

HUDSON INTERNATIONAL
COMPANY LIMITED

Annual Report and Financial Statements
31 December 2018

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Directors' report

The directors present their report and the audited individual financial statements for the year 31 December 2018.

Principal activities

The principal activities of the Company are the importation and retailing of branded fashion wear.

Review of the business

During the year under review the Company continued to see growth in its business with a 5% increase in revenue over the previous year. The directors are pleased to note that this growth was achieved despite the fact that it operates in an increasingly competitive market.

The Company's financial position remains satisfactory. The directors expect that the present level of activity will be sustained for the foreseeable future and that operating results will continue to improve.

In April 2018, Hudson Malta p.l.c. (the immediate parent company) issued an aggregate of €12,000,000 in bonds, bearing an interest rate of 4.35%, on the Malta Stock Exchange. Time International (Sports) Limited and Hudson International Company Limited are acting as joint and several guarantors on this bond issue. All three companies are ultimately owned by Hudson Holding Limited.

Part of the bond proceeds were loaned to the Company. Some of these funds were used to repay in full its bank loan liabilities whilst the rest are being used for retail expansion. In February 2019 the Company opened an additional three retail stores two of which introduced new brands to the market. Such new openings are expected to continue to generate additional growth and improved profitability of the business.

Results and dividends

The statement of comprehensive income is set out on page 10. The directors declared a dividend of €125,000 (2017: €1,000,000) during the year, and propose that the balance of retained earnings amounting to €2,393,887 (2017: €1,846,198) be carried forward to the next financial year.

Key performance indicators

Financial key performance indicators

The Company has continued with its expansionary strategy with an emphasis on growing revenue and building a structure that can drive sustainable growth with a longer term vision of increasing shareholders' value. The key financial performance indicator used by the board during the year related to revenue growth.

	2018	2017
Revenue growth	5%	12%

Non-financial key performance indicators

Non-financial performance is monitored at Hudson Group level. During the year, the board has further strengthened its governance and controls through new procedures and implemented personal development plans across the Group to ensure that its employees are aligned to the Group's overall goals.

Directors' report - continued

Significant risks and uncertainty

The Company'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.

Future developments

As a significant operator in the retail industry, the Company will continue to expand its retail operations with a focus on opening new stores, launching new brands and continuing to improve the in-store customer experience.

Directors

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

George Amato (resigned on 31 July 2018)
Alfred Borg
Kevin Grech
Christopher Muscat (resigned on 31 July 2018)
Ritianne Grech (appointed on 31 July 2018)

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 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 company will continue in business as a going concern.

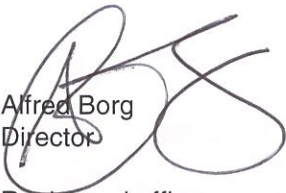
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies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

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



Kevin Grech
Director

Registered office
Hudson House
Burmarrad Road
Burmarrad
St. Paul's Bay, SPB9060
Malta

24 April 2019



Independent auditor's report

To the Shareholders of Hudson International Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Hudson International Company Limited's financial statements give a true and fair view of the Company's financial position as at 31 December 2018, and of the 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 International Company Limited's financial statements, set out on pages 8 to 37, comprise:

- the statement of financial position as at 31 December 2018;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement 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 Company 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 International Company Limited

Other information

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

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

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

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company'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 Company or to cease operations, or have no realistic alternative but to do so.



Independent auditor's report - continued

To the Shareholders of Hudson International Company 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 Company'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 Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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 International Company Limited

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta

A handwritten signature in black ink, appearing to read 'Lucienne Pace Ross', is written over a faint, large watermark of the PwC logo.

Lucienne Pace Ross
Partner

24 April 2019

Statement of financial position

	Notes	As at 31 December	
		2018 €	2017 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	1,181,840	1,577,189
Deferred tax assets	9	430,607	272,912
Trade and other receivables	6	211,288	676,728
		1,823,735	2,526,829
Total non-current assets			
Current assets			
Inventories	5	1,714,280	1,707,098
Trade and other receivables	6	4,154,434	3,149,892
Cash and cash equivalents	7	1,179,478	1,960,943
		7,048,192	6,817,933
Total current assets			
Total assets		8,871,927	9,344,762

Statement of financial position - continued

		As at 31 December	
	Notes	2018 €	2017 €
EQUITY AND LIABILITIES			
Equity			
Share capital	8	250,000	250,000
Retained earnings		2,393,887	1,846,198
Total equity		2,643,887	2,096,198
LIABILITIES			
Non-current liabilities			
Borrowings	10	2,800,000	1,052,823
Total non-current liabilities		2,800,000	1,052,823
Current liabilities			
Trade and other payables	11	3,390,275	4,914,409
Borrowings	10	-	883,293
Current tax liabilities		37,765	398,039
Total current liabilities		3,428,040	6,195,741
Total liabilities		6,228,040	7,248,564
Total equity and liabilities		8,871,927	9,344,762

The notes on pages 13 to 37 are an integral part of these financial statements.

The financial statements on pages 8 to 37 were authorised for issue by the board on 24 April 2019 and were signed on its behalf by:


Alfred Borg
Director


Kevin Grech
Director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2018 €	2017 €
Revenue	12	20,855,937	19,943,618
Cost of sales	14	(12,517,895)	(12,014,699)
Gross profit		8,338,042	7,928,919
Operating and administrative expenses	14	(6,868,777)	(6,367,364)
Other income	13	70,560	111,019
Operating profit		1,539,825	1,672,574
Finance income	16	108,064	63,960
Finance costs	17	(154,956)	(170,966)
Profit before tax		1,492,933	1,565,568
Tax expense	18	(512,234)	(556,709)
Profit for the year		980,699	1,008,859

The notes on pages 13 to 37 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 January 2017	48,400	2,038,939	2,087,339
Comprehensive income			
Profit for the year	-	1,008,859	1,008,859
Transactions with owners			
Increase of share capital	201,600	(201,600)	-
Dividends declared		(1,000,000)	(1,000,000)
Balance at 31 December 2017	250,000	1,846,198	2,096,198
Balance at 1 January 2018, as previously stated	250,000	1,846,198	2,096,198
Impact of changes in accounting			
Adjustment on adoption of IFRS 9	-	(308,010)	(308,010)
Restated balance as at 1 January 2018	250,000	1,538,188	1,788,188
Comprehensive income			
Profit for the year	-	980,699	980,699
Transaction with owners			
Dividends declared	-	(125,000)	(125,000)
Balance at 31 December 2018	250,000	2,393,887	2,643,887

The notes on pages 13 to 37 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2018 €	2017 €
Cash flows from operating activities			
Cash (used in)/generated from operations	20	(443,713)	1,555,736
Interest paid		(154,956)	(170,966)
Interest received		108,064	63,960
Income tax paid		(864,352)	(531,649)
Net cash (used in)/generated from operating activities		(1,354,957)	917,081
Cash flows from investing activities			
Purchases of property, plant and equipment		(290,392)	(175,865)
Net cash used in investing activities		(290,392)	(175,865)
Cash flows from financing activities			
Net proceeds from/(repayments of) borrowings		1,388,207	(79,895)
Dividends paid		-	(1,000,000)
Net cash generate from/(used in) financing activities		1,388,207	(1,079,895)
Net movement in cash and cash equivalents		(257,142)	(338,679)
Cash and cash equivalents at beginning of year		1,436,620	1,775,299
Cash and cash equivalents at end of year	7	1,179,478	1,436,620

The notes on pages 13 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

1.1 Basis of preparation

The Company first adopted International Financial Reporting Standards (IFRSs) as adopted by the EU during the year ended 31 December 2018, with a date of transition to IFRSs of 1 January 2017. The Company's financial statements for the year ended 31 December 2018 are the first financial statements that comply with IFRSs. The prior year financial statements prepared in accordance with GAPSME were for the year ended 31 December 2017. Although IFRSs as adopted by the EU differ in certain respects from GAPSME, these differences did not have an impact on Hudson International Company Limited. Accordingly, no amendments to accounting and valuation methods were made to the GAPSME financial statements to comply with IFRSs, and no reconciliations showing the effect on the Company's equity and its profit of the transition from GAPSME to IFRSs as adopted by the EU are necessary.

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 2018

In 2018, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2018. The adoption of these revisions required the Company to change its accounting policies following the adoption of IFRS 9 and IFRS 15, disclosed in notes 1.5 and 1.16. An analysis of the impact of the adoption of these standards and the new accounting policies is disclosed below.

The other amendments to standards adopted during the year did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

Changes in accounting policies

This note explains the impact of the adoption of IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on the Company's financial statements and also discloses the new accounting policies that have been applied from 1 January 2018, where they are different to those applied in prior periods.

(a) Impact on the financial statements

As a result of the changes in the Company's accounting policies and as explained in Notes (b) and (c) below, IFRS 9 and IFRS 15 were adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 December 2017, but are recognised in the opening statement of financial position on 1 January 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

(a) Impact on the financial statements - continued

The adjustments are explained in more detail by standard below, including deferred tax impacts at the rate of 35% as at 1 January 2018. The adoption of IFRS 15, although resulting in changes to accounting policies, did not impact the amounts recognised as at 31 December 2017, nor was there any impact resulting from changes in presentation of line items.

	1 January 2018		
	Based on 31 December 2017 - as originally reported €	Impact of adoption of IFRS 9 €	Restated €
Statement of financial position (extract)			
ASSETS			
Non-current assets			
Deferred tax asset	272,912	165,851	438,763
Current assets			
Trade and other receivables	3,826,620	(473,861)	3,352,759
Total assets	9,344,762	(308,010)	9,036,752
EQUITY AND LIABILITIES			
EQUITY			
Retained earnings	1,846,198	(308,010)	1,538,188
Total equity	2,096,198	(308,010)	1,788,188

(b) IFRS 9 Financial Instruments - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 Financial Instruments from 1 January 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1.5 below. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated. The total impact on the Company's retained earnings as at 1 January 2018, arising as a result of the new impairment requirements of the standard, as explained in (ii) below, are disclosed in the table above.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2018 - continued

(b) IFRS 9 Financial Instruments - impact of adoption - continued

(i) Classification and measurement

On 1 January 2018 (the date of initial application of IFRS 9), the Company's management has assessed which business models apply to the financial assets held by the Company and has classified its financial instruments into the appropriate IFRS 9 categories.

No reclassification adjustments were deemed necessary from the Company's perspective, such that the measurement basis of the financial assets are unchanged, prior to application of impairment requirements.

(ii) Impairment of financial assets

The Company's financial assets that are subject to IFRS 9's new expected credit loss model include trade receivables for sales of services and contract assets and loans receivable from group undertakings.

The Company was required to revise its impairment methodology under IFRS 9. The impact of the change in impairment methodology on the Company's equity is disclosed in the table in Note (a) above.

Amounts due from related undertakings

Amounts due from related undertakings are of a current nature and are within scope as of the IFRS 9 impairment model. Based on the Company's management assessment of these balances, disclosed in more detail on note 2.1 (b), the provision required as at 1 January is €473,861.

(c) IFRS 15 Revenue from Contracts with Customers – Impact of adoption

The Company has adopted IFRS 15 Revenue from Contracts with Customers from 1 January 2018. There was no impact on the Company's financial statements as a result of this adoption.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2019. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that, except for the below, 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

1.1 Basis of preparation - continued

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

IFRS 16, 'Leases'

IFRS 16 was published in January 2016 and will be effective from 1 January 2019, replacing IAS 17 'Leases'.

The standard mainly impacts lessee accounting as it requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. It will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. The accounting for lessors will not significantly change.

The Company has entered into long-term office leases; these arrangements were classified as operating leases under IAS 17. As at reporting date, the Company's undiscounted operating lease commitments, which also include the di rispetto period of the respective agreements, amount to approximately €14.8m. The Company's management has carried out an assessment of the impact of the standard and the directors concluded that these arrangements fall within the remits of this standard.

The Company will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the simplified transition approach. As a result, the Company will not restate comparative amounts for the year prior to first adoption. Under this approach, the lease liability is measured at the present value of the remaining lease payments as at 1 January 2019, which management has estimated to amount to approximately €11.4m. Right-of-use assets at that date will be measured at an amount equivalent to this lease liability (less prepaid lease expenses as at 1 January 2019), with no adjustment to equity.

The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure by amortisation of the right-of-use asset, and an interest cost on the lease liability. On the basis of the lease arrangements in place at 1 January 2019, management estimates that rental costs of €1.6m for the year ending 31 December 2019 will be replaced by a notional interest charge that is expected to be in the region of €0.6m, and an annual amortisation charge in the region of €1.4m. This will therefore result in a reduction of approximately €0.4m in profitability for the year ending 31 December 2019 which negative impact will be reversed in subsequent periods.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Company's statement of cash flows. The Company's policy is to present interest payments as operating cash flows. Accordingly, the parts of the lease payments that represent cash payments for the principal portion of the lease liabilities will be presented as cash flows resulting from financing activities, whilst the part representing the interest portion of the lease liabilities will be presented within cash flows from operating activities.

There are no other standards that are not yet effective and that would be expected to have a material impact on the Company in the current or future reporting periods and on foreseeable future transactions.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the Company's functional and 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. 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 profit or loss.

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/(expense)'.

1.3 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 Company 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 during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over their estimated useful life as follows:

	%
Improvement to premises	10
Motor vehicles	20
Furniture, fixtures and other equipment	10 - 25

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 1.4).

1. Summary of significant accounting policies - continued

1.4 Impairment of non-financial assets

Assets that have an indefinite useful life, for example 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.

1.5 Financial assets

Accounting policies applied subsequent to 1 January 2018

1.5.1 Classification

From 1 January 2018, the Company classifies its financial assets in the following measurement categories;

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or 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 changes.

1.5.2 Recognition and derecognition

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 cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.5.3 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 entirety when determining whether their cash flows are solely payment of principal and interest.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.3 Measurement - continued

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies 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 in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.
- **FVOCI:** Assets that are held for collection of 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 gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or 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.

1.5.4 Impairment

From 1 January 2018, the Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

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

The Company has applied IFRS 9 retrospectively, but has elected not to restate comparative information. As a result, the comparative information provided continues to be accounted for in accordance with the Company's previous accounting policy.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

Accounting policies applied until 31 December 2017

1.5.5 Classification

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.7 and 1.8).

1.5.6 Recognition and measurement

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

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

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

1.5.7 Impairment

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

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

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.7 Impairment - continued

Assets carried at amortised cost

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

1.6 Inventories

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

1.7 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, i.e. expected credit loss allowances. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'administrative expenses'. 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 'administrative expenses' in profit or loss. Impairment of financial assets is described in Note 1.5.4 (2017: Note 1.5.7) above.

1.8 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.

1.9 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1. Summary of significant accounting policies - continued

1.10 Financial liabilities

The Company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Company'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 Company 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.

1.11 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.

1.12 Borrowings

Borrowings are recognised initially at 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 Company 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.

1.13 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.

1.14 Provisions

Provisions for legal claims are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. 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. Summary of significant accounting policies - continued

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

1.16 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 Company'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 Company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the Company's activities as described below.

(a) Sales of goods - retail

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

(b) Interest income

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

1.17 Operating lease

(a) The Company is the lessee

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

1. Summary of significant accounting policies - continued

1.18 Dividend distribution

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

(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 entity's functional currency. A portion of the Company's purchases and its revenues are denominated in Great Britain Pound (GBP) and United States Dollar (USD).

The Company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Company's interest rate principally arises from intra-group borrowings (Note 10) and related party balances (Notes 6 and 11) which have fixed rates of interest. In this respect, the Company is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, including outstanding receivables and, from the Company's perspective, intra-group balances. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The maximum exposure to credit risk at the reporting date was:

	2018 €	2017 €
Loans and receivables category:		
Trade and other receivables (Note 6)	3,261,979	3,284,904
Cash and cash equivalents (Note 7)	1,179,478	1,436,620
	4,441,457	4,721,524

The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and deferred expenditure.

Trade and other receivables (including contract assets)

The Company 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 Company'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 Company'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 Company monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable.

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

Impairment of trade and other receivables (including contract assets)

The Company applies the 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 and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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, such as clients situated in Libya, 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

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.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. The other receivables were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor
- probability that the debtor will enter bankruptcy or financial reorganisation, and
- default or late payments (more than 30 days overdue).

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Other financial assets at amortised cost

The Company's other financial assets at amortised cost include loans due from group and related undertakings. 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 and the equity position of the respective counterparty, the resulting impairment charge was €375,523.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The closing loss allowances for the Company's financial assets at amortised cost as at 31 December 2018 reconcile to the opening loss allowances as follows:

	2018 €	2017 €
<i>Financial assets</i>		
Balance at 1 January	391,464	381,939
Amounts restated through retained earnings	473,861	-
	865,325	381,939
Balance at 1 January – as restated (Decrease)/increase in loss allowance recognised in profit or loss during the year	(133,057)	9,525
	732,268	391,464
Balance at 31 December	732,268	391,464

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 10) and trade and other payables (Note 11). 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 reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the Company's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The table below analyses the 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 Cashflows	Less than 1 year	Between 1 and 5 years	More than 5 years	€
	€	€	€	€	€	€
At 31 December 2018						
Loans from immediate parent	2,800,000	4,032,000	154,000	616,000	3,262,000	
Trade and other payables	2,882,689	2,882,689	2,882,689	-	-	
	5,682,689	6,914,689	3,036,689	616,000	3,262,000	
At 31 December 2017						
Bank borrowings	1,936,116	1,936,116	883,293	1,052,823	-	
Trade and other payables	4,914,409	4,914,409	4,914,409	-	-	
	6,850,525	6,850,525	5,797,702	1,052,823	-	

2.2 Capital risk management

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

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company 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 Company'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.

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. Property, plant and equipment

	Improvements to premises €	Motor vehicles €	Furniture, fixtures and equipment €	Total €
At 1 January 2017				
Cost	929,275	10,750	2,746,966	3,686,991
Accumulated depreciation	(394,169)	(3,608)	(1,378,451)	(1,776,228)
Net book amount	535,106	7,142	1,368,515	1,910,763
Year ended 31 December 2017				
Opening net book amount	535,106	7,142	1,368,515	1,910,763
Additions	8,317	-	167,548	175,865
Depreciation charge	(95,343)	(2,150)	(411,946)	(509,439)
Closing net book amount	448,080	4,992	1,124,117	1,577,189
At 31 December 2017				
Cost	937,592	10,750	2,914,514	3,862,856
Accumulated depreciation	(489,512)	(5,758)	(1,790,397)	(2,285,667)
Net book amount	448,080	4,992	1,124,117	1,577,189
Year ended 31 December 2018				
Opening net book amount	448,080	4,992	1,124,117	1,577,189
Additions	-	-	290,392	290,392
Disposals	(87,911)	-	(220,561)	(308,472)
Depreciation charge	(86,556)	(1,517)	(420,924)	(508,997)
Depreciation released on disposal	38,634	-	93,094	131,728
Closing net book amount	312,247	3,475	866,118	1,181,840
At 31 December 2018				
Cost	849,681	10,750	2,984,345	3,844,776
Accumulated depreciation	(537,434)	(7,275)	(2,118,227)	(2,662,936)
Net book amount	312,247	3,475	866,118	1,181,840

5. Inventories

	2018 €	2017 €
Goods for resale	1,714,280	1,707,098

Write-downs to net realisable value have been charged to statement of comprehensive income and are included within 'Cost of sales' in the income statement.

6. Trade and other receivables

	2018 €	2017 €
Trade receivables	486,887	521,327
Less provision for impairment	(356,745)	(391,464)
Trade receivables - net	130,142	129,863
Amounts owed by ultimate parent – net of provisions	1,658,790	962,232
Amounts owed by fellow subsidiaries – net of provisions	53,367	-
Amounts owed by related undertakings – net of provisions	1,292,035	2,046,905
Other receivables	127,645	145,904
Prepayments and deferred income	1,103,743	541,716
	4,365,722	3,826,620
Non-current	211,288	676,728
Current	4,154,434	3,149,892
	4,365,722	3,826,620

Amounts owed by ultimate parent and related undertakings are unsecured, bear interest at 4.95% (2017: 4.85%) per annum and are repayable on demand.

Amounts owed by ultimate parent, fellow subsidiaries and group undertakings are stated at net of a credit loss allowance as per IFRS 9, as per table below:

	2018 €	2017 €
Provision on amounts owed by ultimate parent	17,547	-
Provision on amounts owed by fellow subsidiaries	607	-
Provision on amounts owed by related undertakings	357,369	-
	375,523	-

7. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2018 €	2017 €
Cash at bank and in hand	1,179,478	1,960,943
Cash and cash equivalents (excluding bank overdrafts)	1,179,478	1,960,943
Bank overdraft (note 10)	-	(524,323)
Cash and cash equivalents	1,179,478	1,436,620

8. Share capital

	2018 €	2017 €
Authorised, issued and fully paid 250,000 ordinary shares of €1 each	250,000	250,000

9. Deferred tax

	2018 €	2017 €
At beginning of year	272,912	231,582
Impact on adoption of IFRS 9	(165,851)	-
(Credited)/charged to income statement	(8,156)	41,330
At end of year	430,607	272,912

The balance at 31 December represents:

	2018 €	2017 €
Depreciation of property, plant and equipment	174,313	135,900
Provision for receivables	256,294	137,012
	430,607	272,912

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

10. Borrowings

	2018 €	2017 €
Non-current		
Bank loans	-	1,052,823
Loans from immediate parent	2,800,000	-
<hr/>		
Current		
Bank overdraft (note 7)	-	524,323
Bank loans	-	358,970
	<hr/>	<hr/>
	-	883,293
	<hr/>	<hr/>

Loans from immediate parent are secured by the Company's and its fellow subsidiary's assets, bear interest at 5.5% and are repayable by 2026.

Further to the facilities disclosed in note 22, the company had additional financing bank facilities as at 31 December 2018, which amounted to €1,006,000 (2017: €1,427,631). Interest on the overdraft facility is charged at floating interest rates averaging 4.95% (2017: 4.85%). The bank loans bear interest at the floating interest rate of 4.95% per annum (2017: 4.95% per annum).

The above facilities are mainly secured by a first general hypothec over the company's assets together with personal guarantees given by the directors, ultimate parent company and the ultimate shareholders of the company.

11. Trade and other payables

	2018 €	2017 €
Trade payables	1,564,567	2,518,361
Other payables	129,847	83,674
Indirect taxation	974,247	1,819,495
Accruals and deferred income	358,114	492,879
Amount due to related undertakings	200,000	-
Amounts due to immediate parent	163,500	-
	<hr/>	<hr/>
	3,390,275	4,914,409
	<hr/>	<hr/>

Amounts owed to related undertakings are unsecured, bear interest at 4.95% (2017: 4.85%) per annum and are repayable on demand.

12. Revenue

	€ 2018	€ 2017
Retail	20,885,937	19,943,618

All the Company's revenue represents the amount receivable for goods sold during the year, net of any indirect taxes.

13. Other income

	2018 €	2017 €
Commissions	70,560	111,019

14. Expenses by nature

	2018 €	2017 €
Cost of goods sold	11,003,160	10,537,637
Franchise fees	1,514,735	1,477,062
Employee benefit expense (Note 15)	2,289,167	2,154,659
Depreciation of property, plant and equipment (Note 4)	508,997	509,439
Professional fees	17,065	8,847
Rent	2,065,549	1,596,357
Movement in provision for financial assets	(133,057)	9,525
Bad debts written off	30,665	3,649
Management fees	841,700	740,272
Advertising	258,964	266,669
Other expenses	989,727	1,077,947
Total cost of sales, operating and administrative expenses	19,386,672	18,382,063

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2018 and 2017 relate to the following:

	2018 €	2017 €
Annual statutory audit	9,500	8,000
Other services	423	-
Tax compliances services	1,350	1,360
	11,273	9,360

15. Employee benefit expense

	2018 €	2017 €
Wages and salaries	2,124,498	1,996,673
Social security costs	164,669	157,986
	2,289,167	2,154,659

The average number of persons employed by the Company during the financial reporting period was:

	2018	2017
Administration	12	10
Retail	181	181
	193	191

16. Finance income

	2018 €	2017 €
Interest on amounts due from related parties	108,039	63,938
Interest on amounts due from trade receivables	25	22
	108,064	63,960

17. Finance costs

	2018 €	2017 €
Bank interest and charges	8,924	31,999
Interest expense due to related parties	146,032	138,967
	154,956	170,966

18. Tax expense

	2018	2017
	€	€
Deferred tax (credit)	(8,156)	-
Current tax expense	520,390	598,039
	512,234	556,709

The tax on the Company's results before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2018	2017
	€	€
Profit before tax	1,492,933	1,565,568
Tax on profit at 35%	522,527	547,949
Tax effect of:		
Expenses and provision not allowable for tax purposes	(10,293)	8,764
Income subject to tax at reduced rates	-	(4)
Tax expense	512,234	556,709

19. Directors' emoluments

	2018	2017
	€	€
Salaries recharged by parent	-	86,956

20. Cash (used in)/generated from operations

Reconciliation of operating profit to cash (used in)/generated from operations:

	2018 €	2017 €
Operating profit	1,539,825	1,672,574
Adjustments for:		
Depreciation of property, plant and equipment (note 4)	508,997	509,439
Movement in impairment of financial assets	(133,057)	3,649
Loss on disposals	176,744	-
Changes in working capital:		
Inventories	(7,182)	(137,438)
Trade and other receivables	(879,906)	(1,711,885)
Trade and other payables	(1,649,134)	1,219,397
Cash (used in)/generated from operations	<u>(443,713)</u>	<u>1,555,736</u>

21. Commitments

Operating lease commitments – Company as lessee

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

	2018 €	2017 €
No later than 1 year	1,308,743	892,535
Later than 1 year and no later than 5 years	5,313,010	3,660,360
Later than 5 years	4,198,273	1,044,109
	<u>10,820,026</u>	<u>5,597,005</u>

22. Contingencies

As at 31 December 2018, the Company provided third parties with guarantees and letters of credit amounting to €2,857,744 (2017: €2,590,483). As at the end of the reporting period, the bank provided the Company with a facility covering these amounts up to a limit of €3,951,500 (2017: €5,347,493). The unutilised facility at year end amounted to €1,093,756 (2017: €2,757,010). The above facilities are mainly secured by a first general hypothec over the company's assets together with personal guarantees given by the directors, ultimate parent company and the ultimate shareholders of the company.

23. Related party transactions

All companies forming part of the Hudson Group are considered by the directors to be related parties since these companies all have a common ultimate controlling party.

The following transactions were entered into with related parties during the financial reporting period:

	2018	2017
	€	€
Revenue		
Interest income - related parties	108,039	63,938
Expenses		
Finance costs	146,032	138,967
Management fees - parent	641,700	740,272
Management fees – related	200,000	-

Year-end balances with related parties are disclosed in notes 6, 10 and 11 to these financial statements.

24. Statutory information

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

The immediate parent company of Hudson International Company Limited is Hudson Malta p.l.c., a company registered in Malta, with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, SPB 9060, Malta.

The ultimate parent company of Hudson International Company Limited is Hudson Holdings Limited, a company registered in Malta with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, SPB 9060, Malta.

25. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

