

TIME INTERNATIONAL (SPORT) LIMITED

Annual Report and Financial Statements  
31 December 2017

TIME INTERNATIONAL (SPORT) LIMITED  
Annual Report and Financial Statements - 31 December 2017

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2017.

### Principal activities

The company is involved in the importation and distribution of branded consumer products. The company also operates its own retail outlets.

### Review of business

During the year under review the company generated a gross profit of €4,078,919 (2016: €3,107,709) on turnover of €17,352,692 (2016: €16,380,295). After deducting operating and administrative expenses of €3,783,168 (2016: €2,955,068), and taking into account other operating income, the company reported an operating profit of €1,636,462 (2016: €189,747). This is mainly impacted by a re-organisation of the group structure, through which the company made a profit from the sale of a subsidiary of €1,200,800. This is disclosed within 'Other income'. At 31 December 2017, the company's current assets exceeded its current liabilities by €1,219,647 (2016: (€720,173)).

Details of significant events since the balance sheet date are contained in note 26 to the financial statements.

### Results and dividends

The income statement is set out on page 9. The directors do not recommend the payment of a dividend, and propose that the balance of retained earnings amounting to €3,112,943 (2016: €1,775,795) be carried forward to the next financial year.

### Key performance indicators

#### *Financial key performance indicators*

The company is proceeding with its expansionary strategy with an emphasis on growing revenue and building a structure that can sustain significant growth with a longer-term vision for the improvement in shareholders' value. The key financial performance indicator used by the board during the year related to revenue growth.

	2017	2016
Revenue growth	6%	27%

#### *Non-financial key performance indicators*

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

### Significant risks and uncertainty

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

## **Directors' report** - continued

### **Future developments**

As a significant operator in the 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:

George Amato  
Alfred Borg  
Etienne Camenzuli  
Christopher Muscat

The company's Articles of Association do not require the directors to retire.

### **Statement of directors' responsibilities for the financial statements**

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

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

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

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

The financial statements of Time International (Sport) Limited for the year ended 31 December 2017 are included in the Annual Report 2017, which is published in hard-copy printed form and may be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

**Directors' report** - continued

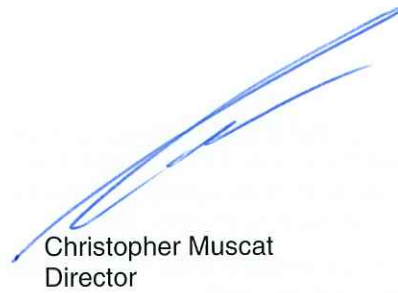
**Auditors**

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

On behalf of the board



George Amato  
Director



Christopher Muscat  
Director

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

28 June 2018



## *Independent auditor's report*

To the Shareholders of Time International (Sport) Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- Time International (Sport) Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2017, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

#### **What we have audited**

Time International (Sport) Limited's financial statements, set out on pages 8 to 34, comprise:

- the statement of financial position as at 31 December 2017;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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#### *Basis for opinion*

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Independence**

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.



## *Independent auditor's report - continued*

To the Shareholders of Time International (Sport) Limited

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### *Other information*

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

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

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

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

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

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

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

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### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU, as modified by Article 174 of the Maltese Companies Act (Cap. 386), and the requirements of the of the said Act, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.



## *Independent auditor's report - continued*

To the Shareholders of Time International (Sport) Limited

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### *Auditor's responsibilities for the audit of the financial statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with 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.





*Independent auditor's report - continued*

To the Shareholders of Time International (Sport) Limited

*Report on other legal and regulatory requirements*

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*Other matters on which we are required to report by exception*

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

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

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

**PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in blue ink, appearing to read 'Lucienne Pace Ross', is written over a faint, circular stamp.

Lucienne Pace Ross  
Partner

28 June 2018


## Statement of financial position

		As at 31 December	
		2017	2016
		€	€
ASSETS	Notes		
<b>Non-current assets</b>			
Intangible assets	4	1,206,753	1,206,753
Property, plant and equipment	5	1,063,841	979,621
Investment in subsidiaries	6	-	801,600
Deferred tax asset	7	55,252	111,855
Trade and other receivables	9	60,694	165,071
Total non-current assets		2,386,540	3,264,900
<b>Current assets</b>			
Inventories	8	2,824,928	2,388,586
Trade and other receivables	9	5,637,158	5,421,497
Cash and cash equivalents	10	333,825	188,342
Current tax asset		215,701	151,227
Total current assets		9,011,612	8,149,652
<b>Total assets</b>		11,398,152	11,414,552
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	75,332	75,332
Share premium		79,812	79,812
Retained earnings		3,112,943	1,775,795
<b>Total equity</b>		3,268,087	1,930,939
<b>Non-current liabilities</b>			
Trade and other payables	12	-	14,360
Borrowings	13	338,100	599,428
Total non-current liabilities		338,100	613,788
<b>Current liabilities</b>			
Trade and other payables	12	6,362,864	7,303,324
Borrowings	13	1,429,101	1,566,501
Total current liabilities		7,791,965	8,869,825
<b>Total liabilities</b>		8,130,065	9,483,613
<b>Total equity and liabilities</b>		11,398,152	11,414,552

The notes on pages 12 to 34 are an integral part of these financial statements.

The financial statements on pages 8 to 34 were authorised for issue by the Board on 28 June 2018 and were signed on its behalf by:

  
George Amato  
Director

  
Christopher Muscat  
Director

## Income statement

	Notes	Year ended 31 December	
		2017 €	2016 €
Revenue	14	17,352,692	16,380,295
Cost of sales	15	(13,273,773)	(13,272,586)
<b>Gross profit</b>		<b>4,078,919</b>	<b>3,107,709</b>
Operating and administrative expenses	15	(3,783,168)	(2,955,068)
Other income		1,340,711	37,106
<b>Operating profit</b>		<b>1,636,462</b>	<b>189,747</b>
Finance income	17	99,375	98,003
Finance costs	18	(271,197)	(146,110)
<b>Profit before tax</b>		<b>1,464,640</b>	<b>141,640</b>
Tax expense	19	(127,492)	(91,482)
<b>Profit for the year - total comprehensive income</b>		<b>1,337,148</b>	<b>50,158</b>

The notes on pages 12 to 34 are an integral part of these financial statements.

**Statement of changes in equity**

	Share capital €	Share premium €	Retained earnings €	Total €
Balance 1 January 2016	75,332	79,812	1,725,638	1,880,781
<b>Comprehensive income</b>				
Profit for the year – total comprehensive income			50,157	50,157
<b>Comprehensive income</b>				
<b>Balance at 31 December 2016</b>	<b>75,332</b>	<b>79,812</b>	<b>1,775,795</b>	<b>1,930,939</b>
Balance 1 January 2017	75,332	79,812	1,775,795	1,930,939
<b>Comprehensive income</b>				
Profit for the year - total comprehensive income			1,337,148	1,337,148
<b>Balance at 31 December 2017</b>	<b>75,332</b>	<b>79,812</b>	<b>3,112,943</b>	<b>3,268,087</b>

The notes on pages 12 to 34 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2017 €	2016 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	21	1,162,221	542,453
Interest paid	18	(271,197)	(146,110)
Interest received	17	99,375	98,003
Income tax paid		(135,363)	(157,299)
Net cash generated from operating activities		855,036	337,047
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	5	(310,825)	(575,214)
Purchase of investments in subsidiaries	6	-	-
Proceeds from disposal of subsidiary	6	-	3,000
Net cash used in investing activities		(310,825)	(572,214)
<b>Cash flows from financing activities</b>			
Movement in bank borrowings	13	(249,510)	161,488
Net cash generated from / (used in) financing activities		(249,510)	161,488
<b>Net movement in cash and cash equivalents</b>		294,701	(73,679)
<b>Cash and cash equivalents at the beginning of the year</b>		(1,124,489)	(1,050,810)
<b>Cash and cash equivalents at end of year</b>	10	(829,788)	(1,124,489)

The notes on pages 12 to 34 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. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU as modified by Article 174 of the Maltese Companies Act (Cap. 386) and in accordance with the requirements of the said Act. Time International (Sport) Limited's parent company (Note 26) prepares consolidated financial statements in a manner equivalent to that required by the Maltese Companies Act (Cap. 386) and these are delivered to the Registrar of Companies in Malta

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

#### *Standards, interpretations and amendments to published standards effective in 2017*

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

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2017, including IFRS 9, 'Financial instruments', amongst other pronouncements.

The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, except as disclosed below, and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

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

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities. The complete version of IFRS 9 was issued in July 2014. 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. The company is assessing the impact of IFRS 9.

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

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

### 1.2 Foreign currency translation

#### (a) Functional and presentation currency

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

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

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

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

**1.4 Property, plant and equipment**

Property, plant and equipment, is stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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.

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

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

**1.5 Investments in subsidiaries**

Investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. 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 these 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 the profit or loss.

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

**1.7 Financial assets**

**1.7.1 Classification**

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

*Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables include trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.9 and 1.10).

**1.7.2 Recognition and measurement**

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

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

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

**1.7.3 Impairment**

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

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

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

**1.7 Financial assets - continued**

**1.7.3 Impairment - continued**

*Assets carried at amortised cost*

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

**1.8 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 1.7.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

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

**1.12 Financial liabilities**

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

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

*(a) Sales of goods - wholesale*

The company sells a range of branded consumer products in the wholesale market. Sales of goods are recognised when the company 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.

*(b) Sales of goods - retail*

The company 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.

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

**1.18 Revenue recognition - continued**

*(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 company's financial statements in the period in which the dividends are approved by the company's shareholders.

**2. Financial risk management**

**2.1 Financial risk factors**

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

*(a) Market risk*

*(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. A portion of the company's purchases and its revenues are denominated in Great Britain Pound (GBP) and United States Dollar (USD).

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

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The company's interest rate risk principally arises from bank borrowings (Note 13) and related party balances (Notes 9 and 12), issued at floating rates, which expose the company to cash flow interest rate risk. Management monitors the level of floating rate borrowings and related party balances as a measure of cash flow risk taken on. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central bank.

(b) Credit risk

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

	2017	2016
	€	€
Loans and receivables category:		
Trade and other receivables (Note 9)	5,244,296	5,217,264
Cash and cash equivalents (Note 10)	333,825	188,342
	5,578,121	5,405,606

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold any significant collateral as security in this respect.

The company banks only with local financial institutions with high quality standing or rating.

In view of the nature of the company's activities and the market in which it operates, a limited number of customers account for a certain percentage of the company's trade receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to trade debts, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the company and are deemed by management, usually taking cognisance of the performance history without defaults, to have excellent credit standing.

The company manages credit limits and exposures actively in a practicable manner such that there are no material past due amounts receivable from customers as at the end of the reporting period. The company's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(b) Credit risk - continued

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

As at 31 December 2017, trade receivables of €59,414 (2015: €73,105) were impaired and the amount of the provisions in this respect are equivalent to these amounts. The decrease in bad debts provision and bad debts written off during the period are disclosed in Note 15. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. Reversal of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The company does not hold any collateral as security in respect of the impaired assets.

The movements in the company's provisions for impairment of trade receivables are disclosed in Note 9 to the financial statements.

As of 31 December 2017, trade receivables of €nil (2016: €3,570) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2017	2016
	€	€
Over 8 months	-	3,570
Over 12 months	-	-
	-	3,570

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 13) and trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the company's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs.



**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(c) Liquidity risk - continued

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

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Total €
<b>At 31 December 2017</b>				
Bank borrowings and interest	1,461,542	244,229	110,973	1,816,744
Trade and other payables	6,362,864	-	-	6,362,864
<b>At 31 December 2016</b>				
Bank borrowings and interest	1,610,766	297,936	352,146	2,260,848
Trade and other payables	7,303,324	14,360	-	7,317,684

As at 31 December 2016 the company was in a net current liability position of €720,173. The situation was rectified during 2017.

Included in current liabilities are amounts due to immediate parent, group undertakings, subsidiaries and shareholders amounting to €1,899,982 (2016: €1,964,961). The immediate parent company has undertaken to continue to support the company in a manner that will enable the company to meet its liabilities as and when they fall due.

**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**

	Goodwill €	Trademarks €	Total €
<b>At 1 January 2016</b>	1,065,688	141,065	1,206,753
<b>At 31 December 2016</b>	1,065,688	141,065	1,206,753
<b>At 1 January 2017</b>	1,065,688	141,065	1,206,753
<b>At 31 December 2017</b>	<b>1,065,688</b>	<b>141,065</b>	<b>1,206,753</b>

**5. Property, plant and equipment**

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
<b>At 1 January 2016</b>				
Cost	281,768	52,885	871,139	1,205,792
Accumulated depreciation	(122,076)	(20,746)	(497,564)	(640,386)
Net book amount	159,692	32,139	373,575	565,406
<b>Year ended 31 December 2016</b>				
Opening net book amount	159,692	32,139	373,575	565,406
Additions	14,375	4,812	556,027	575,214
Depreciation charge	(27,702)	(11,058)	(122,239)	(160,999)
Closing net book amount	146,365	25,893	807,363	979,621
<b>At 31 December 2016</b>				
Cost	296,143	57,697	1,427,166	1,781,006
Accumulated depreciation	(149,778)	(31,804)	(619,803)	(801,385)
Net book amount	146,365	25,893	807,363	979,621
<b>Year ended 31 December 2017</b>				
Opening net book amount	146,365	25,893	807,363	979,621
Additions	2,619	-	308,206	310,825
Depreciation charge	(26,457)	(11,539)	(188,609)	(226,605)
Closing net book amount	<b>122,527</b>	<b>14,354</b>	<b>926,960</b>	<b>1,063,841</b>
<b>At 31 December 2017</b>				
Cost	298,762	57,697	1,735,372	2,091,831
Accumulated depreciation	(176,235)	(43,343)	(808,412)	(1,027,990)
Net book amount	<b>122,527</b>	<b>14,354</b>	<b>926,960</b>	<b>1,063,841</b>

**6. Investment in subsidiaries**

	2017 €	2016 €
<b>Year ended 31 December</b>		
At beginning of year	801,600	804,600
Additions	-	-
Disposal	(801,600)	(3,000)
At end of year	-	801,600

The principal subsidiaries at 31 December are shown below. These subsidiaries were sold to the parent company during 2017 through a non-cash transaction for a gain of €1,200,800.

Subsidiaries	Registered office	Percentage of shares directly held by company	
		2017	2016
Italian Operations Limited SRL	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	-	99%
Times 5 Limited	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	-	100%
UJ International Co Limited	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	-	100%

**7. Deferred taxation**

	2017 €	2016 €
At beginning of year	111,855	203,337
Charged to the income statement (Note 19)	(56,603)	(91,482)
At end of year	55,252	111,855

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%).

The balance at 31 December represents temporary differences on:

	2017 €	2016 €
Depreciation of property, plant and equipment	34,457	44,141
Provision for trade and other receivables	20,795	25,587
Capital allowances	-	42,127
	55,252	111,855

**8. Inventories**

	2017 €	2016 €
Goods held for re-sale	2,824,928	2,388,586

**9. Trade and other receivables**

	2017 €	2016 €
Trade receivables	3,116,115	2,608,738
Less: Provisions for impairment	(59,414)	(73,105)
Trade receivables – net	3,056,701	2,535,633
Amounts owed by subsidiaries	-	2,453,995
Amounts owed by group undertakings	2,040,664	170,420
Other receivables	146,931	57,216
Prepayments and accrued income	453,556	369,304
	5,697,852	5,586,568
Non-current portion	60,694	165,071
Current portion	5,637,158	5,421,497

**9. Trade and other receivables - continued**

Amounts owed by subsidiaries and group undertakings bear interest at 4.85% (2016: 4.85%) per annum.

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

Included in prepayments and accrued income is an amount of €190,262 (2016: €165,071) which relates mainly to the long-term portion of upfront lease payments in connection with the lease agreements in force.

**10. Cash and cash equivalents**

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

	2017 €	2016 €
Cash at bank and in hand	333,825	188,342
Bank overdrafts (Note 13)	(1,163,613)	(1,312,831)
	(829,788)	(1,124,489)

**11. Share capital**

	2017 €	2016 €
<b>Authorised</b>		
25,700 ordinary 'A' shares of €2.329373 each	59,865	59,865
9,600 ordinary 'B' shares of € 2.329373 each	22,362	22,362
1,000 redeemable cumulative preference shares of €2.329373 each	2,329	2,329
	84,556	84,556
<b>Issued and fully paid</b>		
24,340 ordinary 'A' shares of €2.329373 each	56,697	56,697
8,000 ordinary 'B' shares of € 2.329373 each	18,635	18,635
	75,332	75,332

The holders of the 'A' and 'B' shares rank *'pari passu'* in all respects.

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital, but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividend payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are cumulative.

As at 31 December 2016, the company had 500 redeemable cumulative preference shares of €2.329373 each issued and fully paid (Note 12).

**12. Trade and other payables**

	2017	2016
	€	€
Trade payables	3,878,561	3,802,133
Amounts owed to parent	3	949,968
Amounts owed to group undertakings	1,899,664	938,969
Amounts owed to subsidiaries	-	61,664
Amounts owed to shareholders	315	14,360
Amounts owed to related party	3,853	830,208
Indirect taxation	254,853	541,510
Other payables	-	4,167
Accruals and deferred income	325,615	173,540
Redeemable cumulative preference shares	-	1,165
	<b>6,362,864</b>	<b>7,317,684</b>
Non-current portion	-	14,360
Current portion	<b>6,362,864</b>	<b>7,303,324</b>

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

The amounts owed to the shareholders are unsecured, interest-free and the company has an unconditional right to defer settlement of these loans for at least twelve months after the reporting period.

The amounts owed to the parent are unsecured, repayable on demand and bear interest at 4.85% (2016: 4.85%) per annum.

**13. Borrowings**

	2017	2016
	€	€
<b>Non-current</b>		
Bank loans	<b>338,100</b>	599,428
<b>Current</b>		
Bank overdraft (Note 10)	<b>1,163,613</b>	1,312,831
Bank loans	<b>265,488</b>	253,670
	<b>1,429,101</b>	<b>1,566,501</b>
<b>Total borrowings</b>	<b>1,767,201</b>	<b>2,165,929</b>

**13. Borrowings - continued**

The following are the contracted undiscounted cash flows of the company's bank loans analysed into relevant maturity groupings based on the remaining term at the end of the reporting period to the maturity date:

	2017 €	2016 €
Within 1 year	265,488	253,670
Between 1 and 2 years	226,216	266,918
Between 2 and 5 years	111,884	332,510
	<b>603,588</b>	<b>853,098</b>

The company's banking facilities as at 31 December 2017 amounted to €3,044,943 (2016: €3,155,566). Interest on the overdraft facility is charged at floating interest rates averaging 4.85% (2016: 4.85%). The bank loans bear interest at the floating interest rate of 4.95% per annum (2016: 5.35% per annum).

The company's banking facilities also includes 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 (2016: €850,000).

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

**14. Revenue**

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

**15. Expenses by nature**

	2017 €	2016 €
Purchases of goods for resale	13,658,233	13,941,288
Changes in inventories	(436,342)	(769,722)
Employee benefit expense (Note 16)	1,345,021	943,575
Depreciation of property, plant and equipment (Note 5)	226,605	160,999
Rent	806,268	635,420
Movement in provision for bad debts	(13,691)	(331,259)
Bad debts written off	17,051	191,864
Management fees	731,968	689,948
Advertising	147,584	241,721
Other expenses	574,244	523,820
Total cost of sales, operating and administrative expenses	<b>17,056,941</b>	<b>16,227,654</b>



**15. Expenses by nature - continued**

Auditor's fees

	2017	2016
	€	€
Annual statutory audit	9,500	8,000
Tax compliance and other advisory services	3,650	1,300
Other services	700	600
	13,850	9,900

**16. Employee benefit expense**

	2017	2016
	€	€
Wages and salaries	1,260,915	878,041
Social security costs	84,106	65,597
	1,345,021	943,638
Recharged by parent	-	-
Recharged by related parties	-	127
Recharged to related parties	-	(190)
Recharged to third parties	-	-
	1,345,021	943,575

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

	2017	2016
Distribution	17	15
Retail	89	57
	106	72

**17. Finance income**

	2017	2016
	€	€
Interest on amounts due from related parties	99,375	98,003
	99,375	98,003

**18. Finance costs**

	2017 €	2016 €
Bank interest and charges	92,788	81,830
Interest expense due to related parties	178,409	63,157
Interest expense on other payables	-	1,088
Dividends on redeemable preference shares (Note 20)	-	35
	271,197	146,110

**19. Tax expense/(income)**

	2017 €	2016 €
Current tax expense	70,889	-
Deferred tax charge (Note 7)	56,603	91,482
	127,492	91,482

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

	2017 €	2016 €
Profit before tax	1,464,640	141,640
Tax at 35%	512,624	49,574
Tax effect of:		
Temporary differences attributable to unrecognised deferred tax in prior years	-	4,698
Exempt income	(420,280)	-
Expenses and provisions not allowable for tax purposes	35,148	37,210
Tax expense	127,492	91,482

**20. Dividends**

	2017 €	2016 €
Dividends paid on preference shares:		
Gross	-	47
Tax at source	-	(12)
Net	-	35
Dividends per share	-	0.07

## 21. Cash generated from operations

Reconciliation of operating profit to net cash generated from operations:

	2017 €	2016 €
Operating profit	1,636,462	189,747
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	226,605	160,999
Movement in provision for bad debts and bad debts written off	3,376	(331,259)
Changes in working capital:		
Inventories	(436,342)	(769,722)
Trade and other receivables	686,940	(470,973)
Trade and other payables	(954,820)	1,763,661
Cash generated from operations	<u>1,162,221</u>	<u>542,453</u>

## 22. Commitments

Operating lease commitments - company as lessee

The company 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.

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

	2017 €	2016 €
No later than 1 year	593,965	688,907
Later than 1 year and no later than 5 years	1,579,298	1,903,789
Later than 5 years	1,236,635	1,506,109
	<u>3,409,898</u>	<u>4,098,805</u>

## 23. Contingent liabilities

As at 31 December 2017, the company provided third parties with guarantees amounting to €313,000 (2016: €343,000). As at the end of the reporting period, the bank provided the company with a facility covering these amounts up to a limit of €3,044,943 (2016: €3,155,566). This facility is secured by a cash margin, cash pledges over certain bank accounts of the company and of related undertakings and by guarantees issued by the parent company and other related undertakings.

## 24. Related party transactions

All companies forming part of the Hudson Group, which comprises Hudson Holdings Limited, the company's immediate and ultimate parent, and its subsidiaries are related parties since these companies all have common ultimate shareholders.

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:

	2017	2016
	€	€
<b>Revenue</b>		
Sales - related parties	1,308,864	1,793,990
Other operating income - related parties	19,281	37,106
Interest income - related parties	80,094	98,003
Payroll re-charges - related parties	-	190
<b>Expenses</b>		
Cost of sales - related parties	-	101,020
Finance costs - related parties	178,409	63,157
Payroll recharges - related parties	-	127
Management fees - ultimate parent	700,448	689,948
Management fees - related parties	31,520	-

Year-end balances with related parties are disclosed in notes 9 and 12 to these financial statements. During 2017 the subsidiaries of the company were sold, as disclosed in note 6 to these financial statements.

## 25. Statutory information

Time International (Sport) Limited is a limited liability company and is incorporated in Malta.

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

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

The financial statements of Time International (Sport) Limited are included in the consolidated financial statements prepared by Hudson Holdings Limited.

## 26. Events after the balance sheet date

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