HUDSON MALTA P.L.C.
Annual Financial Report
31 December 2022

Company Registration Number: C 83425

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

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 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, to its parent company Hudson Holdings Limited and a sister company also forming part of the Hudson Group. The Company earns interest from these loans.

In 2021 the Hudson Group acquired Trilogy Limited, a Maltese company operating retail stores in Malta. Subsequently the equity stake in Trilogy was transferred to the Company so that Trilogy Limited became a subsidiary along with Hudson Malta Sales Ltd (hereinafter "HMS"). On 30 August 2022 Hudson Malta P.L.C legally transferred its equity stake in Trilogy Limited, to Hudson Malta Sales Ltd for a consideration of €6,000,000 settled by an issue of shares to Hudson Malta P.L.C. Subsequent to the transfer, Trilogy Limited merged into Hudson Malta Sales Ltd, however the legal merger was not yet effected by 31 December 2022. The directors have made an assessment that although the merger has not as yet taken legal effect, they are of the belief that given the nature of the entities being merged, the related operations and assets and liabilities, the merger will take legal effect. On this basis, the directors have accounted for such transfer and merger in the year ended 31 December 2022. The accounting effective date of the merger has been determined as being 1 January 2022.

Reference is also made to the amalgamation by virtue of a merger by acquisition by Time International (Sport) Limited (hereinafter "TISL"; presently HMS) of Hudson International Company Limited (C 48705) (hereinafter "HICL"), which amalgamation of TISL and of the company being acquired, HICL, became effective on the 14 March 2021. In virtue of the afore-mentioned merger by acquisition having taken effect, TISL (presently HMS), as the acquiring company, succeeded to acquire 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 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 financial year 2022, the Company earned €648,432 from interest income on loans advanced to Hudson Group companies against €551,632 of finance costs on the bond. After deducting expenses, the Company reported a profit before tax for the year of €32,790.

The Group

Overall, in 2022 the Group reported an increase in turnover of €12 million (or 27%) to €55 million. With gross profit margin improving to 34% from 32% and increased revenues, the gross profit increased by €4.4 million (or 31%) to €18.5 million. Operating and administrative expenses however grew by €5.4 million from increased costs, mainly due to increased payroll costs and recharges of expenses from the parent company resulting in an operating profit of €1.7 million compared to an operating profit of €2.7 million in 2021.

Directors' report - continued

After taking into consideration the impact of financing costs which were greater than in 2021 the Group reported a profit before tax of €0.6 million compared to a profit before tax of €1.7 million in 2021. From a balance sheet aspect, the liquidity position of the Group is in line with prior year with net current assets amounting to €7 million as at 31 December 2022 (2021: €7 million).

Corporate social responsibility

As part of our values, we are committed to protecting the communities and surrounding environment. Some of our sustainability initiatives are the mandatory use of recycling bins for used clothes and shoes – these are collected within our stores and offices and passed on to a third party who exports them to people in need. Other initiatives include utilisation of rainwater for the upkeep of our offices, and changing the company vehicles to electric vehicles.

Results and dividends

The income statement is set out on page 11. The directors do not recommend the payment of a final dividend and, propose that the balance of retained earnings of the Company amounting to €123,907 (2021: €76,435) 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, possible obsolescence of inventories, potential loss of market share as competing retailers enter the market, and the risks associated with the current global environment with risks of disruption to the logistical chain which is expected to have a continued impact on inflation across the board resulting in higher costs going forward.

Directors

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

Alfred Borg
George Amato
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 2022 are included in the Annual Financial Report 2022, which will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Financial 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 Capital Markets 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.

Signed on behalf of the Company's Board of Directors on 27 April 2023 by Alfred Borg (Director) and George Amato (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

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

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 Capital Markets Rules issued by 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 Capital Markets Rules for the financial period ended 31 December 2022, 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 Capital Markets Rule 5.101, the Company is exempt from the requirement to disclose the information prescribed by Capital Markets 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 Capital Markets 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 Chief Executive Officer, Mr Christopher Muscat, fulfilled the role of CEO during the period under review, while Mr Alfred Borg continued to act as Chairman of the Board.

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 issues presented to it for consideration.

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. 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 and during the reporting period under review the members of the Board, are as follows:

Executive directors:
Alfred Borg – Chairman
Christopher Muscat
George Amato

Independent, non-executive directors:
Victor Spiteri
Kevin Valenzia
Brian Zarb Adami

Dr Luca Vella acts as company secretary.

In compliance with the Capital Markets 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 Rule 5.119 of the Capital Markets 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 five (5) times during 2022. 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 and Audit Committee 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) and Hudson Malta Sales Ltd (C 32438) [formerly 'Time International (Sport) Limited']. This is also intended to ensure that the policies and strategies adopted by the Board are effectively implemented.

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 each 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 five (5) times during 2022. 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 Capital Markets 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), Kalani Weerasinghe (Hudson Group HR Director), Nicolas Vidal (GM Africa), and Indrek Heinmets (Brand 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.

Principle 9 - Relations with shareholders and with the Market

The Company is committed to having an open and communicative relationship with its shareholders, 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 Capital Markets 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 Capital Markets 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.

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 €28,000 in aggregate for services rendered during 2022.

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.

Principle 10 – Institutional Shareholders

The Company is ultimately privately held and has no institutional shareholders, therefore, Principle 10 does not, at present, apply to the Company.

Approved by the Board of directors on 27 April 2023.

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2022**	2021	**2022**	2021
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	4	**4,068,715**	4,390,188	**-**	-
Property, plant and equipment	5	**5,162,034**	4,674,278	**-**	-
Right-of-use assets	6	**21,341,059**	20,826,098	**-**	-
Investment in subsidiaries	7	**-**	-	**22,400,000**	22,400,000
Deferred tax assets	8	**1,164,163**	953,773	**-**	-
Financial assets at amortised cost	9	**5,382,044**	6,213,631	**9,966,088**	10,460,537
Trade and other receivables	11	**249,682**	-	**-**	-
Total non-current assets		**37,367,697**	37,057,968	**32,366,088**	32,860,537
Current assets					
Inventories	10	**7,839,892**	5,447,210	**-**	-
Trade and other receivables	11	**14,397,960**	8,936,649	**469,190**	172,012
Current tax assets		**-**	-	**11,264**	-
Cash and cash equivalents	12	**4,227,785**	7,508,826	**2,105,901**	1,833,434
Total current assets		**26,465,637**	21,892,685	**2,586,355**	2,005,446
Total assets		**63,833,334**	58,950,653	**34,952,443**	34,865,983

Statements of financial position – continued

		As at 31 December			
		Group		Company	
	Notes	**2022**	2021	**2022**	2021
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**22,450,000**	16,450,000	**22,450,000**	16,450,000
Other reserve	14	**(15,994,856)**	(15,994,856)	**-**	-
Capital contribution reserve	15	**-**	6,000,000	**-**	6,000,000
Retained earnings		**6,309,509**	6,101,998	**123,907**	76,435
Total equity		**12,764,653**	12,557,142	**22,573,907**	22,526,435
Non-current liabilities					
Borrowings	18	**13,016,086**	13,439,875	**11,907,084**	11,878,488
Lease liabilities	16	**18,543,565**	18,102,109	**-**	-
Total non-current liabilities		**31,559,651**	31,541,984	**11,907,084**	11,878,488
Current liabilities					
Trade and other payables	17	**14,303,009**	10,995,220	**471,452**	426,067
Lease liabilities	16	**3,030,812**	2,555,155	**-**	-
Borrowings	18	**1,926,893**	710,902	**-**	-
Current tax liabilities		**248,316**	590,250	**-**	34,993
Total current liabilities		**19,509,030**	14,851,527	**471,452**	461,060
Total liabilities		**51,068,681**	46,393,511	**12,378,536**	12,339,548
Total equity and liabilities		**63,833,334**	58,950,653	**34,952,443**	34,865,983

The notes on pages 15 to 50 are an integral part of these financial statements.

The financial statements on pages 9 to 50 were approved and authorised for issue by the Board of Directors on 27 April 2023. The financial statements were signed on behalf of the Company's Board of Directors by Alfred Borg (Director) and George Amato (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2022**	2021	**2022**	2021
		€	€	**€**	€
Revenue	19	**54,858,846**	43,074,617	**-**	-
Cost of sales	20	**(36,343,345)**	(28,976,265)	**-**	-
Gross profit		**18,515,501**	14,098,352	**-**	-
Operating and administrative expenses	20	**(16,831,623)**	(11,443,960)	**(144,010)**	(77,174)
Net impairment losses on financial and contract assets	20	**(58,559)**	15,636	**-**	-
Other income	21	**52,604**	60,535	**-**	-
Operating profit		**1,677,923**	2,730,563	**(144,010)**	(77,174)
Finance income	24	**394,528**	399,612	**728,432**	647,901
Finance costs	25	**(1,475,411)**	(1,442,708)	**(551,632)**	(550,596)
Profit before tax		**597,040**	1,687,467	**32,790**	20,131
Income tax (expense)/credit	26	**(389,529)**	(652,084)	**14,682**	(34,056)
Profit for the year		**207,511**	1,035,383	**47,472**	(13,925)

The notes on pages 15 to 50 are an integral part of these financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Capital contribution €	Other reserves €	Retained earnings €	Total €
Balance 1 January 2021		16,450,000	-	(15,994,856)	5,066,615	5,521,759
Comprehensive income						
Profit for the year		-	-	-	1,035,383	1,035,383
Transactions with owners						
Capital contribution		-	6,000,000	-	-	6,000,000
Balance at 31 December 2021		16,450,000	6,000,000	(15,994,856)	6,101,998	12,557,142
Balance 1 January 2022		16,450,000	6,000,000	(15,994,856)	6,101,998	12,557,142
Comprehensive income						
Profit for the year		-	-	-	207,511	207,511
Transactions with owners						
Issue of share capital	13	6,000,000	(6,000,000)	-	-	-
Balance at 31 December 2022		**22,450,000**	**-**	**(15,994,856)**	**6,309,509**	**12,764,653**

Statements of changes in equity – continued

Company

	Note	Share capital €	Capital Contribution €	Other reserves €	Retained earnings €	Total €
Balance as at 1 January 2021		16,450,000	-	-	90,360	16,540,360
Comprehensive income						
Loss for the year		-	-	-	(13,925)	(13,925)
Transactions with owners						
Capital contribution		-	6,000,000	-	-	6,000,000
Balance at 31 December 2021		**16,450,000**	**6,000,000**	**-**	**76,435**	**22,526,435**
Balance as at 1 January 2022		16,450,000	6,000,000	-	76,435	22,526,435
Comprehensive income						
Profit for the year		-	-	-	47,472	47,472
Transactions with owners						
Issue of share capital	13	6,000,000	(6,000,000)	-	-	-
Balance at 31 December 2022		**22,450,000**	**-**	**-**	**123,907**	**22,573,907**

The notes on pages 15 to 50 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	**2022** **€**	2021 €	**2022** **€**	2021 €
Cash flows from operating activities					
Cash generated from/(used in) operations	28	**2,019,169**	5,797,604	**(395,803)**	(225,399)
Interest paid on lease liabilities	25	**(900,658)**	(844,187)	**-**	-
Interest paid on borrowings	25	**(574,753)**	(598,521)	**(551,632)**	(550,596)
Interest received	24	**394,528**	399,612	**728,432**	647,901
Income tax paid		**(941,854)**	(130,834)	**(31,575)**	(15,999)
Net cash generated from/(used in) operating activities		**(3,568)**	4,623,674	**(250,578)**	(144,093)
Cash flows from investing activities					
Purchases of property, plant and equipment	5	**(2,236,391)**	(1,152,442)	**-**	-
Receipts from loans and receivables		**850,000**	700,000	**494,449**	1,178,000
Net cash acquired upon acquisition		**-**	32,840	**-**	-
Net cash (used in)/generated from investing activities		**(1,386,391)**	(419,602)	**494,449**	1,178,000
Cash flows from financing activities					
Proceeds from borrowings		**-**	1,878,599	28,596	28,599
Repayment of borrowings		**(318,298)**	(69,030)	-	-
Principal elements of lease payments		**(2,683,284)**	(2,914,146)	-	-
Net cash (used in)/generated from financing activities		**(3,001,582)**	(1,104,577)	28,596	28,599
Movement in cash and cash equivalents		**(4,391,541)**	3,099,495	272,467	1,062,506
Cash and cash equivalents at the beginning of the year		**7,167,045**	4,067,550	1,833,434	770,928
Cash and cash equivalents at end of year	12	**2,775,504**	7,167,045	2,105,901	1,833,434

Non-cash investing activities relating to the settlement of a business combination entered into by the Group and Company during the year ended 31 December 2022 is disclosed in note 31 to these financial statements.

The notes on pages 15 to 50 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.

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

Standards, interpretations and amendments to published standards effective in 2022

In 2022, there were no amendments to existing standards that were mandatory for the Group and Company to be adopted for the accounting period beginning on 1 January 2022.

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 2022. 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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(a) Subsidiaries - continued

In the Company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Cost includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the Company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

(b) Business combinations

The Group applies the acquisition method of accounting to account for business combinations that fall within the scope of IFRS 3. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed (identifiable net assets) in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of the acquiree's identifiable net assets.

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired. If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying values of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control and for which consolidated financial statements are prepared. When the controlling party does not prepare consolidated financial statements because it is not a parent company, the financial statements 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 include in equity in a separate reserve. The financial statements incorporate the acquired entity's results only from the date on which the business combination between entities under common control occurred.

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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Business combinations - continued

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

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.

1. Summary of significant accounting policies - continued

1.4 Intangible assets

(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.

(c) Supplier relationships

Supplier relationships acquired in a business combination are recognised at fair value at the acquisition date. Supplier relationships 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 supplier relationships over their estimated useful lives of 15 years.

1.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over 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 1.7).

1. Summary of significant accounting policies - continued

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.

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 except for a new lease agreement entered into in 2022 as management is still assessing the long term viability of the location.

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	33	1 - 14	9	5 - 7	33	-	33

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.

1. Summary of significant accounting policies - continued

1.6 Leases - continued

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

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

To determine the incremental borrowing rate, the Group:

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

1. Summary of significant accounting policies - continued

1.6 Leases- continued

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.

1.7 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. Summary of significant accounting policies - continued

1.8 Financial Assets - continued

1.8.3 Measurement - continued

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

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

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

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

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

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

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

1.8.4 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. Summary of significant accounting policies - continued

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.

1.10 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. Summary of significant accounting policies - continued

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.

1.15 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.

1. Summary of significant accounting policies - continued

1.18 Current and deferred tax - continued

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.

1.19 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.

1. Summary of significant accounting policies - continued

1.20 Revenue recognition - continued

(b) Sales of goods - retail

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

(c) Interest income

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

(d) Dividend income

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

1.21 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 18) and intra-group balances (Notes 11 and 17), have fixed interest rates whilst the bank borrowings (Note 18) are subject to variable 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. For bank borrowings subject to variable interest rates management performed a sensitivity analysis factoring in a reasonable shift in interest rates and determined that the impact would not be material.

(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	
	2022	2021	2022	2021
	€	€	**€**	€
As at 31 December				
Trade and other receivables (Note 11)	**12,941,780**	8,661,359	**466,987**	169,487
Loans receivable (Note 9)	**5,382,044**	6,213,631	**9,966,088**	10,460,537
Cash and cash equivalents (Note 12)	**4,227,785**	7,508,826	**2,105,901**	1,833,434
	22,551,609	22,383,816	**12,538,976**	12,463,458

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

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

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

The Group is exposed to significant concentration of credit risk with respect to two of its main trading customers amounting to 45.7% (2021: 22.6%) of the total trade receivables. These material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Group undertaking and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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.

The Group monitors 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 are thoroughly and regularly assessed to determine whether any deterioration in collection rates is 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, 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. As a result, the related provision was released in the current year.

As at 31 December 2022, trade receivables for the Group amounting to €149,236 (2021: €149,236) were provided for.

Third party trade and other receivables (including contract assets)

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 (Note 9) and other current balances (Note 11) due from group and related undertakings. The Group and Company monitor intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Group's management uses judgement in making these assumptions, based on the counterparty's 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 €982,384 (2021: €923,825) and €120,113 (2021: €141,463) respectively. Furthermore, during the year, the Group wrote-off balances amounting to €3,327 (2021: €20,851), 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 18), lease liabilities (Note 16) and trade and other payables (Note 17). 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 2022					
Lease liabilities	21,574,377	26,664,880	3,921,786	12,945,019	9,798,075
Listed bond	11,907,084	14,088,000	522,000	13,566,000	-
Trade and other payables	14,303,009	14,303,009	14,303,009	-	-
Bank borrowings	3,035,895	3,157,332	2,003,969	1,153,363	-
	50,820,365	**58,213,221**	**20,750,764**	**27,664,382**	**9,798,075**

Group	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2021					
Lease liabilities	20,657,264	25,852,151	3,426,464	12,690,460	9,735,227
Listed bond	11,878,488	14,610,000	522,000	14,088,000	-
Trade and other payables	10,995,220	10,995,220	10,995,220	-	-
Bank borrowings	2,272,289	2,369,309	748,901	474,612	1,145,796
	45,803,261	**53,826,680**	**15,692,585**	**27,253,072**	**10,881,023**

Company	Carrying Amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2022					
Listed bond	11,907,084	14,088,000	522,000	13,566,000	-
Trade and other payables	471,452	471,452	471,452	-	-
	12,378,536	**14,559,452**	**993,452**	**13,566,000**	**-**

Company	Carrying Amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2021					
Listed bond	11,878,488	14,610,000	522,000	14,088,000	-
2. Trade and other payables	426,067	426,067	426,067	-	-
	12,304,555	**1,503,067**	**948,067**	**14,088,000**	**-**

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		Company	
	2022	2021	**2022**	2021
Borrowings (Note 18)	**14,942,979**	14,150,777	**11,907,084**	11,878,488
Lease liabilities (Note 16)	**21,574,377**	20,657,264	**-**	-
Less: cash and cash equivalents (Note 12)	**(4,227,785)**	(7,508,826)	**(2,105,901)**	(1,833,434)
Net debt	**32,289,571**	27,299,215	**9,801,183**	10,045,054
Total equity	**12,764,653**	12,557,142	**22,568,907**	22,526,435
Total capital	**45,054,224**	39,856,357	**32,370,090**	32,571,489
Net debt ratio	**71.7%**	68.5%	**30.3%**	30.8%

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	Supplier Relationships	Total
	€	€	€	€
At 1 January 2021	1,065,688	136,539	-	1,202,227
Assets taken over on acquisition (Note 31)	-	-	3,190,224	3,190,224
Accumulated amortisation and impairment charges	-	(2,263)	-	(2,263)
At 31 December 2021	**1,065,688**	**134,276**	**3,190,224**	**4,390,188**
At 1 January 2022	**1,065,688**	**134,276**	**3,190,224**	**4,390,188**
Accumulated amortisation and impairment charges	-	(2,451)	(319,022)	(321,473)
At 31 December 2022	**1,065,688**	**131,825**	**2,871,202**	**4,068,715**

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 was identified, which comprises the operations of Hudson Malta Sales Ltd (HMS CGU). The recoverable amount of goodwill has been determined based on value-in-use calculations of the HMS CGU. These calculations use post-tax cash flow projections reflecting the estimates for the years 2023 to 2028 as approved by the Board of Directors.

The key assumptions in the determination of the recoverable amount of the HMS 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 HMS CGU was 12.3% (2021: 8.4%) whilst the long-term growth rate applied in the valuation of the residual value was 1.0% (2021: 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 2022.

The recoverable amount of the HMS CGU currently exceeds its carrying amount by €10,235,000 (2021: €3,641,000). The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 12.3% to 19.4% (2021: from 8.4% to 14%) or projected annual EBITDA is 13% lower (2021: 13% lower).

5. Property, plant and equipment

Group

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
Year ended 31 December 2021				
Opening balance	282,652	1,177	3,202,138	3,485,967
Additions	125,474	-	1,026,968	1,152,442
Disposals	(231,689)	-	(2,408,858)	(2,640,547)
Assets taken over on acquisition (Note 31)	577,185	-	791,493	1,368,678
Depreciation charge	(42,431)	(1,176)	(1,047,075)	(1,090,682)
Depreciation released on disposals	54,151	(1)	2,344,270	2,398,420
Closing net book amount	**765,342**	**-**	**3,908,936**	**4,674,278**
At 31 December 2021				
Cost	811,278	19,346	4,306,465	5,137,089
Accumulated depreciation	(45,936)	(19,346)	(397,529)	(462,811)
Net book amount	**765,342**	**-**	**3,908,936**	**4,674,278**
Year ended 31 December 2022				
Opening balance	765,342	-	3,908,936	4,674,278
Additions	489,560	-	1,427,549	1,917,109
Disposals	(1,189)	-	(56,310)	(57,499)
Depreciation charge	(42,967)	-	(1,377,784)	(1,420,751)
Depreciation released on disposals	1,071		47,826	48,897
Reclassification between asset categories	(534,878)	-	534,878	-
Closing net book amount	**676,939**	**-**	**4,485,095**	**5,162,034**
At 31 December 2022				
Cost	764,771	19,346	6,212,582	6,996,699
Accumulated depreciation	(87,832)	(19,346)	(1,727,487)	(1,834,665)
Net book amount	**676,939**	**-**	**4,485,095**	**5,162,034**

As at 31 December 2022, the Group had assets under construction in the amount of €391,402 which mainly represent fixtures and fittings for stores not yet in use. These assets do not attract any depreciation.

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 2021		
Opening net book value	16,422,289	16,422,289
Assets taken over on acquisition (Note 31)	5,792,142	5,792,142
Additions	2,027,439	2,027,439
Disposals	(1,093,271)	(1,093,271)
Lease modifications	(32,788)	(32,788)
Amortisation charge	(2,684,227)	(2,684,227)
Amortisation released on disposal	394,514	394,514
Closing net book amount	**20,826,098**	**20,826,098**
Year ended 31 December 2022		
Opening net book value	20,826,098	20,826,098
Additions	3,737,073	3,737,073
Lease modifications	(39,826)	(39,826)
Amortisation charge	(3,182,286)	(3,182,286)
Closing net book amount	**21,341,059**	**21,341,059**

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

	2022 €	2021 €
Depreciation charge of right-of-use assets	3,182,286	2,684,227
Interest expense (Note 16)	900,658	844,187
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	747,452	587,541
Rent rebates in relation to COVID-19 (Note 16)	-	(331,068)

7. Investment in subsidiaries

Company

	2022	2021
	€	€
At 1 January	22,400,000	16,400,000
Additions (Note 31)	-	6,000,000
At 31 December	**22,400,000**	**22,400,000**

The principal subsidiaries as at 31 December 2022 are shown below:

Subsidiaries	**Registered office**	**Percentage of shares directly held by company**	
		2022	2021
Hudson Malta Sales Ltd	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	**100%**	100%
Trilogy Limited (merged into Hudson Malta Sales Ltd)	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	**-**	100%

On 30 August 2022 Hudson Malta P.L.C. legally transferred its equity stake in Trilogy Limited, to Hudson Malta Sales Ltd for a consideration of €6,000,000 settled by an issue of shares to Hudson Malta P.L.C. Subsequent to the transfer Trilogy Limited merged into Hudson Malta Sales Ltd however the legal merger was not yet effected by 31 December 2022. The directors have made an assessment and, although the merger has not as yet taken legal effect, are of the belief that given the nature of the entities being merged, the related operations and assets and liabilities, that the merger will take legal effect. On this basis the directors have accounted for such transfer and merger in the year ended 31 December 2022. The accounting effective date of such merger has been determined as being 1 January 2022.

8. Deferred tax assets

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
At beginning of the year	**953,773**	1,034,564	**-**	-
Credited/(charged) to the income statement	**210,390**	(80,791)	**-**	-
At end of year	**1,164,163**	953,773	**-**	-

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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Provision on receivables	**372,282**	350,782	**-**	-
Depreciation of property, plant and equipment	**263,973**	320,514	**-**	-
Temporary differences on leases	**445,870**	282,477	**-**	-
Other provisions	**82,038**	-	**-**	-
	1,164,163	953,773	**-**	-

9. Financial assets at amortised cost

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Loans receivable from subsidiaries	**-**	-	**4,636,201**	4,302,000
Loans receivable from group companies	**5,450,000**	6,300,000	**5,450,000**	6,300,000
Less: credit loss allowance in line with IFRS 9	**(67,956)**	(86,369)	**(120,113)**	(141,463)
	5,382,044	6,213,631	**9,966,088**	10,460,537

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current portion	**5,382,044**	6,213,631	**9,966,088**	10,460,537

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 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Goods held for resale	**7,839,892**	5,447,210	**-**	-

Inventory is stated at net of write-downs of €904,690 (2021: €456,327). 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 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Trade receivables	**2,535,888**	2,714,017	**-**	-
Less: credit loss allowance	**(149,236)**	(149,236)	**-**	-
Trade receivables - net	**2,386,652**	2,564,781	**-**	-
Amounts owed by parent	**4,690,930**	3,756,756	**71,780**	63,425
Amount owed by subsidiaries (net of provisions)	**-**	-	**-**	106,062
Amount owed by related undertakings (net of provisions)	**5,189,552**	2,261,989	**-**	-
Other receivables	**136,606**	77,833	**-**	-
Prepayments and contract assets	**2,243,902**	275,290	**397,410**	2,525
	14,647,642	8,936,649	**469,190**	172,012

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Non-current	**249,682**	-	**-**	-
Current	**14,397,960**	8,936,649	**469,190**	172,012
	14,647,642	8,936,649	**469,190**	172,012

Amounts owed by subsidiaries and group undertakings bear interest at 4% per annum (2021: 4%).

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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Provision on amounts owed by parent company	**52,684**	42,053	**-**	1,100
Provision on amounts owed by related undertakings	**861,744**	795,403	**-**	808
	914,428	837,456	**-**	1,908

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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Cash at bank and in hand	**4,227,785**	7,508,826	**2,105,901**	1,833,434
Bank overdrafts (Note 18)	**(1,452,281)**	(341,781)	**-**	-
	2,775,504	7,167,045	**2,105,901**	1,833,434

13. Share capital

	Group and Company	
	2022	2021
	€	€
Authorised, Issued and fully paid		
22,450,000 (2021: 16,450,000) ordinary 'A' shares of €1.00 each	**22,450,000**	16,450,000
	22,450,000	16,450,000

In April 2022, Hudson Malta P.L.C increased its authorised and issued share capital by 6,000,000 Ordinary Shares of a nominal value of €1 each. These 6,000,000 Ordinary shares were allotted to Hudson Holdings Limited in consideration for the shares held in Trilogy Limited as described in note 31. As a result of this transaction, Hudson Holdings Limited gains an additional €6,000,000 issued share capital in Hudson Malta P.L.C bringing its total to €22,449,999 out of the total paid up share capital of €22,450,000. The holders of Ordinary 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	
	2022	2021
	€	€
Acquisition reserves		
Other reserves at beginning and end of year	**15,994,856**	15,994,856

15. Capital contribution reserves

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Capital contributions (Note 13)	**-**	6,000,000	**-**	6,000,000
	-	6,000,000	**-**	6,000,000

16. Lease liabilities

	Group	
	2022	2021
	€	€
Non-current	**18,543,565**	18,102,109
Current	**3,030,812**	2,555,155
	21,574,377	20,657,264

	2022	2021
	€	€
At beginning of the year	**20,657,264**	16,535,384
Amounts taken over on acquisition (note 31)	**-**	4,820,005
Additions	**3,586,512**	1,893,809
Lease modifications	**13,885**	(142,535)
COVID-19 lease concessions	**-**	(331,068)
Disposals	**-**	(48,372)
Interest expense (Note 25)	**900,658**	844,187
Payments effected	**(3,583,942)**	(2,914,146)
	21,574,377	20,657,264

Included in the lease liabilities for properties are amounts of €6,494,948 (2021: €7,785,848) which are attributable arrangements with the ultimate parent, of which €5,026,812 (2021: €6,747,664) are non-current amounts.

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

16. Lease liabilities- continued

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 were granted to lessees in 2020 and 2021. Such concessions took a variety of forms, including payment holidays and deferral of lease payments. In May 2020 and March 2021, 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 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 in 2020 and 2021.

17. Trade and other payables

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Trade payables	**5,780,319**	6,217,930	**15,088**	20,332
Amounts owed to parent	**-**	-	**-**	-
Amounts owed to related undertakings	**2,517,898**	812,592	**44,118**	-
Indirect taxation	**2,459,812**	2,427,712	**6,000**	3,000
Other payables	**97,345**	381,353	**-**	-
Accruals and deferred income	**3,447,635**	1,155,633	**406,246**	402,735
	14,303,009	10,995,220	**471,452**	426,067

The amounts owed to the parent, related undertakings and related party are unsecured, repayable on demand and bear interest at 4% per annum (2021: 4.00%).

18. Borrowings

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Non-current				
Bond loan	**11,907,084**	11,878,488	**11,907,084**	11,878,488
Bank loan	**1,109,002**	1,561,387	**-**	-
	13,016,086	13,439,875	**11,907,084**	11,878,488
Current				
Bank overdrafts	**1,452,281**	341,781	**-**	-
Bank loan	**474,612**	369,121	**-**	-
	1,926,893	710,902	**-**	-
Total borrowings	**14,942,979**	14,150,777	**11,907,084**	11,878,488

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 €92,916 (2021: €121,512).

18. Borrowings - continued

The Group's bank borrowings relate to loans carrying an effective interest rate of 4% and repayable within 5 years from initial drawdown. Furthermore, the Group has unutilised overdraft facilities as at 31 December 2022 amounting to €325,798. 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 €500,000 and a foreign exchange facility amounting to €425,000.

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. These facilities were drawn down during the financial year ending 31 December 2021.

19. Revenue

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Retail	**42,112,598**	32,541,788	**-**	-
Wholesale	**12,746,248**	10,532,829	**-**	-
	54,858,846	43,074,617	**-**	-

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

20. Expenses by nature

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Purchases of goods for resale	**33,638,044**	26,050,449	**-**	-
Franchise fees (Royalties)	**1,456,465**	1,290,234	**-**	-
Other direct expenses	**1,248,836**	1,635,582		
Employee benefit expense (Note 22)	**5,686,774**	3,325,634	**-**	-
Amortisation of intangible assets (Note 4)	**321,473**	2,263	**-**	-
Depreciation of property, plant and equipment (Note 5)	**1,420,751**	1,090,682	**-**	-
Depreciation of right-of-use assets (Note 6)	**3,182,286**	2,684,227	**-**	-
Professional fees	**106,808**	147,649	**52,881**	47,426
Rent and common charges	**747,452**	587,541	**-**	-
COVID-19 rent rebates (Note 16)	**-**	(331,068)	**-**	-
Movement in expected credit loss allowance (Note 9,11)	**58,559**	(33,479)	**(21,350)**	-
Bad debts written-off	**3,327**	20,851	**-**	-
Management fees	**2,706,224**	1,832,057	**-**	-
Advertising	**893,935**	515,361	**-**	-
Bank charges	**355,026**	293,179	**8,839**	1,966
Other expenses	**1,407,567**	1,293,427	**103,640**	25,875
Total cost of sales, operating and administrative expenses	**53,233,527**	40,404,589	**144,010**	75,267

20. Expenses by nature - continued

Auditor's fees

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Annual statutory audit	**59,650**	64,000	**19,750**	17,000
Other non-assurance services	**12,525**	2,800	**920**	-
	72,175	66,800	**20,670**	17,000

During the current year fees in relation to non-assurance services amounting to €12,525 and €920 have been charged by connected undertakings of the Company's auditor to the Group and the Company respectively, in respect of tax advisory and compliance services.

21. Other income

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Other income	**52,604**	60,535	**-**	-

22. Employee benefit expense

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Wages and salaries	**5,312,739**	3,023,252	**-**	-
Social security costs	**374,035**	302,382	**-**	-
	5,686,774	3,325,634	**-**	-

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 €128,994 (2021: €1,045,080). Grants related to income are presented as a deduction in reporting the related expense.

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

	Group		Company	
	2022	2021	**2022**	2021
Operations	**43**	33	**-**	-
Retail	**282**	255	**-**	-
	325	288	**-**	-

23. Directors' emoluments

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Salaries and other emoluments	**28,000**	33,375	**24,000**	25,875
	28,000	33,375	**24,000**	25,875

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

24. Finance income

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Interest amounts due from subsidiaries	**-**	-	**253,905**	262,900
Interest on amounts from ultimate parent	**247,500**	247,500	**247,500**	247,500
Interest from group companies	**147,028**	137,829	**147,027**	137,501
Interest on bank balances	**-**	14,283	**-**	-
Facility fee	**-**	-	**80,000**	-
	394,528	399,612	**728,432**	647,901

25. Finance costs

	Group 2022 €	Group 2021 €	Company 2022 €	Company 2021 €
Interest payable on bond	**522,000**	522,000	**522,000**	522,000
Amortisation of bond issue costs	**29,632**	28,596	**29,632**	28,596
Bank interest and charges	**23,121**	35,656	**-**	-
Interest on amounts due to group companies	**-**	12,269	**-**	-
Interest charges on lease liabilities (Note 16)	**900,658**	844,187	**-**	-
	1,475,411	1,442,708	**551,632**	550,596

26. Tax expense / (credit)

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Current tax expense/(credit)	**599,919**	571,293	**(14,682)**	34,057
Deferred tax credit (Note 8)	**(210,390)**	80,791	**-**	-
	389,529	652,084	**(14,682)**	34,057

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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Profit/(loss) before tax	**597,040**	1,687,467	**32,790**	20,131
Tax at 35%	**208,964**	590,614	**11,477**	7,046
Tax effect of:				
Unrecognised deferred tax in prior year	**6,478**	(1,829)	**-**	-
Over provision of current tax in prior year	**(24,408)**	-	**(24,409)**	-
Expenses and provisions not allowable for tax purposes	**205,018**	63,299	**-**	27,010
Other	**(6,523)**	-	**(1,750)**	-
Tax expense/(credit)	**389,529**	652,084	**(14,682)**	34,056

27. Dividends

No dividends were declared and pai d to shareholders in 2022 and 2021.

28. Cash generated from/(used in) operations

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

	Group		Company	
	2022	2021	**2022**	2021
	€	€	**€**	€
Operating profit/(loss)	**1,677,923**	2,730,563	**(144,010)**	(77,174)
Adjustments for:				
Amortisation of intangible assets (Note 4)	**321,473**	2,263	**-**	-
Depreciation on property, plant and equipment (Note 5)	**1,420,751**	1,090,682	**-**	-
Depreciation right-of-use assets (Note 6)	**3,182,286**	2,684,227	**-**	-
(Profit)/loss on disposal of property, plant and equipment	**8,602**	242,127	**-**	-
COVID-19 rent rebates (Note 16)	**-**	(331,068)	**-**	-
Lease modifications (Notes 6 and 16)	**53,711**	(109,747)	**-**	-
Movement in expected credit loss allowance	**58,559**	(33,479)	**-**	1,908
Bad debts written off	**3,327**	20,851	**-**	-
Changes in working capital:				
Inventories	**(2,392,682)**	(274,468)	**-**	-
Trade and other receivables	**(5,941,853)**	(982,508)	**(297,178)**	(167,882)
Trade and other payables	**3,627,072**	758,161	**45,385**	17,749
Cash generated from/(used in) operations	**2,019,169**	5,797,604	**(395,803)**	(225,399)

Net debt reconciliation

	Group	
	2022	2021
	€	€
Cash and cash equivalents	**(2,775,504)**	(7,167,045)
Borrowings (excluding bank overdrafts)	**13,490,698**	13,808,996
Lease liabilities	**21,574,377**	20,657,264
Net debt	**32,289,571**	27,299,215

28. Cash generated from operations – continued

Net debt reconciliation - continued

	Liabilities from financing activities			Other assets	
	Borrowings	**Lease liabilities**	**Sub-total**	**Cash/Bank overdraft**	**Total**
Net debt as at 1 January 2021	11,999,427	16,535,384	28,534,811	(4,067,550)	24,467,261
Financing cashflows	-	-	-	(3,099,495)	(3,099,495)
Amounts taken over on acquisition	-	4,820,005	4,820,005	-	4,820,005
Proceeds from drawdowns	1,878,599	-	1,878,599	-	1,878,599
Repayment of principal	(69,030)	(2,069,959)	(2,138,989)	-	(2,138,989)
New leases	-	1,893,809	1,893,809	-	1,893,809
Lease modifications	-	(190,907)	(190,907)	-	(190,907)
Covid-19 lease concessions	-	(331,068)	(331,068)	-	(331,068)
Interest expense	586,252	844,187	1,430,439	-	1,430,439
Interest payments (presented as operating cashflows)	(586,252)	(844,187)	(1,430,439)	-	(1,430,439)
Net debt as at 31 December 2021	13,808,996	20,657,264	34,466,260	(7,167,045)	27,299,215
Financing cashflows	-	-	-	4,391,541	4,391,541
New leases	-	3,586,512	3,586,512	-	3,586,512
Lease modifications	-	13,885	13,885	-	13,885
Interest expense	575,753	900,658	1,476,411	-	1,476,411
Repayment of principal	(318,298)	(2,683,284)	(3,001,582)	-	(3,001,582)
Interest payments (presented as operating cashflows)	(575,753)	(900,658)	(1,476,411)	-	(1,476,411)
Net debt as at 31 December 2022	**13,490,698**	**21,574,377**	**35,065,075**	**(2,775,504)**	**32,289,571**

29. Contingent liabilities

As at 31 December 2022, the Group provided third parties with guarantees amounting to €3,655,073 (2021: €3,395,148).

The Group's bank facilities disclosed in note 18 are mainly secured by first general hypothecs and guarantees over the Hudson Malta P.L.C Group and Hudson Holdings Group's assets.

29. Contingent liabilities - continued

As part of the deal to acquire Trilogy Limited, the Group agreed to pay a contingent consideration to the former shareholders based on target equity value of Hudson Holdings Limited for the five years subsequent to effective acquisition date, which as at 31 December 2021, the liability was being assumed by Hudson Malta P.L.C.. The agreed maximum contingent consideration is €1,650,000 and as at 31 December 2021 the management had determined that the value of the contingent consideration was €Nil (note 31). During the year ending 31 December 2022 Hudson Malta P.L.C. entered into an agreement with its parent company Hudson Holdings Limited whereby through the agreement Hudson Holdings Limited shall be responsible for the obligations ensuing from and in connection with the contingent liability.

30. Related party transactions

The Company and its subsidiaries have a related party relationship with Hudson Holdings Limited, the ultimate controlling parent (Note 33) 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	
	2022	2021	**2022**	2021
	€	€	**€**	€
Revenue				
Sales - related parties	**6,167,833**	2,945,498	**-**	-
Interest income - related parties (Note 24)	**394,527**	385,329	**648,432**	647,901
Facility fee	**-**	-	**80,000**	-
Expenses				
Cost of sales - related parties	**1,244,097**	462,528	**-**	-
Finance costs - related parties (Note 25)	**-**	12,269	**-**	-
Management fees - parent	**2,706,224**	1,832,057	**-**	-
Other expenses - parent	**-**	-	**75,000**	-

Year-end balances with related parties are disclosed in Notes 9, 11, 16 and 17 to these financial statements.

31. Business combinations

On 30 December 2021, Hudson Holdings Limited legally acquired Trilogy Limited in exchange for 15% of shares in Hudson Holdings Limited and a contingent consideration based on the targeted equity value of Hudson Holdings Limited for the five years subsequent to effective acquisition date. As at the date of acquisition, the value of the 15% equity stake in Hudson Holdings Limited was determined to be fair valued at €6,000,000, whilst management has determined that the fair value of the contingent consideration as at date of acquisition is €Nil. In any case, the maximum contingent consideration payment is €1,650,000 (Note 29).

31. Business combinations - continued

Subsequent to the legal acquisition on 30 December 2021 mentioned above, Hudson Holdings Limited transferred its equity stake in Trilogy Limited, to Hudson Malta P.L.C. for a consideration of €6,000,000 which was settled by way of an issue of shares to Hudson Holdings Limited. The legal effective date of the transfer of shares of Trilogy Limited from Hudson Holdings Limited to Hudson Malta P.L.C. was 31 December 2021, with the allotment of shares taking place in April 2022. However, during the financial year ending 31 December 2021, management had already started integrating the operations of Trilogy Limited into the Group, and as a result, management concluded that effective management and control of Trilogy Limited was taken-over by Hudson Holdings Limited and consequently Hudson Malta P.L.C. on 1 July 2021. In this regard, management considers that the effective acquisition date is 1 July 2021.

The following table summarises the consideration paid, the restated fair value of the assets acquired and the liabilities assumed at the effective acquisition date:

	Total €
Fair value of non-cash consideration as at 1 July 2021	**6,000,000**
Recognised amounts of identifiable assets acquired and liabilities assumed:	
Property, plant and equipment	1,368,678
Intangible assets:	
- Supplier relationships	3,190,224
Right-of-use assets	5,792,142
Other non-current assets	-
Deferred tax assets	-
Inventories	1,679,071
Trade receivables	536,609
Cash and cash equivalents	60,419
Lease liabilities	(5,465,664)
Borrowings	(27,579)
Trade payables	(999,010)
Current tax liabilities	(134,890)
Total identifiable net assets	**6,000,000**
Goodwill	**-**
Total net assets acquired	**6,000,000**

In view that the no cash consideration was paid as part of the acquisition, the net cash inflows upon acquisition represent cash and cash and equivalents of €60,419 held by the entity as at date of acquisition.

32. Commitments

Lease commitments – where group undertakings act as lessee

The future aggregate minimum lease payments under non-cancellable leases that have not yet commenced as at 31 December 2022 amount to €3,183,579.

33. Statutory information

Hudson Malta P.L.C. is a public limited liability company and is incorporated in Malta.

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

The financial statements of Hudson Malta P.L.C. are included in the consolidated financial statements prepared by Hudson Holdings Limited.

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 the Parent Company financial statements (the “financial statements”) of Hudson Malta P.L.C. give a true and fair view of the Group and the Parent Company’s financial position as at 31 December 2022, and of their 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 comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2022;
- 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

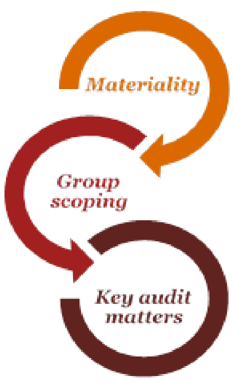
We are independent of the Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements 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.

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 2022 to 31 December 2022, are disclosed in note 20 to the financial statements.

Our audit approach

Overview



- Overall group materiality: €549,000, which represents 1% of total consolidated revenue

- The audit carried out by the group engagement team covered the parent and its subsidiary.

- Recoverability of group balances for the Group and Parent Company

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

Materiality

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

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

Overall group materiality	€549,000
How we determined it	1% of total consolidated revenue
Rationale for the materiality benchmark applied	We chose total consolidated 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 appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €54,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Recoverability of group balances for the Group and Parent Company As at 31 December 2022, loans and receivables with related party undertakings amounted to €5.4m for the Group and €10m 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 €9.9m for the Group. As explained in accounting policy 1.8.4 and note 2.1(b), Hudson Malta P.L.C. assesses 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 history, existing market conditions, as well as forward looking estimates at the end of each reporting period. We have given additional attention to this area because of the nature and magnitude of these balances.	We agreed the terms of the loans to supporting documentation. We assessed the financial soundness of the subsidiary guarantor (being the guarantor of the bond) and Hudson Holdings Limited, the ultimate parent. In doing this, we made reference to the latest audited financial statements, management accounts, and other relevant information made available to us. In addition, we understood and evaluated the workings and assumptions underlying the assessment for the loss allowances under IFRS 9. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these balances.

How we tailored our group audit scope

The Group is composed of 2 components: Hudson Malta P.L.C. (the parent company) and its wholly owned subsidiary. 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.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Hudson Malta P.L.C. for the year ended 31 December 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the consolidated financial statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report, in accordance with the requirements of the ESEF RTS.
- Obtaining the Annual Financial Report and performing validations to determine whether the Annual Financial Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
- Examining the information in the Annual Financial Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report 2022* 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 Financial 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.

Area of the Annual Financial Report 2022 and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report 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.	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. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. 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.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Corporate Governance – Statement of Compliance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets 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.	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 Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or 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. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

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 5 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

Lucienne Pace Ross
Partner

27 April 2023