HUDSON MALTA P.L.C.
Annual Report and Financial Statements
31 December 2018

Company Registration Number: C 83425

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Directors' report

The directors present their report and the audited consolidated financial statements for the period ended 31 December 2018.

Incorporation and Principal activities

Hudson Malta p.l.c. ("the Company") was registered in Malta on the 10 November 2017. The principal activity of the Company is to purchase or otherwise acquire, under any title whatsoever, to hold and manage moveable and immovable property or other assets, including but not limited to securities and other financial interests.

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

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

Review of business development and financial position

In May 2018, the Company issued an aggregate of €12,000,000 in bonds, bearing an interest rate of 4.35% on the Malta Stock Exchange. The two subsidiaries of the Company are acting as joint and several guarantors to the Bond issue.

The proceeds from this Bond were used to repay the Group's bank loans, partially used for retail expansion in Malta and loaned to Hudson Holdings Limited for use in capital and retail projects as per the prospectus.

During the period under review the Group generated a gross profit of €13,111,243 on a turnover of €42,413,542. After deducting operating and administrative expenses and including other operating income, the Group reported an operating profit of €2,076,805.

At 31 December 2018, the Group had total assets of €28,166,255 and its current assets exceeded its liabilities by €6,790,612.

In 2018 and year to date 2019 the Group continued with the expansion of its retail operations with the opening of five new retail stores three of which representing new brands. Further openings are being targeted for the remainder of 2019. All these openings are expected to continue to generate additional revenue and profitability for the Group in 2019.

Results and dividends

The statement of comprehensive income is set out on page 18. The directors do not recommend the payment of a dividend, and propose that the balance of retained earnings amounting to €5,680,119 be carried forward to the next financial year.

Significant risks and uncertainty

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 environment.

Directors' report - continued

Future developments

As a significant operator in the Maltese retail industry, the company will continue to expand and diversify its retail operations and is actively pursuing such options.

Directors

The directors of the company who held office during the period were:

Alfred Borg (appointed on 10 November 2017)
George Amato (appointed on 10 November 2017)
Kevin Grech (appointed on 10 November 2017)
Christopher Muscat (appointed on 10 November 2017)
Victor Spiteri (appointed on 21 February 2018)
Kevin Valenzia (appointed on 21 February 2018)
Brian Zarb Adami (appointed on 21 February 2018)

The company's Articles of Association requires all directors are to retire from office at least once every three years but shall be eligible for re-election.

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.

The financial statements of Hudson Malta p.l.c. for the period ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and will 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

Going concern statement pursuant to Listing Rule 5.62

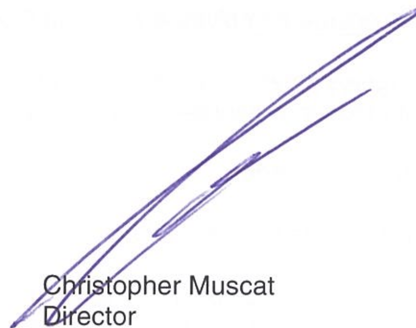
After making enquiries and having taken into consideration the future plans of the Group and Company, the directors have reasonable expectation that the Group and Company have adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in the preparation of the consolidated financial statements.

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

24 April 2019

Corporate Governance – Statement of Compliance

Introduction

Hudson Malta p.l.c. (the "Company") is committed to observing the principles of transparency and responsible corporate governance. The Board considers compliance and corporate governance principles to constitute an important means of maintaining the confidence of present and future shareholders, bondholders, creditors, employees, business partners and the public. Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, the Company hereby reports on how it has complied with the Code of Principles of Good Corporate Governance (the "Code") contained in Appendix 5.1 of the Listing Rules for the financial period ended 31 December 2018, which report details the extent to which the Code has been adopted, as well as the effective measures taken by the Company to ensure compliance with said Code.

The Board recognises that, in virtue of Listing Rule 5.101, the Company is exempt from the requirement to disclose the information prescribed by Listing Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.8.

Compliance with the Code

Principles 1 and 4 - The Board of Directors and its Responsibilities

The Board is responsible for overseeing the Company's strategic planning process, as well as reviewing and monitoring management's execution of the corporate and business plans. The Board delegates certain powers, authorities and discretions to the Audit Committee, as duly constituted in terms of the Listing Rules, the role and competence of which committee are further described hereunder.

The Board of Directors has a composition that ensures that the Company is led by individuals who have the necessary skills and diversity of knowledge. It considers strategic issues, key projects and regularly monitors performance against delivery of the key targets of the business plan.

In fulfilling its mandate, the Board assumes responsibility for:
- reviewing the Company's strategy on an on-going basis, as well as setting the appropriate business objectives;
- reviewing the effectiveness of the Company's system of internal controls;
- implementing an appropriate organisational structure for planning, executing, controlling and monitoring business operations in order to achieve the Company's objectives;
- identifying and ensuring that significant risks are managed satisfactorily; and
- ensuring that Company policies are being rigorously observed.

The Company's internal control system is structured in such a way as to manage and mitigate risks in the most appropriate manner.

Principle 3 – Composition of the Board

The Company's Memorandum and Articles of Association provide that the Board of directors shall consist of not less than four (4) and not more than eight (8) directors. Each director has one (1) vote. All directors are appointed by means of an ordinary resolution of the shareholders of the Company in general meeting. An election of directors takes place every year at the Company's annual general meeting. All directors are to retire from office at least once every three (3) years but shall be eligible for re-election. The Company shall give twenty-one (21) days' notice in writing, at the least, to the shareholders to submit names for the election of directors. Notice to the Company proposing a person for election as a director, as well as the latter's acceptance to be nominated as director, shall be given to the Company not less than fourteen (14) days prior to the date of the meeting scheduled for such election.

Corporate Governance – Statement of Compliance - continued

As at the date of this Statement the members of the Board, are as follows:

Executive directors:
Alfred Borg – CEO & Chairman
George Amato
Kevin Grech
Christopher Muscat

All executive directors were appointed on 10 November 2017, upon incorporation of the Company.

Independent, non-executive directors:
Victor Spiteri (appointed on 21 February 2018)
Kevin Valenzia (appointed on 21 February 2018)
Brian Zarb Adami (appointed on 21 February 2018)

Dr Luca Vella acts as company secretary (appointed on 9 May 2018, succeeding Dr Albert Grech who had been appointed as company secretary upon incorporation of the Company)

In compliance with the Listing Rules, the Board considers that the independent, non-executive directors are independent of management and free from any business or other relationship that could materially interfere with the exercise of their independent judgment. The composition of the Board has a balance of knowledge and experience, as well as a strong non-executive presence, to allow continued scrutiny of performance, strategy and governance.

Principle 5 – Board Meetings

Meetings of the Board are held as frequently as considered necessary, with a minimum of four (4) meetings being held annually – the Board met four (4) times during 2018, specifically in March, June, August and December. The Board members are notified of forthcoming meetings at least seven (7) days before the said meeting. In addition, the notification includes the issue of an agenda and any supporting documentation as necessary, in order to ensure that all meetings are of a highly effective nature and all participants are well informed and able to effectively contribute to Board decisions. Attendance with regards to Board meetings is recorded in the minutes of the meetings. Furthermore, circumstances of disagreement, if any, are to be recorded and circulated to the shareholders. Minutes of all Board and Audit Committee meetings are circulated to all members and kept on file by the Company Secretary.

Board meetings are attended by the Finance Director or Head of Finance of Hudson Holdings Limited (Hudson) who is the parent company of the Company in order for the Board to have direct access to the financial operation and results of the Hudson Malta Group, which comprises the Company (as parent company), Time International (Sport) Limited (C 32438), Hudson International Company Limited (C 48705) and their subsidiaries, if any (herein the "Hudson Malta Group"). This is also intended to ensure that the policies and strategies adopted by the Board are effectively implemented.

The Board is headed by the Chairman, Mr Alfred Borg.

All executive directors are employed on a full-time basis with the Hudson Group (comprising Hudson Holdings Limited (C 37866) as ultimate parent company, the Company, Time International (Sport) Limited, Hudson International Company Limited and other subsidiary companies; herein the "Hudson Group") and have more than 10 years' work experience at Hudson, whereas all independent, non-executive directors have relevant experience related to the business in which the Company operates. The remuneration of the directors is reviewed periodically by the shareholders of the Company.

The CEO, being Mr Alfred Borg, promotes an open dialogue between himself and the directors at regular intervals, not only at Board meetings.

Corporate Governance – Statement of Compliance - continued

Principle 6 – Information and Professional Development

The Company firmly believes in the professional development of all the members in the Hudson organisation. The CEO, appointed by the Board, is responsible for establishing and implementing schemes which are aimed to maintain and recruit employees and management personnel. Furthermore, regular training exercises are held for the Hudson Group's employees to keep abreast of relevant subject matters and practices. Directors are encouraged to talk directly to any member of management regarding any questions or concerns the directors may have. Senior management are invited to attend Board meetings from time to time when and as appropriate.

Principle 8 – Committees

The Board delegates certain powers, authorities and discretions to the Audit Committee.

The Company's Board has established an Audit Committee for the purpose of assisting the Board in fulfilling its responsibilities for overseeing the financial reporting process, the system of internal controls, the audit process and the process for monitoring compliance with applicable laws and regulations. The Board has formally appointed the following three (3) individuals as the first members of the Audit Committee:

Kevin Valenzia – Chairman & Independent, non-executive director (appointed on 5 March 2018, being the date on which the Audit Committee was established)
Brian Zarb Adami – Independent, non-executive director (appointed on 5 March 2018)
Victor Spiteri – Independent, non-executive director (appointed on 5 March 2018)

Audit Committee members are appointed for a one (1) year term of office. Such term is automatically renewed for further periods of one (1) year each unless otherwise determined by the Board of directors of the Company. The Audit Committee meets at least four (4) times a year, with additional meetings to be called at the discretion of the Chairperson of the Audit Committee, presently Mr Kevin Valenzia. The Audit Committee met three (3) times during 2018 in view of the fact that said committee was established on 5th March 2018 and, therefore, was not constituted for the full calendar year during the period under review. The Chairperson will also call a meeting of the Audit Committee if required by any Committee member, by senior management or by the external auditors of the Company.

In addition, the Hudson Group has formally appointed and empowered an executive committee (EXCO) to manage the Hudson Group's operations. The EXCO is composed of the following individuals: Alfred Borg, Christopher Muscat, Kevin Grech, George Amato and Martin Gregory. The EXCO is a decision-making entity set up to implement the Board's strategic business plans and policies consistent with the organisation's vision, values and behaviours in order to meet the Hudson Group's business objectives and targets. The EXCO advises the Board on decisions and business matters ranging from strategy, policy, investment and risk.

All directors of the Company, including, therefore, the independent, non-executive directors, have full access to the Hudson Group's in-house and external legal and financial advisors who keep said directors adequately informed of all statutory and regulatory requirements connected to the business of the Company and the Hudson Group generally on an on-going basis.

Corporate Governance – Statement of Compliance - continued

Principles 9 and 10 - Relations with Bond holders and with the Market

The Company is committed to having an open and communicative relationship with its bondholders and investors. The market is kept updated with all relevant information concerning the Company via the publication of Company Announcements in terms of the Listing Rules and, furthermore, the Company regularly publishes such information on its website to ensure continuous relations with the market including but not limited to the Interim and Annual Financial Statements. The Board believes that bondholders should have an opportunity to send communications to the Board, which communications should be delivered to the attention of the company secretary at the registered office of the Company.

Principle 11 - Conflicts of Interest

Directors are expected to always act in the best interests of the Company and its shareholders and investors. In accordance with the provisions of the Articles of Association of the Company, any actual, potential or perceived conflict of interest must be immediately declared by a director to the other members of the Board, who then (also possibly through a referral to the Audit Committee) decide on whether such a conflict exists. In the event that the Board perceives such interest to be conflicting with the relative director's duties, said director shall not vote at a meeting of directors in respect of any contract, arrangement or proposal in which he has a material interest, whether direct or indirect.

Principle 12 - Corporate Social Responsibility

The Board is mindful of and seeks to adhere to sound principles of corporate social responsibility in its management practices. This helps the Hudson Group develop strong relationships with its stakeholders and create long-term value for society and its business. The Hudson Group is committed to play an effective role in the country's sustainable development, whilst tangibly proving itself to be a responsible and caring citizen of the community in which it operates. The Hudson Group continues to support a number of different initiatives aimed at improving the quality of life of the local communities it supports.

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the directors. The non-executive directors received €20,000 in aggregate for services rendered during 2018.

No part of the remuneration paid to the non-executive directors is performance based. None of the directors, in their capacity as a Director of the Company, is entitled to profit sharing, share options or pension benefits.

Non-compliance with the Code

Other than as stated below, the Company has fully implemented the principles set out in the Code.

Principle 2 – Chairman and Chief Executive

The roles of Chairman and Chief Executive Officer are effectively both carried out by Mr Alfred Borg. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the directors believe that Mr Borg should occupy both positions in view of the experience and leadership skills he brings to both the Board and the executive management team of the Company. In terms of principle 3.1 of the Code, which calls for the appointment of a senior independent director where the roles of Chairman and Chief Executive Officer are carried out by the same person, as in the present circumstances, the composition of the Board comprises Mr Kevin Valenzia as the indicated senior independent director.

Corporate Governance – Statement of Compliance - continued

Furthermore, the current composition of the Board (which includes 3 independent, non-executive directors) ensures that no individual has unfettered power of decision.

Principle 7 - Evaluation of the Board's performance

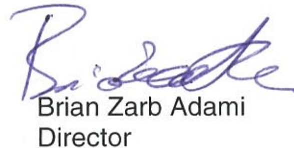
At present, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is always under the scrutiny of the Company's shareholders.

Principle 8 - Nomination Committee and Remuneration Committee

The Board believes that the setting up of a nomination committee is currently not suited to the Company as envisaged by the spirit of the Code as decisions on such matters are taken by the shareholders of its parent company Hudson Holdings Limited. A remuneration committee for the executive directors exists at Hudson Holdings level.

Approved by the Board of directors on 24 April 2019 and signed on its behalf by:

Kevin Valenzia
Director



Brian Zarb Adami
Director

Independent auditor's report

To the Shareholders of Hudson Malta p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- Hudson Malta p.l.c.'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 2018, and of the Group's and the Parent Company's financial performance and cash flows for the period 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).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Hudson Malta p.l.c.'s financial statements, set out on pages 17 to 49, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2018;
- the Consolidated and Parent Company statements of comprehensive income for the period then ended;
- the Consolidated and Parent Company statements of changes in equity for the period then ended;
- the Consolidated and Parent Company statements of cash flows for the period 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 and the Parent 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.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

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Independent auditor's report - *continued*

To the Shareholders of Hudson Malta p.l.c.

The non-audit services that we have provided to the group and its subsidiaries, in the period from 10 November 2017 to 31 December 2018, are disclosed in note 16 to the financial statements.

Our audit approach

Overview

Overall group materiality: €410,000, which represents approximately 1% of total revenue.

The audit carried out by the group engagement team covered the parent company and its two subsidiaries.

Recoverability of group balances from Group and Parent Company

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	€410,000
How we determined it	Approximately 1% of total revenue
Rationale for the materiality benchmark applied	We chose total revenue as the benchmark because, in our view, it is the appropriate measure for this type of entity. We chose 1% which is within the range of materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €41,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recoverability of group balances	
As at 31 December 2018, loans and receivables with related party undertakings amounted to €7m for the Group and €11.6m at Parent Company level, as disclosed in Note 8. In addition, as disclosed in Note 10, further current receivables with related party undertakings amounted to €5.5m. As explained in accounting policy note 1.7, the recoverability of these assets (and any impairment losses) is assessed at the end of each financial period. In addition, as explained in accounting policy 1.7.4 and note 2.1(b), Hudson Malta p.l.c. early adopted IFRS 9 and, accordingly, assessed its expected credit losses on a forward looking basis in accordance with this Standard. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Group'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. The loan is the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms of the loans to supporting loan agreements. We have assessed the financial soundness of the subsidiaries (being the guarantors of the bond) and the Hudson Holdings Group, the ultimate parent. In doing this, we made reference to the latest audited financial statements, management accounts, and other relevant information made available to us. In addition, we understood and evaluated the workings and assumptions underlying the assessment for the loss allowances under IFRS 9. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these balances.

How we tailored our group audit scope

The Group is composed of 3 components: Hudson Malta p.l.c. (the parent company) and its two wholly owned subsidiaries. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

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 period 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 and those charged with governance 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 and the Parent 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 Group or the Parent Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

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 and the Parent 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 Group's or the Parent 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 Group or the Parent 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.
- 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 those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Independent auditor's report - *continued*

To the Shareholders of Hudson Malta p.l.c.

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 4 to 8 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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.

- under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Independent auditor's report - *continued*

To the Shareholders of Hudson Malta p.l.c.

Appointment

We were first appointed as auditors of the Company upon incorporation on 10 November 2017 for the financial period ended 31 December 2018.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Lucienne Pace Ross
Partner

24 April 2019

Statements of financial position

	Notes	As at 31 December Group 2018 €	Company 2018 €
ASSETS			
Non-current assets			
Intangible assets	4	**1,206,753**	**-**
Property, plant and equipment	5	**2,469,519**	**-**
Investment in subsidiaries	6	**-**	**16,400,000**
Deferred tax asset	7	**546,860**	**-**
Financial assets at amortised cost	8	**6,914,219**	**11,640,444**
Total non-current assets		**11,137,351**	**28,040,444**
Current assets			
Inventories	9	**4,126,100**	**-**
Trade and other receivables	10	**10,560,098**	**412,602**
Loans and other receivables	8	**58,398**	**-**
Cash and cash equivalents	11	**2,284,308**	**304,809**
Total current assets		**17,028,904**	**717,411**
Total assets		**28,166,255**	**28,757,855**
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	12	**16,450,000**	**16,450,000**
Other reserves		**(15,994,856)**	**-**
Retained earnings		**5,680,119**	**96,675**
Total equity		**6,135,263**	**16,546,675**
Non-current liabilities			
Borrowings	14	**11,792,700**	**11,792,700**
Total non-current liabilities		**11,792,700**	**11,792,700**
Current liabilities			
Trade and other payables	13	**9,958,021**	**404,963**
Borrowings	14	**130,296**	**-**
Current tax liabilities		**149,975**	**13,517**
Total current liabilities		**10,238,292**	**418,480**
Total liabilities		**22,030,992**	**12,211,180**
Total equity and liabilities		**28,166,255**	**28,757,855**

The notes on pages 21 to 49 are an integral part of these financial statements.

The financial statements on pages 17 to 49 were authorised for issue by the Board on 24 April 2019 and were signed on its behalf by:

Alfred Borg
Director

Christopher Muscat
Director

Statements of comprehensive income

	Notes	Period from 10 November 2017 to 31 December 2018 Group	Company
		2018	2018
		€	€
Revenue	15	**42,413,542**	**-**
Cost of sales	16	**(29,302,299)**	**-**
Gross profit		**13,111,243**	**-**
Operating and administrative expenses	16	**(11,072,001)**	**(47,926)**
Impairment losses on financial and contract assets	16	**(93,642)**	**(141,475)**
Other income	17	**131,205**	**-**
Operating profit		**2,076,805**	**(189,401)**
Income from investments		**-**	**384,615**
Finance income	19	**398,732**	**467,788**
Finance costs	20	**(605,213)**	**(418,195)**
Profit before tax		**1,870,324**	**244,807**
Tax expense	21	**(702,441)**	**(148,132)**
Profit for the period - total comprehensive income		**1,167,883**	**96,675**

The notes on pages 21 to 49 are an integral part of these financial statements.

Statements of changes in equity

Group

	Share capital €	Other Reserves €	Retained earnings €	Total €
Transactions with owner				
Issue of ordinary shares	50,000	-	-	50,000
Total transactions with owner	**50,000**	**-**	**-**	**50,000**
Adjustments relating to reorganisation				
Acquisition of subsidiaries (Note 26)	16,400,000	(15,994,856)	4,512,236	4,917,380
	16,400,000	**(15,994,856)**	**4,512,236**	**4,917,380**
Comprehensive income				
Profit for the period	-	-	1,167,883	1,167,883
Total comprehensive income	**-**	**-**	**1,167,883**	**1,167,883**
Balance at 31 December 2018	**16,450,000**	**(15,994,856)**	**5,680,119**	**6,135,263**

Company

	Share capital €	Other Reserves €	Retained earnings €	Total €
Transactions with owner				
Issue of ordinary shares	16,450,000	-	-	16,450,000
Total transactions with owner	**16,450,000**	**-**	**-**	**16,450,000**
Comprehensive income				
Profit for the period	-	-	96,675	96,675
Total comprehensive income	**-**	**-**	**96,675**	**96,675**
Balance at 31 December 2018	**16,450,000**	**-**	**96,675**	**16,546,675**

The notes on pages 21 to 49 are an integral part of these financial statements.

Statements of cash flows

	Notes	Period from 10 November 2017 to 31 December 2018	
		Group	**Company**
		€	**€**
Cash flows from operating activities			
Cash generated from operations	23	**446,487**	**192,516**
Interest paid	20	**(583,768)**	**(396,750)**
Interest received	19	**398,732**	**467,788**
Income tax paid		**(712,859)**	**-**
Net cash (used in)/generated from operating activities		**(451,408)**	**263,554**
Cash flows from investing activities			
Purchases of property, plant and equipment	5	**(807,286)**	**-**
Issue of share capital		**50,000**	**50,000**
Proceeds from business combination	26	**2,294,768**	**-**
Loan & receivables granted	8	**(7,000,000)**	**(11,780,000)**
Net cash used in investing activities		**(5,462,518)**	**(11,730,000)**
Cash flows from financing activities			
Net proceeds from drawdowns on borrowings		**11,771,255**	**11,771,255**
Repayment of borrowings	14	**(3,703,317)**	**-**
Net cash generated from financing activities		**8,067,938**	**11,771,255**
Net movement in cash and cash equivalents		**2,154,012**	**304,809**
Cash and cash equivalents at end of period	11	**2,154,012**	**304,809**

The notes on pages 21 to 49 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 financial statements are set out below.

1.1 Basis of preparation

Hudson Malta p.l.c. was incorporated on 10 November 2017 in terms of the Companies Act (Cap. 386). On 20 December 2017, the Company entered into a share-for-share exchange transaction whereby it acquired the entire issued share capital of Time International (Sport) Limited and Hudson International Company Limited from Hudson Holdings Limited. Hudson Holdings Limited is the sole shareholder of Hudson Malta p.l.c.

The substance of the above transaction was that of a group restructuring by virtue of which Hudson Malta p.l.c. became the new parent company of both Time International (Sport) Limited and Hudson International Company Limited. Accordingly, the shareholder of Hudson Malta p.l.c. is identical to that of Time International (Sport) Limited and Hudson International Company Limited prior to this reorganisation, and the restructuring solely interposes an additional holding company as holder of shares in Time International (Sport) Limited and Hudson International Company Limited. This transaction has been accounted for in the consolidated financial statements as a restructuring as described in note 1.2b.

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.

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).

During 2018, the directors of the Group and Company opted to early adopt IFRS 9, 'Financial instruments', and IFRS 15, 'Revenue from contracts with customers', with effect from this first set of financial statements. These policies, applied from date of incorporation of the Group and Company, are disclosed in notes 1.7 and 1.18. In view of this early adoption, the assets and liabilities acquired on the business combination as described in note 26 already reflect these accounting policies.

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

1.1 **Basis of preparation** - continued

Early adoption of IFRS 9 and IFRS 15

IFRS 9 addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. It replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the IAS 39 requirements. Accounting for financial instruments by the Company under IFRS 9 will not materially change when compared to guidance under IAS 39. The adoption of this standard is effective for accounting periods beginning on 1 January 2018 and earlier application is permitted.

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

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, that 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, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

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.

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

1.1 **Basis of preparation** - continued

The Group companies have entered into long-term office leases; these arrangements were classified as operating leases under IAS 17. As at reporting date, the Group's undiscounted operating lease commitments,which also include the di rispetto period of the respective agreements, amount to approximately €26m. The Group'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 Group will apply the standard from its mandatory adoption date of 1 January 2019 and will apply the simplified transition approach. As a result, the Group 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 €19.7m. 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 €2.5m for the year ending 31 December 2019 will be replaced by a notional interest charge that is expected to be in the region of €1m, and an annual amortisation charge in the region of €2.3m. This will therefore result in a reduction of approximately €0.8m 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 Group's statement of cash flows. The Group'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 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 Group in the current or future reporting periods and on foreseeable future transactions.

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.

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.

(b) Business combinations

The Group applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3. 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.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying values of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control and for which consolidated financial statements are prepared. When the controlling party does not prepare consolidated financial statements because it is not a parent company, the financial statements amounts of the acquired entity are used.

No new goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of transaction) of the acquired entity, is include in equity in a separate reserve. The financial statements, incorporate the acquired entity's results only from the date on which the business combination between entities under common control occurred.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

Under both methods of accounting, upon consolidation, inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated but considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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.

1.3 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 Group'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 statement of comprehensive income within 'finance income or cost'. All other foreign exchange gains and losses are presented in the statement of comprehensive income within 'other income/(expense)'.

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

1.4 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 company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

(b) Trademarks

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

1.5 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	25
Furniture, fixtures and other equipment	20 - 30

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

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

1.5 Property, plant and equipment - continued

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).

1.6 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.

1.7 Financial assets

1.7.1 Classification

The Group 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 Group'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 Group 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 Group reclassifies debt instruments when and only when its business model for managing those assets changes.

1.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group 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. **Summary of significant accounting policies** - continued

1.7 Financial assets - continued

1.7.3 Measurement

At initial recognition, the Group 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.

Debt instruments

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

1.7.4 Impairment

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

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

1.8 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.

1.9 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 shares are shown in equity as a deduction, net of tax, from the proceeds.

1.12 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, 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. Summary of significant accounting policies - continued

1.13 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.

Redeemable preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

1.14 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.

1.15 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.

1.16 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

1.17 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.

1.18 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 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 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.

(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 company has objective evidence that all criteria for acceptance have been satisfied.

Variability in the transaction price in such arrangements may arise due to a discount given to the distributor based in the event that a certain number of machines are purchased. In such cases, the impact of the variability is taken into account when calculating the transaction price and the revenue recognised per unit delivered reflects such amount.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition - continued

(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) Interest income

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

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.19 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.

1.20 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and 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, fair value interest rate risk and 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 company 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.

(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).

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

The Group 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 Group's interest principally arises from the bond listing (Note 14) and intra-group balances (Notes 10 and 13) which have fixed rates of interest. In this respect, the Group and Company are 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 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.

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

	Maximum exposure	
	Group	**Company**
	2018	2018
	€	€
31 December 2018		
Trade and other receivables	9,076,947	410,056
Loans receivable	6,972,617	11,640,444
Cash and cash equivalents	2,284,308	304,809
	18,333,872	**12,355,309**

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

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(b) Credit risk - continued

<u>Third party trade and other receivables (including contract assets)</u>

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

The Group is exposed to significant concentration of credit risk with respect to two of its main trading customers amounting to 26.2% of the total trade receivables. These material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Group undertaking and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

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

Impairment of third party trade and other receivables (including contract assets)

The Group 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 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, such as clients situated in Libya, and which are accordingly not meeting repayment obligations. In this respect, the group 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 2018, trade receivables for the Group amounting to €524,726 were impaired.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Third part trade and other receivables (including contract assets) - continued

Impairment of third party trade and other receivables (including contract assets) - 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 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.

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 Group and Company's other financial assets at amortised cost include loans and other current balances due from group and related undertakings. The Group and Company monitor 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 Group'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 Group and Company was of €516,695 and €141,475 respectively.

(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 14) and trade and other payables (Note 13). 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 Group's obligations.

The carrying amounts of the Group's assets and liabilities are analysed into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date in the respective notes to the financial statements.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The following table analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Group	Carrying amount	Contractual cash flows	Within one year	Two to five years	More than Five years
	€	€	€	€	€
31 December 2018					
Listed bond	11,792,700	16,176,000	522,000	2,088,000	13,566,000
Trade and other payables	9,958,021	9,958,021	9,958,021	-	
	21,750,721	**26,134,021**	**10,480,021**	**2,088,000**	**13,566,000**

Company	Carrying Amount	Contractual cash flows	Within one year	Two to five years	More than Five years
	€	€	€	€	€
31 December 2018					
Listed bond	11,792,700	16,176,000	522,000	2,088,000	13,566,000
Trade and other payables	404,963	404,963	404,963		
	12,197,663	**16,580,963**	**926,963**	**2,088,000**	**13,566,000**

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. Intangible assets

Group

	Goodwill	Trademarks	Total
	€	€	€
Assets taken over on acquisition (Note 26)	1,065,688	141,065	1,206,753
At 31 December 2018	**1,065,688**	**141,065**	**1,206,753**

5. Property, plant and equipment

Group

	Improvement to premises	Motor vehicles	Furniture, fittings and other equipment	Total
	€	€	€	€
Assets taken over on acquisition (Note 26)	570,607	19,346	2,051,077	2,641,030
Additions	84,105	-	723,181	807,286
Disposals – at net book value	(49,277)	-	(174,494)	(223,771)
Depreciation charge	(116,919)	(11,272)	(626,835)	(755,026)
Closing net book amount	**488,516**	**8,074**	**1,972,929**	**2,469,519**
At 31 December 2018				
Cost	605,435	19,346	2,599,764	3,224,545
Accumulated depreciation	(116,919)	(11,272)	(626,835)	(755,026)
Net book amount	**488,516**	**8,074**	**1,972,929**	**2,469,519**

6. Investment in subsidiaries

Company

	Company € 2018
Period ended 31 December	
Additions (Note 26)	16,400,000
At end of period	16,400,000

The principal subsidiaries at 31 December are shown below:

Subsidiaries	Registered office	Percentage of shares directly held by company	
		Group	Company
Time International (Sport) Limited	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	100%	100%
Hudson International Company Limited	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	100%	100%

7. Deferred taxation

	Group € 2018	Company € 2018
Assets taken over on acquisition (Note 26)	516,480	-
Credited to the income statement (Note 21)	30,380	-
At end of period	546,860	-

7. Deferred taxation - continued

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35%.

The balance at 31 December represents temporary differences on:

	Group € 2018	Company € 2018
Provision on receivables	333,803	-
Depreciation of property, plant and equipment	213,057	-
	546,860	-

8. Financial assets at amortised cost

	Group € 2018	Company € 2018
Loans receivable from subsidiaries	-	4,780,000
Loans receivable from related undertakings	7,058,398	7,000,000
Less: Credit loss allowance in line with IFRS 9	(85,781)	(139,556)
	6,972,617	11,640,444
Non-current portion	6,914,219	11,640,444
Current portion	58,398	-

Loans receivable from subsidiaries and group undertakings bear interest at 5.5% and are repayable by 2026. These balances are guaranteed by group undertakings.

9. Inventories

	Group € 2018	Company € 2018
Goods held for re-sale	4,126,100	-

Inventory is stated at net of write-downs of €131,611. Write-downs to net realisable value have been charged to profit and loss and are included within 'Cost of sales' in the statement of comprehensive income.

10. Trade and other receivables

	Group € 2018	Company € 2018
Trade receivables	3,840,922	-
Less: impairment loss	(524,726)	-
Trade receivables - net	3,316,196	-
Amounts owed by parent	1,988,212	61,875
Amounts owed by subsidiaries – net of provisions	-	315,725
Amounts owed by related undertakings – net of provisions	3,491,999	32,456
Other receivables	280,540	-
Prepayments and accrued income	1,483,151	2,546
	10,560,098	412,602
Non-current portion	-	-
Current portion	10,560,098	412,602

Amounts owed by subsidiaries and related undertakings bear interest at 4.95% per annum.

Amounts owed by parent, subsidiaries and related undertakings at Group and Company level are stated at net of provision as per table below:

	Group € 2018	Company € 2018
Provision on amounts owed by parent	18,243	696
Provision on amounts owed by subsidiaries	-	739
Provision on amounts owed by related undertakings	412,671	484
	430,914	1,919

The remaining amounts are unsecured, interest-free and repayable on demand.

Included in prepayments and deferred expenses is an amount of €486,085 which relates mainly to the long-term portion of upfront lease payments in connection with the lease agreements in force.

11. Cash and cash equivalents

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

	Group € 2018	Company € 2018
Cash at bank and in hand	2,284,308	304,809
Bank overdrafts (Note 14)	(130,296)	-
	2,154,012	304,809

12. Share capital

	Group € 2018	Company € 2018
Authorised, Issued and fully paid		
16,450,000 ordinary 'A' shares of €1.00 each	16,450,000	16,450,000
	16,450,000	16,450,000

The holders of the 'A' shares rank '*pari passu*' in all respects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 20 December 2017, the Company entered into a share-for-share exchange transaction whereby it acquired the entire issued share capital of Time International (Sport) Limited and Hudson International Company Limited from Hudson Holdings Limited in exchange for 16,400,000 ordinary 'A' shares (Note 26).

13. Trade and other payables

	Group € 2018	Company € 2018
Trade payables	5,996,996	213
Amounts owed to parent	61,625	-
Amounts owed to related undertakings	1,507,980	-
Amounts owed to related party	3,853	-
Indirect taxation	1,322,971	-
Other payables	138,717	-
Accruals and deferred income	925,564	404,750
Dividends due on redeemable preference shares	315	-
	9,958,021	404,963

The amounts owed to the parent, related undertakings and related party are unsecured, repayable on demand and bear interest at 4.95% per annum.

14. Borrowings

	Group € 2018	Company € 2018
Non-current		
Bond	11,792,700	11,792,700
Current		
Bank overdraft (Note 11)	130,296	-
Total borrowings	11,922,996	11,792,700

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.

Further to the facilities disclosed in note 25, at the end of the reporting period, the Group had additional financing bank facilities amounting to €1,474,000. The Group also has an invoice financing arrangement with a local financial institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of €850,000.

Interest on the overdraft facility is charged at floating interest rates averaging 4.95%

15. Revenue

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018 €	2018 €
Retail	29,681,465	-
Wholesale	12,732,077	-
	42,413,542	-

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

16. Expenses by nature

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Purchases of goods for resale	27,708,976	-
Employee benefit expense (Note 18)	3,886,419	-
Depreciation of property, plant and equipment (Note 5)	755,026	-
Franchise fees (Royalties)	1,593,323	-
Professional fees	87,097	41,639
Rent	3,127,788	-
Movement in provision for bad debts	116,339	-
Impairment of IC receivables	(22,697)	141,475
Management fees	1,156,086	-
Advertising	549,614	767
Bank charges	319,995	55
Bond issue costs	4,776	4,776
Other expenses	1,185,200	689
Total cost of sales, operating and administrative expenses	40,467,942	189,401

<u>Auditor's fees</u>

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Annual statutory audit	31,500	12,500
Tax compliances services	3,350	750
	34,850	13,250

17. Other income

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Other income	20,920	-
Commissions received	110,285	-
	131,205	-

18. Employee benefit expense

	Period from 10 November 2017 to 31 December 2018 Group	Company
	2018	2018
	€	€
Wages and salaries	3,621,234	-
Social security costs	265,185	-
	3,886,419	-

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

	Period from 10 November 2017 to 31 December 2018 Group	Company
	2018	2018
Administration and finance	-	-
Distribution	29	-
Retail	271	-
	300	-

19. Finance income

	Period from 10 November 2017 to 31 December 2018 Group	Company
	2018	2018
	€	€
Interest on amounts due from subsidiaries	-	178,188
Interest on amounts due from group undertakings	388,475	283,402
Interest on bank balances	10,257	6,198
	398,732	467,788

20. Finance costs

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Interest payable on bonds	396,750	396,750
Amortisation of bond issue costs	21,445	21,445
Bank interest and charges	130,533	-
Interest expense due to related parties	12,717	-
Interest on amounts due to group companies	43,768	-
	605,213	418,195

21. Tax expense

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Current tax expense	732,821	148,132
Deferred (credit) (Note 7)	(30,380)	-
	702,441	148,132

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

	Period from 10 November 2017 to 31 December 2018	
	Group	Company
	2018	2018
	€	€
Profit before tax	1,870,324	244,807
Tax at 35%	654,613	85,682
Tax effect of:		
Income subject to a reduced tax rate of 15%	(2,170)	(2,170)
Unrecognised deferred tax	(19,292)	-
Expenses and provisions not allowable for tax purposes	69,290	64,620
Tax expense	702,441	148,132

22. Directors' emoluments

	Period from 10 November 2017 to 31 December 2018	
	Group	**Company**
	2018	**2018**
	€	**€**
Salaries and other emoluments	**20,000**	**20,000**

23. Cash generated from operations

Reconciliation of operating profit to net cash generated from operations:

	Period from 10 November 2017 to 31 December 2018	
	Group	**Company**
	2018	**2018**
	€	**€**
Operating profit/(loss)	**2,076,805**	**(189,401)**
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	**755,026**	**-**
Loss on disposal of property, plant and equipment	**223,771**	**-**
Movement in provision for bad debts	**93,642**	**-**
Changes in working capital:		
Inventories	**405,926**	**-**
Trade and other receivables	**(1,639,931)**	**(23,046)**
Trade and other payables	**(1,468,752)**	**404,963**
Cash generated from operations	**446,487**	**192,516**

24. Commitments

Operating lease commitments - company as lessee

The Group leases 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.

24. Commitments - continued

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

	Group € 2018	Company € 2018
No later than 1 year	**2,075,757**	-
Later than 1 year and no later than 5 years	**9,075,201**	-
Later than 5 years	**9,864,143**	-
	21,015,101	-

25. Contingent liabilities

As at 31 December 2018, the Group provided third parties with guarantees amounting to €3,160,244. As at the end of the reporting period, the bank provided the Group with a facility covering these amounts up to a limit of €5,036,600. The unutilised facility as at year end amount to €1,876,256.

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

26. Business combinations

As described in further detail in Note 1.1, on 20 December 2017 Hudson Malta p.l.c. became the new parent company of both Time International (Sport) Limited and Hudson International Company Limited, whose assets and liabilities were initially recognised in these financial statements at their predecessor carrying amounts.

The following table summarises the consideration paid, and the carrying amount of the assets acquired and the liabilities assumed at the acquisition date.

26. Business combinations - continued

	Time International (Sport) Ltd	Hudson Int Co. Ltd	Total
	€	€	€
Consideration as at 20 December 2017	**3,800,000**	**12,600,000**	**16,400,000**
Share capital issued			**16,400,000**
Recognised amounts of assets acquired and liabilities assumed			
Property, plant and equipment	1,063,841	1,577,189	2,641,030
Intangible assets	1,206,753	-	1,206,753
Other receivables – long term	60,694	676,728	737,422
Deferred tax assets	77,717	438,763	516,480
Inventories	2,824,928	1,707,098	4,532,026
Trade receivables - gross	5,487,075	2,676,031	8,163,106
Other receivables – short term	85,898	-	85,898
Current tax assets	246,682	-	246,682
Cash and cash equivalents	333,825	1,960,943	2,294,768
Borrowings	(1,767,201)	(1,936,116)	(3,703,317)
Trade payables	(6,451,380)	(4,975,393)	(11,426,773)
Current tax liabilities	-	(376,695)	(376,695)
Total net assets acquired	**3,168,832**	**1,748,548**	**4,917,380**
Adjustment to equity			**11,482,620**

The fair value of trade receivables in the above table is equal to its carrying amount. Trade and other receivables acquired on the acquisition of Time International (Sport) Limited and Hudson International Company Limited are stated at net of €123,599 and €865,325 respectively.

The adjustment to equity has been recognised as follows:

	Total
	€
Retained earnings	(4,512,236)
Acquisition reserves	15,994,856
Total adjustment to equity	**11,482,620**

The amount recognised in retained earnings represents the aggregated retained earnings of Time International (Sport) Limited and Hudson International Company Limited as at 20 December 2017.

27. Related party transactions

The Company and its subsidiaries have a related party relationship with Hudson Holdings Limited, the ultimate controlling parent (Note 28) and all related entities ultimately controlled or significantly influenced by Hudson Holdings Limited.

In the ordinary course of its operations, the company sells goods to companies forming part of the group for trading purposes. The following transactions were entered into with related parties during the financial reporting period:

	Period from 10 November 2017 to 31 December 2018	
	Group	**Company**
	2018	**2018**
	€	**€**
Revenue		
Sales - related parties	**2,297,626**	**-**
Other operating income - related parties	**70,285**	**-**
Interest income - related parties	**388,475**	**461,590**
Expenses		
Cost of sales - related parties	**384,848**	**-**
Finance costs - related parties	**43,768**	**-**
Management fees - parent	**956,086**	**-**
Management fees – related parties	**200,000**	**-**

Year-end balances with related parties are disclosed in notes 9 and 12 to these financial statements.

28. Statutory information

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

The ultimate parent company of Hudson Malta p.l.c., 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

The financial statements of Hudson Malta p.l.c. are included in the consolidated financial statements prepared by Hudson Holdings Limited.