HUDSON MALTA P.L.C.
Annual Financial Report
31 December 2023

Company Registration Number: C 83425

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2023.

Principal activities

The Company

The principal activity of Hudson Malta P.L.C (the "Company") is to own the entities operating the retail stores in Malta for the Hudson Holdings Limited group (the "Hudson Group"), of which the Company is a fully owned subsidiary.

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

In 2021 the Hudson Group acquired Trilogy Limited, a Maltese company operating retail stores in Malta. Subsequently the equity stake in Trilogy was transferred to the Company so that Trilogy Limited became a subsidiary along with Hudson Malta Sales Ltd (hereinafter "HMS"). On 30 August 2022, Hudson Malta P.L.C legally transferred its equity stake in Trilogy Limited, to Hudson Malta Sales Ltd for a consideration of €6,000,000 settled by an issue of shares to Hudson Malta P.L.C. Subsequent to the transfer, Trilogy Limited merged into Hudson Malta Sales Ltd.

The Group

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

Review of business

The Company

During the financial year 2023, the Company earned €703,571 from interest income on loans advanced to Hudson Group companies against €550,596 of finance costs on the bond. After deducting expenses, the Company reported a profit before tax for the year of €109,908.

The Group

The Group continued with its expansion in retail stores that resulted in an increase in turnover of €4.9 million (or 8%) to €59.8 million with gross profit margin improving slightly to 35% from 34% so that the overall gross profit increased by €2.5 million (or 13%) to €21 million. Operating and administrative expenses grew by €2.3 million mainly due to increased payroll costs resulting in a stable operating profit of €1.7 million.

After taking into consideration the net impact of financing, which was €0.2 million greater than in 2022, the Group reported a profit before tax of €0.5 million compared to a profit before tax of €0.6 million in 2022. From a balance sheet aspect, the liquidity position of the Group remains strong with net current assets amounting to €5.4 million as at 31 December 2023 (2022: €7.0 million).

Directors' report - continued

Corporate social responsibility

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

Results and dividends

The income statement is set out on page 11. The directors do not recommend the payment of a final dividend and, propose that the balance of retained earnings of the Company amounting to €237,387 (2022: €123,907) be carried forward to the next financial year.

During a meeting of the Company's Board of Directors held on 26th March 2024, the Board resolved to declare an interim dividend of €5.9 million. This dividend distribution was tied to a dividend distribution made by Hudson Malta Sales Limited to the Company on the same day.

Significant risks and uncertainty

The Group's principal risks include financial risks as disclosed in Note 2 to these financial statements, possible obsolescence of inventories, potential loss of market share as competing retailers enter the market, and the risks associated with the current global environment with risks of disruption to the logistical chain which is expected to have a continued impact on inflation across the board resulting in higher costs going forward.

Directors

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

Alfred Borg
George Amato
Christopher Muscat
Victor Spiteri
Kevin Valenzia
Brian Zarb Adami

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

Statement of directors' responsibilities for the financial statements

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

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

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

Directors' report - continued

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

The financial statements of Hudson Malta P.L.C. for the year ended 31 December 2023 are included in the Annual Financial Report 2023, which will be made available on the Company's website. The directors are responsible for the maintenance and integrity of the Annual Financial Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Going concern statement pursuant to Capital Markets Rule 5.62

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

Auditors

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

Signed on behalf of the Company's Board of Directors on 22 April 2024 by Christopher Muscat (Director) and George Amato (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2023.

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

Corporate Governance – Statement of Compliance

Introduction

Hudson Malta P.L.C. (the "Company") is committed to observing the principles of transparency and responsible corporate governance. The Board considers compliance and corporate governance principles to constitute an important means of maintaining the confidence of present and future shareholders, bondholders, creditors, employees, business partners and the public. Pursuant to the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority, the Company hereby reports on how it has complied with the Code of Principles of Good Corporate Governance (the "Code") contained in Appendix 5.1 of the Capital Markets Rules for the financial period ended 31 December 2023, which report details the extent to which the Code has been adopted, as well as the effective measures taken by the Company to ensure compliance with said Code.

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

Compliance with the Code

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

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

The Board of Directors has a composition that ensures that the Company is led by individuals who have the necessary skills and diversity of knowledge.

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

Principle 2 - Chairman and Chief Executive Officer

The roles of Chairman and Chief Executive Officer are filled by separate individuals, whereby the Hudson Group Chief Executive Officer, Mr Christopher Muscat, fulfilled the role of CEO during the period under review, while Mr Alfred Borg continued to act as Chairman of the Board.

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

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

Corporate Governance – Statement of Compliance - continued

Principle 3 – Composition of the Board

The Company's Memorandum and Articles of Association provide that the Board of directors shall consist of not less than four (4) and not more than eight (8) directors. Each director has one (1) vote. All directors are appointed by means of an ordinary resolution of the shareholders of the Company in the general meeting. All directors are to retire from office at least once every three (3) years but shall be eligible for re-election.

As at the date of this statement and during the reporting period under review the members of the Board, are as follows:

Executive directors:
Alfred Borg – Chairman
Christopher Muscat
George Amato

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

Dr Luca Vella acts as company secretary.

In compliance with the Capital Markets Rules, the Board considers that the independent, non-executive directors are independent of management and free from any business, family or other relationship that could materially interfere with the exercise of their independent judgment. In assessing the independence of the independent directors, due notice has been taken of Rule 5.119 of the Capital Markets Rules. The composition of the Board has a balance of knowledge and experience, as well as a strong non-executive presence, to allow continued scrutiny of performance, strategy and governance.

Principle 5 – Board Meetings

Meetings of the Board are held as frequently as considered necessary, with a minimum of four (4) meetings being held annually – the Board met four (4) times during 2023. The Board members are notified of forthcoming meetings at least seven (7) days before the said meeting. In addition, the notification includes the issue of an agenda and any supporting documentation as necessary, in order to ensure that all meetings are of a highly effective nature and all participants are well informed and able to effectively contribute to Board decisions. Attendance with regards to Board meetings is recorded in the minutes of the meetings. Minutes of all Board and Audit Committee meetings are circulated to all members and kept on file by the Company Secretary.

Board and Audit Committee meetings are attended by the Chief Finance Officer of Hudson Holdings Limited, which is the parent company of the Company, in order for the Board to have direct access to the financial operation and results of the Group, which, during the period under review, comprised the Company (as parent company) and Hudson Malta Sales Ltd (C 32438) [formerly 'Time International (Sport) Limited']. This is also intended to ensure that the policies and strategies adopted by the Board are effectively implemented.

Corporate Governance – Statement of Compliance - continued

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

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

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

The Company's internal control system is structured in such a way as to manage and mitigate risks in the most appropriate manner, with the Hudson Group's internal auditor reporting to the Board and Audit Committee at regular intervals during scheduled meetings.

Principle 6 – Information and Professional Development

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

Principle 8 – Committees

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

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

Kevin Valenzia – Chairman & Independent, non-executive director
Brian Zarb Adami – Independent, non-executive director
Victor Spiteri – Independent, non-executive director

Audit Committee members are appointed for a one (1) year term of office. Such term is automatically renewed for further periods of one (1) year each unless otherwise determined by the Board of directors of the Company. The Audit Committee meets at least four (4) times a year, with additional meetings to be called at the discretion of the Chairperson of the Audit Committee, presently Mr Kevin Valenzia. The Audit Committee met five (5) times during 2023. The Chairperson will also call a meeting of the Audit Committee if required by any Committee member, by senior management or by the external auditors of the Company. In compliance with the Capital Markets Rules, Mr Kevin Valenzia is considered to be the member competent in accounting and/or auditing matters. The Company considers that the members of the Audit Committee have the necessary experience, independence and standing to hold office as members thereof.

Corporate Governance – Statement of Compliance - continued

In addition, the Hudson Group has formally appointed and empowered an executive committee (EXCO) to manage the Hudson Group's operations. The EXCO is composed of the following individuals: Alfred Borg, Christopher Muscat, George Amato, Jonathan Briffa (Chief Finance Officer), Kalani Weerasinghe (Chief People Officer), Nigel Curmi (Chief Technology Officer), Alex Cara (Chief Commercial Officer) and Andrea Ratonyi (Chief Marketing Officer) . The EXCO is a decision-making entity set up to implement the Board's strategic business plans and policies consistent with the organisation's vision, values and behaviours in order to meet the Hudson Group's business objectives and targets.

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

Principle 9 - Relations with shareholders and with the Market

The Company is committed to having an open and communicative relationship with its shareholders, bondholders and investors. The market is kept updated with all relevant information concerning the Company via the publication of Company Announcements in terms of the Capital Markets Rules and, furthermore, the Company regularly publishes such information on its website to ensure continuous relations with the market, including but not limited to the Interim and Annual Financial Statements. Even though Hudson Holdings Limited is not bound by the continuing obligations of the Capital Markets Rules, the board of directors of Hudson Holdings Limited has resolved to publish, on an annual basis, Hudson Holdings Limited's audited consolidated financial statements, by not later than two months after the publication of the Company's audited financial statements, through a company announcement. Furthermore, condensed financial information relating to Hudson Holdings Limited and the Hudson Group is provided in the annual publication of the Company's financial analysis summary. This commitment is made so as to provide the Company's bondholders, investors and the market generally with full access to financial information on the Hudson Group.

Principle 11 - Conflicts of Interest

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

Principle 12 - Corporate Social Responsibility

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

Corporate Governance – Statement of Compliance - continued

Remuneration Statement

In terms of the Company's Memorandum and Articles of Association, it is the shareholders of the Company in the General Meeting who determine the maximum annual aggregate remuneration of the independent, non-executive directors. The independent, non-executive directors received €24,000 in aggregate for services rendered during 2023.

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

Non-compliance with the Code

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

Principle 7 - Evaluation of the Board's performance

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

Principle 8 - Nomination Committee and Remuneration Committee

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

Principle 10 – Institutional Shareholders

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

Approved by the Board of directors on 22 April 2024.

Statements of financial position

		As at 31 December			
		Group		Company	
	Notes	**2023**	2022	**2023**	2022
		€	€	**€**	€
ASSETS					
Non-current assets					
Intangible assets	4	**3,853,771**	4,068,715	**-**	-
Property, plant and equipment	5	**6,695,753**	5,162,034	**-**	-
Right-of-use assets	6	**30,606,823**	21,341,059	**-**	-
Investment in subsidiaries	7	**-**	-	**22,400,000**	22,400,000
Deferred tax assets	8	**1,201,133**	1,164,163	**46,612**	-
Financial assets at amortised cost	9	**5,382,044**	5,382,044	**11,032,470**	9,966,088
Trade and other receivables	11	**190,018**	249,682	**-**	-
Total non-current assets		**47,929,542**	37,367,697	**33,479,082**	32,366,088
Current assets					
Inventories	10	**10,135,881**	7,839,892	**-**	-
Trade and other receivables	11	**16,501,370**	14,397,960	**1,252,761**	469,190
Current tax assets		**-**	-	**2,755**	11,264
Cash and cash equivalents	12	**3,733,771**	4,227,785	**370,751**	2,105,901
Total current assets		**30,371,022**	26,465,637	**1,626,267**	2,586,355
Total assets		**78,300,564**	63,833,334	**35,105,349**	34,952,443

Statements of financial position – continued

		As at 31 December			
		Group		Company	
	Notes	**2023**	2022	**2023**	2022
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**22,450,000**	22,450,000	**22,450,000**	22,450,000
Other reserve	14	**(15,994,856)**	(15,994,856)	**-**	-
Retained earnings		**6,423,163**	6,309,509	**237,387**	123,907
Total equity		**12,878,307**	12,764,653	**22,687,387**	22,573,907
Non-current liabilities					
Borrowings	17	**12,633,849**	13,016,086	**11,935,680**	11,907,084
Lease liabilities	15	**27,860,042**	18,543,565	**-**	-
Total non-current liabilities		**40,493,891**	31,559,651	**11,935,680**	11,907,084
Current liabilities					
Trade and other payables	16	**17,846,279**	14,303,009	**482,282**	471,452
Lease liabilities	15	**3,575,129**	3,030,812	**-**	-
Borrowings	17	**3,272,701**	1,926,893	**-**	-
Current tax liabilities		**234,257**	248,316	**-**	-
Total current liabilities		**24,928,366**	19,509,030	**482,282**	471,452
Total liabilities		**65,422,257**	51,068,681	**12,417,962**	12,378,536
Total equity and liabilities		**78,300,564**	63,833,334	**35,105,349**	34,952,443

The notes on pages 15 to 47 are an integral part of these financial statements.

The financial statements on pages 9 to 47 were approved and authorised for issue by the Board of Directors on 22 April 2024. The financial statements were signed on behalf of the Company's Board of Directors by Christopher Muscat (Director) and George Amato (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2023.

Statements of comprehensive income

		Year ended 31 December			
		Group		Company	
	Notes	**2023**	2022	**2023**	2022
		€	€	**€**	€
Revenue	18	**59,764,500**	54,858,846	**-**	-
Cost of sales	19	**(38,793,847)**	(36,343,345)	**-**	-
Gross profit		**20,970,653**	18,515,501	**-**	-
Operating and administrative expenses	19	**(19,254,023)**	(16,911,623)	**(123,067)**	(144,010)
Net movement in impairment losses on financial and contract assets	19	**7,016**	(58,559)	**-**	-
Other (expenses)/income	20	**(36,145)**	52,604	**-**	-
Operating profit		**1,687,501**	1,597,923	**(123,067)**	(144,010)
Finance income	23	**476,000**	474,528	**783,571**	728,432
Finance costs	24	**(1,687,584)**	(1,475,411)	**(550,596)**	(551,632)
Profit before tax		**475,917**	597,040	**109,908**	32,790
Income tax (expense)/credit	25	**(362,263)**	(389,529)	**3,572**	14,682
Profit for the year - total comprehensive income for the year		**113,654**	207,511	**113,480**	47,472

The notes on pages 15 to 47 are an integral part of these financial statements.

Statements of changes in equity

Group

	Share capital €	Capital contribution €	Other reserves €	Retained earnings €	Total €
Balance as at 1 January 2022	16,450,000	6,000,000	(15,994,856)	6,101,998	12,557,142
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	207,511	207,511
Transactions with owners					
Issue of share capital	6,000,000	(6,000,000)	-	-	-
Balance as at 31 December 2022	22,450,000	-	(15,994,856)	6,309,509	12,764,653
Balance as at 1 January 2023	22,450,000	-	(15,994,856)	6,309,509	12,764,653
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	113,654	113,654
Balance as at 31 December 2023	**22,450,000**	**-**	**(15,994,856)**	**6,423,163**	**12,878,307**

Statements of changes in equity - continued

Company

	Share capital €	Capital contribution €	Other reserves €	Retained earnings €	Total €
Balance as at 1 January 2022	16,450,000	6,000,000	-	76,435	22,526,435
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	47,472	47,472
Transactions with owners					
Issue of share capital	6,000,000	(6,000,000)	-	-	-
Balance at 31 December 2022	22,450,000	-	-	123,907	22,573,907
Balance as at 1 January 2023	22,450,000	-	-	123,907	22,573,907
Comprehensive income					
Profit for the year - total comprehensive income	-	-	-	113,480	113,480
Balance at 31 December 2023	**22,450,000**	**-**	**-**	**237,387**	**22,687,387**

The notes on pages 15 to 47 are an integral part of these financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		Company	
	Notes	2023 €	2022 €	2023 €	2022 €
Cash flows from operating activities					
Cash generated from/(used in) operations	27	**6,351,813**	2,019,169	**(895,808)**	(395,803)
Interest paid on lease liabilities	24,27	**(991,002)**	(900,658)	**-**	-
Interest paid on borrowings	24,27	**(667,986)**	(574,753)	**(522,000)**	(523,036)
Interest received	23	**476,000**	394,528	**783,571**	728,432
Income tax paid		**(413,290)**	(941,854)	**(34,531)**	(31,575)
Net cash generated from/(used in) operating activities		**4,755,535**	(3,568)	**(668,768)**	(221,982)
Cash flows from investing activities					
Purchases of property, plant and equipment	5	**(3,116,486)**	(2,236,391)	**-**	-
Loans provided to related parties	9	**-**	-	**(1,066,382)**	-
Repayment of loans by related parties	9	**-**	850,000	**-**	494,449
Net cash (used in)/generated from investing activities		**(3,116,486)**	(1,386,391)	**(1,066,382)**	494,449
Cash flows from financing activities					
Net proceeds from borrowings	27	**1,991,622**	-	**-**	-
Net repayment of borrowings		**-**	(318,298)	**-**	-
Principal elements of lease payments	15,27	**(3,068,038)**	(2,683,284)	**-**	-
Net cash (used in)/generated from financing activities		**(1,076,416)**	(3,001,582)	**-**	-
Movement in cash and cash equivalents		**562,633**	(4,391,541)	**(1,735,150)**	272,467
Cash and cash equivalents at the beginning of the year		**2,775,504**	7,167,045	**2,105,901**	1,833,434
Cash and cash equivalents at end of year	12	**3,338,137**	2,775,504	**370,751**	2,105,901

The notes on pages 15 to 47 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of material accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

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

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

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

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group and Company adopted amendments to existing standards that are mandatory for the Group and Company's accounting period beginning on 1 January 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group and Company's accounting policies impacting the financial performance and position.

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 2023. The Group and Company have not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group and Company's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

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

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

1.2 **Consolidation** - continued

(a) Subsidiaries - continued

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

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

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

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

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

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

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

1.2 Consolidation - continued

(a) Subsidiaries - continued

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

1.4 Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

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

1.4 Intangible assets - continued

(b) Trademarks

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

(c) Supplier relationships

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

1.5 Property, plant and equipment

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

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

Depreciation is calculated on the straight-line method to allocate the cost of the assets to their residual values over the shorter of their estimated useful life, or the property lease term in the case of improvements to premises, as follows:

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

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

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.7).

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

1.6 Leases

The Group is the lessee

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

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

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

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

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

Extension and termination options are included in the property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The extension and termination options held are exercisable only by the Group and not by the respective lessor. In respect of the property lease arrangements, the extension periods have been included in determining lease term of the respective arrangement except for a new lease agreement entered into in 2022 as management is still assessing the long term viability of the location.

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

ROU asset	No of ROU assets leased	Range of remaining lease term (years)	Average remaining lease term (years)	Average extension option considered (years)	No of leases with extension options	No of leases with option to purchase	No of leases with termination options
Properties	39	1 - 15	9	5 - 7	33	-	39

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

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

1.6 **Leases** - continued

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

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

To determine the incremental borrowing rate, the Group:

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

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

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

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

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

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

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

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

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

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

1.6 Leases - continued

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

1.7 Impairment of non-financial assets

Assets that have an indefinite useful life, for example intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets, other than goodwill, that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.8 Financial assets

1.8(a) Classification

The Group classifies its financial assets in the following measurement categories;

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

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

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

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

1.8(b) Recognition and derecognition

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

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

1.8 Financial Assets - continued

1.8(c) Measurement

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

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

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost as assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as a separate line item in the statement of profit or loss.

1.8(d) Impairment

The Group assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. 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 (see Note 2.1(b) for further details).

1.8.1 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(d)). 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.

1.8.2 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. **Summary of material accounting policies** - continued

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs to be incurred in marketing, selling and distribution.

1.10 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.

1.10.1 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.

1.10.2 Borrowings

Borrowings are recognised initially at fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. Borrowing costs are recognised in profit or loss in the period in which they are incurred.

1.11 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. **Summary of material accounting policies** - continued

1.12 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 embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.13 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.14 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the company's activities. Revenue is recognised upon delivery of products or performance of services, and is stated net of sales tax, returns, rebates and discounts.

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

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

1.14 Revenue recognition - continued

(a) Sales of goods – retail

Sales of goods are recognised when the group sells a product to the customer. Retail sales are usually in cash or by credit card. The recorded revenue includes credit card fees payable for the transaction. Such fees are included in 'cost of sales'. It is the group's policy to sell its products to the end customer with a right of return. Accumulated experience is used to estimate and provide for such returns at the time of sale. Because the number of products returned has been steady for years, it is highly probable that a significant reversal in the cumulative revenue recognised will not occur. The validity of this assumption and the estimated amount of returns are reassessed at each reporting date.

(b) Sales of goods – customer loyalty programme

The group operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discount on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed. The points provide a material right to customers that they would not receive without entering into a contract. Therefore, the promise to provide points to the customer is a separate performance obligation. The transaction price is allocated to the product and the Points on a relative stand-alone selling price basis. Management estimates the stand-alone selling price per point on the basis of the discount granted when the points are redeemed and on the basis of the likelihood of redemption, based on past experience. A contract liability is recognised until the points are redeemed.

(c) Sales of goods - wholesale

The Group sells a range of branded consumer products in the wholesale market. Sales of goods are recognised when the Group has delivered products to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the wholesaler, and the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed or the company has objective evidence that all criteria for acceptance have been satisfied.

(d) Interest income

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

(e) Dividend income

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

1.15 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the Group's and Company's financial statements in the period in which the dividends are approved by the Company's shareholders.

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

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

(ii) Cash flow and fair value interest rate risk

The Group's interest principally arises from the financial assets at amortised cost (Note 9) and the bond listing (Note 17) that have fixed interest rates whilst the bank borrowings (Note 17) are subject to variable interest rates. In this respect, the Group and Company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. For bank borrowings subject to variable interest rates, management performed a sensitivity analysis factoring in a reasonable shift in interest rates and determined that the impact would not be material.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, including outstanding receivables and intra-group balances. The credit quality of the customer is assessed, taking into account its financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

	Maximum exposure			
	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
As at 31 December				
Trade and other receivables (Note 11)	**14,933,311**	12,941,780	**1,250,558**	466,987
Loans receivable (Note 9)	**5,382,044**	5,382,044	**11,032,470**	9,966,088
Cash and cash equivalents (Note 12)	**3,733,771**	4,227,785	**370,751**	2,105,901
	24,049,126	22,551,609	**12,653,779**	12,538,976

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

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

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

The Group is exposed to significant concentration of credit risk with respect to two of its main trading customers amounting to 41.6% (2022: 45.7%) of the total trade receivables. These material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Group undertaking and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

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

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(b) Credit risk - continued

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

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with costumers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

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 are thoroughly and regularly assessed to determine whether any deterioration in collection rates is being experienced. The Group determined that the expected credit losses have not materially changed taking cognisance of the projected impact on the repayment ability of the Group's customers, the repayment pattern actually experienced, and the estimated life of receivables.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The individually credit impaired trade receivables mainly relate to independent customers which are in unexpectedly difficult economic situations, and which are accordingly not meeting repayment obligations. In this respect, the group had previously recognised specific impairment provisions in prior years on the basis of objective evidence of such balances being impaired. As a result, the related provision was released in the current year.

As at 31 December 2023, provision on trade receivables for the Group amounted to:

	Group	
	2023	2022
	€	€
At beginning of the year	**149,236**	149,236
Reversal of provision due to bad debts written-off	**(67,592)**	-
Movement in provision	**22,303**	-
At end of year	**103,947**	149,236

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group. Impairment losses on trade receivables and contract assets are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

2. **Financial risk management** - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

Other financial assets at amortised cost

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

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

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting expected credit loss allowance required for Group and Company was as follows:

	Group		**Company**	
	2023	2022	**2023**	2022
	€	€	**€**	€
At beginning of the year	**982,384**	923,825	**120,113**	141,463
Movement in provision	**38,273**	58,559	**13,064**	(21,350)
At end of year	**1,020,657**	982,384	**133,177**	120,113

Furthermore, during the year the Group did not write off any intercompany balances on the basis that they were deemed unrecoverable (2022: €3,327).

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 17), lease liabilities (Note 15) and trade and other payables (Note 16). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

2. **Financial risk management** - continued

2.1 **Financial risk factors** - continued

(c) Liquidity risk - continued

The following table analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Group	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2023					
Lease liabilities	31,435,171	39,929,360	4,854,903	15,550,850	19,523,607
Listed bond	11,935,680	13,566,000	522,000	13,044,000	-
Trade and other payables	17,846,279	17,846,279	17,846,279	-	-
Bank borrowings	3,970,870	4,129,705	3,384,624	745,081	-
	65,188,000	**75,471,344**	**26,607,806**	**29,339,931**	**19,523,607**

Group	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2022					
Lease liabilities	21,574,377	26,664,880	3,921,786	12,945,019	9,798,075
Listed bond	11,907,084	14,088,000	522,000	13,566,000	-
Trade and other payables	14,303,009	14,303,009	14,303,009	-	-
Bank borrowings	3,035,895	3,157,332	2,003,969	1,153,363	-
	50,820,365	**58,213,221**	**20,750,764**	**27,664,382**	**9,798,075**

Company	Carrying Amount €	Contractual cash flows €	Within one year €	Two to five years €	More than Five years €
31 December 2023					
Listed bond	11,935,680	13,566,000	522,000	13,044,000	-
Trade and other payables	482,282	482,282	482,282	-	-
	12,417,962	**14,048,282**	**1,004,282**	**13,044,000**	**-**

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