses	**(6,390)**	-	**-**	-
Temporary differences arising due unabsorbed capital allowances	**(2,007)**	-	**-**	-
Temporary differences arising due other timing differences	**-**	(17,633)	**-**	-
Temporary differences arising on fair value movements	**-**	202,786	**-**	202,786
Temporary differences on right-of-use assets	**(176,957)**	-	**(6,587)**	-
Deferred tax (asset)/liability	**(789,504)**	**843,492**	**39,855**	**177,717**

13. Deferred tax liability/(asset) - continued

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Deferred tax assets	**(844,066)**	(394,464)	**39,855**	(33,471)
Deferred tax liabilities	**54,562**	1,237,956	**-**	211,188
Deferred tax (asset)/liability	**(789,504)**	843,492	**39,855**	177,717

14. Inventories

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Goods held for resale	**15,038,922**	19,386,674	**-**	-

15. Cash and cash equivalents

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand – net of provisions	**12,192,223**	8,906,524	**1,143,632**	195,185
Bank overdrafts (Note 19)	**(425,105)**	(298,052)	**(122,529)**	(111,454)
	11,767,118	8,608,472	**1,021,103**	83,731

Cash at bank is stated at net of a provision of €114,935 (2018: €112,416) in line with the expected credit loss model following the adoption of IFRS 9.

16. Share capital and reserves

The authorised and issued share capital as at 31 December 2019 and 2018 were as follows:

	Company	
	2019	2018
	€	€
Authorised		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
	85,107	85,107
Issued and fully paid		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
	85,107	85,107

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

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

17. Lease liabilities

	As at 31 December 2019	As at 1 January 2019
	€	€
Group		
Non-current	**23,714,890**	22,668,455
Current	**2,982,171**	3,613,663
	26,697,061	26,282,118
Company		
Non-current	**10,220,375**	10,787,884
Current	**1,215,191**	1,000,248
	11,435,566	11,788,132

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

The total cash outflows for leases in 2019 for Group and Company were €5,086,918 and €65,056 respectively. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c).

18. Trade and other payables

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Trade payables	**20,653,319**	19,126,718	**271,317**	102,357
Amounts owed to subsidiaries		-	**2,386,565**	2,145,643
Amounts owed to related undertakings	**3,853**	3,853	**-**	-
Amounts owed to shareholders	**757,942**	254,403	**757,942**	254,403
Imdirect taxation and other payables	**2,366,474**	2,612,861	**169,548**	145,243
Accruals	**3,604,164**	2,484,375	**215,788**	90,667
	27,385,752	24,482,210	**3,801,160**	2,738,313

Amounts owed to group and related undertakings are unsecured, repayable on demand and subject to interest at 4% (2018: 4.85% - 5.35%).

Amounts owed to shareholders are unsecured and bear interest at 4% (2018: 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.

19. Borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Bank overdrafts	**425,105**	298,052	**122,529**	111,454
Bank loans and other facilities	**6,751,773**	8,194,644	**368,884**	182,238
Loan from related party	**-**	-	**-**	-
Total current	**7,176,878**	8,492,696	**491,413**	293,692
Non-current				
Loan from subsidiary	**-**	-	**4,500,000**	4,500,000
Listed nond	**11,821,296**	11,792,700	**-**	-
Bank loans	**442,197**	372,869	**428,792**	324,947
Total non-current	**12,263,493**	12,165,569	**4,928,792**	4,824,947
Total borrowings	**19,440,371**	20,658,265	**5,420,205**	5,118,639

The carrying amounts of borrowings approximate their fair value.

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Within one year	**7,176,878**	8,492,696	**491,413**	293,692
Between 1 and 2 years	**168,756**	230,160	**168,756**	182,238
Between 2 and 5 years	**260,036**	142,709	**260,036**	142,709
Over 5 years	**11,834,701**	11,792,700	**4,500,000**	4,500,000
	19,440,371	20,658,265	**5,420,205**	5,118,639

At the end of the reporting period, the Group and the Company had a total maximum general banking facility limit of €33.3 million (2018: €36.4 million) and €2.6 million (2018: €2.0 million) respectively.

The Group has an invoice financing arrangement with a local institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of €850,000 (2018: €850,000).

The Bond of €12,000,000 is repayable by 2026, bears interest at 4.35%, payable annually in arrears on 6 April of each year and is stated at net of unamortised bond issue costs of €207,300.

The Group is charged interest on bank loans and other facilities at the rate of 4.00% per annum (2018: 4.50% - 4.95% per annum). The Company's overdraft facilities and bank loans bear interest at the rate of 4.00% (2018: 4.95%). These facilities are secured by a first special hypothec over the Group and the Company's assets.

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

20. Revenue

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Retail	**44,245,962**	40,687,410	**-**	-
Wholesale	**68,970,299**	64,341,577	**-**	-
Management fees	**-**	-	**4,323,254**	2,791,778
	113,216,261	105,028,987	**4,323,254**	2,791,778

21. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Purchases of goods for resale	**77,736,070**	74,530,251	**-**	-
Write down in inventory value	**322,600**	984,289	**-**	-
Commissions payable	**1,039,521**	449,410	**-**	-
Royalties	**1,634,322**	1,562,785	**-**	-
Other direct expenses	**1,446,127**	1,405,677	**61,146**	-
Employee benefit expense (Note 22)	**10,339,306**	9,236,135	**2,685,542**	1,699,440
Amortisation of intangible assets (Note 4)	**9,370**	13,857	**-**	-
Depreciation of property, plant and equipment (Note 5)	**2,088,084**	1,431,757	**176,467**	155,482
Depreciation of right of use assets (Note 6)	**4,316,624**	-	**75,974**	-
Rent and common charges	**1,549,458**	5,862,977	**4,258**	89,162
Legal and professional fees	**1,109,631**	775,653	**213,615**	127,702
Increase/(decrease) in provision for bad debts	**497,834**	112,262	**(3,360)**	-
Movement in provision for intercompany receivables	**-**	-	**5,295**	6,394
Movement in provision for bank balances	**-**	(1,943)	**-**	-
Bad debts written off	**-**	-	**-**	-
Bank charges	**869,869**	912,576	**21,135**	6,942
Advertising	**1,409,286**	1,776,286	**43,253**	35,265
Other expenses	**4,134,460**	3,221,809	**837,070**	612,817
Total cost of sales, operation and administrative expenses	**108,618,380**	102,273,781	**4,120,395**	2,733,204

21. Expenses by nature - continued

Auditor's fees

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Annual statutory audit	**85,350**	70,000	**13,700**	2,050
Non-audit fees	**4,190**	839	**12,050**	7,873
	89,540	70,839	**25,750**	9,923

22. Employee benefit expense

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Wages and salaries	**9,392,592**	8,459,963	**2,552,265**	1,594,868
Social security costs	**946,714**	776,172	**133,277**	104,572
	10,339,306	9,236,135	**2,685,542**	1,699,440

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

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Administration and finance	**64**	48	**38**	31
Operations	**120**	106	**34**	23
Retail	**406**	390	**-**	-
	590	544	**72**	54

23. Finance income

	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
Interest income on lease receivables	**-**	-	**412,834**	-
Interest income on amounts due by third parties	**30,353**	10,484	**-**	-
Interest income on amounts due by subsidiaries	**-**	-	**281,467**	254,231
	30,353	10,484	**694,301**	254,231

24. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest on bank overdrafts and loans	**1,015,107**	966,861	**35,875**	37,289
Interest on amounts due to subsidiaries	**-**	-	**61,447**	63,232
Interest on loan from subsidiary	**-**	-	**247,500**	182,187
Interest charges on lease liabilities	**1,032,808**	-	**449,268**	-
Interest on loans to shareholders	**45,374**	-	**45,374**	-
	2,093,289	966,861	**839,464**	282,708

25. Tax expense/(credit)

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current tax expense	**3,408,729**	1,381,086	**177,734**	120,705
Deferred tax credit (Note 13)	**(1,428,891)**	(197)	**(14,786)**	-
Tax expense through profit or loss	**1,979,838**	1,380,889	**162,948**	120,705
Tax expense through other comprehensive income				
Deferred tax on impairment of equity investments held through OCI (Note 13)	**(202,786)**	(56,250)	**(202,786)**	(56,250)
Total tax expense/(credit)	**1,777,052**	1,324,639	**(39,838)**	64,455

25. Tax expense/(credit) - continued

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit before tax	**3,676,470**	2,361,007	**150,610**	330,961
Tax at 35%	**1,286,765**	826,351	**52,714**	115,837
Tax effect of:				
Difference in tax rates	**144,353**	382,090	**-**	-
Income subject to tax at reduced rates	**-**	(2,170)	**-**	-
Income not subject to tax	**-**	625	**-**	-
Unrecognised deferred tax in prior year	**(44,665)**	35,001	**-**	-
Expenses not allowable for tax purposes	**427,138**	137,625	**110,234**	4,868
Other	**166,247**	1,367	**-**	-
Tax expense	**1,979,838**	1,380,889	**162,948**	120,705

26. Dividends

	Group and Company	
	2019	2018
	€	€
Dividends paid on ordinary shares - net	**800,000**	400,000
Dividends per share	**21.896**	10.948

27. Directors' emoluments

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Salaries and other emoluments	**847,884**	756,646	**811,123**	727,693
	847,884	756,646	**811,123**	727,693

28. Cash generated from operating activities

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit	**5,267,825**	3,358,421	**609,146**	359,438
Adjustments for:				
Amortisation (Note 4)	**9,370**	13,857		-
Depreciation (Note 5)	**2,088,084**	1,431,757	**176,467**	155,482
Loss on disposal of property, plant and equipment (Note 5)	**-**	230,445		-
Amortisation right-of-use assets (Note 6)	**4,316,624**		**75,974**	-
Other Income	**-**	(1,577,210)		-
Loss on disposal of group companies	**147,077**			
Movement in impairment of provision on trade receivables	**497,834**	112,262	**1,886**	6,394
Movement in provision of bank balances	**-**	(114,359)	**-**	-
Changes in working capital:				
Inventories	**4,347,752**	(344,098)	**-**	90
Trade and other receivables	**(156,164)**	(4,883,885)	**437,156**	354,882
Trade and other payables	**2,903,542**	2,558,767	**1,062,847**	(421,665)
Cash generated from operations	**19,421,944**	785,957	**2,363,476**	454,631

29. 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	
	2019	2018	**2019**	2018
	€	€	**€**	€
No later than 1 year	-	4,602,450	-	1,250,001
Later than 1 year & no later than 5 years	-	14,099,493	-	5,354,607
Later than 5 years	-	15,462,199	-	4,479,305
	-	34,164,142	-	11,083,913

With effect from 1 January 2019, the Group has recognised right-of-use assets for leases, except for short-term and low-value leases in accordance with the requirements of IFRS 16 (Note 6).

30. Contingent liabilities

During 2019, BD Morocco SARL, a subsidiary of the Group, terminated a contract with a service provider following the inadequate services that in its view were being received. The service provider subsequently claimed compensation for early termination under the contract and the case is currently under arbitration. In the arbitration proceedings the service provider claimed compensation for damages in the range of €4.1 million for the cessation of services whilst BD Morocco SARL claimed damages in the range of €2.8 million as compensation for the poor service provided. The outcome of either claims could not be determined at the time of issue of the financial statements as the proceedings have not yet been concluded by the arbitral court. However, on the basis of legal advice received, the directors are of the opinion that they had strong legal basis in the Company's favour for terminating the contract, that the claims by the service provider are unfounded and thus believe that any damages that may be payable will ultimately be immaterial to the financial statements.

31. Related party transactions

Group

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

Company

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

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

	2019	2018
	€	€
Revenue		
Revenue - subsidiaries	**4,323,254**	2,791,778
Interest income on lease receivables	**412,834**	-
Interest income on amounts due by subsidiaries	**281,467**	254,231
Expenses		
Administrative expenses - key management personnel	**1,056,349**	913,974
Interest on amounts due to subsidiaries	**61,447**	63,232
Interest on loans due to subsidiaries	**247,500**	182,187
Interest on amounts due to shareholders	**45,374**	-

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

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

32. Event subsequent to the reporting period

The impact of COVID-19

The global community has been facing an extraordinary and impactful crisis since the beginning of 2020 with the emergence of the COVID-19 pandemic. As a consequence of this pandemic and the various measures implemented by governments to halt the spread of the pandemic, Hudson Group's business operations have been adversely affected. The pandemic has impacted the Group's revenue streams, the international supply chain and the way the Hudson Group does business in general.

Hudson Group created a COVID-19 Task Force with key people from the organization, with different skill-sets in order to be able to effectively lead and direct the Group through this pandemic. The main aim was to immediately assess and address the challenges the pandemic represented to business continuity, workforce, customers, technology, supply chain and business partners. Priority was given to the short-term cash management challenges, the immediate reduction of expenditure, including planned capital expenditure.

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

The revised cashflow projections for 2020, taking into account measures being taken and assuming different scenarios, shows that the Hudson Group has sufficient liquidity to meet its financial obligations as and when they fall due. It is the Directors intention that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies within the Hudson Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Hudson Group is currently expected to experience a year-on-year decline in turnover and is projecting a loss for the forthcoming financial year as a result of the impact of COVID-19.

The Hudson Group leadership has identified key areas where the Group will be most impacted. The below is a high-level analysis on the impact and the safety measures taken to protect the solvency position of the Group until the crisis is over.

Retail & e-commerce

Hudson Group operates more than 50 retail stores in Malta, Italy, Spain, Morocco and Algeria which had all shut their doors by the third week of March in line with respective territory government instructions.

Operations in Malta and Italy resumed in May 2020, whereas Spain, Morocco and Algeria resumed in June 2020. However, the retail trade is not expected to reach pre COVID-19 levels in 2020.

Hudson Group already operated eCommerce prior to Covid-19 through two websites which continued operating with limited restrictions during the period when retail stores were closed. Following the closure of the Malta based stores the Group managed to introduce eCommerce in Malta to be able to support customers with their retail needs. In Africa Hudson Group managed to make products available on 3rd party marketplace websites.

32. Event subsequent to the reporting period - continued

Wholesale

Hudson Group is also involved in the wholesale of branded sportswear goods in Malta, Italy, Spain and a number of countries in Africa, primarily of NIKE for which the Group has the exclusive distributorship for a large number of countries in Africa. Similarly to the retail business, the wholesale business was also largely impacted both locally and internationally due to the closure of stores of our clients. In addition to the disruption in demand, the Group has been experiencing significant interruption in the supply chain.

Costs

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

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

Cash flow

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

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

- Retail investments projected for 2020 were postponed and any pending orders in relation to these investments have been cancelled. The Group continued solely with two major infrastructure projects that it believes are vital for its continued growth post COVID-19 and for which finance was already in place
- Obtained extended payment terms from key suppliers.
- Cancelled stock orders (where possible) for retail and for wholesale business.
- Availed itself of any government support in the different countries, which includes deferral of tax payments, wage supplements and support relating to teleworking.
- Obtaining moratoria on repayment of loan facilities with its bankers and temporary increased its overdraft facilities to ensure it has adequate working capital headroom. The Group has also applied for additional financing to further strengthen its long-term liquidity position.

The directors consider the outbreak and impact of COVID-19 to be a non-adjusting post-balance sheet event.

33. Statutory information

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