

HUDSON HOLDINGS LIMITED

Annual Report and Consolidated
Financial Statements
31 December 2021

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Directors' report

The directors present their report of Hudson Holdings Limited (the "Company") and the Group of which it is the parent for the year ended 31 December 2021.

Principal activities

The Company holds investments in a number of subsidiary companies as well as an investment in an associated company. These companies are involved in the retail and/or distribution of branded consumer products in Malta and internationally. The Company carries out the central management function through which it furthers the business of the Group.

In 2021 the Company acquired Trilogy Limited, a Maltese company operating retail stores in Malta, which was subsequently transferred to Hudson Malta plc, a group company (as detailed in note 31).

Review of the business development and financial position

Group results

During 2021 the Group recommenced its retail expansion program and added Cyprus to its operations so that on 31st December 2021 it operated 56 stores in 5 countries, distributed product to over 25 countries and operated 3 e-commerce sites. As a result of these activities, along with the inclusion of the results of Trilogy Limited as from 1st July 2021, the Group recovered strongly from the downturn reported in 2020 and reports an increase in turnover of 42% or €35.8 million from 2020 to €120.6 million. With the gross profit margin improving to 29% from 26% in 2020, gross profit increased by 55% to €34.6 million resulting in an operating profit of €7.7 million compared to an operating profit of €1.6 million in 2020.

After taking into consideration the impact of financing costs which were on par with 2020, the Group reported a profit before tax of €5.5 million compared to a loss before tax of €0.8 million in 2020.

From a balance sheet aspect, the Group retained its strong liquidity position with net current assets of €8.0 million as at 31 December 2021 compared to €8.2 million as at 31 December 2020.

Company results and dividends

The Company registered a profit before tax of €3,069,196 for the year ended 31 December 2021 (2020: loss before tax of €492,783) which came from dividends received from its subsidiaries.

The income statement and statements of other comprehensive income are set out on pages 6 and 7. The directors declared a net interim dividend of €800,000 and propose that the balance of retained earnings amounting to €17,676,665 (2020: €16,379,207) be carried forward to the next financial year.

Key performance indicators

Non-financial key performance

During the year, the board has further strengthened its governance, compliance and control framework through new procedures and continued its personal development plans across the Group to ensure that its employees are aligned to the Group's overall goals.

Directors' report - continued

Significant risks and uncertainties

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, the continued impact of COVID-19 and the risks associated with this ongoing pandemic and the impact of the war in Ukraine, all of which have contributed to a global environment of significant inflation across the board as well as logistical disruptions that are expected to have significant impacts on costs and timing of deliveries going forward.

Whilst the Group has significant operations located in stable economies, the Group also operates in emerging markets with a lesser degree of social, political and economic stability. The Group aims to mitigate this risk through operating solely with leading brands of international repute which place it in a better position to weather any unexpected adverse conditions.

Directors

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

George Amato
Alfred Borg
Christopher Muscat
Ray Grech
Martin Gregory
Kevin Valenzia
Tara Borg Manche (resigned on 30th December 2021)
Joseph Borg (appointed on 30th December 2021)
Etienne Camenzuli
David Basile Cherubino

The Company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the 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

Statement of directors' responsibilities for the financial statements - continued

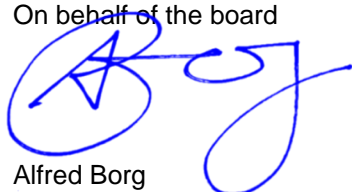
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap.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

The financial statements of Hudson Holdings Limited for the year ended 31 December 2021 are included in the Annual Report 2021, which is published in hard-copy printed form and will be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board



Alfred Borg
Director



Christopher Muscat
Director

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

30 June 2022

Statements of financial position

	Notes	As at 31 December			
		Group		Company	
		2021	2020	2021	2020
		€	€	€	€
ASSETS					
Non-current assets					
Intangible assets	4	7,109,647	1,914,829	2,574,750	655,560
Property, plant and equipment	5	13,287,594	10,096,240	297,044	900,600
Right-of-use assets	6	30,618,929	23,632,459	760,358	824,095
Lease receivables	7	-	-	5,683,288	7,672,965
Investment in subsidiaries	8	-	-	24,452,227	18,451,227
Investment in associate	9	529,907	533,198	-	-
Equity investments at fair value through other comprehensive income	10	-	-	-	-
Financial assets at amortised cost	11	1,500,000	-	5,538,400	3,391,625
Trade and other receivables	12	183,128	164,051	-	-
Deferred tax assets	13	1,308,547	859,702	321,036	67,315
Total non-current assets		54,537,752	37,200,479	39,627,103	31,963,387
Current assets					
Inventories	14	19,225,823	14,138,417	-	-
Lease receivables	7	-	-	1,196,536	1,074,070
Trade and other receivables	12	18,650,717	13,702,437	3,795,846	1,876,499
Current tax assets		-	167,317	-	-
Cash and cash equivalents	15	23,446,417	17,685,787	549,596	1,173,033
Total current assets		61,322,957	45,693,958	5,541,978	4,123,602
Total assets		115,860,709	82,894,437	45,169,081	36,086,989

Statements of financial position - continued

	Notes	As at 31 December			
		Group		Company	
		2021	2020	2021	2020
		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves attributable to owners of the Company					
Share capital	16	100,127	85,107	100,127	85,107
Share premium		6,858,036	873,056	6,858,036	873,056
Other reserve		272,818	272,818	-	-
Foreign exchange translation reserve		1,496,774	1,345,120	-	-
Fair value reserve	10	(418,476)	(418,476)	(418,476)	(418,476)
Retained earnings		9,421,796	6,595,599	17,676,665	16,379,207
		17,731,075	8,753,224	24,216,352	16,918,894
Non-controlling interest		(162,714)	(162,714)	-	-
Total equity		17,568,361	8,590,510	24,216,352	16,918,894
Non-current liabilities					
Borrowings	19	17,392,778	16,188,826	5,010,096	5,001,644
Deferred tax liabilities	13	240,733	45,231	170,400	8,402
Lease liabilities	17	27,406,602	20,589,229	6,413,420	8,475,115
Total non-current liabilities		45,040,113	36,823,286	11,593,916	13,485,161
Current liabilities					
Trade and other payables	18	32,657,447	25,408,326	7,547,651	4,122,868
Lease liabilities	17	3,416,986	3,475,410	1,264,481	1,115,909
Borrowings	19	14,959,428	7,514,789	544,406	409,546
Current tax liabilities		2,218,374	1,082,116	2,275	34,611
Total current liabilities		53,252,235	37,480,641	9,358,813	5,682,934
Total liabilities		98,292,348	74,303,927	20,952,729	19,168,095
Total equity and liabilities		115,860,709	82,894,437	45,169,081	36,086,989

The notes on pages 12 to 62 are an integral part of these financial statements.

The financial statements on pages 4 to 62 were authorised for issue by the Board on 30 June 2022 and were signed on its behalf by:


Alfred Borg
Director


Christopher Muscat
Director

Income statements

	Notes	Year ended 31 December			
		Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Revenue	20	120,595,548	84,755,111	5,950,702	3,680,544
Cost of sales	21	(85,987,555)	(62,449,346)	-	(21,386)
Gross profit		34,607,993	22,305,765	5,950,702	3,659,158
Operation and administrative expenses	21	(27,176,490)	(20,548,060)	(5,773,125)	(3,596,133)
Net impairment losses on financial and contract assets	21	307,931	(100,579)	(2,407)	(378,612)
Operating profit		7,739,434	1,657,126	175,170	(315,587)
Income from investment in subsidiaries		-	-	3,038,461	-
Finance income	23	38,552	1,532	564,625	574,220
Finance costs	24	(2,286,869)	(2,231,694)	(709,060)	(751,416)
Share of (loss) in associate	9	(28,679)	(201,626)	-	-
Profit/(loss) before tax		5,462,438	(774,662)	3,069,196	(492,783)
Income tax (expense)/credit	25	(1,836,241)	1,154	(971,738)	(802)
Profit/(loss) for the year		3,626,197	(773,508)	2,097,458	(493,585)
Profit/(loss) attributable to:					
Owners of the Company		3,626,197	(776,704)	2,097,458	(493,585)
Non-controlling interests		-	3,196	-	-
		3,626,197	(773,508)	2,097,458	(493,585)

The notes on pages 12 to 62 are an integral part of these financial statements.

Statements of other comprehensive income

	Notes	Year ended 31 December			
		Group		Company	
		2021 €	2020 €	2021 €	2020 €
Profit/(loss) for the year		3,626,197	(773,508)	2,097,458	(493,585)
Other comprehensive income:					
<i>Items that may be subsequently reclassified to profit or loss:</i>					
Changes in the fair value of equity assets at fair value through other comprehensive income					
- Movement in fair value	10	-	(321,000)	-	(321,000)
Net movement in fair value		-	(321,000)	-	(321,000)
Currency translation differences - gross and net of tax		151,654	(103,361)	-	-
Other comprehensive income for the year, net of tax		151,654	(424,361)	-	(321,000)
Total comprehensive income for the year		3,777,851	(1,197,869)	2,097,458	(814,585)
Total comprehensive income attributable to:					
Owners of the Company		3,777,851	(1,201,065)	2,097,458	(814,585)
Non-controlling interests		-	3,196	-	-
		3,777,851	(1,197,869)	2,097,458	(814,585)

The notes on pages 12 to 62 are an integral part of these financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the Company							Non-controlling interest €	Total equity €
		Share capital €	Share premium €	Foreign currency translation reserve €	Other reserve €	Fair value reserve €	Retained earnings €	Total €		
Balance at 1 January 2020		85,107	873,056	1,448,481	272,818	(97,476)	7,372,303	9,954,289	(165,910)	9,788,379
Comprehensive income										
(Loss) for the year		-	-	-	-	-	(776,704)	(776,704)	3,196	(773,508)
Other comprehensive income										
Currency translation differences		-	-	(103,361)	-	-	-	(103,361)	-	(103,361)
Changes in the fair value of Equity assets at fair value through OCI, net of tax	10	-	-	-	-	(321,000)	-	(321,000)	-	(321,000)
		-	-	(103,361)	-	(321,000)	(776,704)	(1,201,065)	3,196	(1,197,869)
Transacton with owners										
Dividends	26	-	-	-	-	-	-	-	-	-
Balance at 31 December 2020		85,107	873,056	1,345,120	272,818	(418,476)	6,595,599	8,753,224	(162,714)	8,590,510

Statements of changes in equity - continued

Group

	Note	Attributable to owners of the Company							Non-controlling interest	Total equity
		Share capital	Share premium	Foreign currency translation reserve	Other reserve	Fair value reserve	Retained earnings	Total		
		€	€	€	€	€	€	€	€	
Balance at 1 January 2021		85,107	873,056	1,345,120	272,818	(418,476)	6,595,599	8,753,224	(162,714)	8,590,510
Comprehensive income										
Profit for the year		-	-	-	-	-	3,626,197	3,626,197	-	3,626,197
Other comprehensive income										
Currency translation differences		-	-	151,654	-	-	-	151,654	-	151,654
		-	-	151,654	-	-	3,626,197	3,777,851	-	3,777,851
Transacton with owners										
Dividends declared	26	-	-	-	-	-	(800,000)	(800,000)	-	(800,000)
Increase in issued share capital		15,020	5,984,980	-	-	-	-	6,000,000	-	6,000,000
Balance at 31 December 2021		100,127	6,858,036	1,496,774	272,818	(418,476)	9,421,796	17,731,075	(162,714)	17,568,361

Statements of changes in equity - continued

Company	Notes	Share capital €	Share premium €	Retained earnings €	Fair value reserve €	Total €
Balance as 1 January 2020		85,107	873,056	16,872,792	(97,476)	17,733,479
Transactions with Owners						
Dividends declared	26	-	-	-	-	-
Comprehensive income						
Loss for the year		-	-	(493,585)	-	(493,585)
Fair value adjustment	10	-	-	-	(321,000)	(321,000)
Balance at 31 December 2020		85,107	873,056	16,379,207	(418,476)	16,918,894
Balance as 1 January 2021		85,107	873,056	16,379,207	(418,476)	16,918,894
Comprehensive income						
Profit for the year		-	-	2,097,458	-	2,097,458
Transactions with Owners						
Dividends declared		-	-	(800,000)	-	(800,000)
Increase in issued share capital		15,020	5,984,980	-	-	6,000,000
		15,020	5,984,980	1,297,458	-	7,297,458
Balance at 31 December 2021		100,127	6,858,036	17,676,665	(418,476)	24,216,352

The notes on pages 12 to 62 are an integral part of these financial statements.

Statements of cash flows

	Notes	Year ended 31 December			
		Group		Company	
		2021	2020	2021	2020
		€	€	€	€
Cash flows from operating activities					
Cash generated from operations	28	13,378,386	10,384,363	2,046,436	1,116,343
Finance income	23	38,552	1,532	564,624	574,220
Interest paid on borrowings	24	(992,847)	(1,143,115)	(301,941)	(350,452)
Interest paid on lease liabilities	24	(1,294,022)	(1,088,579)	(407,119)	(400,964)
Income tax paid		(786,009)	(1,610,395)	(1,095,797)	(63,607)
Foreign currency translation movements		(256,474)	419,423	-	(19,858)
Net cash generated from operating activities		10,087,586	6,963,229	806,203	855,682
Cash flows from investing activities					
Purchases of property, plant and equipment	5	(4,939,535)	(1,891,896)	(86,487)	(41,873)
Purchase of intangible asset	4	(1,650,069)	(674,392)	(1,498,270)	(655,560)
Loans to subsidiary	11	-	-	(662,793)	-
Loans to related parties	11	(1,500,000)	-	(1,500,000)	-
Dividend received from subsidiary		-	-	3,038,461	-
Net cash used in investing activities		(8,089,604)	(2,566,288)	(709,089)	(697,433)
Cash flows from financing activities					
Dividends paid		(800,000)	-	(800,000)	-
Repayments of borrowings		(1,049,974)	(590,908)	(391,945)	(270,760)
Proceeds from drawdowns of Borrowings		9,800,190	4,785,556	599,264	269,967
Principal elements of lease payments (IFRS16)		(4,085,944)	(3,166,622)	(63,859)	(119,834)
Net cash generated from financing activities		3,864,272	1,028,026	(656,540)	(120,627)
Movement in cash and cash equivalents		5,862,254	5,424,967	(559,426)	37,622
Cash and cash equivalents at the beginning of the year		17,192,085	11,767,118	1,058,725	1,021,103
Cash and cash equivalents at the end of the year	15	23,054,339	17,192,085	499,299	1,058,725

The notes on pages 12 to 62 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 consolidated 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 Holdings Group 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 2021

In 2021, 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 2021.

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 2021. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group and Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group and Company's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Transactions with non-controlling interests

The Group treats transactions with non-controlling interests, where the acquisition or disposal of partial interests in a subsidiary has no impact on the Group's ability to govern control the subsidiary's financial and operating policies, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

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.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income are reclassified to profit or loss where appropriate.

(c) 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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(c) Business combinations - continued

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.

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 the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in euro, which is the Company's functional and the Group's 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 or valuation where items are remeasured. 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 the income statement.

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/(charges) - net'.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(c) Group companies

Income statements of foreign entities are translated into the Group's presentation currency at the average exchange rates for the year and statements of financial position are translated at the exchange rates ruling at year-end. All resulting translation differences are recognised in other comprehensive income.

Exchange differences arising from the translation of the net investment in foreign entities and of borrowings are taken to other comprehensive income. On disposal or partial disposal of a foreign entity, translation differences that were previously recognised in other comprehensive income are recognised in profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Translation differences are recognised in other comprehensive income.

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

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

(b) Trademarks

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

(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. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

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

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

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

	%
Improvement to premises	10
Furniture, fixtures and other equipment	20 - 33 $\frac{1}{3}$
Plant and machinery	25
Motor vehicles	20

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).

1.6 Leases

The Group is the lessee

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

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

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

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

1. Summary of significant accounting policies - continued

1.6 Leases - continued

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

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

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

ROU asset	No of ROU assets leased	Range of remaining lease term (years)	Average remaining lease term (years)	Average extension option considered (years)	No of leases with extension options	No of leases with option to purchase	No of leases with termination options
Properties	63	1 - 62	6	5 - 6	63	-	63

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 based on variable payment terms with percentages ranging from 6.5% to 10% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

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

1. Summary of significant accounting policies - continued

1.6 Leases - continued

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example certain 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 Company classifies its financial assets in the following measurement categories:

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held-for-trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The Company reclassifies debt instruments when and only when its business model for managing those assets change.

1.8.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cashflows from financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1.8.3 Measurement

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

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

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

1.8.3 Measurement - continued

Debt Instruments

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

1.15 Borrowings

Borrowings are recognised initially at the 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 Group 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 Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. 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 substantially 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 tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same 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 Group'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 wholesale customer, 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 wholesale customer, and the wholesale customer has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the Group has objective evidence that all criteria for acceptance have been satisfied.

(b) Sales of goods - retail

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

1. Summary of significant accounting policies - continued

1.20 Revenue recognition - continued

(c) Dividend income

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

(d) Interest income

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

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, 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 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(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 respective group entity's functional currency.

The table below summarises the Group's exposure to foreign currencies, other than the functional currency, as at 31 December 2021 and 2020.

	Assets €	Liabilities €	Net exposure €
Group			
As at 31 December 2021			
USD to EUR	-	(135,319)	(135,319)
EUR to USD	154,672	(2,265,958)	(2,111,286)
GBP to EUR	15,994	(382,771)	(366,777)
Other currencies	70,000	-	70,000
	240,666	(2,784,048)	(2,543,382)

	Assets €	Liabilities €	Net exposure €
Group			
As at 31 December 2020			
USD to EUR	602	(95,215)	(94,613)
EUR to USD	434,016	(2,087,809)	(1,653,793)
GBP to EUR	110,986	(232,623)	(121,637)
Other currencies	70,605	-	70,605
	616,209	(2,415,647)	(1,799,438)

Based on the amounts disclosed above, the directors are of the opinion that the Group is not significantly exposed to changes in exchange rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is not required.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) *Market risk* - continued

(ii) Interest rate risk

In general, the Group and Company are exposed to risk associated with the effects of fluctuations in the prevailing levels of market interest rates. The Group and Company's main exposure to interest rate risk arises on the financial assets and liabilities described in the tables below. The Group and Company's borrowings are issued at variable/fixed rates and expose the Group to cash flow interest rate risk. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

The exposure to cash flow interest rate risk as at 31 December is shown below:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
At floating rates				
<i>Interest-bearing assets</i>				
Amounts owed by subsidiaries (Note 12)	-	-	975,000	980,169
<i>Interest-bearing liabilities</i>				
Bank overdraft (Note 19)	392,078	493,702	50,297	114,308
Bank loans (Note 19)	12,777,051	6,157,017	1,429,205	796,882
Amounts owed to subsidiaries (Note 18)	-	-	3,741,096	2,232,139
	13,161,198	6,650,719	5,220,598	3,143,329
Net	(13,161,198)	(6,650,719)	(4,245,598)	(2,163,160)
At fixed rates				
	2021	2020	2021	2020
	€	€	€	€
<i>Interest-bearing assets</i>				
Lease receivables (Note 7)	-	-	6,879,826	8,747,035
Gross loans to subsidiaries (Note 11)	-	-	4,096,000	3,440,000
Loan to shareholders	1,500,000	-	1,500,000	-
	1,500,000	-	12,475,826	12,187,035
<i>Interest-bearing liabilities</i>				
Lease liabilities (Note 17)	30,823,588	24,064,639	7,677,900	9,591,024
Listed bond (Note 19)	11,878,488	11,849,892	-	-
Bank loans (Note 19)	7,304,589	5,203,004	-	-
Loan from subsidiary (Note 19)	-	-	4,075,000	4,500,000
	50,006,665	41,117,535	11,752,900	14,091,024
Net	(48,506,665)	(41,117,535)	722,926	(1,903,989)

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Interest rate risk - continued

Based on the amounts disclosed above, the directors are of the opinion that the Group and Company are not significantly exposed to changes in interest rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is not required.

(b) Credit risk

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Loans and receivables category:				
Lease receivables (Note 7)	-	-	6,879,826	8,747,035
Trade and other receivables - gross (Note 12)	19,444,509	14,805,934	3,795,846	2,305,667
Loans and receivables (Note 11)	1,500,000	-	5,596,000	3,440,000
Cash and cash equivalents - net of provisions (Note 15)	23,446,416	17,685,787	549,596	1,173,033
	44,390,925	32,491,721	16,821,268	15,665,735
Less: other receivables that do not give rise to credit risk	-		-	
	(1,665,701)	(2,150,065)	(438,126)	(644,824)
Provision for impairment	(610,664)	(939,446)	(479,951)	(477,277)
Maximum exposure to credit risk	42,114,560	29,402,210	15,903,191	14,534,634

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The 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 manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters.

The Group has debtor balances amounting to €8,196,231 (2020: €7,342,512) that are covered by letters of credit. The Group does not hold any other significant collateral as security.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. The largest client exposure accounts for 45% (2020: 50%) of the trade debtor balances of which 100% (2020: 100%) are covered by letters of credit. The exposure is further covered by a credit note which has been accrued for within these financial statements. These exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management, usually taking cognisance of the performance history without defaults, to have excellent credit standing.

Impairment of trade and other receivables (including contract assets)

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with customers 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 is 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 mostly due to geopolitical issues and which are accordingly not meeting repayment obligations. In this respect, the Company has recognised specific impairment provisions during the current financial year, against credit impaired individual exposures which have demonstrated objective evidence of being impaired.

As at 31 December 2021, trade receivables for the Group and Company amounting to €610,664 (2020: €939,446) and €nil (2020: €266), respectively, were impaired and the amount of the provisions in this respect are equivalent to these amounts.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

The credit risk for cash and cash equivalents for Group and Company is considered negligible since the majority of the counterparties are reputable banks with high quality external credit ratings. The Group and Company assessed the expected credit loss for cash and cash equivalents. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The identified impairment loss was insignificant except for a bank balance at a subsidiary for which a credit loss allowance of €34,325 (2020: €109,072) was considered.

The closing loss allowances for cash and cash equivalents as at 31 December 2021 reconcile to the opening loss allowances as follows:

	2021 €	2020 €
Group		
Cash		
Balance at 1 January	109,072	114,935
Decrease in loss allowance recognised in profit or loss during the year	-	(5,863)
Impact of difference on exchange	(74,747)	-
Balance at 31 December	34,325	109,072

Other financial assets at amortised cost

The Company's other financial assets at amortised cost include lease receivables, loans and other current receivables due from subsidiaries, which are eliminated on consolidation (Notes 7, 11 and 12). The Company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of its overall liquidity management.

The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The Company's management uses judgement in making these assumptions, based on the counterparty's past history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting impairment charge required for loans and other current receivables was of €57,600 and €422,351 respectively (2020: €48,375 and €428,902 respectively).

The closing loss allowances for other financial assets at amortised cost as at 31 December 2021 reconcile to the opening loss allowances as follows:

Company	2021	2020
	€	€
<i>Other financial assets at amortised cost</i>		
Balance at 1 January	477,277	98,665
Increase in loss allowance recognised in profit or loss during the year	2,674	378,612
Balance at 31 December	479,951	477,277

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities (Note 17) interest-bearing borrowings (Note 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts which are updated on a regular basis. The Group's liquidity risk is not deemed to be material in view of the matching of cash inflows and outflows arising from operations.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

	Carrying amount €	Contractual cash flows €	Due		
			within 1 year €	between 2 and 5 years €	after more than 5 years €
Group					
31 December 2021					
Listed bond	11,878,488	14,610,000	522,000	14,088,000	-
Bank overdraft	392,078	392,078	392,078	-	-
Trade and other payables	32,657,447	32,657,447	32,657,447	-	-
Lease liabilities	30,823,588	39,893,983	6,791,965	18,386,459	14,715,559
Other bank loans and facilities	20,081,640	20,876,657	15,150,044	4,737,879	988,734
Total	98,636,983	108,430,165	55,513,534	37,212,338	15,704,293
31 December 2020					
Listed bond	11,849,892	15,132,000	522,000	2,088,000	12,522,000
Bank overdraft	493,702	493,702	493,702	-	-
Trade and other payables	25,408,326	25,408,326	25,408,326	-	-
Lease liabilities	24,064,639	32,720,526	4,787,974	14,450,146	13,482,406
Other bank loans and facilities	11,360,021	11,710,473	7,087,284	4,218,461	404,728
Total	73,176,580	85,465,027	38,299,286	20,756,607	26,409,134

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

Company	Carrying amount €	Contractual cash flows €	Due		
			within 1 year €	between 2 and 5 years €	after more than 5 years €
31 December 2021					
Loan from subsidiary	4,075,000	4,075,000	-	4,075,000	-
Bank overdraft	50,297	50,297	50,297	-	-
Trade and other payables	7,547,651	7,547,651	7,547,651	-	-
Lease liabilities	7,677,901	7,861,317	1,299,447	6,561,869	-
Bank and other loans	1,429,205	1,515,036	493,372	1,021,664	-
Total	20,780,053	21,049,301	9,390,767	11,658,533	-
31 December 2020					
Loan from subsidiary	4,500,000	5,517,500	247,500	4,216,000	1,054,000
Bank overdraft	114,308	114,308	114,308	-	-
Trade and other payables	4,122,868	4,122,868	4,122,868	-	-
Lease liabilities	9,591,024	11,215,659	1,606,316	6,831,805	2,777,538
Bank and other loans	796,882	819,094	316,914	502,180	-
Total	19,125,082	21,789,429	6,407,906	11,549,985	3,881,538

Contractual cashflows on lease liabilities payable by the Company include €7,861,317 (2020: €10,133,024) for which cashflows will be funded by the lease receivables due from subsidiaries (Note 7).

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 Group may issue new shares or adjust the amount of dividends paid to shareholders.

The Group's equity, as disclosed in the statement of financial position, constitutes its capital. The Group maintains the level of capital by reference to its financial obligations and commitments arising from operations and requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period is deemed adequate by the directors.

2. Financial risk management - continued

2.2 Capital risk management - continued

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	
	2021	2020	2021	2020
	€	€	€	€
Borrowings (Note 19)	32,352,206	23,703,615	5,554,502	5,411,190
Lease liabilities (Note 17)	30,823,588	24,064,639	7,677,901	9,591,024
Less: cash and cash equivalents (Note 15)	(23,446,417)	(17,685,787)	(549,596)	(1,173,033)
Net debt	39,729,377	30,082,467	12,682,807	13,829,181
Total equity	17,568,361	8,590,510	24,216,352	16,918,894
Total capital	57,297,738	38,672,977	36,899,159	30,748,075
Net debt ratio	69.3%	77.8%	34.4%	45.0%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital, as reflected in the consolidated statement of financial position, is maintained by reference to the Group's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

2. Financial risk management - continued

2.3 Fair values of financial instruments

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

Group and Company

	Level 3	
	€	€
	2021	2020
31 December		
Assets		
Equity investments at fair value through other comprehensive income:		
Equity securities:		
Unlisted	-	-

If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. The Group and Company's instrument included in level 3 comprises a private equity investment, disclosed in Note 10 of these financial statements, which also includes a reconciliation from opening to closing value of the instrument.

At 31 December 2021 and 2020 the carrying amounts of cash at bank, loans and receivables, receivables, payables, and borrowings reflected in the financial statements are reasonable estimates of fair value.

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.

The area which includes significant accounting estimates is the effective date of acquisition of Trilogy Limited and the related purchase price allocation as explained further in Note 31.

4. Intangible assets

Group

	Computer Software €	Goodwill €	Supplier relationships €	Others €	Total €
At 1 January 2020					
Cost	-	1,065,688	-	258,200	1,323,888
Accumulated amortisation	-	-	-	(60,260)	(60,260)
Net book amount	-	1,065,688	-	197,940	1,263,628
Year ended 31 December 2020					
Opening net book amount	-	1,065,688	-	197,940	1,263,628
Additions	655,560	-	-	18,832	674,392
Currency translation	-	-	-	1,022	1,022
Amortisation charges	-	-	-	(24,213)	(24,213)
Closing net book amount	655,560	1,065,688	-	193,581	1,914,829
At 31 December 2020					
Cost	655,560	1,065,688	-	278,054	1,999,302
Accumulated amortisation	-	-	-	(84,473)	(84,473)
Net book amount	655,560	1,065,688	-	193,581	1,914,829
Year ended 31 December 2021					
Opening net book amount	655,560	1,065,688	-	193,581	1,914,829
Assets taken over on acquisition (note 31)	-	-	3,190,224	-	3,190,224
Additions	1,498,270	-	-	151,799	1,650,069
Transfer from tangible assets	542,550	-	-	-	542,550
Amortisation charges	(121,630)	-	-	(66,395)	(188,025)
Closing net book amount	2,574,750	1,065,688	3,190,224	278,985	7,109,647
At 31 December 2021					
Cost	2,696,380	1,065,688	3,190,224	429,853	7,382,145
Accumulated amortisation	(121,630)	-	-	(150,868)	(272,498)
Net book amount	2,574,750	1,065,688	3,190,224	278,985	7,109,647

4. Intangible assets - continued

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, two cash generating units were identified, which comprises the operations of Hudson Malta Sales Ltd (HMS CGU) and Trilogy Limited (refer to note 31). 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 2021 to 2027 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 8.4% (2020: 8.4%) whilst the long-term growth rate applied in the valuation of the residual value was 1.4% (2020: 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 2021.

The carrying amount of the HMS CGU currently exceeds its recoverable amount by €3,641,000. Management has determined that impairment of intangible assets involves critical accounting estimates. The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 8.4% to 14% or projected annual EBITDA is 13% lower.

4. Intangible assets - continued

Company

	Computer software	Total
	€	€
Year ended 31 December 2020		
Opening net book amount	-	-
Additions	655,560	655,560
	655,560	655,560
Closing net book amount	655,560	655,560
At 31 December 2020		
Cost	655,560	655,560
	655,560	655,560
Net book amount	655,560	655,560
Year ended 31 December 2021		
Opening net book amount	655,560	655,560
Additions	1,498,270	1,498,270
Transfers from tangible assets	542,550	542,550
Amortisation	(121,630)	(121,630)
	2,574,750	2,574,750
Closing net book amount	2,574,750	2,574,750
At 31 December 2021		
Cost	2,696,380	2,696,380
Accumulated amortisation	(121,630)	(121,630)
	2,574,750	2,574,750
Net book amount	2,574,750	2,574,750

5. Property, plant and equipment

Group

	Assets in the course of of construction	Improvements to premises	Motor vehicles	Furniture, fixtures and other equipment	Total
	€	€	€	€	€
At 1 January 2020					
Cost	1,992,988	3,957,506	167,200	12,397,936	18,515,630
Accumulated depreciation	-	(1,187,772)	(142,239)	(6,346,092)	(7,676,103)
Net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,527
Year ended 31 December 2020					
Opening net book amount	1,992,988	2,769,734	24,961	6,051,844	10,839,527
Additions	-	676,109	28,884	1,186,903	1,891,896
Disposals	-	(462,512)	(10,883)	(1,397,638)	(1,871,033)
Transfers	(1,917,201)	1,917,201	-	-	-
Currency translation differences	(28,902)	(132,108)	(3,810)	(66,283)	(231,103)
Depreciation released on disposals	-	347,583	7,981	1,042,534	1,398,098
Depreciation charge	-	(385,596)	(8,078)	(1,537,471)	(1,931,145)
Closing net book amount	46,885	4,730,411	39,055	5,279,889	10,096,240
At 31 December 2020					
Cost	46,885	5,956,196	181,391	12,120,918	18,305,390
Accumulated depreciation	-	(1,225,785)	(142,336)	(6,841,029)	(8,209,150)
Net book amount	46,885	4,730,411	39,055	5,279,889	10,096,240

5. **Property, plant and equipment** - continued

Group

	Assets in the course of of construction	Improvements to premises	Motor vehicles	Furniture, fixtures and other equipment	Total
	€	€	€	€	€
Year ended 31 December 2021					
Opening net book amount	46,885	4,730,411	39,055	5,279,889	10,096,240
Reclassification of assets	-	(2,177,710)	(8,989)	2,186,699	-
Additions	82,824	1,903,720	47,358	2,905,632	4,939,534
Assets taken over on acquisition (note 31)	-	577,185	-	791,493	1,368,678
Disposals	-	(232,681)	(4,294)	(2,997,215)	(3,234,190)
Transfers to intangible assets	(46,885)	-	-	(495,665)	(542,550)
Currency translation differences	(14)	486	1,627	193,057	195,156
Depreciation released on disposals	-	55,143	4,292	2,818,973	2,878,408
Depreciation charge	-	(334,298)	(20,813)	(2,058,571)	(2,413,682)
Closing net book amount	82,810	4,522,256	58,236	8,624,292	13,287,594
At 31 December 2021					
Cost	82,810	5,474,820	120,278	12,129,856	17,807,764
Accumulated depreciation	-	(952,564)	(62,043)	(3,505,563)	(4,520,170)
Net book amount	82,810	4,522,256	58,235	8,624,293	13,287,594

5. Property, plant and equipment - continued

Company	Improvements to premises €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
At 1 January 2020				
Cost	22,516	16,184	1,704,054	1,742,754
Accumulated depreciation	(8,869)	(10,833)	(683,760)	(703,462)
Net book amount	13,647	5,351	1,020,294	1,039,292
Year ended 31 December 2020				
Opening net book amount	13,647	5,351	1,020,294	1,039,292
Additions	-	2,778	39,095	41,873
Depreciation charge	(2,252)	(2,424)	(175,889)	(180,565)
Closing net book amount	11,395	5,705	883,500	900,600
At 31 December 2020				
Cost	22,516	18,962	1,743,149	1,784,627
Accumulated depreciation	(11,121)	(13,257)	(859,649)	(884,027)
Net book amount	11,395	5,705	883,500	900,600
Year ended 31 December 2021				
Opening net book amount	11,395	5,705	883,500	900,600
Additions	-	-	86,487	86,487
Transfers to intangible assets	-	-	(542,550)	(542,550)
Disposals	(992)	(4,294)	(279,869)	(285,155)
Depreciation charge	(2,183)	(2,938)	(142,372)	(147,493)
Depreciation released on disposal	992	4,294	279,869	285,155
Closing net book amount	9,212	2,767	285,065	297,044
At 31 December 2021				
Cost	22,517	14,668	980,188	1,017,373
Accumulated depreciation	(13,305)	(11,901)	(695,123)	(720,329)
Net book amount	9,212	2,767	285,065	297,044

6. Right-of-use assets

	Group €	Company €
Year ended 31 December 2020		
Opening net book value	26,750,948	834,873
Additions	2,800,039	66,521
Disposals	(1,475,378)	-
Lease modifications	(502,079)	-
Currency translation differences	(21,585)	-
Amortisation charge	(4,564,071)	(77,299)
Amortisation released on disposal	644,585	-
	23,632,459	824,095
Year ended 31 December 2021		
Opening net book value	23,632,459	824,095
Assets taken over on acquisition (note 31)	5,792,142	-
Additions	6,710,047	23,368
Disposals	(1,098,674)	(5,423)
Lease modifications	(32,788)	-
Currency translation differences	61,317	-
Amortisation charge	(4,840,068)	(81,682)
Amortisation released on disposal	394,514	-
	30,618,929	760,358

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Amortisation charge of right-of-use assets	4,840,068	4,564,071	81,682	77,299
Interest income (included in finance income)	-	-	(370,193)	(366,143)
Interest expense (included in finance cost)	1,294,022	1,088,579	407,119	400,964
Rent rebates in relation to Covid-19 (Note 17)	(331,068)	(993,085)	-	(5,920)
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	1,188,182	874,742	213,516	5,600
	1,188,182	874,742	213,516	5,600

7. Lease receivables

Company

	2021	2020
	€	€
Non-current	5,683,288	7,672,965
Current	1,196,536	1,074,070
	6,879,824	8,747,035

All lease receivables relate to amounts due from subsidiaries, relating to sub-leasing of leased properties by the Company. Such leases are deemed to be finance leases as the terms of the sub-lease agreements with subsidiaries are aligned with the original lease agreements with third parties and therefore, the Company is effectively transferring all risks and rewards relating to the leased assets for the same term and consideration. Therefore, the right-of-use assets relating to such agreements have been derecognised by the Company.

8. Investment in subsidiaries

	Company	
	2021	2020
	€	€
Year ended 31 December		
At beginning of year	18,451,227	18,451,227
Additions	6,001,000	-
At end of year	24,452,227	18,451,227

During the year, the Company incorporated Hudson Cyprus Limited with a total issued share capital of €1,000 (further details in table below) and made a further investment of €6,000,000 into Hudson Malta p.l.c by transferring its shares in Trilogy Limited (note 31).

8. Investments in subsidiaries - continued

The principal subsidiaries as at 31 December 2021 and 2020 are shown below. Unless otherwise stated, they have share capital consisting solely of ordinary shares.

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2021	2020	2021	2020	2021	2020
Hudson Malta Sales Limited (formerly Time International (Sport) Limited)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hudson Italy SRL (formerly Italian Operations Limited SRL)	Via Vincenzo Romaniello, 21/B, 80129 Napoli, Italy	99.00%	99.00%	100.00%	100.00%	100.00%	100.00%
UJ International Co Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Urban Jungle Sneakers SL (struck off in 2021)	Madrid	-	100.00%	-	100.00%	-	100.00%

8. Investments in subsidiaries - continued

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2021	2020	2021	2020	2021	2020
Time International Company Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	100%	100%	100.00%	100.00%
BD International Group Limited	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	-	-	100.00%	100.00%
BD Tunisia SARL (in liquidation)	4 rue 7036, 2ème étage, El Menzah IV 1004, Tunis, Tunisia	100.00%	100.00%	-	-	100.00%	100.00%
BD International Group Limited (struck off in 2022)	P.O. Box 3175, Road Town, Tortola British Virgin Islands	100.00%	100.00%	-	-	100.00%	100.00%
Hudson Morocco SARL (formerly BD Morocco SARL)	Angle Boulevards Zerktouni et Al Massira, Twin Center, Tour Ouest, 8e étage, Casablanca, Morocco	100.00%	100.00%	-	-	100.00%	100.00%

8. Investments in subsidiaries - continued

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2021	2020	2021	2020	2021	2020
Sports Alliance Limited (struck off in 2021)	P.O. Box 3175, Road Town, Tortola, British Virgin Islands	-	100.00%	-	-	-	100.00%
Hudson International Company Limited (merged into Hudson Malta Sales Limited in 2021)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	-	100.00%	-	-	-	100.00%
Hudson Libya Utilities Management and Operation Services Joint Venture SC Company	Gergaresh Street, Tripoli, Libya	65.00%	65.00%	-	-	65.00%	65.00%
Hudson Malta Plc	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Hudson Italia SRL (struck off in 2021)	Milano Via Monte Rosa 91 CAP 20149, Italy	-	100.00%	-	-	-	100.00%
Hudson Brand Development Nigeria Limited	Plot 16, prof Kiumi Akingbehi, St. Lekki 1, Lagos, Nigeria	100.00%	100.00%	-	-	100.00%	100.00%

8. Investments in subsidiaries - continued

Subsidiaries	Registered office	Voting rights held by the Group		Ownership interest held directly by the Company		Ownership interest held by the Group	
		2021	2020	2021	2020	2021	2020
Hudson Cyprus Ltd (incorporated in 2021)	Lysandrou 2, 3066 Limassol PO Box 51934, 3509 Limassol, Cyprus	100.00%	-	100.00%	-	100.00%	-
Trilogy Limited (Note 30)	Hudson House, Burmarrad Road, Burmarrad St Paul's Bay, Malta	100.00%	-	-	-	100.00%	-

9. Investment in associate

	Group	
	2021	2020
	€	€
Year ended 31 December		
At beginning of year	533,198	792,913
Additions	-	-
Share of loss for the year	(28,679)	(201,627)
Currency translation differences	25,388	(58,088)
	<hr/>	<hr/>
At end of year	529,907	533,198

Associate	Registered office	Percentage of shares directly held by the Group	
		2021	2020
		%	%
Premium Brands SARL	29 rue des Pins Investments Park 2, 16035, Hydra, Algeria	44.50	44.50

10. Equity investments at fair value through other comprehensive income

	Group and Company	
	2021	2020
	€	€
Year ended 31 December		
As at 1 January	-	321,000
Fair value movements	-	(321,000)
	<hr/>	<hr/>
As at 31 December	-	-
 As at 31 December		
Cost	418,476	418,476
Fair value movements	(418,476)	(418,476)
	<hr/>	<hr/>
As at 31 December	-	-

The Group's equity investments, as at 31 December 2021, consists of equity instruments in an unlisted foreign private company, GRP 3ina SL, which is fair valued annually. Fair value is estimated by reference to recent transactions. Accordingly, the available-for-sale investment is categorised as Level 3 within the fair value measurement hierarchy required by IFRS 13. The change in the fair value of the investment is recognised in other comprehensive income in a fair value reserve.

11. Financial assets at amortised cost

	Group	
	2021	2020
	€	€
Non-Current		
Loans receivable from related parties	1,500,000	-
	1,500,000	-
	Company	
	2021	2020
	€	€
Non-Current		
Loans receivable from subsidiaries	4,096,000	3,440,000
Less: credit loss allowance in line with IFRS 9	(57,600)	(48,375)
Loans receivable from related parties	1,500,000	
	5,538,400	3,391,625

Loans receivable from subsidiaries bear interest at 5.5% and are repayable by 2026. The loan receivable from related parties bears interest at 4% and with the effective date of repayment being triggered by the contingent consideration payment related to Trilogy Limited as disclosed in Note 31.

12. Trade and other receivables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Trade receivables	13,992,664	11,423,925	1,330	251,772
Less: Provisions for impairment	(610,664)	(939,446)	-	(266)
Trade receivables - net	13,382,000	10,484,479	1,330	251,506
Other receivables	1,555,531	1,230,351	-	190,512
Amounts due from other related parties	24,077	-	-	-
Amount owed by subsidiaries - net of provisions	-	-	552,649	980,169
Amount due from associate	2,206,535	1,593	-	-
Indirect tax recoverable	982,890	895,317	249,293	26,029
Prepayments and accrued income	682,812	1,254,748	2,992,574	428,283
	18,833,845	13,866,488	3,795,846	1,876,499
Current	18,650,717	13,702,437	3,795,846	1,876,499
Non-current	183,128	164,051	-	-

The amounts owed by subsidiaries and associates are unsecured, repayable on demand and subject to interest at 4% (2020: 4%). Amounts owed by subsidiaries are stated net of a provision of €422,351 (2020: €428,902).

13. Deferred tax asset

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2020: 35%).

The movements on the net deferred tax accounts are as follows:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
At beginning of year	814,471	789,504	58,913	39,855
Credited to income statements (Note 25)	253,343	33,945	91,450	19,058
Currency translation differences	-	8,978	-	-
	<hr/>			
At end of year	1,067,814	814,471	150,636	58,913

The balance at 31 December represents:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Net temporary difference arising on of property, plant and equipment	135,112	202,758	(170,400)	5,009
Temporary differences arising on impairment of receivables	92,029	106,703	32,904	35,802
Temporary differences arising on foreign income	(37,824)	(37,824)	-	-
Temporary differences arising on unutilised tax losses	-	67,156	-	-
Temporary differences arising due unabsorbed capital allowances	273,272	271,853	1,419	-
Other temporary differences	262,500	-	262,500	-
Temporary differences on right-of-use assets	342,725	203,825	24,213	18,102
	<hr/>			
Net deferred tax assets	1,067,814	814,471	150,636	58,913

13. Deferred tax asset - continued

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Deferred tax assets	1,308,547	859,702	321,036	67,315
Deferred tax liabilities	(240,733)	(45,231)	(170,400)	(8,402)
Deferred tax liability	1,067,814	814,471	150,636	58,913

14. Inventories

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Goods held for resale	19,225,823	14,138,417	-	-

15. Cash and cash equivalents

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Cash at bank and in hand - net of provisions	23,446,417	17,685,787	549,596	1,173,033
Bank overdrafts (Note 19)	(392,078)	(493,702)	(50,297)	(114,308)
	23,054,339	17,192,085	499,299	1,058,725

Cash at bank is stated net of a provision of €34,325 (2020: €109,072) in line with the expected credit loss model following the adoption of IFRS 9.

16. Share capital and reserves

The authorised and issued share capital as at 31 December 2021 and 2020 were as follows:

	Company	
	2021	2020
	€	€
Authorised		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
6,448 ordinary 'G' shares of €2.329373 each	15,020	-
	100,127	85,107
Issued and fully paid		
18,341 ordinary 'A' shares of €2.329373 each	42,723	42,723
4,546 ordinary 'B' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'C' shares of €2.329373 each	10,590	10,590
4,546 ordinary 'D' shares of €2.329373 each	10,590	10,590
3,205 ordinary 'E' shares of €2.329373 each	7,465	7,465
1,352 ordinary 'F' shares of €2.329373 each	3,149	3,149
6,448 ordinary 'G' shares of €2.329373 each	15,020	-
	100,127	85,107

The holders of the ordinary A, B, C, D, E, F, and G shares rank 'pari passu' in all respects except for voting rights for appointment of directors. The holders of ordinary shares A have a right to appoint five directors, holders of ordinary shares B, C, D, E and G have a right to appoint one director each and holders of ordinary shares F are not entitled to appoint a director.

The foreign exchange translation reserve represents the effect of translation into the Group's presentation currency of the financial performance and position of those entities whose functional currency is not the euro.

17. Lease liabilities

	2021	2020
	€	€
Group		
Non-current	27,406,602	20,589,229
Current	3,416,986	3,475,410
	30,823,588	24,064,639
Group		
At beginning of the year	24,064,639	26,697,061
Liability taken over on acquisition	4,820,005	-
Additions	6,576,417	2,800,039
Disposals	(48,372)	(1,055,225)
Lease modifications	(148,122)	(357,198)
Covid-19 lease concessions	(331,068)	(993,085)
Interest expense	1,294,022	1,088,579
Payments effected	(5,379,966)	(4,255,201)
Difference on exchange	(23,967)	139,669
	30,823,588	24,064,639
	2021	2020
	€	€
Company		
Non-current	6,413,420	8,475,115
Current	1,264,481	1,115,909
	7,677,901	9,591,024
Company		
At beginning of the year	9,591,024	11,435,566
Additions	23,368	66,521
Covid-19 lease concessions	-	(5,920)
Interest expense	(407,119)	(400,964)
Payments effected for properties used by the company	-	(85,013)
Payments effected for properties used by subsidiaries of the company (Note 7)	(1,529,372)	(1,419,166)
	7,677,901	9,591,024

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

The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c).

17. Lease liabilities - continued

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

18. Trade and other payables

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Current				
Trade payables	22,620,877	18,073,210	1,212,604	588,959
Amounts owed to subsidiaries	-	-	3,741,096	2,232,139
Amounts owed to shareholders	-	265,834	-	265,834
Indirect taxation and other payables	4,699,780	3,801,263	316,260	445,286
Accruals	5,336,790	3,268,019	2,277,691	590,650
	32,657,447	25,408,326	7,547,651	4,122,868

Amounts owed to group and related undertakings are unsecured, repayable on demand and subject to interest at 4% (2020: 4%). Amounts owed to shareholders are unsecured and bear interest at 4% (2020: 4%). These amounts have no fixed date for repayment and the Group has an unconditional right to defer settlement of these amounts for at least twelve months after the date of the statement of financial position.

19. Borrowings

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Current				
Bank overdrafts	392,078	493,702	50,297	114,308
Bank loans and other facilities	14,567,350	7,021,087	494,109	295,238
Total current	14,959,428	7,514,789	544,406	409,546
Non-current				
Loan from subsidiary	-	-	4,075,000	4,500,000
Listed bond	11,878,488	11,849,892	-	-
Bank loans	5,514,290	4,338,934	935,096	501,644
Total non-current	17,392,778	16,188,826	5,010,096	5,001,644
Total borrowings	32,352,206	23,703,615	5,554,502	5,411,190

The carrying amounts of borrowings approximate their fair value.

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Within one year	14,959,428	7,514,789	494,109	409,546
Between 1 and 2 years	2,994,266	1,085,955	985,393	253,735
Between 2 and 5 years	13,447,806	2,334,663	4,075,000	247,909
Over 5 years	950,706	12,768,208	-	4,500,000
	32,352,206	23,703,615	5,554,502	5,411,190

At the end of the reporting period, the Group and the Company had a total maximum general banking facility limit of €43.4million (2020: €32.5million) and €5.2million (2020: €2.4million) respectively.

The Group has an invoice financing arrangement with a local institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of € 500,000 (2020: €850,000).

The Bond of €12,000,000 is repayable by 2026, bears interest at 4.35%, payable annually in arrears on 6 April of each year and is stated at net of unamortised bond issue costs of €150,108.

The Group is charged interest on bank loans and other facilities at the rate of 4% - 4.25% per annum (2020: 4% - 4.25% per annum). The Company's overdraft facilities and bank loans bear interest at the rate of 4% (2020: 4%). These facilities are secured by a first special hypothec over the Group and the Company's assets.

BD Morocco, a subsidiary of the Group has a banking facility amounting to €0.9 million, bearing interest of 3.5% and repayable by 2028.

Loan from subsidiary bears interest at 5.5%, is unsecured, and is repayable by 2026.

19. Borrowings - continued

During 2020, the Group successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €5,350,000 repayable within five years from initial drawdown and carries interest of 2.5% plus 3-month EURIBOR. In line with the Malta Development Bank COVID-19 Guarantee Scheme, this loan will benefit from a subsidy of 2.4% for the first two years. As at 31 December 2020, the Group had not yet drawn down facilities amounting to €1,850,000. These facilities were drawn down during the financial year ending 31 December 2021.

20. Revenue

Revenue represents the amounts receivable for goods sold and services rendered during the year, net of any indirect taxes. The following amounts have been included in the income statement line for the reporting period presented:

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Retail	51,770,798	33,005,012	-	-
Wholesale	68,824,750	51,750,099	-	-
Management fees	-	-	5,950,702	3,680,544
	120,595,548	84,755,111	5,950,702	3,680,544

21. Expenses by nature

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Purchases of goods for resale	79,631,423	58,266,912	-	-
Write down in inventory value	507,509	292,865	-	-
Commissions payable	1,125,044	551,338	-	-
Royalties	1,446,036	1,207,290	-	-
Other direct expenses	3,277,543	2,130,941	-	-
Employee benefit expense (Note 22)	9,826,406	7,751,192	2,730,949	2,365,957
Covid-19 rent rebates	(331,068)	(993,085)	-	(5,920)
Amortisation of intangible assets (Note 4)	188,025	24,213	121,630	-
Depreciation of property, plant and equipment (Note 5)	2,413,682	1,931,145	147,493	180,565
Depreciation of right of use assets (Note 6)	4,840,068	4,564,071	81,682	77,299
Rent and common charges	1,186,182	874,742	213,516	5,600
Legal and professional fees	1,925,245	874,506	599,950	244,682
Movement in expected credit loss allowance (Notes 11 and 12)	(328,782)	(1,082,412)	2,674	378,612
Bad debts written off	20,851	1,182,991	(267)	-
Bank charges	986,016	736,148	12,979	15,036
Advertising	2,346,355	1,474,821	34,682	19,482
Other expenses	3,795,579	3,310,307	1,830,244	714,818
Total cost of sales, operation and administrative expenses	112,856,114	83,097,985	5,775,532	3,996,131

21. Expenses by nature - continued

Auditor's fees

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Annual statutory audit	120,000	88,950	17,000	13,700
Non-audit fees	5,700	5,500	500	2,950
	125,700	94,450	17,500	16,650

22. Employee benefit expense

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Wages and salaries	9,103,120	7,159,031	2,592,437	2,228,665
Social security costs	723,286	592,161	138,512	137,292
	9,826,406	7,751,192	2,730,949	2,365,957

Wages and salaries of the Group and Company are presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €1,045,080 (2020: €1,484,175) and €357,974 (2020: €353,901) respectively. Grants related to income are presented as a deduction in reporting the related expense.

The average number of persons employed during the year, including executive directors was made up as follows:

	Group		Company	
	2021	2020	2021	2020
Administration and finance	61	43	33	34
Operations	129	117	34	31
Retail	378	291	-	-
	568	451	67	65

23. Finance income

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest income on lease receivables	-	-	370,193	366,143
Interest income on amounts due by third parties	38,552	1,532	5,231	-
Interest income on amounts due by subsidiaries	-	-	189,200	208,077
	38,552	1,532	564,625	574,220

24. Finance costs

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Interest on bank overdrafts and loans	992,847	1,132,433	54,441	38,311
Interest on amounts due to subsidiaries	-	-	-	53,959
Interest on loan from subsidiary	-	-	247,500	247,500
Interest charges on lease liabilities	1,294,022	1,088,579	407,119	400,964
Interest on loans to shareholders	-	10,682	-	10,682
	2,286,869	2,231,694	709,060	751,416

25. Tax expense/(credit)

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Current tax expense	2,089,584	32,791	1,063,188	-
Group relief	-	-	-	19,860
Deferred tax credit (Note 13)	(253,343)	(33,945)	(91,450)	(19,058)
Tax expense/(credit) through profit or loss	1,836,241	(1,154)	971,738	802

25. Tax expense/(credit) - continued

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

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Profit/(loss) before tax	5,462,438	(774,662)	3,069,196	(492,783)
Tax at 35%	1,911,853	(271,132)	1,074,219	(172,474)
Tax effect of:				
Difference in tax rates	188,316	11,673	-	-
Investment tax credit	(350,056)	-	-	-
Unrecognised deferred tax in prior year	(147,266)	43,096	(110,550)	-
Expenses not allowable for tax purposes	233,394	216,405	8,069	173,276
Other	-	(1,196)	-	-
Tax expense/(credit)	1,836,241	(1,154)	971,738	802

26. Dividends

	Group and Company	
	2021	2020
	€	€
Dividends paid on ordinary shares - net	800,000	-
Dividends per share	18.611	-

27. Directors' emoluments

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Salaries and other emoluments	746,827	757,180	635,577	618,743
	746,827	757,180	635,577	618,743

28. Cash generated from operating activities

	Group		Company	
	2021	2020	2021	2020
	€	€	€	€
Operating profit	7,739,434	1,657,126	175,170	(315,587)
Adjustments for:				
Amortisation of intangible assets (Note 4)	188,024	24,213	121,630	-
Depreciation of property, plant and equipment (Note 5)	2,413,682	1,931,145	147,493	180,565
Loss on disposal of property, plant and equipment (Note 5)	355,782	472,935	-	-
Amortisation right-of-use assets (Note 6)	4,840,068	4,564,071	81,682	77,299
Covid-19 rent rebates (Note 17)	(331,068)	(993,085)	-	(5,920)
Loss on disposal of group companies	-	-	-	-
Lease modifications (Note 6)	(135,752)	(79,551)	-	20,997
Other income	(28,679)	-	-	-
Movement in impairment of provision on trade receivables	(328,782)	(1,082,412)	-	(5,848)
Bad debts written off (Note 21)	20,851	1,182,991	-	-
Changes in working capital:				
Inventories	(5,087,406)	900,505	-	-
Trade and other receivables	(4,659,425)	3,783,851	(1,919,346)	843,129
Trade and other payables	8,391,657	(1,977,426)	3,439,807	321,708
Cash generated from Operations	13,378,386	10,384,363	2,046,436	1,116,343

29. Contingent liabilities

As at 31 December 2021, the Group provided third parties with guarantees amounting to €10,569,458 (2020: €10,044,458).

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.

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. The agreed maximum contingent consideration is €1,650,000 and as of 31 December 2021 the management has determined that the value of the contingent consideration is €Nil (note 31).

30. Related party transactions

Group

In the normal course of business, the Group enters into various transactions with related parties. Related parties are defined as those that have an ability to control or exercise significant influence over the other party in making financial and operational decisions. These include directors and shareholders who hold a substantial amount of the votes able to be cast at general meetings.

Company

All companies forming part of the Hudson Group are considered by the directors to be related parties.

The following transactions were carried out by the Company with related parties:

	2021	2020
	€	€
Revenue		
Revenue - subsidiaries	5,950,702	3,680,544
Interest income on lease receivables	370,193	366,143
Interest income on amounts due by subsidiaries	189,200	208,077
	<hr/>	<hr/>
Expenses		
Administrative expenses - key management personnel	1,286,143	1,169,221
Interest on lease liabilities	370,193	366,143
Interest on amounts due to subsidiaries	-	53,959
Interest on loans due to subsidiaries	247,500	247,500
Interest on amounts due to shareholders	-	10,682
	<hr/>	<hr/>

Key management personnel compensation consisting of directors' remuneration is disclosed in Note 27 to these financial statements.

Year end balances owed by/to related parties are disclosed separately in Notes 7, 11, 12, 18 and 19 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).

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 will be 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 (Note 33). 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 have 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
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. Statutory information

Hudson Holdings Limited is a limited liability company and is incorporated in Malta, with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta.

33. Events subsequent to the end of the reporting period

Allotment of shares in Hudson Malta p.l.c to Hudson Holdings Limited

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.



Independent auditor's report

To the Shareholders of Hudson Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the “financial statements”) give a true and fair view of the Group and the Parent Company’s financial position of Hudson Holdings Limited as at 31 December 2021, and of the Group’s and the Parent Company’s financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Hudson Holdings Limited’s financial statements, set out on pages 4 to 62, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2021;
- the Consolidated and Parent Company income statements and statements of other comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

Other information

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

Our opinion on the financial statements does not cover the other information 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 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.

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.



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

- 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 directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the <i>Annual Report and Financial Statements 2021</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 3) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).
	<p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p>	<p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>
	<p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

Area of the Annual Report and Financial Statements 2021 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.the financial statements are not in agreement with the accounting records and returns.we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of Hudson Holdings Limited

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.

PricewaterhouseCoopers

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

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

Lucienne Pace Ross
Partner

30 June 2022