

The following is a Company Announcement issued by HUDSON MALTA P.L.C., a company registered under the laws of Malta with company registration number C 83425 (hereinafter the 'Company'), pursuant to the Listing Rules issued by the Listing Authority.

Quote

Approval and Publication of Annual Report and Audited Financial Statements

The Company hereby announces that during the meeting of its Board of Directors held on 28th April 2021, the Company's Annual Report and Audited Financial Statements for the financial year ended 31st December 2020 were approved.

The Board of Directors shall be recommending to the Annual General Meeting of the Company that no final dividend be declared in respect of the financial year ended 31st December 2020.

The Company notes that, in terms of Listing Rule 5.16.24, the Board of Directors has determined that the loss for the year in the aforesaid Annual Report and Audited Financial Statements for the financial year ended 31st December 2020 improved by more than ten percent (10%) when compared to the previously published forecast financial information. The positive variance resulted mainly from a slightly better gross profit margin and significant lower net operating costs despite higher than expected financing costs.

Furthermore, the Group closed the year in a stronger position on its cash and cash equivalents when compared to the forecasted financial information. This was mainly achieved through higher net cash generated from operating activities.

The Company further announces that the Board of Directors resolved that the aforesaid Annual Report and Audited Financial Statements be submitted to the shareholders of the Company for their approval at the forthcoming Annual General Meeting scheduled to take place on 19th May 2021.

Copies of the Company's Annual Report and Audited Financial Statements for the financial year ended 31st December 2020, as approved, are available for viewing below as an attachment to this announcement and at the Company's registered office, and are also available for download from the following link on the Hudson Group's website: <https://hudson.com.mt/investor-relations/>.

It is further announced that, in accordance with Listing Rule 5.61, the Annual Reports and Audited Financial Statements of each of Time International (Sport) Limited (C 32438) [hereinafter 'TISL'] and Hudson International Company Limited (C 48705) [hereinafter 'HICL'], the joint and several guarantors during the reporting period in question of the €12,000,000 4.35% Unsecured Bonds 2026 issued at par by the Company pursuant to and in terms of the prospectus dated 23rd March 2018, in each case for the periods ended 31st December 2020, have been approved on the 28th April 2021.

Copies of the aforesaid Annual Reports and Audited Financial Statements in respect of each of TISL and HICL are available for viewing and download from the following link on the Hudson Group's website: <https://hudson.com.mt/investor-relations/>.

Unquote



Dr Luca Vella
Company Secretary

29th April 2021

Company Announcement: HDS39

HUDSON MALTA P.L.C.
Annual Report and Financial Statements
31 December 2020

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The Company

The principal activity of Hudson Malta p.l.c (the "Company") is to own the entities operating the retail stores in Malta for the Hudson Holdings Limited group (the "Hudson Group"), of which the Company is a fully owned subsidiary. In 2020 these entities were Time International (Sport) Limited and Hudson International Company Limited. These two companies merged by acquisition in March 2021 with Time International (Sport) Limited, as the acquiring company, succeeding to all the assets, rights, liabilities and obligations of Hudson International Company Limited, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

In 2018 the Company raised €12m from a public Bond issue for the main purpose of financing the retail expansion in Malta and overseas of the Hudson Group. The money raised was loaned to its subsidiary companies and to its parent company Hudson Holdings Limited and a sister company also falling part of the Hudson Group. The Company earns interest from these loans.

The Group

The Hudson Malta p.l.c. Group (the "Group") is mainly involved in the operation of a number of retail stores in Malta as well as the importation and distribution of branded consumer products in Malta, Italy and Tunisia.

Review of business

The Company

During the year under review the Company earned €647,900 from interest income on loans advanced to Hudson Group companies against €522,000 of bond interest expense. After deducting expenses, the Company reported a profit before tax for the year of €28,774.

The Group

The year under review has been an unprecedented one for the Group with the impact of Covid-19 negatively impacting the revenue generation potential of the retail stores and wholesale business due to periods of enforced store closure and lower footfall when open. This led to a 30% reduction in turnover from €43 million in 2019 to €30 million. Careful management of inventory and sales ensured that the Group retained the same gross margin percentage as 2019, with the result that gross profit amounted to €9.0 million, €4.2 million lower than the €13.3 million reported in 2019. The net impairment losses on financial and contract assets of €1.6m, include €1.4m of amounts written-off or provided for relating to amounts due from fellow subsidiaries following Hudson Group's decision to close its Spanish operations due to the impact that COVID-19 had on these operations. Strong cost reduction measures taken by management, support from the Hudson Group (including additional support in view of the Spanish closure impact in the form of reduced management charges), rent abatement by landlords and support from Government through wage subsidies resulted in a significant reduction in operating and administrative costs by €4 million, from €11.9 million in 2019 to €7.9 million.

Directors' report - continued

As a result, the Group reported an operating loss of €0.3 million compared to an operating profit of €1.5 million in 2019. After taking into consideration the impact of financing costs which were greater than in 2019 the Group reported a loss for the year before tax of €1.3 million compared to a profit before tax of €0.8 million in 2019. Although this result is slightly better than what was projected in August 2020, if one had to exclude the impact of the closure of the Spanish operations, the performance of the Malta operations were significantly better than those projected, highlighting the successful management of the business in the current circumstances.

From a balance sheet aspect, management have managed to retain the strong liquidity position of the Group with the net current assets of €3.5 million as at 31 December 2020 compared to €3.9 million in 2019. Further, close management of cash including reduced capital investment activities resulted in an overall improvement in the cash position to the Group as at 31 December 2020.

Results and dividends

The income statement is set out on page 23. The directors do not recommend the payment of a final dividend and, propose that the balance of retained earnings of the Company amounting to €90,360 (2019: €93,133) 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, potential loss of market share as other retailers enter the market and the continued impact of COVID-19.

The impact of COVID-19.

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Group needed to change the way it does business in general, look for efficiencies and continue with its efforts to digitalise the business.

From the initial stages of the pandemic the Group took mitigating action to protect its cash position whilst continuing significant projects that will enable future growth. Specifically, the Group:

- Postponed retail investments originally planned for 2020 and is now undertaking these investments in 2021.
- Cancelled or postponed the intake of inventory to ensure that its inventory levels are well managed.
- Obtained extended payment terms from key suppliers.
- Availed itself of government support.
- Obtaining moratoria on repayment of loan facilities with its bankers, a temporary increase of its overdraft facility to ensure it has adequate working capital headroom and secured MDB loans amounting to €1.85 million to further strengthen its long-term liquidity position. These are in place in 2021.
- Launched an eCommerce site in Malta to be able to support customers with their retail needs even when physical stores were closed.
- Closely managed its cost base including wage reductions lead by the senior leadership team and obtained lease concessions from lessors.

The pandemic will continue to impact performance even in 2021 with the retail stores in Malta closed again for a seven-week period from 11 March to 26 April 2021. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. The Group has and is continuously looking at ways to improve performance from existing operations.

Directors' report - continued

The cashflow projections for 2021, taking into account measures being taken and assuming different scenarios, show that the Group has sufficient liquidity to meet its financial obligations as and when they fall due. Furthermore, the directors of Hudson Holdings Limited, the Group's parent company, have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the Group as and when necessary. The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going-concern assumption remains appropriate and there are no material uncertainties that might cast significant doubt on going concern.

Future developments

On 7 April 2021 Hudson Holdings Limited entered into a conditional share-for-share exchange agreement to acquire Trilogy Limited, a leading premium fashion retailer in Malta. The agreement is subject to the satisfaction of certain conditions precedent and upon their completion, an intra-group restructuring is to be carried out, whereby Trilogy Limited will become a fully owned subsidiary of Hudson Malta p.l.c. Through this acquisition the Group will further consolidate its position as Malta's leading sport and fashion retailer. Trilogy's operations will be merged within the Group's and the results of Trilogy Limited will be included in the Groups' consolidated results of 2021. The Group expects this acquisition to positively contribute to the Group's profitability despite the current negative impact of Covid-19.

Directors

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

Alfred Borg
George Amato
Kevin Grech (resigned on 15 July 2020)
Christopher Muscat
Victor Spiteri
Kevin Valenzia
Brian Zarb Adami

The company's Articles of Association requires all directors 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 Companies Act (Cap. 386 of the laws of Malta) 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.

Directors' report - continued

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 Companies Act (Cap. 386 of the laws of Malta). 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 year ended 31 December 2020 are included in the Annual Report 2020, 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.

Going concern statement pursuant to Listing Rule 5.62

After making enquires and having taken into consideration the future plans of the Group and the 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 operation of the consolidated finance 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

28 April 2021

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 2020, 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.

Principle 2 - Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are filled by separate individuals, whereby the Hudson Group CEO, Mr Christopher Muscat, fulfilled the role of CEO for the purposes of the Hudson Malta p.l.c. Board during the period under review.

The responsibilities and roles of the Chairman and the Chief Executive Officer are clearly established and agreed to by the Board of Directors.

The Chairman is responsible to lead the Board and set its agenda. The Chairman ensures that the Board is in receipt of precise, timely and objective information and also encourages active engagement by all members of the Board for discussion of complex issues.

Corporate Governance – Statement of Compliance - continued

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.

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

Executive directors:

Alfred Borg – Chairman
Christopher Muscat
George Amato

Mr Kevin Grech resigned as a director of the Company on 15th July 2020.

Independent, non-executive directors:

Victor Spiteri
Kevin Valenzia
Brian Zarb Adami

Dr Luca Vella acts as company secretary.

In compliance with the Listing Rules, the Board considers that the independent, non-executive directors are independent of management and free from any business, family or other relationship that could materially interfere with the exercise of their independent judgment. In assessing the independence of the independent directors, due notice has been taken of Listing Rule 5.119 of the Listing Rules. 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 2020, specifically in February, June, August and November. 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. 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 of Hudson Holdings Limited, which is the parent company of the Company, in order for the Board to have direct access to the financial operation and results of the Group, which, during the period under review, comprised the Company (as parent company), Time International (Sport) Limited (C 32438) and, Hudson International Company Limited (C 48705) (herein the "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.

Corporate Governance – Statement of Compliance - continued

All executive directors are employed on a full-time basis with Hudson Holdings Limited (C 37866), the ultimate parent company 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 Group operates. The remuneration of the directors is reviewed periodically by the shareholders of the Company.

The Hudson Group CEO, Mr Christopher Muscat, promotes an open dialogue between himself and the directors at regular intervals, not only at Board meetings.

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

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

Principle 6 – Information and Professional Development

The Company firmly believes in the professional development of all the members in the Hudson organisation. The CEO 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 current technological and other relevant subject matter trends 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 members of the Audit Committee:

Kevin Valenzia – Chairman & Independent, non-executive director

Brian Zarb Adami – Independent, non-executive director

Victor Spiteri – Independent, non-executive director

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 nine (9) times during 2020. 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 compliance with the Listing Rules, Mr Kevin Valenzia is considered to be the member competent in accounting and/or auditing matters. The Company considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof.

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, George Amato, Jonathan Briffa (Hudson Group Finance Director) and Martin Gregory (Hudson Group Director). 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.

Corporate Governance – Statement of Compliance - continued

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.

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. Even though Hudson Holdings Limited is not bound by the continuing obligations of the Listing Rules, the board of directors of Hudson Holdings Limited has resolved to publish, on an annual basis, Hudson Holdings Limited's audited consolidated financial statements, by not later than two months after the publication of the Company's audited financial statements, through a company announcement. Furthermore, condensed financial information relating to Hudson Holdings Limited and the Hudson Group is provided in the annual publication of the Company's financial analysis summary. This commitment is made so as to provide the Company's bondholders, investors and the market generally with full access to financial information on the Hudson Group.

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 local 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 independent, non-executive directors. The independent, non-executive directors received €24,000 in aggregate for services rendered during 2020.

No part of the remuneration paid to the independent, 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.

Corporate Governance – Statement of Compliance - continued

Non-compliance with the Code

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

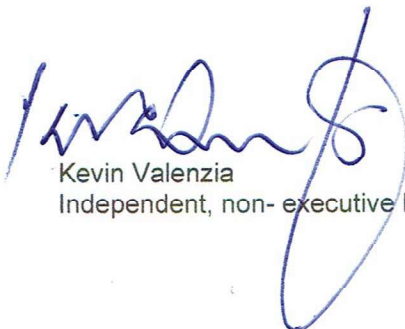
Principle 7 - Evaluation of the Board's performance

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 28 April 2021 and signed on its behalf by:



Kevin Valenzia
Independent, non- executive Director



Brian Zarb Adami
Independent, non- executive 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:

- The 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 of Hudson Malta p.l.c. as at 31 December 2020, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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 21 to 60, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2020;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independent auditor's report - continued

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

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).

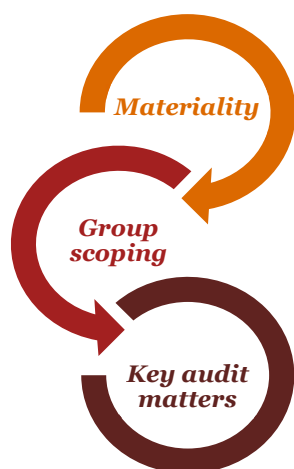
The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 January 2020 to 31 December 2020, are disclosed in note 19 to the financial statements.

Emphasis of matter

We draw attention to Note 1.1 to these financial statements that explains the impact of COVID-19 on the Group's operations and financial performance. This matter is considered to be of fundamental importance to the understanding of the financial statements due to its nature and significance. Our opinion is not modified in respect of this matter.

Our audit approach

Overview



Overall group materiality: €300,000, which represents 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

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.



Independent auditor's report - continued

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

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	€300,000
How we determined it	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 €30,000 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.

Independent auditor's report - continued

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

Key audit matter	How our audit addressed the Key audit matter
<i>Recoverability of group balances</i>	
<p>As at 31 December 2020, loans and receivables with related party undertakings amounted to €6.9m for the Group and €11.6m at Parent Company level, as disclosed in Note 9. In addition, as disclosed in Note 11, further current receivables with related party undertakings amounted to €4.3m for the Group.</p> <p>As explained in accounting policy 1.8.4 and note 2.1(b), Hudson Malta p.l.c. assessed its expected credit losses on a forward looking basis in accordance with IFRS 9. 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.</p> <p>We have given additional attention to this area because of the nature and magnitude of these balances.</p>	<p>We have agreed the terms of the loans to supporting loan agreements.</p> <p>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.</p> <p>In addition, we understood and evaluated the workings and assumptions underlying the assessment for the loss allowances under IFRS 9.</p> <p>Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these balances.</p> <p>We also understood the impact of the COVID-19 pandemic on the financial performance and cashflows of the Group and reviewed related disclosures in the financial statements.</p>

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 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.



Independent auditor's report - continued

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

Other information

The directors are responsible for the other information. The other information comprises the Directors report and Corporate Governance – Statement of Compliance (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, and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

Independent auditor's report - continued

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

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

We communicate with 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 Hudson Malta p.l.c.

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, actions taken to eliminate threats or safeguards applied .

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.

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Independent auditor's report - continued

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

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 4)</p> <p>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>

Independent auditor's report - continued

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

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Corporate governance - Statement of compliance (on pages 5 to 9)</p> <p>The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.</p>	<p>We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements.</p> <p>We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97.</p> <p>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.</p>	<p>In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.</p> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>

Independent auditor's report - continued

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

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or 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 which, to the best of our knowledge and belief, we require for our audit. <p>We also have responsibilities 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.</p>	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

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

Other matter - use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Appointment

We were first appointed as auditors of the Company upon incorporation on 10 November 2017 for the financial period ended 31 December 2018. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years. The Parent Company became listed on a regulated market on 2 May 2018.

PricewaterhouseCoopers

78, Mill Street
Zone 5, Central Business District
Qormi
Malta

A handwritten signature in black ink, appearing to read 'Lucienne Pace Ross'.

Lucienne Pace Ross
Partner

28 April 2021

Statements of financial position

		As at 31 December			
		Group		Company	
Notes		2020 €	2019 €	2020 €	2019 €
ASSETS					
Non-current assets					
Intangible assets	4	1,202,227	1,204,490	-	-
Property, plant and equipment	5	3,485,967	3,810,101	-	-
Right-of-use assets	6	16,422,289	18,590,907	-	-
Investment in subsidiaries	7	-	-	16,400,000	16,400,000
Deferred tax assets	8	1,034,564	749,524	-	-
Financial assets at amortised cost	9	6,914,219	6,914,219	11,640,444	11,640,444
Total non-current assets		29,059,266	31,269,241	28,040,444	28,040,444
Current assets					
Inventories	10	3,493,670	3,900,234	-	-
Trade and other receivables	11	6,719,036	9,854,958	4,130	2,165
Loans and other receivables	9	-	-	-	-
Cash and cash equivalents	12	4,111,047	2,994,997	770,928	779,533
Total current assets		14,323,753	16,750,189	775,058	781,698
Total assets		43,383,019	48,019,430	28,815,502	28,822,142

Statements of financial position - continued

	Notes	As at 31 December			
		Group		Company	
		2020 €	2019 €	2020 €	2019 €
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	16,450,000	16,450,000	16,450,000	16,450,000
Other reserve	14	(15,994,856)	(15,994,856)	-	-
Retained earnings		5,066,615	5,949,566	90,360	93,133
Total equity		5,521,759	6,404,710	16,540,360	16,543,133
Non-current liabilities					
Borrowings	17	11,971,108	11,821,296	11,849,889	11,821,296
Lease liabilities	15	15,087,442	16,987,631	-	-
Total non-current liabilities		27,058,550	28,808,927	11,849,889	11,821,296
Current liabilities					
Trade and other payables	16	9,238,050	11,081,736	408,318	426,812
Lease liabilities	15	1,477,942	1,351,725	-	-
Borrowings	17	71,816	276,021	-	-
Current tax liabilities		14,902	96,311	16,935	30,901
Total current liabilities		10,802,710	12,805,793	425,253	457,713
Total liabilities		37,861,260	41,614,720	12,275,142	12,279,009
Total equity and liabilities		43,383,019	48,019,430	28,815,502	28,822,142

The notes on pages 27 to 60 are an integral part of these financial statements.

The financial statements on pages 21 to 60 were authorised for issue by the Board on 28 April 2021 and were signed on its behalf by:


Alfred Borg
Director


Christopher Muscat
Director

Statements of comprehensive income

	Notes	Year ended 31 December			
		Group		Company	
		2020 €	2019 €	2020 €	2019 €
Revenue	18	30,128,888	42,815,367	-	-
Cost of sales	19	(21,092,462)	(29,548,821)	-	-
Gross profit		9,036,426	13,266,546	-	-
Operating and administrative expenses	19	(7,909,538)	(11,877,009)	(68,530)	(71,865)
Net impairment losses on financial and contract assets	19	(1,577,022)	8,878	-	-
Other income	20	137,286	117,441	-	1,920
Operating (loss)/profit		(312,848)	1,515,856	(68,530)	(69,945)
Income from investments		-	-	-	384,615
Finance income	23	445,574	592,711	647,900	647,900
Finance costs	24	(1,386,904)	(1,288,357)	(550,596)	(550,596)
(Loss)/profit before tax		(1,254,178)	820,210	28,774	411,974
Income tax credit/(expense)	25	371,227	(300,763)	(31,547)	(165,516)
(Loss)/profit for the year		(882,951)	519,447	(2,773)	246,458

The notes on pages 27 to 60 are an integral part of these financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Other reserves €	Retained earnings €	Total €
Balance 1 January 2019		16,450,000	(15,994,856)	5,680,119	6,135,263
Comprehensive income					
Profit for the year		-	-	519,447	519,447
Transactions with owners					
<i>Distribution to owners:</i>					
Dividends	26	-	-	(250,000)	(250,000)
Balance at 31 December 2019		16,450,000	(15,994,856)	5,949,566	6,404,710
Balance 1 January 2020		16,450,000	(15,994,856)	5,949,566	6,404,710
Comprehensive income					
Loss for the year		-	-	(882,951)	(882,951)
Balance at 31 December 2020		16,450,000	(15,994,856)	5,066,615	5,521,759

Statements of changes in equity - continued

Company

	Note	Share capital €	Other reserves €	Retained earnings €	Total €
Balance as at 1 January 2019		16,450,000	-	96,675	16,546,675
Comprehensive income					
Profit for the year		-	-	246,458	246,458
Transactions with owners					
Dividends	26	-	-	(250,000)	(250,000)
Balance at 31 December 2019		16,450,000	-	93,133	16,543,133
Balance as at 1 January 2020		16,450,000	-	93,133	16,453,133
Comprehensive income					
Loss for the year		-	-	(2,773)	(2,773)
Balance at 31 December 2020		16,450,000	-	90,360	16,540,360

The notes on pages 27 to 60 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	2020 €	2019 €	2020 €	2019 €
Cash flows from operating activities					
Cash generated from/(used in) operations	27	4,534,335	6,501,072	(88,989)	362,341
Interest paid on lease liabilities	24	(753,254)	(657,080)	-	-
Interest paid on borrowings	24	(605,054)	(602,681)	(550,596)	(522,000)
Interest received	23	445,574	592,711	647,900	647,900
Income tax paid		4,773	(557,090)	(45,513)	(13,517)
Net cash generated from/(used in) operating activities		3,626,374	5,276,932	(37,198)	474,724
Cash flows from investing activities					
Purchases of property, plant and equipment	5	(865,055)	(2,335,239)	-	-
Receipts from loans and receivables		-	58,398	-	-
Dividends received		-	-	-	250,000
Net cash (used in)/generated from investing activities		(865,055)	(2,276,841)	-	250,000
Cash flows from financing activities					
Proceeds from borrowings		149,540	-	28,593	-
Principal elements of lease payments		(1,562,285)	(2,185,127)	-	-
Dividends paid		-	(250,000)	-	(250,000)
Net cash (used in)/generated from financing activities		(1,412,745)	(2,435,127)	28,593	(250,000)
Movement in cash and cash equivalents		1,348,574	564,964	(8,605)	474,724
Cash and cash equivalents at the beginning of the year		2,718,976	2,154,012	779,533	304,809
Cash and cash equivalents at end of year	12	4,067,550	2,718,976	770,928	779,533

The notes on pages 27 to 60 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

The consolidated financial statements include the financial statements of Hudson Malta p.l.c. and its subsidiaries and are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386).

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

As reflected in the Group's results, the pandemic has impacted the Group's revenue streams due to lower footfall and store closures as well as supply chain issues. To manage the situation the Group needed to change the way it does business in general, look for efficiencies and continue with its efforts to digitalise the business.

From the initial stages of the pandemic the Group took mitigating action to protect its cash position whilst continuing significant projects that will enable future growth. Specifically, the Group:

- Postponed retail investments originally planned for 2020 and is now undertaking these investments in 2021.
- Cancelled or postponed the intake of inventory to ensure that its inventory levels are well managed.
- Obtained extended payment terms from key suppliers.
- Availed itself of government support.
- Obtaining moratoria on repayment of loan facilities with its bankers, a temporary increase of its overdraft facility to ensure it has adequate working capital headroom and secured MDB loans amounting to €1.85 million to further strengthen its long-term liquidity position.
- Launched an eCommerce site in Malta to be able to support customers with their retail needs even when physical stores were closed.
- Closely managed its cost base including wage reductions lead by the senior leadership team and obtained lease concessions from lessors.

The pandemic will continue to impact performance even in 2021 with the retail stores in Malta closed for a month from 11 March to 26 April 2021 already this year. Management is reviewing the situation on a regular basis and adapting operations as the situation develops. The Group has implemented plans that are expected to improve performance from existing operations.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The cashflow projections for 2021, taking into account measures being taken and assuming different scenarios, show that the Group has sufficient liquidity to meet its financial obligations as and when they fall due. Furthermore, the directors of Hudson Holdings Limited, the Group's parent company, have confirmed that Hudson Holdings Limited and its subsidiaries will provide liquidity support to fellow subsidiaries and sister companies including the Group as and when necessary.

The directors are of the opinion that, based on the projected cashflows emanating from the assumed scenarios, the use of the going concern assumption remains appropriate and there is no material uncertainty which may cast significant doubt on the Company's ability to continue as a going concern and accordingly continue to adopt the going concern assumption in the preparation of the financial statements. Accordingly, the financial statements have been prepared under the historical cost convention.

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group and Company's accounting policies impacting the financial performance and position. Furthermore, the Group has adopted amendments to IFRS 16 issued in May 2020 in relation to COVID-19 related rent concessions. The impact of adoption of this amendment is further explained in note 15.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2020. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group and Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group and Company's financial statements in the period of initial application.

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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(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 amount 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 included 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.

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. Summary of significant accounting policies - continued

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

1.4 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. Summary of significant accounting policies - continued

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 the shorter of their estimated useful life, or the property lease term in the case of improvements to premises, as follows:

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

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other operating income' in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.8).

1.6 Leases

The Group is the lessee

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

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

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

1. Summary of significant accounting policies - continued

1.6 Leases - continued

The Group leases various properties. Rental contracts are typically made of fixed periods but may have extension options to renew the lease after the original period as described below. Lease terms are negotiated on an individual basis and contain a range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

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

The table below describes the nature of the Group's leasing activities by type of right-of-use asset (ROU) recognised on the balance sheet:

ROU asset	No of ROU assets leased	Range of remaining lease term (years)	Average remaining lease term (years)	Average extension option considered (years)	No of leases with extension options	No of leases with option to purchase	No of leases with termination options
Properties	24	2 - 16	6	5 - 6	24	-	24

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

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

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

1. Summary of significant accounting policies - continued

1.6 Leases - continued

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.7 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.

1.8 Financial assets

1.8.1 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.

1.8.2 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.

1.8.3 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.

1. Summary of significant accounting policies - continued

1.8 Financial Assets - continued

1.8.3 Measurement - continued

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.

1.8.4 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.

1.9 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. Summary of significant accounting policies - continued

1.10 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 1.8.4). 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.

1.11 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.

1.12 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.

1.13 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.

1.14 Trade and other payables

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

1. Summary of significant accounting policies - continued

1.15 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.

1.16 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.

1.17 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.

1.18 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. Summary of significant accounting policies - continued

1.19 Deferred government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

1.20 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.

(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. Summary of significant accounting policies - continued

1.21 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).

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 financial assets at amortised cost (Note 9), the bond listing (Note 17) and intra-group balances (Notes 11 and 16), which have fixed interest rates. 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 amortized 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

	Maximum exposure			
	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
As at 31 December				
Trade and other receivables (Note 11)	6,488,506	9,541,405	1,418	-
Loans receivable (Note 9)	6,914,219	6,914,619	11,640,444	11,640,444
Cash and cash equivalents (Note 12)	4,111,047	2,994,997	770,928	779,533
	17,513,772	19,451,021	12,412,790	12,419,977

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

Third party trade and other receivables (including contract assets)

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 27.3% (2019: 29.3%) 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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.

Following the outbreak of COVID-19, the Group has monitored information available on macroeconomic factors, affecting repayment ability, as well as the actual and projected impact of the pandemic on the business model of the customers serviced by the Group. Payment patterns attributable to the Group's customers post COVID-19 outbreak was thoroughly and regularly assessed to determine whether any deterioration in collection rates was being experienced. The Group determined that the expected credit losses have not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of receivables.

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 had previously recognised specific impairment provisions in prior years on the basis of objective evidence of such balances being impaired. During the current financial year, the Group has written-off amounts of €346,616 relating to clients situated in Libya which were provided for in prior years. As a result, the related provision was released in the current year.

As at 31 December 2020, trade receivables for the Group amounting to €185,722 (2019: €523,116) were provided for.

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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Cash and cash equivalents

The credit risk for cash and cash equivalents 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, taking into consideration the impact of COVID-19 on the financial performance and operations of the respective counterparties. The Group's management uses judgement in making these assumptions, based on the counterparty's 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 expected credit loss allowance required for Group and Company was of €920,818 (2019: €509,427) and €139,556 (2019: €139,556) respectively. Furthermore, during the year, the Group wrote-off balances amounting to €1,117,196 (2019: €Nil), on the basis that these amounts are deemed unrecoverable.

(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 17), lease liabilities (Note 15) and trade and other payables (Note 16). 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 2020					
Lease liabilities	16,565,384	20,899,153	2,669,746	10,381,513	7,847,894
Listed bond	11,849,889	15,132,000	522,000	2,088,000	12,522,000
Trade and other payables	9,238,050	9,238,050	9,238,050	-	-
Bank borrowings	193,035	211,347	77,479	133,868	-
	37,846,358	45,480,550	12,507,275	12,603,381	20,369,894

Group	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2019					
Lease liabilities	18,339,356	25,814,809	2,258,358	10,628,004	12,928,447
Listed bond	11,821,296	15,654,000	522,000	2,088,000	13,044,000
Trade and other payables	11,081,736	11,081,736	11,081,736	-	-
Bank borrowings	276,021	276,021	276,021	-	-
	41,518,409	52,826,566	14,138,115	12,716,004	25,972,447

Company	Carrying Amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2020					
Listed bond	11,849,889	15,132,000	522,000	2,088,000	12,522,000
Trade and other payables	408,318	414,320	414,320	-	-
	12,258,207	15,546,320	936,320	2,088,000	12,522,000

Company	Carrying Amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2019					
Listed bond	11,821,296	15,654,000	522,000	2,088,000	13,044,000
Trade and other payables	426,812	426,812	426,812	-	-
	12,248,108	16,080,812	948,812	2,088,000	13,044,000

2. Financial risk management - continued

2.2 Capital risk management

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

The Group monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt.

The figures in respect of the Group's and Company's equity and borrowings as at 31 December are reflected below:

	Group 2020	2019	Company 2020	2019
Borrowings (Note 17)	12,042,924	12,097,317	11,849,889	11,821,296
Lease liabilities (Note 15)	15,565,384	18,339,356	-	-
Less: cash and cash equivalents (Note 12)	(4,111,047)	(2,994,997)	(770,928)	(779,533)
Net debt	23,497,261	27,441,676	11,078,961	11,041,763
Total equity	5,806,182	6,404,710	16,540,360	16,543,133
Total capital	29,303,443	33,846,386	27,619,321	27,584,896
Net debt ratio	80.2%	81.1%	40.1%	40.0%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements 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 €
Assets taken over on acquisition	1,065,688	141,065	1,206,753
At 31 December 2018	1,065,688	141,065	1,206,753
At 1 January 2019	1,065,688	141,065	1,206,753
Accumulated amortisation and impairment charges	-	(2,263)	(2,263)
At 31 December 2019	1,065,688	138,802	1,204,490
At 1 January 2020	1,065,688	138,802	1,204,490
Accumulated amortisation and impairment charges	-	(2,263)	(2,263)
At 31 December 2020	1,065,688	136,539	1,202,227

Impairment test for goodwill with an indefinite useful life

The Group's reported goodwill is attributable to business combinations effected in prior years. The Group tests whether goodwill suffered any impairment on an annual basis.

For the purposes of the impairment test, one cash generating unit (CGU) was identified, which comprises the operations of Hudson Malta p.l.c. Group. Therefore, the recoverable amount of goodwill has been determined based on value-in-use calculations of the CGU. These calculations use post-tax cash flow projections reflecting the estimates for the years 2021 to 2027 as approved by the Board of Directors.

The key assumptions in the determination of the recoverable amount of the CGU are the levels of forecast EBITDA, capital expenditure, the terminal value growth rates applied to the estimated cash flows beyond the explicit forecast period and the discount rate. Forecast EBITDA levels are based on past experience, adjusted for market developments and industry trends.

The post-tax discount rate applied to in the value-in-use calculation of the CGU was 8.4% (2019: 8.4%) whilst the long-term growth rate applied in the valuation of the residual value was 1.4% (2019: 1.4%). These parameters have been principally based on market observable data.

Group management's method for determining the values inherent to each significant assumption is based on experience and expectations regarding the performance of the market. It was determined that the recoverable amount is greater than the carrying amount and consequently, no impairment charge was required for 2020.

The carrying amount of the CGU currently exceeds its recoverable amount by €3,621,000. Management has determined that impairment of intangible assets involves critical accounting estimates. The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 8.4% to 10.9% or projected annual EBITDA is 16% lower.

5. Property, plant and equipment

Group

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
Year ended 31 December 2019				
Opening balance	488,516	8,074	1,972,929	2,469,519
Additions	27,546	-	2,307,693	2,335,239
Disposals	(192,479)	-	(292,002)	(484,481)
Depreciation charge	(99,392)	(4,544)	(754,868)	(858,804)
Depreciation released on disposals	150,426	-	198,202	348,628
Closing net book amount	374,617	3,530	3,431,954	3,810,101
At 31 December 2019				
Cost	440,502	19,346	4,615,455	5,075,303
Accumulated depreciation	(65,885)	(15,816)	(1,183,501)	(1,265,202)
Net book amount	374,617	3,530	3,431,954	3,810,101
Year ended 31 December 2020				
Opening balance	374,617	3,530	3,431,954	3,810,101
Additions	650	-	864,405	865,055
Disposals	(100,844)	-	(582,998)	(683,842)
Depreciation charge	(72,320)	(2,353)	(797,211)	(871,884)
Depreciation released on disposals	80,549	-	285,988	366,537
Closing net book amount	282,652	1,177	3,202,138	3,485,967
At 31 December 2020				
Cost	340,308	19,346	4,896,862	5,256,516
Accumulated depreciation	(57,656)	(18,169)	(1,694,724)	(1,770,549)
Net book amount	282,652	1,177	3,202,138	3,485,967

6. Right-of-use assets - Group

The statement of financial position reflects the following assets relating to leases:

	Property Leases €	Total €
Year ended 31 December 2019		
Impact on adoption of IFRS 16	17,023,191	17,023,191
Additions	3,692,580	3,692,580
Amortisation charge	(2,124,864)	(2,124,864)
Closing net book amount	18,590,907	18,590,907
Year ended 31 December 2020		
Opening net book value	18,590,907	18,590,907
Additions	484,014	484,014
Disposals	(115,277)	(115,277)
Lease modifications	(242,495)	(242,495)
Amortisation charge	(2,410,137)	(2,410,137)
Amortisation released on disposal	115,277	115,277
Closing net book amount	16,422,289	16,422,289

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

	2020 €	2019 €
Depreciation charge of right-of-use assets	2,410,137	2,124,864
Interest expense (Note 15)	753,254	657,075
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	481,224	1,059,254
Rent rebates in relation to COVID-19 (Note 15)	(465,033)	-
	3,179,582	3,841,193

7. Investment in subsidiaries

Company

	2020	2019
	€	€
Year end 31 December		
At beginning and end of year	16,400,000	16,400,000

The principal subsidiaries at 31 December are shown below:

Subsidiaries	Registered office	Percentage of shares directly held by company	
		2020	2019
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%

8. Deferred taxation

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
At beginning of the year	749,524	546,860	-	-
Credited to the income statement	285,040	202,664	-	-
At end of year	1,034,564	749,524	-	-

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		Company	
	2020	2019	2020	2019
	€	€	€	€
Provision on receivables	357,445	331,366	-	-
Depreciation of property, plant and equipment	515,195	234,614	-	-
Temporary differences on right-of-use asset	161,924	183,544	-	-
	1,034,564	749,524	-	-

9. Financial assets at amortised cost

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Loans receivable from subsidiaries	-	-	4,780,000	4,780,000
Loans receivable from group companies	7,000,000	7,000,000	7,000,000	7,000,000
Less: credit loss allowance in line with IFRS 9	(85,781)	(85,781)	(139,556)	(139,556)
	6,914,219	6,914,219	11,640,444	11,640,444

9. Financial assets at amortised cost - continued

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current portion	6,914,219	6,914,219	11,640,444	11,640,444

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

10. Inventories

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Goods held for resale	3,493,670	3,900,234	-	-

Inventory is stated at net of write-downs of €442,957 (2019: €348,925). 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.

11. Trade and other receivables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Trade receivables	2,396,816	3,156,247	1,418	-
Less: credit loss allowance	(185,722)	(523,116)	-	-
Trade receivables - net	2,211,094	2,633,131	1,418	-
Amounts owed by parent	2,126,330	2,250,596	-	-
Amount owed by subsidiaries (net of provisions)	-	-	-	-
Amount owed by related undertakings (net of provisions)	1,918,774	4,412,786	-	-
Other receivables	232,308	244,592	-	-
Prepayments and contract assets	230,530	313,853	2,712	2,165
	6,719,036	9,854,958	4,130	2,165

Amounts owed by subsidiaries and group undertakings bear interest at 4.00% per annum (2019: 4.48%).

11. Trade and other receivables - continued

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Provision on amounts owed by parent company	25,786	25,592	-	-
Provision on amounts owed by related undertakings	809,251	398,054	-	-
	835,037	423,646	-	-

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

12. Cash and cash equivalents

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

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at bank and in hand	4,111,047	2,994,997	770,928	779,533
Bank overdrafts (Note 17)	(43,497)	(276,021)	-	-
	4,067,550	2,718,976	770,928	779,533

13. Share capital

	Group and Company	
	2020	2019
	€	€
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.

14. Other reserves

	Group	
	2020	2019
<i>Acquisition reserves</i>		
Other reserves at beginning and end of year	15,994,856	15,994,856

15. Lease liabilities

	2020	2019
	€	€
Non-current	15,087,442	16,987,631
Current	1,447,942	1,351,725
	16,565,384	18,339,356

	2020	2019
	€	€
At beginning of the year	18,339,356	16,831,904
Additions	484,014	3,692,580
Lease modifications	(230,668)	-
COVID-19 lease concessions	(465,033)	-
Interest expense (Note 24)	753,254	657,080
Payments effected	(2,315,539)	(2,842,208)
	16,565,384	18,339,356

Included in the lease liabilities for properties are amounts of €8,747,035 (2019: €9,729,365) which are attributable arrangements with the ultimate parent, of which €7,672,965 (2019: €8,667,690) are non-current amounts.

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

The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2.1(c).

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Group has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted.

16. Trade and other payables

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Trade payables	4,550,326	6,417,577	-	-
Amounts owed to parent	389,301	110,926	-	-
Amounts owed to related undertakings	757,557	2,076,272	-	-
Amounts owed to related party	-	3,853	-	-
Indirect taxation	2,552,695	1,550,237	3,000	25,098
Other payables	99,856	39,425	-	-
Accruals and deferred income	888,315	883,446	405,318	401,714
	9,238,050	11,081,736	408,318	426,812

The amounts owed to the parent, related undertakings and related party are unsecured, repayable on demand and bear interest at 4% per annum (2019: 4.48%).

17. Borrowings

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Non-current				
Bond loan	11,849,889	11,821,296	11,849,889	11,821,296
Bank loan	121,219	-	-	-
	11,971,108	11,821,296	11,849,889	11,821,296
Current				
Bank overdrafts	43,497	276,021	-	-
Bank loan	28,319	-	-	-
	71,816	276,021	-	-
Total borrowings	12,042,924	12,097,317	11,849,889	11,821,296

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 €150,108 (2019: 178,704).

The Group's bank borrowings relate to a loan carrying an effective interest rate of 4% and repayable within 5 years from initial drawdown. Furthermore, the Group's has unutilised overdraft facilities as at 31 December 2020 amounting to €1,972,000. The overdraft facilities carry floating interest rates averaging 4.00%.

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 and a foreign exchange facility amounting to €425,000.

17. Borrowings - continued

During 2020, the Group successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €1,850,000 repayable within five years from initial drawdown and carries interest of 2.5% plus 3-month EURIBOR. In line with the Malta Development Bank COVID-19 Guarantee Scheme, this loan will benefit from a subsidy of 2.4% for the first two years. As at 31 December 2020, the Group had not yet drawn down these facilities.

18. Revenue

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Retail	21,707,249	30,469,368	-	-
Wholesale	8,421,639	12,345,999	-	-
	30,128,888	42,815,367	-	-

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

19. Expenses by nature

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Purchases of goods for resale	19,129,743	26,781,599	-	-
Franchise fees (Royalties)	1,122,971	1,587,156	-	-
Other direct expenses	839,748	1,180,066	-	-
Employee benefit expense (Note 21)	2,454,268	4,002,421	-	-
Amortisation of intangible assets (Note 4)	2,263	2,263	-	-
Depreciation of property, plant and equipment (Note 5)	871,884	858,803	-	-
Depreciation of right-of-use assets (Note 6)	2,410,137	2,124,864	-	-
Professional fees	91,349	126,254	36,872	32,931
Rent and common charges	481,224	1,059,254	-	-
COVID-19 rent rebates (Note 15)	(465,033)	-	-	-
Movement in expected credit loss allowance (Note 11)	73,997	(8,878)	-	-
Bad debts written-off	1,503,025	-	-	-
Management fees	730,504	1,464,928	-	-
Advertising	293,382	569,446	-	384
Bank charges	198,697	226,109	434	547
Other expenses	840,863	1,442,667	31,224	38,003
Total cost of sales, operating and administrative expenses	30,579,022	41,416,952	68,530	71,865

19. Expenses by nature - continued

Auditor's fees

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit	36,500	36,500	12,500	12,500
Other non-assurance services	2,350	200	-	-
Tax compliance services	3,000	3,000	750	750
	41,850	39,700	13,250	13,250

20. Other Income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Other income	137,286	117,441	-	1,920

21. Employee benefit expense

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries	2,195,644	3,718,047	-	-
Social security costs	258,624	284,374	-	-
	2,454,268	4,002,421	-	-

Wages and salaries are presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €988,875 (2019: €NIL). Grants related to income are presented as a deduction in reporting the related expense.

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

	Group		Company	
	2020	2019	2020	2019
Operations	29	30	-	-
Retail	207	306	-	-
	236	336	-	-

22. Directors' emoluments

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Salaries and other emoluments	42,000	98,744	24,000	32,001
	42,000	98,744	24,000	32,001

Directors' emoluments are inclusive of amounts recharged from the ultimate parent company.

23. Finance income

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest amounts due from subsidiaries	-	-	247,500	247,500
Interest on amounts from ultimate parent	306,690	308,947	262,900	262,900
Interest from group companies	138,875	283,479	137,500	137,500
Interest on bank balances	9	285	-	-
	445,574	592,711	647,900	647,900

24. Finance costs

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Interest payable on bond	522,000	522,000	522,000	522,000
Amortisation of bond issue costs	28,596	28,596	28,596	28,596
Bank interest and charges	67,280	65,910	-	-
Interest on amounts due to group companies	15,774	14,771	-	-
Interest charges on lease liabilities (Note 15)	753,254	657,080	-	-
	1,386,904	1,288,357	550,596	550,596

25. Tax (credit)/expense

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Current tax (credit)/expense	(63,143)	503,427	31,547	165,516
Losses surrendered to group company	(23,044)	-	-	-
Deferred tax credit (Note 8)	(285,040)	(202,664)	-	-
	(371,227)	300,763	31,547	165,516

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:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
(Loss)/profit before tax	(1,254,178)	820,210	28,774	411,974
Tax at 35%	(438,962)	287,074	10,071	144,191
Tax effect of:				
Unrecognised deferred tax in prior year	131,395	(16,315)	-	-
Over provision of current tax in prior year	(94,689)	-	-	-
Expenses and provision not allowable for tax purposes	32,271	30,004	21,476	21,325
Other	(1,242)	-	-	-
Tax (credit)/expense	(371,227)	300,763	31,547	165,516

26. Dividends

	Group and Company	
	2020	2019
	€	€
Gross dividend	-	384,615
Tax at source	-	(134,615)
Net dividend	-	250,000
Net dividends per share	-	0.02

27. Cash generated from operations

Reconciliation of operating (loss)/profit to net cash generated from operations:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Operating (loss)/profit	(312,848)	1,515,856	(68,530)	(69,945)
Adjustments for:				
Amortisation of intangible assets (Note 4)	2,263	2,263	-	-
Depreciation on property, plant and equipment (Note 5)	871,884	858,804	-	-
Depreciation right-of-use assets (Note 6)	2,410,137	2,124,864	-	-
Loss on disposal of property, plant and equipment	317,305	135,853	-	-
COVID-19 rent rebates (Note 15)	(465,033)	-	-	-
Lease modifications (Note 6 and 15)	11,827	-	-	-
Movement in expected credit loss allowance	73,997	(8,878)	-	-
Bad debts written off	1,503,025	-	-	-
Changes in working capital:				
Inventories	406,564	225,866	-	-
Trade and other receivables	1,558,900	522,729	(1,965)	410,437
Trade and other payables	(1,843,686)	1,123,715	(18,494)	21,849
Cash generated from/(used in) operations	4,534,335	6,501,072	(88,989)	362,341

28. Contingent liabilities

As at 31 December 2020, the Group provided third parties with guarantees amounting to €2,907,839.

The Group's bank facilities disclosed in note 17 are mainly secured by first general hypothecs and guarantees over the Hudson Malta p.l.c Group and Hudson Holdings Group's assets.

29. Related party transactions

The Company and its subsidiaries have a related party relationship with Hudson Holdings Limited, the ultimate controlling parent (Note 31) 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:

	Group		Company	
	2020	2019	2020	2019
	€	€	€	€
Revenue				
Sales - related parties	2,113,857	2,338,010	-	-
Interest income - related parties (Note 23)	306,690	308,947	647,900	647,900
Expenses				
Cost of sales - related parties	1,289,356	727,181	-	-
Finance costs - related parties (Note 24)	15,774	14,771	-	-
Management fees - parent	730,504	1,464,928	-	-

Year-end balances with related parties are disclosed in Notes 9, 11, 15 and 16 to these financial statements.

30. Events subsequent to the end of the reporting period

Completion of Merger of Subsidiaries

On 14 March 2021, the Group completed the merger by acquisition of Hudson International Company Limited (HICL) by Time International (Sport) Limited (TISL), both being subsidiaries of the Company.

In virtue of the afore-mentioned merger by acquisition, TISL, as the acquiring company, succeeded to all the assets, rights, liabilities and obligations of HICL, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

The said merger by acquisition will not have any effect on the Company's shareholding in TISL and the Company continues to hold the totality of the Ordinary shares issued in the said company.

30. Events subsequent to the end of the reporting period - continued

Conditional Completion of Acquisition of Trilogy Limited

Following the obtaining of regulatory approval, Hudson Holdings Limited, the ultimate parent company of the Hudson Group, has entered into a share-for-share exchange agreement with Trilogy Limited (C 42528) dated 7 April 2021 (the 'Framework Agreement For The Exchange Of Shares') in connection with the potential acquisition of Trilogy Limited that will result in the shareholders of Trilogy Limited taking up shares in Hudson Holdings Limited. In terms of the Framework Agreement For The Exchange Of Shares, completion of the proposed acquisition is subject to the satisfaction of certain conditions precedent.

If the Framework Agreement For The Exchange Of Shares is executed, an intra-group restructuring is to be carried out pursuant to the terms thereof, whereby Trilogy Limited will become a fully-owned subsidiary of Hudson Malta p.l.c..

31. 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 Holding 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.