Financial risk management - continued

2.2 Capital risk management

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

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

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

	Group		Company	
	2023	2022	**2023**	2022
Borrowings (Note 17)	**15,906,550**	14,942,979	**11,935,680**	11,907,084
Lease liabilities (Note 15)	**31,435,171**	21,574,377	**-**	-
Less: cash at bank and in hand (Note 12)	**(3,733,771)**	(4,227,785)	**(370,751)**	(2,105,901)
Net debt	**43,607,950**	32,289,571	**11,564,929**	9,801,183
Total equity	**12,878,307**	12,764,653	**22,687,387**	22,573,907
Total capital	**56,486,257**	45,054,224	**34,252,316**	32,375,090
Net debt ratio	**77.2%**	71.7%	**33.8%**	30.3%

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

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Intangible assets

	Goodwill €	Trademarks €	Supplier relationships €	Total €
Year ended 31 December 2022				
Opening balance	1,065,688	134,276	3,190,224	4,674,278
Amortisation charge	-	(2,451)	(319,022)	(321,473)
Closing net book amount	**1,065,688**	**131,825**	**2,871,202**	**4,068,715**
At 31 December 2022				
Cost	1,065,688	141,065	3,190,224	4,396,977
Accumulated depreciation	-	(9,240)	(319,022)	(328,262)
Net book amount	**1,065,688**	**131,825**	**2,871,202**	**4,068,715**
Year ended 31 December 2023				
Opening balance	1,065,688	131,825	2,871,202	4,068,715
Amortisation charge	-	(2,262)	(212,682)	(214,944)
Closing net book amount	**1,065,688**	**129,563**	**2,658,520**	**3,853,771**
At 31 December 2023				
Cost	1,065,688	141,065	3,190,224	4,396,977
Accumulated depreciation	-	(11,502)	(531,704)	(543,206)
Net book amount	**1,065,688**	**129,563**	**2,658,520**	**3,853,771**

Impairment test for goodwill with an indefinite useful life

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

For the purposes of the impairment test, one cash generating unit was identified, which comprises the operations of Hudson Malta Sales Ltd (HMS CGU). The recoverable amount of goodwill has been determined based on value-in-use calculations of the HMS CGU. These calculations use post-tax cash flow projections reflecting the estimates for the years 2024 to 2029 as approved by the Board of Directors.

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

The post-tax discount rate applied to in the value-in-use calculation of the HMS CGU was 12.5% (2022: 12.3%) whilst the long-term growth rate applied in the valuation of the residual value was 1.0% (2022: 1.0%). These parameters have been principally based on market observable data.

4. Intangible assets - continued

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 2023.

The recoverable amount of the HMS CGU currently exceeds its carrying amount by €13,700,000 (2022: €10,235,000). The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 12.5% to 22.8% (2022: from 12.3% to 19.4%) or projected annual EBITDA is 27% lower (2022: 13% lower).

5. Property, plant and equipment

Group

	Improvements to leasehold premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
Year ended 31 December 2022				
Opening balance	765,342	-	3,908,936	4,674,278
Additions	489,560	-	1,427,549	1,917,109
Disposals	(1,189)	-	(56,310)	(57,499)
Depreciation charge	(42,967)	-	(1,377,784)	(1,420,751)
Depreciation released on disposals	1,071		47,826	48,897
Reclassification between asset categories	(534,878)	-	534,878	-
Closing net book amount	**676,939**	**-**	**4,485,095**	**5,162,034**
At 31 December 2022				
Cost	764,771	19,346	6,212,582	6,996,699
Accumulated depreciation	(87,832)	(19,346)	(1,727,487)	(1,834,665)
Net book amount	**676,939**	**-**	**4,485,095**	**5,162,034**
Year ended 31 December 2023				
Opening balance	676,939	-	4,485,095	5,162,034
Additions	-	-	3,116,486	3,116,486
Disposals	-	-	(103,848)	(103,848)
Depreciation charge	(36,966)	-	(1,507,826)	(1,544,792)
Depreciation released on disposals	-	-	65,873	65,873
Closing net book amount	**639,973**	**-**	**6,055,780**	**6,695,753**
At 31 December 2023				
Cost	764,771	19,346	9,225,220	10,009,337
Accumulated depreciation	(124,798)	(19,346)	(3,169,440)	(3,313,584)
Net book amount	**639,973**	**-**	**6,055,780**	**6,695,753**

6. Right-of-use assets

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

Group

	Property leases €	Total €
Year ended 31 December 2022		
Opening net book value	20,826,098	20,826,098
Additions	3,737,073	3,737,073
Lease modifications	(39,826)	(39,826)
Amortisation charge	(3,182,286)	(3,182,286)
Closing net book amount	**21,341,059**	**21,341,059**
Year ended 31 December 2023		
Opening net book value	21,341,059	21,341,059
Additions	12,749,704	12,749,704
Lease modifications	(89,731)	(89,731)
Amortisation charge	(3,394,209)	(3,394,209)
Closing net book amount	**30,606,823**	**30,606,823**

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

	2023 €	2022 €
Depreciation charge of right-of-use assets	3,394,209	3,182,286
Interest expense (Note 15)	991,002	900,658
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	824,982	747,452

7. Investment in subsidiaries

Company

	2023 €	2022 €
At 1 January	**22,400,000**	22,400,000
Additions	**-**	-
At 31 December	**22,400,000**	22,400,000

The principal subsidiaries as at 31 December 2023 are shown below:

Subsidiaries	Registered office	Percentage of shares directly held by company	
		2023	2022
Hudson Malta Sales Ltd	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	**100%**	100%
Trilogy Limited (merged into Hudson Malta Sales Ltd)	Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, Malta	**-**	-

On 30 August 2022 Hudson Malta P.L.C. 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, with the accounting effective date of such merger being determined as being 1 January 2022.

8. Deferred tax assets

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
At beginning of the year	**1,164,163**	953,773	**-**	-
Credited to the income statement	**36,970**	210,390	**46,612**	-
At end of year	**1,201,133**	1,164,163	**46,612**	-

Deferred taxes are calculated on all 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 realised 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% (2022: 35%).

The balance at 31 December represents temporary differences on:

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Provision on receivables	**393,611**	372,282	**46,612**	-
Depreciation of property, plant and equipment	**250,870**	263,973	**-**	-
Lease liabilities	**11,002,310**	7,551,032	**-**	-
Right-of-use assets	**(10,712,388)**	(7,469,371)	**-**	-
Other provisions	**266,730**	446,247	**-**	-
	1,201,133	1,164,163	**46,612**	-

Deferred tax assets arising on lease liabilities are being offset against deferred tax liabilities arising on right-of-use assets in line with the accounting policy as described in
Note 1.13.

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months from the end of the reporting period.

9. Financial assets at amortised cost

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Loans receivable from subsidiaries	**-**	-	**5,715,647**	4,636,201
Loans receivable from group companies	**5,450,000**	5,450,000	**5,450,000**	5,450,000
Less: credit loss allowance in line with IFRS 9	**(67,956)**	(67,956)	**(133,177)**	(120,113)
	5,382,044	5,382,044	**11,032,470**	9,966,088

9. Financial assets at amortised cost - continued

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current portion	**5,382,044**	5,382,044	**11,032,470**	9,966,088

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

10. Inventories

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Goods held for resale	**10,135,881**	7,839,892	**-**	-

Inventory is stated at net of write-downs of €761,455 (2022: €904,690). Write-downs to net realisable value have been charged to profit and loss and are included within 'Cost of sales' in the statement of comprehensive income.

11. Trade and other receivables

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Trade receivables	**1,779,508**	2,535,888	**-**	-
Less: credit loss allowance	**(103,947)**	(149,236)	**-**	-
Trade receivables - net	**1,675,561**	2,386,652	**-**	-
Amounts owed by parent (net of provisions)	**6,032,891**	4,690,930	**321,780**	71,780
Amount owed by group undertakings (net of provisions)	**7,139,907**	5,189,552	**928,778**	-
Other receivables	**84,952**	136,606	**-**	-
Prepayments	**1,453,151**	1,898,895	**2,203**	397,410
Contract assets	**304,926**	345,007	**-**	-
	16,691,388	14,647,642	**1,252,761**	469,190

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Non-current	**190,018**	249,682	**-**	-
Current	**16,501,370**	14,397,960	**1,252,761**	469,190
	16,691,388	14,647,642	**1,252,761**	469,190

11. Trade and other receivables - continued

Amounts owed by parent and group undertakings are interest-free and repayable on demand.

Amounts owed by parent company and company undertakings are stated at net of expected credit loss provision in line with the requirements of IFRS 9, as per table below:

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Provision on amounts owed by parent company	**65,581**	52,684	**-**	-
Provision on amounts owed by group undertakings	**887,120**	861,744	**-**	-
	952,701	914,428	**-**	-

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

12. Cash and cash equivalents

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank and in hand	**3,733,771**	4,227,785	**370,751**	2,105,901
Bank overdrafts (Note 17)	**(395,634)**	(1,452,281)	**-**	-
	3,338,137	2,775,504	**370,751**	2,105,901

13. Share capital

	Group and Company	
	2023	2022
	€	€
Authorised, issued and fully paid		
22,450,000 (2022: 22,450,000) ordinary 'A' shares of €1.00 each	**22,450,000**	22,450,000
	22,450,000	22,450,000

In April 2022, Hudson Malta P.L.C increased its authorised and issued share capital by 6,000,000 Ordinary Shares of a nominal value of €1 each. These 6,000,000 Ordinary shares were allotted to Hudson Holdings Limited in consideration for the shares held in Trilogy Limited. As a result of this transaction, Hudson Holdings Limited gains an additional €6,000,000 issued share capital in Hudson Malta P.L.C bringing its total to €22,449,999 out of the total paid up share capital of €22,450,000. The holders of Ordinary shares rank '*pari passu*' in all respects. The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

14. Other reserves

	Group	
	2023	2022
	€	€
Acquisition reserves		
Debit balance at beginning and end of year	**15,994,856**	15,994,856

15. Lease liabilities

	Group	
	2023	2022
	€	€
Non-current	**27,860,042**	18,543,565
Current	**3,575,129**	3,030,812
	31,435,171	21,574,377

	2023	2022
	€	€
At beginning of the year	**21,574,377**	20,657,264
Additions	**12,749,704**	3,586,512
Lease modifications	**179,128**	13,885
Interest expense (Note 24)	**991,002**	900,658
Payments effected	**(4,059,040)**	(3,583,942)
	31,435,171	21,574,377

Included in the lease liabilities for properties are amounts of €3,498,802 (2022: €6,494,948) which are attributable arrangements with the ultimate parent, of which €2,616,843 (2022: €5,026,812) are non-current amounts.

All extension options in property leases have been included in the lease liability except for a new lease agreement entered into in 2022 as management is still assessing the long-term viability of the location.

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

16. Trade and other payables

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Trade payables	**5,684,925**	5,760,319	**1,293**	15,088
Amounts owed to group undertakings	**5,065,068**	2,517,898	**44,117**	44,118
Indirect taxation	**2,923,202**	2,459,812	**6,000**	6,000
Other payables	**-**	97,345	**-**	-
Accruals	**3,385,996**	2,922,210	**430,872**	406,246
Deferred income	**787,088**	525,425	**-**	-
	17,846,279	14,303,009	**482,282**	471,452

The amounts owed to group undertakings are unsecured, interest-free, and are repayable on demand.

17. Borrowings

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Non-current				
Bond loan	**11,935,680**	11,907,084	**11,935,680**	11,907,084
Bank loan	**698,169**	1,109,002	**-**	-
	12,633,849	13,016,086	**11,935,680**	11,907,084
Current				
Bank overdrafts	**395,634**	1,452,281	**-**	-
Bank loan	**474,613**	474,612	**-**	-
Other bank trade financing	**2,402,454**	-	**-**	-
	3,272,701	1,926,893	**-**	-
Total borrowings	**15,906,550**	14,942,979	**11,935,680**	11,907,084

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 €64,320 (2022: €92,916).

During 2020, the Group successfully applied for loans through the COVID-19 Guarantee Scheme supported by the Malta Development Bank (MDB) amounting to €1,850,000 repayable within five years from initial drawdown and carries interest of 2.5% plus 3-month EURIBOR. These facilities were drawn down during the financial year ending 31 December 2021.

The Group's other bank borrowings relate to loans carrying an effective interest rate of 4% and repayable within 5 years from initial drawdown.

The Group has unutilised overdraft facilities as at 31 December 2023 amounting to €811,366. The overdraft facilities carry floating interest rates averaging 4.43%. Furthermore, during 2023, the Group utilised the other bank trade financing made available to them amounting to €2,402,454 out of a total limit of €5,275,000. The other bank trade facilities carry floating interest rate of 6.1% as at 31 December 2023.

18. Revenue

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Retail	45,827,458	42,112,598	-	-
Wholesale	13,937,042	12,746,248	-	-
	59,764,500	54,858,846	-	-

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

19. Expenses by nature

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Purchases of goods for resale	35,968,586	33,638,044	-	-
Franchise fees (Royalties)	1,504,672	1,456,465	-	-
Other direct expenses	1,320,589	1,248,836	-	-
Employee benefit expense (Note 21)	7,468,148	5,686,774	-	-
Amortisation of intangible assets (Note 4)	214,944	321,473	-	-
Depreciation of property, plant and equipment (Note 5)	1,544,792	1,420,751	-	-
Depreciation of right-of-use assets (Note 6)	3,394,209	3,182,286	-	-
Professional fees	133,577	106,808	70,024	52,881
Rent and common charges	824,982	747,452	-	-
Net movement in expected credit loss allowance (Note 9,11)	(7,016)	58,559	13,064	(21,350)
Bad debts written-off	144,785	3,327	-	-
Management fees	2,289,512	2,706,224	-	-
Advertising	1,068,970	893,935	-	-
Bank charges	442,515	435,026	432	8,839
Other expenses	1,727,589	1,407,567	39,547	103,640
Total cost of sales, operating and administrative expenses	**58,040,854**	53,313,527	**123,067**	144,010

19. Expenses by nature - continued

Auditor's fees

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Annual statutory audit	**63,300**	59,650	**20,800**	19,750
Other non-assurance services	**6,800**	10,525	**3,100**	920
	70,100	70,175	**23,900**	20,670

During the current year fees in relation to non-assurance services amounting to €6,400 and €1,100 (2022: €10,525 and €920) have been charged by connected undertakings of the Company's auditor to the Group and the Company respectively, in respect of tax advisory and compliance services.

20. Other (expenses)/income

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Other (expenses)/income	**(36,145)**	52,604	**-**	-

21. Employee benefit expense

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Wages and salaries	**6,989,553**	5,312,739	**-**	-
Social security costs	**478,595**	374,035	**-**	-
	7,468,148	5,686,774	**-**	-

In 2022, wages and salaries were presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €128,994. No payroll grants were received in 2023. Grants related to income are presented as a deduction in reporting the related expense.

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

	Group		Company	
	2023	2022	**2023**	2022
Operations	**67**	43	**-**	-
Retail	**361**	282	**-**	-
	428	325	**-**	-

22. Directors' emoluments

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Salaries and other emoluments	**24,000**	28,000	**24,000**	24,000
	24,000	28,000	**24,000**	24,000

Directors' emoluments are inclusive of amounts recharged from the ultimate parent company. In 2023, no directors' fees were recharged from the ultimate parent company (2022: €4,000).

23. Finance income

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Interest amounts due from subsidiaries	**-**	-	**307,571**	253,905
Interest on amounts from ultimate parent	**247,500**	247,500	**247,500**	247,500
Interest from group companies	**148,500**	147,028	**148,500**	147,027
Interest on bank balances	**-**	-	**-**	-
Facility fee	**80,000**	80,000	**80,000**	80,000
	476,000	474,528	**783,571**	728,432

The 2022 comparative information was updated to reflect more appropriate presentation and conform with current year presentation. In prior year, facility fee income of €80,000 was netted off against bank charges in administrative expenses.

24. Finance costs

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Interest payable on bond	**522,000**	522,000	**522,000**	522,000
Amortisation of bond issue costs	**28,596**	29,632	**28,596**	29,632
Bank interest and charges	**145,986**	23,121	**-**	-
Interest charges on lease liabilities (Note 15)	**991,002**	900,658	**-**	-
	1,687,584	1,475,411	**550,596**	551,632

25. Tax expense / (credit)

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Current tax expense/(credit)	**399,233**	599,919	**43,040**	(14,682)
Deferred tax (credit) (Note 8)	**(36,970)**	(210,390)	**(46,612)**	-
	362,263	389,529	**(3,571)**	(14,682)

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

	Group 2023 €	Group 2022 €	Company 2023 €	Company 2022 €
Profit/(loss) before tax	**475,917**	597,040	**109,908**	32,790
Tax at 35%	**166,571**	208,964	**38,468**	11,477
Tax effect of:				
Unrecognised deferred tax in prior year	**(14,681)**	6,478	**(42,040)**	-
Over provision of current tax in prior year	**-**	(24,408)	**-**	(24,409)
Expenses and provisions not allowable for tax purposes	**210,373**	205,018	**-**	-
Other	**-**	(6,523)	**-**	(1,750)
Tax expense/(credit)	**362,263**	389,529	**(3,572)**	(14,682)

26. Dividends

No dividends were declared and paid to shareholders in 2023 and 2022.

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.

27. Cash generated from/(used in) operations

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

	Group		Company	
	2023	2022	**2023**	2022
	€	€	**€**	€
Operating profit/(loss)	**1,687,501**	1,677,923	**(123,087)**	(144,010)
Adjustments for:				
Amortisation of intangible assets (Note 4)	**214,944**	321,473	**-**	-
Depreciation on property, plant and equipment (Note 5)	**1,544,792**	1,420,751	**-**	-
Depreciation right-of-use assets (Note 6)	**3,394,209**	3,182,286	**-**	-
Loss on disposal of property, plant and equipment	**37,975**	8,602	**-**	-
Lease modifications (Notes 6 and 15)	**268,859**	53,711	**-**	-
Movement in expected credit loss allowance	**(7,016)**	58,559	**-**	-
Bad debts written off	**144,782**	3,327	**-**	-
Changes in working capital:				
Inventories	**(2,295,989)**	(2,392,682)	**-**	-
Trade and other receivables	**(2,686,260)**	(5,941,853)	**(783,571)**	(297,178)
Trade and other payables	**4,048,016**	3,627,072	**10,830**	45,385
Cash generated from/(used in) operations	**6,351,813**	2,019,169	**(895,808)**	(395,803)

Net debt reconciliation

	Group	
	2023	2022
	€	€
Cash and cash equivalents	**(3,338,137)**	(2,775,504)
Borrowings (excluding bank overdrafts)	**15,510,916**	13,490,698
Lease liabilities	**31,435,171**	21,574,377
Net debt	**43,607,950**	32,289,571

27. Cash generated from operations – continued

Net debt reconciliation - continued

Group

	Liabilities from financing activities			Other assets	
	Borrowings	**Lease liabilities**	**Sub-total**	**Cash/Bank overdraft**	**Total**
Net debt as at 1 January 2022	13,808,996	20,657,264	34,466,260	(7,167,045)	27,299,215
Financing cashflows	(347,930)	(2,683,284)	(3,031,214)	4,391,541	1,360,327
New leases	-	3,586,512	3,586,512	-	3,586,512
Lease modifications	-	13,885	13,885	-	13,885
Interest expense	574,753	900,658	1,475,411	-	1,475,411
Interest payments (presented as operating cashflows)	(545,121)	(900,658)	(1,445,779)	-	(1,445,779)
Net debt as at 31 December 2022	13,490,698	21,574,377	35,065,075	(2,775,504)	32,289,571
Financing cashflows	1,991,622	(3,068,038)	(1,076,416)	(562,633)	(1,639,049)
New leases	-	12,749,704	12,749,704	-	12,749,704
Lease modifications	-	179,128	179,128	-	179,128
Interest expense	696,582	991,002	1,687,584	-	1,687,584
Interest payments (presented as operating cashflows)	(667,986)	(991,002)	(1,658,988)	-	(1,658,988)
Net debt as at 31 December 2023	**15,510,916**	**31,435,171**	**46,946,087**	**(3,338,137)**	**43,607,950**

28. Contingent liabilities

As at 31 December 2023, the Group provided third parties with guarantees amounting to €4,330,956 (2022: €3,655,073).

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

29. Related party transactions

The Company and its subsidiaries have a related party relationship with Hudson Holdings Limited, the ultimate controlling parent (Note 31) and all related entities ultimately controlled or significantly influenced by Hudson Holdings Limited.

In the ordinary course of its operations, the company sells goods to companies forming part of the group for trading purposes. The following transactions were entered into with related parties during the financial reporting period:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Revenue				
Sales - related parties	8,834,366	6,167,833	-	-
Interest income - related parties (Note 23)	396,000	394,527	703,571	648,432
Facility fee	80,000	80,000	80,000	80,000
Expenses				
Cost of sales - related parties	2,091,589	1,244,097	-	-
Management fees – parent (Note 19)	2,289,512	2,706,224	-	-
Other expenses - parent	-	-	-	75,000

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

30. Commitments

Lease commitments – where group undertakings act as lessee

The future aggregate minimum lease payments under non-cancellable leases that have not yet commenced as at 31 December 2023 amount to €Nil (31 December 2022: €3,183,579).

31. Statutory information

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

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

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

Independent auditor's report

To the Shareholders of Hudson Malta P.L.C.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the "financial statements") of Hudson Malta P.L.C. give a true and fair view of the Group and the Parent Company's financial position as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Hudson Malta P.L.C.'s financial statements comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2023;
- the Consolidated and Parent Company statements of comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the parent company and its subsidiaries are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the parent company and its subsidiaries, in the period from 1 January 2023 to 31 December 2023, are disclosed in note 19 to the financial statements.

Our audit approach

Overview

- Overall group materiality: €227,000, which represents 2.5% of earnings before interest, tax, depreciation, and amortisation.

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

- Recoverability of group balances for the Group and Parent Company

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

Materiality

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

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

Overall group materiality	€227,000
How we determined it	2.5% of earnings before interest, tax, depreciation, and amortisation.
Rationale for the materiality benchmark applied	We chose earnings before interest, tax, depreciation, and amortisation as the benchmark because, in our view, it is the appropriate measure for this type of entity. We chose 2.5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €22,700 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Recoverability of group balances for the Group and Parent Company As at 31 December 2023, loans receivables with related party undertakings amounted to €5.38m for the Group and €11.03m at Parent Company level, as disclosed in Note 9. In addition, as disclosed in Note 11, further current receivables with related party undertakings amounted to €13.17m for the Group and €1.25m for the Company. As explained in the accounting policy 1.8(d) and note 2.1(b), Hudson Malta P.L.C. assesses its expected credit losses on a forward-looking basis in accordance with IFRS 9. The loss allowance for the financial assets is based on assumptions about risk of default and expected loss rates. The Group's management uses judgement in making these assumptions, based on counterparty's history, existing market conditions, as well as forward looking estimates at the end of each reporting period. We have given additional attention to this area because of the nature and magnitude of these balances.	We agreed the terms of the loans to supporting documentation. We assessed the financial soundness of the subsidiary guarantor (being the guarantor of the bond) and Hudson Holding Limited, the ultimate parent. In doing this, we made reference to the latest audited financial statements, management accounts, and other relevant information made available to us. In addition, we understood and evaluated the workings and assumptions underlying the assessment for the loss allowance under IFRS 9. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these balances.

How we tailored our group audit scope

The Group is composed of two components: Hudson Malta P.L.C. (the parent company) and its wholly owned subsidiary, Hudson Malta Sales Limited. We tailored the scope of our audit in order to perform sufficient work on all components to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The group audit team performed all of this work by applying the overall Group materiality, together with additional procedures performed on the consolidation. This gave us sufficient appropriate audit evidence for our opinion on the Group financial statements as a whole.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the Corporate Governance – Statement of Compliance (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements.*

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

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

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

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the Annual Financial Report of Hudson Malta P.L.C. for the year ended 31 December 2023, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

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

Our responsibilities

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

Our procedures included:

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

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Other reporting requirements

The *Annual Financial Report 2023* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the Annual Financial Report 2023 and the related Directors' responsibilities	Our responsibilities	Our reporting

Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Corporate Governance - Statement of Compliance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

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

Appointment

We were first appointed as auditors of the Company on 10 November 2017 for the financial period ended 31 December 2018. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 6 years. The parent company became listed on a regulated market on 2 May 2018.

Lucienne Pace Ross
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

22 April 2024