

The following is a Company Announcement issued by HUDSON MALTA P.L.C., a company registered under the laws of Malta with company registration number C 83425 (hereinafter the 'Company'), pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority in accordance with the provisions of the Financial Markets Act (Chapter 345 of the laws of Malta), as amended from time to time.

*Quote*

**Publication of Hudson Holdings Limited's Audited Financial Statements**

The Company announces that the Annual Report and Audited Consolidated Financial Statements of Hudson Holdings Limited (C 37866) [hereinafter 'HHL'] for the period ended 31<sup>st</sup> December 2023 have been approved on the 28<sup>th</sup> June 2024 by the Board of directors of HHL in terms of the company's articles of association. HHL is the ultimate parent company of the Hudson Group.

Pursuant to a commitment made by the Board of directors of HHL as set out in the Prospectus dated 23<sup>rd</sup> March 2018, a copy of HHL's afore-mentioned financial statements is available for viewing below as an attachment to this announcement and at the Company's registered office, and is also available for download from the following link on the Hudson Group's website: <https://hudson.com.mt/investor-relations/>.

*Unquote*

*By order of the Board.*



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Dr Luca Vella  
Company Secretary

28<sup>th</sup> June 2024

*Company Announcement: HDS79*

**HUDSON HOLDINGS LIMITED**

**Annual Report and Consolidated  
Financial Statements  
31 December 2023**

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## Directors' report

The directors present their report of Hudson Holdings Limited (the "Company"), and the Group of which it is the parent for the year ended 31 December 2023.

### Principal activities

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

### Review of the business development and financial position

#### Group results

During 2023 the Group continued with its accelerated retail expansion program, and opened 29 retail stores across 6 countries, mostly in Morocco and Malta, with the Group operating 93 stores in 6 countries as at 31st December 2023. As a result of these openings and the impact of openings in 2022, the Group registered growth of 36% in its retail operations with retail revenue increasing by €22.8 million to €85.6 million.

Despite this significant growth in retail turnover generated by new stores, the Group felt the impact of the decreased demand for retail goods mainly caused by impact of general inflation and as such the achieved retail turnover was significantly below expectations. This decreased demand also impacted the wholesale business but to lesser extent due to new clients being onboarded so that the decrease in the wholesale turnover was €2m, bringing the wholesale turnover down to €96.2m. The Group's combined turnover increased by €20m (12.5%) to reach €181.8 million.

Despite the increase in retail revenue, which typically generates higher gross profit margins, as a result of the lower-than-expected demand, the Group had to clear extra inventory through discounting, which impacted the achieved gross profit margin which remained flat at 29%. Gross profit increased by €6.5m or 13.8% to €53.6 million.

With the significant increase in the number of stores being operated by the Group, the operating and administrative costs increased by €12.1m. The main increases were in employment costs that increased by €4.2m, rent costs by €1.7m and other direct costs to operate retail by €3.4m including increased depreciation. Included in these operating and administrative costs is a significant negative exchange rate impact of €2.5m originating from the Group's business in Nigeria. As a result of all the above, the Group is reporting an operating profit of €5.3 million compared to €10.2 million in 2022.

Finance costs increased by €2.2m to €5.2m, reflecting the increased borrowings to finance expansion, as well as the increased level of interest rates. As a result, the Group reported a profit before tax of €0.7 million compared to a profit before tax of €7.6 million in 2022.

From a balance sheet aspect, the Group's total assets increased by 16% to €160.3 million mostly on account of the significant increases in inventories and trade and other receivables reflecting the overall growth in the volume of business with current assets increasing to €83.2 million from €76.1 million.

#### Company results and dividends

The Company registered a loss before tax of €35,769 for the year ended 31 December 2023 (2022 loss before tax: €299,807).

## Directors' report - continued

The income statement and statements of other comprehensive income are set out on pages 6 and 7. The directors did not declare any dividends during the year (2022: €Nil) and propose that the balance of retained earnings amounting to €16,640,312 (2022: €17,453,535) be carried forward to the next financial year.

### Key performance indicators

#### *Non-financial key performance*

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

### Significant risks and uncertainties

The Group's principal risks include financial risks as disclosed in Note 2 to these financial statements, possible obsolescence of inventories, potential loss of market share as competing retailers enter the market, and the impact of the war in Ukraine, all of which have contributed to a global environment of significant inflation across the board as well as logistical disruptions that are expected to have significant impacts on costs and timing of deliveries going forward.

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

As a result of the lower demand experienced in 2023 the Group has curtailed its expansion of new retail stores in 2024 and is focusing on managing its inventory position and improving efficiencies.

### Directors

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

George Amato  
Alfred Borg  
Christopher Muscat  
Raymond Grech  
Kevin Valenzia  
Joseph Borg  
Etienne Camenzuli  
David Basile Cherubino

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

## Directors' report - continued

### 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.

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

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

### Auditors

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

On behalf of the board

George Amato  
Director

Christopher Muscat  
Director

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

Date: 28 June 2024

## Statements of financial position

|                                    | Notes | As at 31 December  |             |                   |            |
|------------------------------------|-------|--------------------|-------------|-------------------|------------|
|                                    |       | Group              |             | Company           |            |
|                                    |       | 2023               | 2022        | 2023              | 2022       |
|                                    |       | €                  | €           | €                 | €          |
| <b>ASSETS</b>                      |       |                    |             |                   |            |
| <b>Non-current assets</b>          |       |                    |             |                   |            |
| Intangible assets                  | 4     | <b>8,626,714</b>   | 8,362,446   | <b>4,585,109</b>  | 4,265,307  |
| Property, plant and equipment      | 5     | <b>19,014,215</b>  | 17,042,313  | <b>530,873</b>    | 408,546    |
| Right-of-use assets                | 6     | <b>44,659,252</b>  | 32,080,173  | <b>573,626</b>    | 655,308    |
| Lease receivables                  | 7     | -                  | -           | <b>2,543,747</b>  | 4,467,057  |
| Investment in subsidiaries         | 8     | -                  | -           | <b>24,453,425</b> | 24,452,227 |
| Investment in associate            | 9     | <b>1,372,129</b>   | 795,322     | -                 | -          |
| Available for sale investments     | 10    | <b>312,500</b>     | -           | <b>312,500</b>    | -          |
| Financial assets at amortised cost | 11    | <b>1,625,503</b>   | 1,565,503   | <b>4,372,307</b>  | 3,858,072  |
| Trade and other receivables        | 12    | <b>190,018</b>     | 505,288     | -                 | -          |
| Deferred tax assets                | 13    | <b>1,207,973</b>   | 1,844,710   | <b>475,636</b>    | 468,242    |
| <b>Total non-current assets</b>    |       | <b>77,008,304</b>  | 62,195,755  | <b>37,847,223</b> | 38,574,759 |
| <b>Current assets</b>              |       |                    |             |                   |            |
| Inventories                        | 14    | <b>46,445,554</b>  | 35,266,376  | -                 | -          |
| Lease receivables                  | 7     | -                  | -           | <b>959,273</b>    | 1,284,497  |
| Financial assets at amortised cost | 11    | -                  | -           | -                 | 1,290,000  |
| Trade and other receivables        | 12    | <b>24,875,328</b>  | 28,485,075  | <b>9,841,174</b>  | 3,118,666  |
| Current tax assets                 |       | <b>201,066</b>     | -           | <b>198,311</b>    | 5,676      |
| Cash and cash equivalents          | 15    | <b>11,773,156</b>  | 12,391,438  | <b>462,609</b>    | 346,201    |
| <b>Total current assets</b>        |       | <b>83,295,104</b>  | 76,142,889  | <b>11,461,367</b> | 6,045,040  |
| <b>Total assets</b>                |       | <b>160,303,408</b> | 138,338,644 | <b>49,308,590</b> | 44,619,799 |

**Statements of financial position - continued**

|   | Notes | As at 31 December  |             |                   |            |
|---|-------|--------------------|-------------|-------------------|------------|
|   |       | Group              |             | Company           |            |
|   |       | 2023               | 2022        | 2023              | 2022       |
|   |       | €                  | €           | €                 | €          |
| <b>EQUITY AND LIABILITIES</b>                                     |       |                    |             |                   |            |
| <b>Capital and reserves attributable to owners of the Company</b> |       |                    |             |                   |            |
| Share capital   | 16    | 100,127            | 100,127     | 100,127           | 100,127    |
| Share premium   | 16    | 6,858,036          | 6,858,036   | 6,858,036         | 6,858,036  |
| Capital redemption reserve  | 16    | 756,454            | -           | 756,454           | -          |
| Other reserve   | 16    | 272,818            | 272,818     | -                 | -          |
| Foreign exchange translation reserve                              | 16    | 777,781            | 1,950,875   | -                 | -          |
| Fair value reserve  | 10    | (105,976)          | (418,476)   | (105,976)         | (418,476)  |
| Retained earnings   |       | 12,043,479         | 13,814,758  | 16,640,312        | 17,453,535 |
|   |       | <b>20,702,719</b>  | 22,578,138  | <b>24,248,953</b> | 23,993,222 |
| Non-controlling interest  |       | (162,714)          | (162,714)   | -                 | -          |
| <b>Total equity</b>   |       | <b>20,540,005</b>  | 22,415,424  | <b>24,248,953</b> | 23,993,222 |
| <b>Non-current liabilities</b>                                    |       |                    |             |                   |            |
| Borrowings  | 19    | 17,536,416         | 18,239,463  | 3,532,811         | 2,740,548  |
| Deferred tax liabilities  | 13    | 46,263             | -           | -                 | -          |
| Lease liabilities   | 17    | 40,719,797         | 29,097,732  | 3,123,473         | 5,124,401  |
| Total non-current liabilities                                     |       | <b>58,302,476</b>  | 47,337,195  | <b>6,656,284</b>  | 7,864,949  |
| <b>Current liabilities</b>  |       |                    |             |                   |            |
| Trade and other payables  | 18    | 45,495,717         | 35,957,570  | 13,284,977        | 8,416,337  |
| Lease liabilities   | 17    | 6,801,514          | 3,985,206   | 1,036,587         | 1,356,963  |
| Borrowings  | 19    | 26,863,136         | 24,087,422  | 4,081,789         | 2,988,328  |
| Current tax liabilities   |       | 2,300,560          | 4,555,827   | -                 | -          |
| Total current liabilities   |       | <b>81,460,927</b>  | 68,586,025  | <b>18,403,353</b> | 12,761,628 |
| <b>Total liabilities</b>  |       | <b>139,763,403</b> | 115,923,220 | <b>25,059,637</b> | 20,626,577 |
| <b>Total equity and liabilities</b>                               |       | <b>160,303,408</b> | 138,338,644 | <b>49,308,590</b> | 44,619,799 |

The notes on pages 12 to 61 are an integral part of these financial statements.

The financial statements on pages 4 to 61 were authorised for issue by the Board on 28 June 2024 and were signed on its behalf by:

  
George Amato  
Director

  
Christopher Muscat  
Director

## Income statements

|   | Notes | Year ended 31 December |               |                  |             |
|---|-------|------------------------|---------------|------------------|-------------|
|   |       | Group                  |               | Company          |             |
|   |       | 2023                   | 2022          | 2023             | 2022        |
|   |       | €                      | €             | €                | €           |
| Revenue   | 20    | 181,840,996            | 161,573,383   | 8,420,196        | 6,968,443   |
| Cost of sales   | 21    | (128,260,313)          | (114,526,726) | -                | -           |
| <b>Gross profit</b>   |       | <b>53,580,683</b>      | 47,046,657    | <b>8,420,196</b> | 6,968,443   |
| Operation and administrative expenses                       | 21    | (48,235,063)           | (36,091,626)  | (8,156,819)      | (6,339,102) |
| Other operating income/(expense)                            | 21    | 55,939                 | 17,338        | -                | (20,597)    |
| <b>Operating profit before ERP<br/>Implementation costs</b> |       | <b>5,401,559</b>       | 10,972,369    | <b>263,377</b>   | 608,744     |
| ERP implementation costs                                    | 27    | (119,400)              | (756,045)     | (119,400)        | (756,045)   |
| <b>Profit/(loss) from operations</b>                        |       | <b>5,282,159</b>       | 10,216,324    | <b>143,977</b>   | (147,301)   |
| Finance income  | 23    | 60,000                 | 91,972        | 474,073          | 588,288     |
| Finance costs   | 24    | (5,183,434)            | (2,980,963)   | (653,819)        | (740,794)   |
| Share of profit in associate                                | 9     | 588,972                | 245,015       | -                | -           |
| <b>Profit/(loss) before tax</b>                             |       | <b>747,697</b>         | 7,572,348     | (35,769)         | (299,807)   |
| Income tax (expense)/credit                                 | 25    | (1,762,522)            | (3,179,386)   | (21,000)         | 76,677      |
| <b>(Loss)/profit for the year</b>                           |       | <b>(1,014,825)</b>     | 4,392,962     | (56,769)         | (223,130)   |
| <b>Profit/(loss) attributable to:</b>                       |       |                        |               |                  |             |
| Owners of the Company                                       |       | (1,014,825)            | 4,392,962     | (56,769)         | (223,130)   |
| Non-controlling interests                                   |       | -                      | -             | -                | -           |
|   |       | <b>(1,014,825)</b>     | 4,392,962     | <b>(56,769)</b>  | (223,130)   |

The notes on pages 12 to 61 are an integral part of these financial statements.

## Statements of other comprehensive income

|  | Notes | Year ended 31 December |           |                 |           |
|--|-------|------------------------|-----------|-----------------|-----------|
|  |       | Group                  |           | Company         |           |
|  |       | 2023                   | 2022      | 2023            | 2022      |
|  |       | €                      | €         | €               | €         |
| <b>(Loss)/profit for the year</b>  |       | <b>(1,014,825)</b>     | 4,392,962 | <b>(56,769)</b> | (223,130) |
| <b>Other comprehensive income:</b>   |       |                        |           |                 |           |
| Currency translation differences - gross and net of tax                                    |       | (1,173,094)            | 454,101   | -               | -         |
| Changes in the fair value of equity assets at fair value through OCI, gross and net of tax |       | 312,500                | -         | 312,500         | -         |
| Other comprehensive income for the year, net of tax  |       | (860,594)              | 454,101   | 312,500         | -         |
| <b>Total comprehensive (loss)/income for the year</b>                                      |       | <b>(1,875,419)</b>     | 4,847,063 | <b>255,731</b>  | (223,130) |
| <b>Total comprehensive (loss)/income attributable to:</b>                                  |       |                        |           |                 |           |
| Owners of the Company  |       | (1,875,419)            | 4,847,063 | 255,731         | (223,130) |
| Non-controlling interests  |       | -                      | -         | -               | -         |
|  |       | <b>(1,875,419)</b>     | 4,847,063 | <b>255,731</b>  | (223,130) |

The notes on pages 12 to 61 are an integral part of these financial statements.

**Statements of changes in equity**

**Group**

|   | <b>Attributable to owners of the Company</b> |                    |   |                    |                         |                        |            | Total equity<br>€ |                               |
|---|--|--------------------|---|--------------------|-------------------------|------------------------|------------|-------------------|-------------------------------|
|   | Share Capital<br>€                           | Share premium<br>€ | Foreign currency translation reserve<br>€ | Other reserve<br>€ | Fair value reserve<br>€ | Retained earnings<br>€ | Total<br>€ |                   | Non-controlling interest<br>€ |
| <b>Balance at 1 January 2022</b>        | 100,127                                      | 6,858,036          | 1,496,774                                 | 272,818            | (418,476)               | 9,421,796              | 17,731,075 | (162,714)         | 17,568,361                    |
| <b>Comprehensive income</b>             | -  | -                  | -   | -                  | -                       | 4,392,962              | 4,392,962  | -                 | 4,392,962                     |
| <b>Profit for the year</b>              | -  | -                  | -   | -                  | -                       | 4,392,962              | 4,392,962  | -                 | 4,392,962                     |
| <b>Other comprehensive income</b>       | -  | -                  | 454,101                                   | -                  | -                       | -                      | 454,101    | -                 | 454,101                       |
| <b>Currency translation differences</b> | -  | -                  | 454,101                                   | -                  | -                       | -                      | 454,101    | -                 | 454,101                       |
| <b>Balance at 31 December 2022</b>      | 100,127                                      | 6,858,036          | 1,950,875                                 | 272,818            | (418,476)               | 13,814,758             | 22,578,138 | (162,714)         | 22,415,424                    |

**Statements of changes in equity - continued**

| Group  | Attributable to owners of the Company |                    |  |                                       |                       |                               |                           |             |                                      |                      |
|--|---------------------------------------|--------------------|--|---------------------------------------|-----------------------|-------------------------------|---------------------------|-------------|--------------------------------------|----------------------|
|  | Share Capital<br>€                    | Share premium<br>€ | Foreign<br>currency<br>translation<br>reserve<br>€ | Capital<br>redemption<br>reserve<br>€ | Other<br>reserve<br>€ | Fair<br>value<br>reserve<br>€ | Retained<br>earnings<br>€ | Total<br>€  | Non-<br>controlling<br>interest<br>€ | Total<br>equity<br>€ |
| <b>Balance at 1 January 2023</b>                   | 100,127                               | 6,858,036          | 1,950,875  | -                                     | 272,818               | (418,476)                     | 13,814,758                | 22,578,138  | (162,714)                            | 22,415,424           |
| <b>Comprehensive income</b>                        | -                                     | -                  | -  | -                                     | -                     | -                             | (1,014,825)               | (1,014,825) | -                                    | (1,014,825)          |
| Loss for the year                                  | -                                     | -                  | -  | -                                     | -                     | -                             | (1,014,825)               | (1,014,825) | -                                    | (1,014,825)          |
| <b>Other comprehensive income</b>                  | -                                     | -                  | -  | -                                     | -                     | -                             | -                         | -           | -                                    | -                    |
| Currency translation differences                   | -                                     | -                  | (1,173,094)  | -                                     | -                     | -                             | -                         | (1,173,094) | -                                    | (1,173,094)          |
| Changes in equity assets at fair value through OCI | -                                     | -                  | -  | -                                     | -                     | 312,500                       | -                         | 312,500     | -                                    | 312,500              |
| <b>Total comprehensive income for the year</b>     | -                                     | -                  | (1,173,094)  | -                                     | -                     | 312,500                       | (1,014,825)               | (1,875,419) | -                                    | (1,875,419)          |
| <b>Transactions with Owners</b>                    | -                                     | -                  | -  | 756,454                               | -                     | -                             | (756,454)                 | -           | -                                    | -                    |
| Transfer to capital redemption reserve             | -                                     | -                  | -  | 756,454                               | -                     | -                             | (756,454)                 | -           | -                                    | -                    |
| <b>Balance at 31 December 2023</b>                 | 100,127                               | 6,858,036          | 777,781  | 756,454                               | 272,818               | (105,976)                     | 12,043,479                | 20,702,719  | (162,714)                            | 20,540,005           |

**Statements of changes in equity - continued**

| Company  | Notes | Share<br>capital<br>€ | Share<br>premium<br>€ | Capital<br>redemption<br>Reserve<br>€ | Retained<br>earnings<br>€ | Fair<br>value<br>reserve<br>€ | Total<br>€ |
|--|-------|-----------------------|-----------------------|---------------------------------------|---------------------------|-------------------------------|------------|
| <b>Balance at 1 January 2022</b>                   |       | 100,127               | 6,858,036             | -                                     | 17,676,665                | (418,476)                     | 24,216,352 |
| <b>Comprehensive income</b>                        |       |                       |                       |                                       |                           |                               |            |
| Loss for the year                                  |       | -                     | -                     | -                                     | (223,130)                 | -                             | (223,130)  |
| <b>Balance at 31 December 2022</b>                 |       | 100,127               | 6,858,036             | -                                     | 17,453,535                | (418,476)                     | 23,993,222 |
| <b>Balance at 1 January 2023</b>                   |       | 100,127               | 6,858,036             | -                                     | 17,453,535                | (418,476)                     | 23,993,222 |
| <b>Comprehensive income</b>                        |       |                       |                       |                                       |                           |                               |            |
| Loss for the year                                  |       | -                     | -                     | -                                     | (56,769)                  | -                             | (56,769)   |
| <b>Other comprehensive income</b>                  |       |                       |                       |                                       |                           |                               |            |
| Changes in Equity assets at fair value through OCI |       | -                     | -                     | -                                     | -                         | 312,500                       | 312,500    |
| <b>Total comprehensive income for the year</b>     |       | -                     | -                     | 756,454                               | (813,223)                 | 312,500                       | 255,731    |
| <b>Transactions with owners</b>                    |       |                       |                       |                                       |                           |                               |            |
| Transfer to Capital redemption reserve             |       | -                     | -                     | 756,454                               | (756,454)                 | -                             | -          |
| <b>Balance at 31 December 2023</b>                 |       | 100,127               | 6,858,036             | 756,454                               | 16,640,312                | (105,976)                     | 24,248,953 |

The notes on pages 12 to 61 are an integral part of these financial statements.

## Statements of cash flows

|   | Notes | Year ended 31 December |                    |                    |                    |
|---|-------|------------------------|--------------------|--------------------|--------------------|
|   |       | Group                  |                    | Company            |                    |
|   |       | 2023                   | 2022               | 2023               | 2022               |
|   |       | €                      | €                  | €                  | €                  |
| <b>Cash flows from operating activities</b>                     |       |                        |                    |                    |                    |
| Cash generated from operations                                  | 28    | 20,273,569             | (2,237,004)        | 1,254,194          | 1,942,107          |
| Finance income  | 23    | 60,000                 | 91,972             | 474,073            | 281,172            |
| Interest paid on borrowings                                     | 24    | (2,970,661)            | (1,508,134)        | (451,538)          | (401,611)          |
| Interest paid on lease liabilities                              | 24    | (1,685,732)            | (1,472,829)        | (29,349)           | (32,067)           |
| Income tax paid   |       | (3,829,049)            | (1,618,828)        | (533,531)          | (248,880)          |
| Foreign currency translation movements                          |       | 391,252                | 130,700            | -                  | -                  |
| <b>Net cash generated from / (used in) operating activities</b> |       | <b>12,239,379</b>      | <b>(6,614,123)</b> | <b>713,849</b>     | <b>1,540,721</b>   |
| <b>Cash flows from investing activities</b>                     |       |                        |                    |                    |                    |
| Purchases of property, plant and equipment                      | 5     | (7,200,741)            | (7,131,580)        | (289,115)          | (250,425)          |
| Purchases of intangible asset                                   | 4     | (1,085,212)            | (2,082,727)        | (880,895)          | (2,082,727)        |
| Loans to subsidiary   | 11    | -                      | -                  | (1,240,387)        | 482,929            |
| <b>Net cash used in investing activities</b>                    |       | <b>(8,285,293)</b>     | <b>(9,214,307)</b> | <b>(2,410,397)</b> | <b>(1,850,223)</b> |
| <b>Cash flows from financing activities</b>                     |       |                        |                    |                    |                    |
| Repayments of borrowings  |       | -                      | (1,152,087)        | -                  | -                  |
| Proceeds from drawdowns of borrowings                           |       | 1,360,946              | 10,041,165         | 585,662            | 216,940            |
| Principal elements of lease payments (IFRS16)                   |       | (6,644,369)            | (5,201,155)        | (72,769)           | (68,265)           |
| <b>Net cash generated from/(used in) financing activities</b>   |       | <b>(5,283,423)</b>     | <b>3,687,923</b>   | <b>512,893</b>     | <b>148,675</b>     |
| Movement in cash and cash equivalents                           |       | (1,329,997)            | (12,140,507)       | (1,183,655)        | (160,827)          |
| Cash and cash equivalents at the beginning of the year          |       | 10,913,832             | 23,054,339         | 338,472            | 499,299            |
| <b>Cash and cash equivalents at the end of the year</b>         | 15    | <b>9,583,835</b>       | <b>10,913,832</b>  | <b>(854,183)</b>   | <b>338,472</b>     |

The notes on pages 12 to 61 are an integral part of these financial statements.

## Notes to the financial statements

### 13. Summary of material accounting policies

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

#### 1.1 Basis of preparation

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

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

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

The Group reported a net current asset position of €1,834,177 (2022: €7,558,864), however, the Company reported a net current liability position of €6,941,986 (2022: €6,716,588). This is mainly due to outstanding amounts due and loans due to intercompanies which, as at year-end, amounted to €13,560,414. During 2023, the Company was reliant on the support received from its subsidiaries as a large portion of the current liabilities are due to the subsidiaries. Accordingly, the directors have concluded that at the time of approving these financial statements, the Group's and the Company's business is considered to be a going concern.

#### *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 Group and Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group and Company's financial statements in the period of initial application.

#### 1.2 Consolidation

##### *(a) Subsidiaries*

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

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

**1.2 Consolidation - continued**

*(a) Subsidiaries – continued*

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

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

*(b) Transactions with non-controlling interests*

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

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

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

*(c) Business combinations*

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

Goodwill is initially measured as the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired.

## 1. Summary of material accounting policies - continued

### 1.2 Consolidation - continued

#### *(c) Business combinations - continued*

If this is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

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

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

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

### 1.3 Foreign currency translation

#### *(a) Functional and presentation currency*

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

#### *(b) Transactions and balances*

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

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

**1.3 Foreign currency translation - continued**

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

*(c) Group companies*

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

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

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

**1.4 Intangible assets**

*(a) Goodwill*

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

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

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

*(b) Trademarks*

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

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

**1.4 Intangible assets**

*(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.

(i) **Computer software**

Costs incurred to acquire, development and implement computer software is capitalised on the basis of the costs incurred to acquire and bring into use the software in line with IAS 38 'Intangible Assets'. These costs are amortised on a straight-line basis over their estimated useful life of ten years. Costs associated with maintaining computer software and costs that do not meet the recognition criteria of IAS 38 'Intangible Assets' are expensed as incurred.

**1.5 Property, plant and equipment**

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

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

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

|   |          |
|---|----------|
|   | %        |
| Improvement to premises                 | 10       |
| Furniture, fixtures and other equipment | 20 – 33½ |
| Plant and machinery                     | 25       |
| Motor vehicles                          | 20       |

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

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

**1.6 Leases**

*The Group is the lessee*

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

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

**1.6 Leases – continued**

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.

All extension options in property leases have been included in the lease liability except for the lease agreement in Nigeria where the management reassessed the useful life of the agreement by only considering the fixed period of the lease term only.

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 | 67                      | 1 - 61                                | 12                                   | 2 - 7                                       | 67                                  | -                                    | 67                                    |

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

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

## 1. Summary of material accounting policies - continued

### 1.6 Leases - continued

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.

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

## 1. Summary of material accounting policies - continued

### 1.7 Impairment of non-financial assets

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

### 1.8 Financial assets

#### 1.8(a) Classification

The Company classifies its financial assets in the following measurement categories:

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

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

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

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

#### 1.8(b) Recognition and measurement

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

#### 1.8(c) Measurement

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

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

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

**1.8 Financial assets - continued**

**1.8(c) Measurement - continued**

*Debt instruments*

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. The Group classifies its debt instruments at amortised cost as assets that are held for collection of contractual cashflows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included on 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.

*Equity instruments*

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the group's right to receive payments is established.

Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

**1.8(d) Impairment**

The Group assesses on a forward-looking basis the expected credit loss associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (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 1.8.4). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of

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

**1.8 Financial assets - continued**

**1.8.1 Trade and other receivables - continued**

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.

**1.9 Inventories**

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

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

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

**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.

**1.12 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 will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

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

**1.13 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 substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised, or the deferred tax liability is settled.

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

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

**1.14 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 Group's activities. Revenue is recognised upon delivery of products or performance of services, and is stated net of sales tax, returns, rebates and discounts.

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

**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, 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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

The board of directors provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposure ensuring the current and preceding financial years.

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective group entity's functional currency.

The table below summarises the Group's exposure to foreign currencies, other than the functional currency, as at 31 December 2023 and 2022.

|                               | Assets<br>€    | Liabilities<br>€   | Net<br>exposure<br>€ |
|-------------------------------|----------------|--------------------|----------------------|
| <b>Group</b>                  |                |                    |                      |
| <b>As at 31 December 2023</b> |                |                    |                      |
| USD to EUR                    | 687,610        | (6,306,164)        | (5,618,554)          |
| EUR to USD                    | 7,508          | (129,455)          | (121,947)            |
| GBP to EUR                    | -              | (280,646)          | (280,646)            |
| USD to NGN                    | -              | (1,435,405)        | (1,435,405)          |
|                               | <b>695,118</b> | <b>(8,151,670)</b> | <b>(7,456,552)</b>   |

|                               | Assets<br>€      | Liabilities<br>€   | Net<br>exposure<br>€ |
|-------------------------------|------------------|--------------------|----------------------|
| <b>Group</b>                  |                  |                    |                      |
| <b>As at 31 December 2022</b> |                  |                    |                      |
| USD to EUR                    | 1,560,198        | (3,066,527)        | (1,506,329)          |
| EUR to USD                    | 19,678           | (124,073)          | (104,395)            |
| GBP to EUR                    | 94,557           | (1,026,767)        | (932,210)            |
| USD to NGN                    | -                | (1,855,303)        | (1,855,303)          |
|                               | <b>1,674,433</b> | <b>(6,072,670)</b> | <b>(4,398,237)</b>   |

The Group's financial assets are mainly denominated in the functional currency, however, there are certain currency exposures which warranted a sensitivity analysis to assess the potential impact on the net assets attributable to shareholders of a defined shift in a particular foreign currency.

2. **Financial risk management - continued**

**2.1 Financial risk factors - continued**

(a) *Market risk - continued*

(i) Foreign exchange risk - continued

The following analysis is based on the assumptions that the relevant foreign exchange rate increased / decreased during the relevant periods against the Group's subsidiaries functional currencies by the percentage disclosed in the table below with all other variables held constant. These percentages have been determined based on the average market volatility in exchange rates in the previous twelve months. This represents management's best estimate of a reasonable shift in the foreign exchange rates, having regard to historical volatility of those rates. The below table summarises the potential impact on profit and loss due to a shift in foreign exchange rates:

|            | Reasonable possible shift<br>in foreign currency rates |      | Impact of possible shift<br>increase |         | Impact of possible shift<br>decrease |           |
|------------|--|------|--------------------------------------|---------|--------------------------------------|-----------|
|            | +/- % impact   |      | 2023                                 | 2022    | 2023                                 | 2022      |
|            | 2023   | 2022 | €                                    | €       | €                                    | €         |
| USD to NGN | 20%  | 20%  | 287,081                              | 371,061 | (287,081)                            | (371,061) |

Management does not consider that the exposure to risks arising from foreign currency translations denominated in USD to EUR and GBP to EUR are significant, and thus it was not deemed necessary to perform a sensitivity analysis for these currencies.

(ii) Interest rate risk

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

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

|  | Group             |              | Company   |           |
|--|-------------------|--------------|-----------|-----------|
|  | At floating rates |              |           |           |
|  | 2023              | 2022         | 2023      | 2022      |
|  | €                 | €            | €         | €         |
| <i>Interest-bearing assets</i>         |                   |              |           |           |
| Amounts owed by subsidiaries (Note 12) | -                 | -            | -         | -         |
| <i>Interest-bearing liabilities</i>    |                   |              |           |           |
| Bank overdraft (Note 19)               | 2,189,321         | 1,477,606    | 1,307,792 | 7,729     |
| Bank loans (Note 19)                   | 30,334,548        | 28,942,195   | 2,931,808 | 2,346,147 |
| Amounts owed to subsidiaries (Note 18) | -                 | -            | -         | -         |
|  | 32,523,869        | 30,419,801   | 4,239,600 | 2,353,876 |
| Net                                    | (32,523,869)      | (30,419,801) | 4,239,600 | 2,353,876 |

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(a) Market risk - continued*

(ii) Interest rate risk – continued

|  | Group               |                     | Company           |                   |
|--|---------------------|---------------------|-------------------|-------------------|
|  | At fixed rates      |                     |                   |                   |
|  | 2023<br>€           | 2022<br>€           | 2023<br>€         | 2022<br>€         |
| <i>Interest-bearing assets</i>         |                     |                     |                   |                   |
| Lease receivables (Note 7)             | -                   | -                   | 3,503,020         | 5,751,554         |
| Amounts owed by subsidiaries (Note 12) | -                   | -                   | 9,052,128         | 2,857,888         |
| Gross loans to subsidiaries (Note 11)  | -                   | -                   | 3,225,667         | 3,633,667         |
| Loan to related parties (Note 11)      | 1,625,503           | 1,565,503           | 1,625,503         | 1,565,503         |
|  | <b>1,625,503</b>    | <b>1,565,503</b>    | <b>17,406,318</b> | <b>13,808,612</b> |
| <i>Interest-bearing liabilities</i>    |                     |                     |                   |                   |
| Lease liabilities (Note 17)            | 47,521,311          | 33,082,938          | 4,160,060         | 6,481,364         |
| Listed bond (Note 19)                  | 11,935,680          | 11,907,084          | -                 | -                 |
| Bank loans (Note 19)                   | -                   | -                   | -                 | -                 |
| Loan from subsidiary (Note 19)         | -                   | -                   | 3,375,000         | 3,375,000         |
| Amounts owed to subsidiaries (Note 18) | -                   | -                   | 10,185,414        | 4,863,230         |
|  | <b>59,456,991</b>   | <b>44,990,022</b>   | <b>17,720,474</b> | <b>14,719,594</b> |
| <b>Net</b>                             | <b>(57,831,488)</b> | <b>(43,424,519)</b> | <b>(314,156)</b>  | <b>(910,982)</b>  |

Based on the amounts disclosed above, the directors are of the opinion that the Group and Company are exposed to changes in interest rates. Accordingly, a sensitivity analysis disclosing how profit or loss, and other comprehensive income, would be impacted by a change in interest rates that was reasonably possible at the end of the reporting period, is presented below:

|         | Reasonable possible shift<br>in interest rates<br>+/- % impact |      | Impact of possible shift<br>increase |           | Impact of possible shift<br>decrease |           |
|---------|--|------|--------------------------------------|-----------|--------------------------------------|-----------|
|         | 2023   | 2022 | 2023<br>€                            | 2022<br>€ | 2023<br>€                            | 2022<br>€ |
|         | Group  | 1%   | 1%                                   | (325,239) | (304,198)                            | 325,239   |
| Company | 1%   | 1%   | 42,936                               | 23,539    | (42,936)                             | (23,539)  |

*(b) Credit risk*

Credit risk arises from credit exposures to wholesale and retail customers, including outstanding receivables and committed transactions, loans receivable and cash and cash equivalents.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Credit risk - continued*

The Group and the Company's exposures to credit risk as at the end of the reporting periods are analysed as follows:

|  | Group             |                   | Company           |                   |
|--|-------------------|-------------------|-------------------|-------------------|
|  | 2023              | 2022              | 2023              | 2022              |
|  | €                 | €                 | €                 | €                 |
| Loans and receivables category:                              |                   |                   |                   |                   |
| Lease receivables (Note 7)                                   | -                 | -                 | 3,503,020         | 5,751,554         |
| Trade and other receivables - gross (Note 12)                | 25,685,454        | 29,583,689        | 9,841,174         | 3,118,666         |
| Loans and receivables (Note 11)                              | 1,625,503         | 1,565,503         | 4,851,170         | 3,909,170         |
| Cash and cash equivalents - net of provisions (Note 15)      | 11,773,156        | 12,391,438        | 462,609           | 346,201           |
|  | <b>39,084,113</b> | <b>43,540,630</b> | <b>18,657,973</b> | <b>13,125,591</b> |
| Less: other receivables that do not give rise to credit risk | (5,888,500)       | (6,007,331)       | (690,059)         | (590,572)         |
| Provision for impairment                                     | (620,108)         | (593,326)         | (478,863)         | (500,548)         |
| Maximum exposure to credit risk                              | <b>32,575,505</b> | <b>36,939,973</b> | <b>17,489,051</b> | <b>12,034,471</b> |

Trade and other receivables (including contract assets)

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

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

The Group has debtor balances amounting to €10,568,279 (2022: €9,731,708) that are covered by letters of credit. The Group does not hold any other significant collateral as security.

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. The largest client exposure accounts for 57.4% (2022: 38.5%) of the trade debtor balances of which 100% (2022: 100%) are covered by letters of credit. The exposure is further covered by a credit note which has been accrued for within these financial statements. These exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management, usually taking cognisance of the performance history without defaults, to have excellent credit standing.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(b) Credit risk - continued*

##### *Impairment of trade and other receivables (including contract assets)*

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

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the tenants to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. The Group's debtors are principally in respect of transactions with costumers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers. On the basis of this analysis and considering that the Group never experienced material defaults from its receivables, no adjustments to impairment provisions on trade receivables were required upon adoption of IFRS 9, as the identified impairment loss is insignificant.

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

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The individually credit impaired trade receivables mainly relate to independent customers which are in unexpectedly difficult economic situations mostly due to geopolitical issues and which are accordingly not meeting repayment obligations. In this respect, the Company has recognised specific impairment provisions during the current financial year, against credit impaired individual exposures which have demonstrated objective evidence of being impaired.

As at 31 December 2023, trade receivables for the Group and Company to €620,108 (2022: €593,326) and €478,863 (2022: €500,548), respectively, were impaired and the amount of the provisions in this respect are equivalent to these amounts.

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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *(b) Credit risk - continued*

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

#### Cash and cash equivalents

The credit risk for cash and cash equivalents for Group and Company is considered negligible since the majority of the counterparties are reputable banks with high quality external credit ratings. The Group and Company assessed the expected credit loss for cash and cash equivalents. The loss allowances for these financial assets are based on assumptions about risk of default and expected loss rates. The identified impairment loss was insignificant except for a bank balance at a subsidiary for which a credit loss allowance of €34,724 (2022: €34,724) was considered.

The closing loss allowances for cash and cash equivalents as at 31 December 2023 reconcile to the opening loss allowances as follows:

|                                  | 2023          | 2022          |
|----------------------------------|---------------|---------------|
|                                  | €             | €             |
| <b>Group</b>                     |               |               |
| <b>Cash</b>                      |               |               |
| Balance at 1 January             | 34,724        | 34,325        |
| Impact of difference on exchange | -             | 399           |
| Balance at 31 December           | <u>34,724</u> | <u>34,724</u> |

#### Other financial assets at amortised cost

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

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

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Credit risk - continued*

As at year-end, based on the directors' assessments of these factors, the equity position of the respective counterparty, and, where the probability of default is high, the recovery strategies contemplated by management and the support of shareholders in place, the resulting impairment charge required for loans and other current receivables was of €478,863 and €nil respectively (2022: €51,098 and €449,450 respectively).

The closing loss allowances for other financial assets at amortised cost as at 31 December 2023 reconcile to the opening loss allowances as follows:

| <b>Company</b>  | <b>2023</b>    | <b>2022</b>    |
|---|----------------|----------------|
|   | <b>€</b>       | <b>€</b>       |
| <b><i>Other financial assets at amortised cost</i></b>                  |                |                |
| Balance at 1 January  | 500,548        | 479,951        |
| Increase in loss allowance recognised in profit or loss during the year | (21,685)       | 20,597         |
| Balance at 31 December  | <u>478,863</u> | <u>500,548</u> |

*(c) Liquidity risk*

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

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

| Group                           | Carrying amount<br>€ | Contractual cash flows<br>€ | Due                |                            |                              |
|---------------------------------|----------------------|-----------------------------|--------------------|----------------------------|------------------------------|
|                                 |                      |                             | within 1 year<br>€ | between 2 and 5 years<br>€ | after more than 5 years<br>€ |
| <b>31 December 2023</b>         |                      |                             |                    |                            |                              |
| Listed bond                     | 11,935,680           | 13,566,000                  | 522,000            | 13,044,000                 | -                            |
| Bank overdraft                  | 2,189,324            | 2,189,324                   | 2,189,324          | -                          | -                            |
| Trade and other payables        | 45,495,717           | 45,495,718                  | 45,495,718         | -                          | -                            |
| Lease liabilities               | 47,521,311           | 59,864,993                  | 9,159,095          | 24,351,695                 | 26,354,203                   |
| Other bank loans and facilities | 30,334,548           | 33,353,159                  | 27,321,211         | 5,396,568                  | 635,380                      |
| <b>Total</b>                    | <b>137,476,580</b>   | <b>154,469,194</b>          | <b>84,687,348</b>  | <b>42,792,263</b>          | <b>26,989,583</b>            |
| <b>31 December 2022</b>         |                      |                             |                    |                            |                              |
| Listed bond                     | 11,907,084           | 14,088,000                  | 522,000            | 13,566,000                 | -                            |
| Bank overdraft                  | 1,477,606            | 1,477,606                   | 1,477,606          | -                          | -                            |
| Trade and other payables        | 35,957,570           | 35,957,570                  | 35,957,570         | -                          | -                            |
| Lease liabilities               | 33,082,938           | 42,070,649                  | 3,809,096          | 19,336,676                 | 15,924,877                   |
| Other bank loans and facilities | 28,942,195           | 32,259,358                  | 37,359,420         | 3,991,824                  | 908,114                      |
| <b>Total</b>                    | <b>111,367,392</b>   | <b>125,853,182</b>          | <b>72,125,692</b>  | <b>36,894,500</b>          | <b>16,832,991</b>            |

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(c) Liquidity risk - continued*

| <b>Company</b>           | Carrying<br>amount<br>€ | Contractual<br>cash flows<br>€ | Due<br>within 1 year<br>€ | Due<br>between 2<br>and 5 years<br>€ | after more<br>than 5 years<br>€ |
|--------------------------|-------------------------|--------------------------------|---------------------------|--------------------------------------|---------------------------------|
| <b>31 December 2023</b>  |                         |                                |                           |                                      |                                 |
| Loan from subsidiary     | 3,375,000               | 4,216,000                      | 2,079,625                 | 2,136,375                            | -                               |
| Bank overdraft           | 1,307,792               | 1,307,792                      | 1,307,792                 | -                                    | -                               |
| Trade and other payables | 13,284,977              | 13,284,977                     | 13,284,977                | -                                    | -                               |
| Lease liabilities        | 4,160,060               | 4,451,267                      | 1,140,351                 | 3,074,785                            | 236,130                         |
| Bank and other loans     | 2,931,808               | 3,049,081                      | 1,366,494                 | 1,682,587                            | -                               |
| <b>Total</b>             | <b>25,059,637</b>       | <b>26,309,117</b>              | <b>19,179,239</b>         | <b>6,893,747</b>                     | <b>236,130</b>                  |
| <b>31 December 2022</b>  |                         |                                |                           |                                      |                                 |
| Loan from subsidiary     | 3,375,000               | 4,216,000                      | 1,054,000                 | 3,162,000                            | -                               |
| Bank overdraft           | 7,729                   | 7,729                          | 7,729                     | -                                    | -                               |
| Trade and other payables | 8,416,337               | 8,416,337                      | 8,416,337                 | -                                    | -                               |
| Lease liabilities        | 6,481,364               | 7,387,021                      | 1,543,752                 | 4,340,015                            | 1,503,254                       |
| Bank and other loans     | 2,346,147               | 2,471,131                      | 1,463,611                 | 1,007,519                            | -                               |
| <b>Total</b>             | <b>20,626,577</b>       | <b>22,498,218</b>              | <b>12,485,429</b>         | <b>8,509,534</b>                     | <b>1,503,254</b>                |

Contractual cashflows on lease liabilities payable by the Company include €3,503,020 (2022: €5,751,554) for which cashflows will be funded by lease receivables due from subsidiaries (Note 7).

**2.2 Capital risk management**

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

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

**2. Financial risk management - continued**

**2.2 Capital risk management - continued**

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

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

|   | Group              |                   | Company           |                   |
|---|--------------------|-------------------|-------------------|-------------------|
|   | 2023               | 2022              | 2023              | 2022              |
|   | €                  | €                 | €                 | €                 |
| Borrowings (Note 19)                      | 44,399,552         | 42,326,885        | 7,614,600         | 5,728,876         |
| Lease liabilities (Note 17)               | 47,521,311         | 33,082,938        | 4,160,060         | 6,481,364         |
| Less: cash and cash equivalents (Note 15) | (11,773,156)       | (12,391,438)      | (462,609)         | (346,201)         |
| <b>Net debt</b>                           | <b>80,147,707</b>  | <b>63,018,385</b> | <b>11,312,051</b> | <b>11,864,039</b> |
| <b>Total equity</b>                       | <b>22,707,491</b>  | <b>22,415,424</b> | <b>24,269,953</b> | <b>23,993,222</b> |
| <b>Total capital</b>                      | <b>102,855,198</b> | <b>85,433,809</b> | <b>35,582,004</b> | <b>35,857,261</b> |
| <br>                                      |                    |                   |                   |                   |
| Net debt ratio                            | <b>78.0%</b>       | <b>73.8%</b>      | <b>31.7%</b>      | <b>33.1%</b>      |

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

**2. Financial risk management - continued**

**2.3 Fair values of financial instruments**

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

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

**Group and Company**

|  | Level 3 |      |
|--|---------|------|
|  | €       | €    |
| 31 December  | 2023    | 2022 |
| <b>Assets</b>  |         |      |
| Equity investments at fair value through other comprehensive income: |         |      |
| equity securities  |         |      |
| Unlisted   | 312,500 | -    |

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

At 31 December 2023 and 2022 the carrying amounts of cash at bank, loans and receivables, receivables, payables, and borrowings reflected in the financial statements are reasonable estimates of fair value.

**3. Critical accounting estimates and judgements**

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

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

**4. Intangible assets**

**Group**

|  | <b>Computer<br/>Software</b> | <b>Goodwill</b>  | <b>Supplier<br/>relationships</b> | <b>Others</b>  | <b>Total</b>     |
|--|------------------------------|------------------|-----------------------------------|----------------|------------------|
|  | €                            | €                | €                                 | €              | €                |
| <b>At 1 January 2022</b>               |                              |                  |                                   |                |                  |
| Cost                                   | 2,696,380                    | 1,065,688        | 3,190,224                         | 429,853        | 7,382,145        |
| Accumulated amortisation               | (121,630)                    | -                | -                                 | (150,868)      | (272,498)        |
| <b>Net book amount</b>                 | <b>2,574,750</b>             | <b>1,065,688</b> | <b>3,190,224</b>                  | <b>278,985</b> | <b>7,109,647</b> |
| <b>Year ended<br/>31 December 2022</b> |                              |                  |                                   |                |                  |
| Opening net book amount                | 2,574,750                    | 1,065,688        | 3,190,224                         | 278,985        | 7,109,647        |
| Additions                              | 2,082,727                    | -                | -                                 | -              | 2,082,727        |
| Disposals                              | -                            | -                | -                                 | (197,398)      | (197,398)        |
| Amortisation charges                   | (392,170)                    | -                | (319,022)                         | (17,968)       | (729,160)        |
| Amortisation released on disposal      | -                            | -                | -                                 | 96,630         | 96,630           |
| <b>Closing net book amount</b>         | <b>4,265,307</b>             | <b>1,065,688</b> | <b>2,871,202</b>                  | <b>160,249</b> | <b>8,362,446</b> |
| <b>At 31 December 2022</b>             |                              |                  |                                   |                |                  |
| Cost                                   | 4,779,107                    | 1,065,688        | 3,190,224                         | 232,455        | 9,267,474        |
| Accumulated amortisation               | (513,800)                    | -                | (319,022)                         | (72,206)       | (905,028)        |
| <b>Net book amount</b>                 | <b>4,265,307</b>             | <b>1,065,688</b> | <b>2,871,202</b>                  | <b>160,249</b> | <b>8,362,446</b> |
| <b>Year ended<br/>31 December 2023</b> |                              |                  |                                   |                |                  |
| Opening net book amount                | 4,265,307                    | 1,065,688        | 2,871,202                         | 160,249        | 8,362,446        |
| Additions                              | 880,895                      | -                | -                                 | 204,317        | 1,085,212        |
| Amortisation charges                   | (561,093)                    | -                | (212,682)                         | (47,169)       | (820,944)        |
| <b>Closing net book amount</b>         | <b>4,585,109</b>             | <b>1,065,688</b> | <b>2,658,520</b>                  | <b>317,397</b> | <b>8,626,714</b> |
| <b>At 31 December 2023</b>             |                              |                  |                                   |                |                  |
| Cost                                   | 5,660,002                    | 1,065,688        | 3,190,224                         | 436,772        | 10,352,686       |
| Accumulated amortisation               | (1,074,893)                  | -                | (531,704)                         | (119,375)      | (1,725,972)      |
| <b>Net book amount</b>                 | <b>4,585,109</b>             | <b>1,065,688</b> | <b>2,658,520</b>                  | <b>317,397</b> | <b>8,626,714</b> |

**4. Intangible assets - continued**

Included in the additions for the year are salaries and other overhead expenses amounting to €nil (2022: €427,442) which were capitalised to intangible assets during the year.

*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.

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 carrying amount of the HMS CGU currently exceeds its recoverable 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).

**4. Intangible assets - continued**

**Company**

|                                    | <b>Computer<br/>software<br/>€</b> |
|------------------------------------|------------------------------------|
| <b>At 1 January 2022</b>           |                                    |
| Cost                               | 2,696,380                          |
| Accumulated amortisation           | (121,630)                          |
|                                    | 2,574,750                          |
| Net book amount                    | 2,574,750                          |
| <b>Year ended 31 December 2022</b> |                                    |
| Opening net book amount            | 2,574,750                          |
| Additions                          | 2,082,727                          |
| Amortisation                       | (392,170)                          |
|                                    | 4,265,307                          |
| Closing net book amount            | 4,265,307                          |
| <b>At 31 December 2022</b>         |                                    |
| Cost                               | 4,779,107                          |
| Accumulated amortisation           | (513,800)                          |
|                                    | 4,265,307                          |
| Net book amount                    | 4,265,307                          |
| <b>Year ended 31 December 2023</b> |                                    |
| Opening net book amount            | 4,265,307                          |
| Additions                          | 880,895                            |
| Amortisation                       | (561,094)                          |
|                                    | 4,585,109                          |
| Closing net book amount            | 4,585,109                          |
| <b>At 31 December 2023</b>         |                                    |
| Cost                               | 5,660,002                          |
| Accumulated amortisation           | (1,074,893)                        |
|                                    | 4,585,109                          |
| Net book amount                    | 4,585,109                          |

| 5. Property, plant and equipment   |  |                                  |                        |   |             |
|------------------------------------|--|----------------------------------|------------------------|---|-------------|
| Group                              | Assets in<br>the course of<br>of construction<br>€ | Improvements<br>to premises<br>€ | Motor<br>vehicles<br>€ | Furniture,<br>fixtures<br>and other<br>equipment<br>€ | Total<br>€  |
| <b>At 1 January 2022</b>           |  |                                  |                        |   |             |
| Cost                               | 82,810   | 5,473,541                        | 119,671                | 12,149,393  | 17,825,415  |
| Accumulated depreciation           | -  | (951,285)                        | (61,435)               | (3,525,101)   | (4,537,821) |
| Net book amount                    | 82,810   | 4,522,256                        | 58,236                 | 8,624,292   | 13,287,594  |
| <b>Year ended 31 December 2022</b> |  |                                  |                        |   |             |
| Opening net book amount            | 82,810   | 4,522,256                        | 58,235                 | 8,624,292   | 13,287,594  |
| Reclassification of assets         | (82,810)   | (534,878)                        | -                      | 617,688   | -           |
| Additions                          | 1,503,924  | 2,068,991                        | 126,260                | 3,432,405   | 7,131,580   |
| Disposals                          | -  | (387,305)                        | (21,199)               | (409,356)   | (817,860)   |
| Currency translation differences   | -  | 1,883                            | 2,388                  | 168,263   | 172,534     |
| Depreciation released on disposals | -  | 189,796                          | 7,066                  | 166,753   | 363,615     |
| Depreciation charge                | -  | (591,407)                        | (21,307)               | (2,482,436)   | (3,095,150) |
| Closing net book amount            | 1,503,924  | 5,269,336                        | 151,444                | 10,117,610  | 17,042,313  |
| <b>At 31 December 2022</b>         |  |                                  |                        |   |             |
| Cost                               | 1,503,924  | 6,622,232                        | 227,120                | 15,958,393  | 24,311,669  |
| Accumulated depreciation           | -  | (1,352,896)                      | (75,676)               | (5,840,784)   | (7,269,356) |
| Net book amount                    | 1,503,924  | 5,269,336                        | 151,444                | 10,117,609  | 17,042,313  |

5. Property, plant and equipment - continued

| Group                              | Assets in<br>the course of<br>of construction<br>€ | Improvements<br>to premises<br>€ | Motor<br>vehicles<br>€ | Furniture,<br>fixtures<br>and other<br>equipment<br>€ | Total<br>€        |
|------------------------------------|--|----------------------------------|------------------------|---|-------------------|
| <b>Year ended 31 December 2023</b> |  |                                  |                        |   |                   |
| Opening net book amount            | 1,503,924  | 5,269,336                        | 151,444                | 10,117,609  | 17,042,313        |
| Reclassification of assets         | (1,503,924)  | 721,609                          | -                      | 782,315   | -                 |
| Additions                          | 286,580  | 2,246,410                        | 29,341                 | 4,638,410   | 7,200,741         |
| Disposals                          | -  | -                                | (12,258)               | (108,845)   | (121,103)         |
| Currency translation differences   | -  | (262,517)                        | (68,128)               | (438,404)   | (769,049)         |
| Depreciation released on disposals | -  | -                                | -                      | 70,870  | 70,870            |
| Depreciation charge                | -  | (1,138,642)                      | (16,480)               | (3,254,435)   | (4,409,557)       |
| Closing net book amount            | <b>286,580</b>                                     | <b>6,836,196</b>                 | <b>83,919</b>          | <b>11,807,520</b>                                     | <b>19,014,215</b> |
| <b>At 31 December 2023</b>         |  |                                  |                        |   |                   |
| Cost                               | 286,580  | 9,327,734                        | 176,075                | 20,831,869  | 30,622,258        |
| Accumulated depreciation           | -  | (2,491,538)                      | (92,156)               | (9,024,349)   | (11,608,043)      |
| Net book amount                    | <b>286,580</b>                                     | <b>6,836,196</b>                 | <b>83,919</b>          | <b>11,807,520</b>                                     | <b>19,014,215</b> |

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

| Company                            | Improvements<br>to premises<br>€ | Motor<br>vehicles<br>€ | Furniture,<br>fixtures<br>and other<br>equipment<br>€ | Total<br>€     |
|------------------------------------|----------------------------------|------------------------|---|----------------|
| <b>At 1 January 2022</b>           |                                  |                        |   |                |
| Cost                               | 22,517                           | 14,668                 | 980,189   | 1,017,374      |
| Accumulated depreciation           | (13,305)                         | (11,901)               | (695,124)   | (720,330)      |
| <b>Net book amount</b>             | <b>9,212</b>                     | <b>2,767</b>           | <b>285,065</b>  | <b>297,044</b> |
| <b>Year ended 31 December 2022</b> |                                  |                        |   |                |
| Opening net book amount            | 9,212                            | 2,767                  | 285,065   | 297,044        |
| Additions                          | -                                | -                      | 250,425   | 250,425        |
| Depreciation charge                | (2,090)                          | (1,161)                | (135,672)   | (138,923)      |
| <b>Closing net book amount</b>     | <b>7,122</b>                     | <b>1,606</b>           | <b>399,818</b>  | <b>408,546</b> |
| <b>At 31 December 2022</b>         |                                  |                        |   |                |
| Cost                               | 22,517                           | 14,668                 | 1,230,614   | 1,267,799      |
| Accumulated depreciation           | (15,395)                         | (13,062)               | (830,796)   | (859,253)      |
| <b>Net book amount</b>             | <b>7,122</b>                     | <b>1,606</b>           | <b>399,818</b>  | <b>408,546</b> |
| <b>Year ended 31 December 2023</b> |                                  |                        |   |                |
| Opening net book amount            | 7,122                            | 1,606                  | 399,818   | 408,546        |
| Additions                          | 121,257                          | -                      | 167,858   | 289,115        |
| Depreciation charge                | (7,856)                          | (567)                  | (158,365)   | (166,788)      |
| <b>Closing net book amount</b>     | <b>120,523</b>                   | <b>1,039</b>           | <b>409,311</b>  | <b>530,873</b> |
| <b>At 31 December 2023</b>         |                                  |                        |   |                |
| Cost                               | 143,774                          | 14,668                 | 1,398,472   | 1,556,914      |
| Accumulated depreciation           | (23,251)                         | (13,629)               | (989,161)   | (1,026,041)    |
| <b>Net book amount</b>             | <b>120,523</b>                   | <b>1,039</b>           | <b>409,311</b>  | <b>530,873</b> |

**6. Right-of-use assets**

|                                    | <b>Group</b>      | <b>Company</b> |
|------------------------------------|-------------------|----------------|
|                                    | <b>€</b>          | <b>€</b>       |
| <b>Year ended 31 December 2022</b> |                   |                |
| Opening net book value             | 30,618,929        | 760,358        |
| Additions                          | 7,466,665         | -              |
| Lease modifications                | (63,194)          | (23,368)       |
| Currency translation differences   | 110,492           | -              |
| Amortisation charge                | (6,052,719)       | (81,682)       |
|                                    | <b>32,080,173</b> | <b>655,308</b> |
| <b>Year ended 31 December 2023</b> |                   |                |
| Opening net book value             | 32,080,173        | 655,308        |
| Additions                          | 21,695,601        | -              |
| Lease modifications                | (1,207,107)       | -              |
| Currency translation differences   | (861,009)         | -              |
| Amortisation charge                | (7,048,405)       | (81,682)       |
|                                    | <b>44,659,253</b> | <b>573,626</b> |

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

|   | Group             |                  | Company        |                |
|---|-------------------|------------------|----------------|----------------|
|   | 2023              | 2022             | 2023           | 2022           |
|   | €                 | €                | €              | €              |
| Amortisation charge of right-of-use assets  | 7,048,405         | 6,052,719        | 81,682         | 81,682         |
| Interest income (included in finance income)  | -                 | -                | 172,932        | 307,116        |
| Interest expense (included in finance cost)   | 1,685,732         | 1,472,829        | 202,281        | 339,183        |
| Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses) | 2,127,584         | 1,469,365        | 376,578        | 237,944        |
|   | <b>11,861,701</b> | <b>9,004,923</b> | <b>661,473</b> | <b>965,925</b> |

**7. Lease receivables**

**Company**

|             | <b>2023</b>      | <b>2022</b>      |
|-------------|------------------|------------------|
|             | €                | €                |
| Non-current | 2,543,747        | 4,467,057        |
| Current     | 959,273          | 1,284,497        |
|             | <b>3,503,020</b> | <b>5,751,554</b> |

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

**8. Investment in subsidiaries**

|                               | <b>Company</b>    |                   |
|-------------------------------|-------------------|-------------------|
|                               | <b>2023</b>       | <b>2022</b>       |
|                               | €                 | €                 |
| <b>Year ended 31 December</b> |                   |                   |
| At beginning of year          | 24,452,227        | 24,452,227        |
| Additions                     | 1,200             | -                 |
| At end of year                | <b>24,453,427</b> | <b>24,452,227</b> |

During 2023, the Company incorporated Hudson Management Services Limited with a total issued share capital of €1,200 (further details in the table below).

**8. Investments in subsidiaries - continued**

The principal subsidiaries as at 31 December 2023 and 2022 are shown below. Unless otherwise stated, they have share capital consisting solely of ordinary shares.

| Subsidiaries   | Registered office  | Voting rights held by the Group |      | Ownership interest held directly by the Company |      | Ownership interest held by the Group |      |
|--|--|---------------------------------|------|---|------|--------------------------------------|------|
|  |  | 2023                            | 2022 | 2023  | 2022 | 2023                                 | 2022 |
| <b>Malta Pillar</b><br>Hudson Malta Plc  | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta | 100%                            | 100% | 100%  | 100% | 100%                                 | 100% |
| Hudson Malta Sales Limited<br>(formerly Time International<br>(Sport) Limited) | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta | 100%                            | 100% | -   | -    | 100%                                 | 100% |
| Hudson Management Services Limited<br>(incorporated in 2023)                   | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta | 100%                            | -    | 100%  | -    | 100%                                 | -    |
| Trilogy Limited<br>(merged into Hudson Malta<br>Sales Limited in 2022)         | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta | -                               | -    | -   | -    | -                                    | -    |
| <b>Africa Pillar</b><br>Time International Company<br>Limited                  | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta | 100%                            | 100% | 100%  | 100% | 100%                                 | 100% |

8. Investments in subsidiaries - continued

| Subsidiaries   | Registered office   | Voting rights held by the Group |      | Ownership interest held directly by the Company |      | Ownership interest held by the Group |      |
|--|---|---------------------------------|------|---|------|--------------------------------------|------|
|  |   | 2023                            | 2022 | 2023  | 2022 | 2023                                 | 2022 |
| <b>Africa Pillar - continued</b>   |   |                                 |      |   |      |                                      |      |
| BD International Group Limited   | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta  | 100%                            | 100% | -   | -    | 100%                                 | 100% |
| Hudson Morocco SARL<br>(formerly BD Morocco SARL)  | Angle Boulevards Zerktouni<br>et Al Massira, Twin Center,<br>Tour Ouest, 8e étage,<br>Casablanca, Morocco | 100%                            | 100% | -   | -    | 100%                                 | 100% |
| Hudson Libya Utilities<br>Management and Operation<br>Services Joint Venture SC<br>Company | Gergaresh Street,<br>Tripoli, Libya   | 65%                             | 65%  | -   | -    | 65%                                  | 65%  |
| Hudson Brand Development<br>Nigeria Limited  | Plot 16, prof Kiumi Akingbehi,<br>St. Lekki 1,<br>Lagos, Nigeria  | 100%                            | 100% | -   | -    | 100%                                 | 100% |
| Hudson Brand Development Kenya<br>Limited<br>(incorporated in 2023)                        | Williamson House,<br>Fourth Ngong Avenue<br>Nairobi West District<br>Kenya                                | 100%                            | -    | -   | -    | 100%                                 | -    |

8. Investments in subsidiaries - continued

| Subsidiaries  | Registered office   | Voting rights held<br>by the Group |      | Ownership<br>interest held directly<br>by the Company |      | Ownership<br>interest held<br>by the Group |      |
|---|---|------------------------------------|------|---|------|--|------|
|   |   | 2023                               | 2022 | 2023  | 2022 | 2023                                       | 2022 |
| <b>Europe Pillar</b>                                  |   |                                    |      |   |      |  |      |
| Hudson Italy SRL (formerly<br>Operations Limited SRL) | Italian Via Vincenzo Romaniello,<br>21/B, 80129<br>Napoli, Italy        | 99%                                | 99%  | 100%  | 100% | 100%                                       | 100% |
| UJ International Co Limited                           | Hudson House,<br>Burmarrad Road, Burmarrad<br>St Paul's Bay, Malta      | 100%                               | 100% | 100%  | 100% | 100%                                       | 100% |
| Hudson Cyprus Ltd                                     | Lysandrou 2,<br>3066 Limassol<br>PO Box 51934, 3509<br>Limassol, Cyprus | 100%                               | 100% | 100%  | 100% | 100%                                       | 100% |

**9. Investment in associate**

|                                  | Group            |                |
|----------------------------------|------------------|----------------|
|                                  | 2023             | 2022           |
|                                  | €                | €              |
| <b>Year ended 31 December</b>    |                  |                |
| At beginning of year             | 795,322          | 529,907        |
| Share of profit for the year     | 588,972          | 245,015        |
| Currency translation differences | (12,165)         | 20,400         |
|                                  | <b>1,372,129</b> | <b>795,322</b> |

The associates at 31 December 2023 and 2022 are shown below:

| Associate      | Registered office   | Class of shares held | Percentage of shares directly held by the Group |       |
|----------------|---|----------------------|---|-------|
|                |   |                      | 2023  | 2022  |
|                |   |                      | %   | %     |
| Premium Brands | 29 rue des Pins,<br>Investments Park 2<br>16035, Hydra, Algeria | Ordinary shares      | 44.50   | 44.50 |

*Investment in Premium Brands SARL*

The tables below provide summarised financial information for the associate that is material to the Group. The information disclosed reflects the amounts presented in the financial statements of the associate and not Hudson Holding Limited's share of those amounts.

|   | Premium Brands SARL |                  |
|---|---------------------|------------------|
|   | 2023                | 2022             |
| <b>Summarised statement of financial position</b> |                     |                  |
| <b>Non-current assets</b>                         |                     |                  |
| Intangible assets                                 | 4,583               | 78,542           |
| Property, plant and equipment                     | 760,260             | 926,001          |
| Asset under construction                          | 6,976               | 2,390            |
| Other financial assets                            | 1,400,843           | 1,372,409        |
| <b>Total non-current assets</b>                   | <b>2,172,662</b>    | <b>2,379,342</b> |
| <b>Current Assets</b>                             |                     |                  |
| Inventory   | 3,783,206           | 2,638,452        |
| Accounts receivable                               | 680,670             | 663,648          |
| Prepayments                                       | 39,703              | 12,571           |
| Cash and cash equivalents                         | 1,896,960           | 1,321,113        |
| <b>Total current assets</b>                       | <b>6,400,539</b>    | <b>4,635,784</b> |
| <b>Total assets</b>                               | <b>8,573,201</b>    | <b>7,015,125</b> |

9. **Investment in associate** - continued

|   | <b>Premium Brands SARL</b> |                    |
|---|----------------------------|--------------------|
|   | <b>2023</b>                | <b>2022</b>        |
| <b>Non-current liabilities</b>  |                            |                    |
| Related companies' loan   | (3,426,234)                | (3,986,293)        |
| <b>Total non-current liabilities</b>                                      | <u>(3,426,234)</u>         | <u>(3,986,293)</u> |
| <b>Current liabilities</b>  |                            |                    |
| Accounts payable  | (693,308)                  | (211,913)          |
| Amounts owed to group undertakings (ST)                                   | (3,854)                    | -                  |
| Accruals  | (832,001)                  | (237,116)          |
| Other liabilities   | (507,031)                  | (792,563)          |
| <b>Total current liabilities</b>  | <u>(2,036,194)</u>         | <u>(1,241,592)</u> |
| <b>Total liabilities</b>  | <u>(5,462,428)</u>         | <u>(5,227,885)</u> |
| <b>Net Assets</b>   | <u>3,110,773</u>           | <u>1,787,240</u>   |
| <b>Reconciliation to carrying amounts:</b>                                |                            |                    |
| Opening net assets of investee on 1 January                               | 1,787,240                  | 1,236,645          |
| Profit for the year   | 1,323,533                  | 550,595            |
| <b>Closing net assets on 31 December</b>                                  | <u>3,110,773</u>           | <u>1,787,240</u>   |
| <br>  |                            |                    |
| Group's share in %  | <u>44.50%</u>              | <u>44.50%</u>      |
| Group's share of closing net assets                                       | <u>1,372,129</u>           | <u>795,322</u>     |
| <br>  |                            |                    |
| Group's share of closing net assets reflected in the financial statements | <u>1,372,129</u>           | <u>795,322</u>     |
| Carrying amount on 31 December  | <u>1,372,129</u>           | <u>795,322</u>     |

9. Investment in associate - continued

|   | <b>Premium Brands SARL</b> |                    |
|---|----------------------------|--------------------|
| <b>Summarised statement of comprehensive income</b> | <b>2023</b>                | <b>2022</b>        |
| Revenue   | 12,203,830                 | 8,943,823          |
| Cost of sales                                       | <u>(7,566,516)</u>         | <u>(5,606,873)</u> |
| Gross margin  | 4,637,313                  | 3,336,949          |
| Operating and administrative costs                  | <u>(3,078,989)</u>         | <u>(2,567,762)</u> |
| Profit before tax                                   | 1,558,324                  | 769,188            |
| Tax charge  | <u>(234,792)</u>           | <u>(218,593)</u>   |
| Net income  | <u>1,323,533</u>           | <u>550,595</u>     |

10. Equity investments at fair value through other comprehensive income

|                               | <b>Group and Company</b> |                  |
|-------------------------------|--------------------------|------------------|
|                               | <b>2023</b>              | <b>2022</b>      |
|                               | €                        | €                |
| <b>Year ended 31 December</b> |                          |                  |
| As at 1 January               | -                        | -                |
| Fair value movements          | 312,500                  | -                |
| As at 31 December             | <u>312,500</u>           | -                |
| <b>As at 31 December</b>      |                          |                  |
| Cost                          | 418,476                  | 418,476          |
| Fair value movements          | <u>(105,976)</u>         | <u>(418,476)</u> |
| As at 31 December             | <u>312,500</u>           | -                |

The Group's equity investments, as at 31 December 2023, consists of equity instruments in an unlisted foreign private company, GRP 3ina SL, which is fair valued annually. Fair value is estimated by reference to recent transactions. Accordingly, the available-for-sale investment is categorised as Level 3 within the fair value measurement hierarchy required by IFRS 13. The change in the fair value of the investment is recognised in other comprehensive income in a fair value reserve.

11. Financial assets at amortised cost

|                                       | <b>Group</b>     |                  |
|---------------------------------------|------------------|------------------|
|                                       | <b>2023</b>      | <b>2022</b>      |
|                                       | €                | €                |
| <b>Non-current</b>                    |                  |                  |
| Loans receivable from related parties | 1,625,503        | 1,565,503        |
|                                       | <u>1,625,503</u> | <u>1,565,503</u> |

**11. Financial assets at amortised cost - continued**

|   | Company   |           |
|---|-----------|-----------|
|   | 2023      | 2022      |
|   | €         | €         |
| <b>Current</b>                                  |           |           |
| Loans receivable from subsidiaries              | -         | 1,290,000 |
| <b>Non-current</b>                              |           |           |
| Loans receivable from subsidiaries              | 3,225,667 | 2,343,667 |
| Less: credit loss allowance in line with IFRS 9 | (478,863) | (51,098)  |
| Loans receivable from related parties           | 1,625,503 | 1,565,503 |
|   | 4,372,307 | 3,858,072 |

Loans receivable from subsidiaries bear interest at 5.5% (2022: 5.5%) and are repayable by 2026. The loan receivable from shareholder bears interest at 3% (2022: 3%), with the effective date of repayment being triggered by the contingent consideration payment related to Trilogy Limited as disclosed in Note 30.

**12. Trade and other receivables**

|   | Group      |            | Company   |           |
|---|------------|------------|-----------|-----------|
|   | 2023       | 2022       | 2023      | 2022      |
|   | €          | €          | €         | €         |
| Trade receivables                               | 17,599,509 | 20,526,865 | 5,556     | -         |
| Less: Provisions for impairment                 | (620,108)  | (593,326)  | -         | -         |
| Trade receivables - net                         | 16,979,401 | 19,933,539 | 5,556     | -         |
| Other receivables                               | 1,891,350  | 1,720,192  | 34,590    | 119,656   |
| Amount owed by subsidiaries - net of provisions | -          | -          | 9,052,128 | 2,408,438 |
| Amount due from associate                       | 305,696    | 1,329,301  | -         | -         |
| Indirect tax recoverable                        | 2,191,637  | 2,792,528  | -         | -         |
| Prepayments and accrued income                  | 3,697,263  | 3,214,803  | 748,900   | 590,572   |
|   | 25,065,346 | 28,990,363 | 9,841,174 | 3,118,666 |
| <b>Current</b>                                  | 24,875,328 | 28,485,075 | 9,841,174 | 3,118,666 |
| <b>Non-current</b>                              | 190,018    | 505,288    | -         | -         |
|   | 25,065,346 | 28,990,363 | 9,841,174 | 3,118,666 |

The amounts owed by subsidiaries are unsecured, repayable on demand and subject to interest at 4% (2022: 4%). Amounts owed by subsidiaries are stated net of a provision of €nil (2022: €449,450).

### 13. Deferred tax asset

Deferred taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2021: 35%).

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

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2023             | 2022             | 2023           | 2022           |
|   | €                | €                | €              | €              |
| At beginning of year                    | 1,844,710        | 1,067,814        | 468,242        | 150,636        |
| (Debited)/credited to income statements | (636,737)        | 776,896          | 7,394          | 317,606        |
| At end of year                          | <b>1,207,973</b> | <b>1,844,710</b> | <b>475,636</b> | <b>468,242</b> |

The balance at 31 December represents:

|   | Group            |                  | Company        |                |
|---|------------------|------------------|----------------|----------------|
|   | 2023             | 2022             | 2023           | 2022           |
|   | €                | €                | €              | €              |
| Net temporary difference arising on<br>of property, plant and equipment | (415,436)        | 40,049           | (562,693)      | (270,259)      |
| Temporary differences arising on<br>impairment of receivables           | 36,382           | 523,671          | 32,523         | 40,112         |
| Temporary differences arising on<br>unabsorbed capital allowances       | 754,497          | 376,417          | 754,497        | 376,417        |
| Other temporary differences   | 457,769          | 634,953          | 222,114        | 295,896        |
| Temporary differences on<br>right-of-use assets                         | (13,765,866)     | (9,693,656)      | (200,769)      | (229,358)      |
| Temporary differences on<br>lease liabilities                           | 14,140,627       | 9,963,276        | 229,964        | 255,434        |
| Net deferred tax assets   | <b>1,207,973</b> | <b>1,844,710</b> | <b>475,636</b> | <b>468,242</b> |

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The analysis of deferred tax assets and liabilities are as follows:

|                           | Group            |                  | Company        |                |
|---------------------------|------------------|------------------|----------------|----------------|
|                           | 2023             | 2022             | 2023           | 2022           |
|                           | €                | €                | €              | €              |
| Deferred tax assets       | 1,207,973        | 1,844,710        | 475,636        | 468,242        |
| Deferred tax liabilities  | (46,263)         | -                | -              | -              |
| Deferred tax assets - net | <b>1,161,710</b> | <b>1,844,710</b> | <b>475,636</b> | <b>468,242</b> |

**14. Inventories**

|                       | Group      |            | Company |      |
|-----------------------|------------|------------|---------|------|
|                       | 2023       | 2022       | 2023    | 2022 |
|                       | €          | €          | €       | €    |
| Goods held for resale | 46,445,554 | 35,266,376 | -       | -    |

**15. Cash and cash equivalents**

|  | Group            |                   | Company          |                |
|--|------------------|-------------------|------------------|----------------|
|  | 2023             | 2022              | 2023             | 2022           |
|  | €                | €                 | €                | €              |
| Cash at bank and in hand - net of provisions | 11,773,156       | 12,391,438        | 462,609          | 346,201        |
| Bank overdrafts (Note 19)                    | (2,189,321)      | (1,477,606)       | (1,307,792)      | (7,729)        |
|  | <b>9,583,835</b> | <b>10,913,832</b> | <b>(845,183)</b> | <b>338,472</b> |

Cash at bank is stated net of a provision of €34,724 (2022: €34,724).

**16. Share capital and reserves**

**Share capital**

The authorised and issued share capital as at 31 December 2023 and 2022 were as follows

|  | Company        |                |
|--|----------------|----------------|
|  | 2023           | 2022           |
|  | €              | €              |
| <b>Authorised</b>                            |                |                |
| 18,341 ordinary 'A' shares of €2.329373 each | 42,723         | 42,723         |
| 4,546 ordinary 'B' shares of €2.329373 each  | 10,590         | 10,590         |
| 4,546 ordinary 'C' shares of €2.329373 each  | 10,590         | 10,590         |
| 4,546 ordinary 'D' shares of €2.329373 each  | 10,590         | 10,590         |
| 3,205 ordinary 'E' shares of €2.329373 each  | 7,465          | 7,465          |
| 1,352 ordinary 'F' shares of €2.329373 each  | 3,149          | 3,149          |
| 6,448 ordinary 'G' shares of €2.329373 each  | 15,020         | 15,020         |
| 756,454 preference shares of €1 each         | 756,454        | -              |
|  | <b>856,581</b> | <b>100,127</b> |
| <b>Issued and fully paid</b>                 |                |                |
| 18,341 ordinary 'A' shares of €2.329373 each | 42,723         | 42,723         |
| 4,546 ordinary 'B' shares of €2.329373 each  | 10,590         | 10,590         |
| 4,546 ordinary 'C' shares of €2.329373 each  | 10,590         | 10,590         |
| 4,546 ordinary 'D' shares of €2.329373 each  | 10,590         | 10,590         |
| 3,205 ordinary 'E' shares of €2.329373 each  | 7,465          | 7,465          |
| 1,352 ordinary 'F' shares of €2.329373 each  | 3,149          | 3,149          |
| 6,448 ordinary 'G' shares of €2.329373 each  | 15,020         | 15,020         |
|  | <b>100,127</b> | <b>100,127</b> |

**16. Share capital and reserves - continued**

**Share capital - continued**

*Ordinary shares*

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

*Preference shares*

The redeemable preference shares represent 756,454 fully paid fixed rate redeemable preference shares and no voting rights. The shares are redeemable at €1 per share on out of profits available for distribution on the date fixed by the directors being within a period of one month from the date of their issuance. The shares are entitled to dividends at the fixed rate per annum. If insufficient profits are available in a particular financial year, the dividends accumulate and are payable when sufficient profits are available. The shares participate in a winding up of the company only to the extent of €1 per share.

The Company redeemed all of the issued preference shares during the financial year.

**Share premium**

Share premium includes any premiums received on the issue of share capital. Any transaction costs associated with the issuing of shares are deducted from share premium, net of any related income tax benefits.

**Foreign currency translation reserve**

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

**Capital redemption reserve**

During the year-ending 31 December 2023, the Company issued 756,454 redeemable preference shares at a nominal value of €1 each for a non-cash transaction. The new shares are to be issued, as fully paid up, in Hudson Holdings Limited. The total paid up value of the Redeemable Preference Shares to be allotted amounts to €756,454. The consideration for the allotment is the capitalisation of amounts due by the Company to a number of its employees of the Group as part of a share-based incentive scheme implemented by the Company. The value of the amounts due reflects their nominal face value.

Subsequent to the issuance of the above-mentioned preference shares, such preference shares were redeemed for a cash consideration during 2023, and hence, in line with the requirements of Article 115 of the Maltese Companies Act (Cap. 386 of the laws of Malta), the Company to transfer the equivalent amount of €756,454 from retained earnings to capital redemption reserve.

**16. Share capital and reserves - continued**

**Other reserve**

Other reserves relate to capital reserve arising out of statutory requirements of foreign subsidiaries.

**Fair value reserve**

The fair value reserve represents movements net of tax, arising from fair value movements of equity investments measured at fair value through other comprehensive income, as furthered detailed in note 10. The below table shows the movements between 1 January and 31 December:

|                                | <b>Group and Company</b> |           |
|--------------------------------|--------------------------|-----------|
|                                | 2023                     | 2022      |
|                                | €                        | €         |
| <b>Year ended 31 December</b>  |                          |           |
| As at 1 January                | (418,476)                | (418,476) |
| Fair value movements (Note 10) | 312,500                  | -         |
|                                | <hr/>                    | <hr/>     |
| As at 31 December              | (105,976)                | (418,476) |

**17. Lease liabilities**

|              | 2023       | 2022       |
|--------------|------------|------------|
|              | €          | €          |
| <b>Group</b> |            |            |
| Non-current  | 40,719,797 | 29,097,732 |
| Current      | 6,801,514  | 3,985,206  |
|              | <hr/>      | <hr/>      |
|              | 47,521,311 | 33,082,938 |

|                          | 2023        | 2022        |
|--------------------------|-------------|-------------|
|                          | €           | €           |
| <b>Group</b>             |             |             |
| At beginning of the year | 33,082,936  | 30,823,588  |
| Additions                | 21,093,490  | 7,246,704   |
| Lease modifications      | (931,137)   | 13,885      |
| Interest expense         | 1,685,732   | 1,472,829   |
| Payments effected        | (7,900,923) | (6,576,523) |
| Difference on exchange   | 491,213     | 102,455     |
|                          | <hr/>       | <hr/>       |
|                          | 47,521,311  | 33,082,938  |

|                | 2023      | 2022      |
|----------------|-----------|-----------|
|                | €         | €         |
| <b>Company</b> |           |           |
| Non-current    | 3,123,473 | 5,124,401 |
| Current        | 1,036,587 | 1,356,963 |
|                | <hr/>     | <hr/>     |
|                | 4,160,060 | 6,481,364 |

**17. Lease liabilities - continued**

|  | 2023        | 2022        |
|--|-------------|-------------|
|  | €           | €           |
| <b>Company</b>   |             |             |
| At beginning of the year   | 6,481,363   | 7,677,901   |
| Interest expense   | 375,213     | 307,116     |
| Payments effected for properties used by the company                             | (102,119)   | (100,011)   |
| Payments effected for properties used by subsidiaries of the company<br>(Note 7) | (2,594,397) | (1,403,642) |
|  | 4,160,060   | 6,481,364   |

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

**18. Trade and other payables**

|                                      | Group      |            | Company    |           |
|--------------------------------------|------------|------------|------------|-----------|
|                                      | 2023       | 2022       | 2023       | 2022      |
|                                      | €          | €          | €          | €         |
| <b>Current</b>                       |            |            |            |           |
| Trade payables                       | 29,415,396 | 21,014,998 | 1,531,388  | 1,233,541 |
| Amounts owed to subsidiaries         | -          | -          | 10,185,414 | 4,863,230 |
| Indirect taxation and other payables | 5,596,375  | 4,663,801  | 64,215     | 864,733   |
| Advance payments by customers        | 3,041,817  | 1,747,093  | -          | -         |
| Contingent consideration payable     | 425,100    | 75,000     | 425,100    | 75,000    |
| Accruals                             | 6,192,818  | 7,931,253  | 1,078,861  | 1,379,833 |
| Deferred income                      | 824,211    | 525,425    | -          | -         |
|                                      | 45,495,717 | 35,957,570 | 13,284,977 | 8,416,337 |

Amounts owed to group and related undertakings are unsecured, repayable on demand and subject to interest at 4% (2022: 4%).

Contingent consideration payable relates to the deal to acquire Trilogy Limited (Note 30).

**19. Borrowings**

|                                 | Group      |            | Company   |           |
|---------------------------------|------------|------------|-----------|-----------|
|                                 | 2023       | 2022       | 2023      | 2022      |
|                                 | €          | €          | €         | €         |
| <b>Current</b>                  |            |            |           |           |
| Bank overdrafts                 | 2,189,324  | 1,477,606  | 1,307,792 | 7,729     |
| Bank loans and other facilities | 4,673,452  | 969,537    | 1,423,997 | 1,630,599 |
| Revolving credit facility       | 20,000,360 | 21,640,279 | -         | -         |
| Loan from subsidiary            | -          | -          | 1,350,000 | 1,350,000 |
|                                 | 26,863,136 | 24,087,422 | 4,081,789 | 2,988,328 |

**19. Borrowings - continued**

|                          | Group             |                   | Company          |                  |
|--------------------------|-------------------|-------------------|------------------|------------------|
|                          | 2023<br>€         | 2022<br>€         | 2023<br>€        | 2022<br>€        |
| <b>Non-current</b>       |                   |                   |                  |                  |
| Loan from subsidiary     | -                 | -                 | 2,025,000        | 2,025,000        |
| Listed bond              | 11,935,680        | 11,907,084        | -                | -                |
| Bank loans               | 5,600,736         | 6,332,379         | 1,507,811        | 715,548          |
| <b>Total non-current</b> | <b>17,536,416</b> | <b>18,239,463</b> | <b>3,532,811</b> | <b>2,740,548</b> |
| <b>Total borrowings</b>  | <b>44,399,552</b> | <b>42,326,885</b> | <b>7,614,600</b> | <b>5,728,876</b> |

The carrying amounts of borrowings approximate their fair value.

|                       | Group             |                   | Company          |                  |
|-----------------------|-------------------|-------------------|------------------|------------------|
|                       | 2023<br>€         | 2022<br>€         | 2023<br>€        | 2022<br>€        |
| Within one year       | 26,863,136        | 24,087,422        | 4,081,789        | 2,988,328        |
| Between 1 and 2 years | 2,011,034         | 3,344,844         | 1,803,638        | 1,011,375        |
| Between 2 and 5 years | 12,983,863        | 13,986,521        | 1,729,173        | 1,729,173        |
| Over 5 years          | 2,541,519         | 908,098           | -                | -                |
| <b>Total</b>          | <b>44,399,552</b> | <b>42,326,885</b> | <b>7,614,600</b> | <b>5,728,876</b> |

At the end of the reporting period, the Group and the Company had a total maximum general banking facility limit of €54.4 million (2022: €50.1million) and €10.2million (2022: €4.2million) respectively.

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. In line with the Malta Development Bank COVID-19 Guarantee Scheme, this loan will benefit from a subsidy of 2.4% for the first two years. These facilities were drawn down during the financial year ending 31 December 2021.

The Group is charged interest on other bank loans and other facilities at the rate of 4% - 4.25% per annum (2022: 4% - 4.25% per annum). The Company's overdraft facilities and bank loans bear interest at the rate of 4% (2022: 4%). These facilities are secured by a first special hypothec over the Group and the Company's assets.

Hudson Morocco, a subsidiary of the Group has a banking facility amounting to €2,541,519 (2022: €896,572), bearing interest of 3.5% and repayable by 2028.

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

## 20. Revenue

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

|                 | Group              |                    | Company          |                  |
|-----------------|--------------------|--------------------|------------------|------------------|
|                 | 2023<br>€          | 2022<br>€          | 2023<br>€        | 2022<br>€        |
| Retail          | 85,586,596         | 62,768,177         | -                | -                |
| Wholesale       | 96,254,400         | 98,805,206         | -                | -                |
| Management fees | -                  | -                  | 8,420,196        | 6,968,443        |
|                 | <b>181,840,996</b> | <b>161,573,383</b> | <b>8,420,196</b> | <b>6,968,443</b> |

## 21. Expenses by nature

|   | Group              |                    | Company          |                  |
|---|--------------------|--------------------|------------------|------------------|
|   | 2023<br>€          | 2022<br>€          | 2023<br>€        | 2022<br>€        |
| Purchases of goods for resale                                     | 118,639,993        | 106,293,150        | -                | -                |
| Write down in inventory value                                     | 884,109            | 895,178            | -                | -                |
| Commissions payable   | 514,914            | 781,040            | -                | -                |
| Royalties   | 2,161,219          | 1,817,069          | -                | -                |
| Other direct expenses   | 6,060,078          | 4,740,289          | -                | -                |
| Employee benefit expense (Note 22)                                | 19,503,166         | 15,269,851         | 4,532,513        | 3,672,036        |
| Amortisation of intangible assets (Note 4)                        | 820,944            | 729,160            | 561,094          | 392,170          |
| Depreciation of property, plant and equipment (Note 5)            | 4,409,557          | 3,095,150          | 166,788          | 138,923          |
| Depreciation of right of use assets (Note 6)                      | 7,048,405          | 6,052,719          | 81,682           | 81,682           |
| Rent and common charges   | 2,127,584          | 1,469,365          | 376,578          | 237,944          |
| Legal and professional fees                                       | 1,948,934          | 1,783,688          | 452,840          | 798,191          |
| Movement in expected credit loss allowance (Notes 11 and 12)      | 26,782             | (17,338)           | (21,685)         | 20,597           |
| Bad debts written off   | 56,606             | 5,005              | -                | -                |
| Bank charges  | 1,452,889          | 1,255,169          | 21,974           | 33,424           |
| Advertising   | 3,183,678          | 2,483,681          | 54,166           | 65,114           |
| Differences on exchange   | 1,324,630          | 92,086             | (32,210)         | -                |
| Other expenses  | 6,275,949          | 3,855,752          | 1,963,079        | 919,588          |
| <b>Total cost of sales, operation and administrative expenses</b> | <b>176,439,437</b> | <b>150,601,014</b> | <b>8,156,819</b> | <b>6,359,699</b> |

**21. Expenses by nature - continued**

**Auditor's fees**

Fees charged by the parent company auditor for services rendered during the financial years ended 31 December 2023 and 2022 relate to the following:

|                        | Group   |         | Company |        |
|------------------------|---------|---------|---------|--------|
|                        | 2023    | 2022    | 2023    | 2022   |
|                        | €       | €       | €       | €      |
| Annual statutory audit | 126,200 | 139,350 | 57,330  | 54,600 |

Audit fees charged by other member firms belonging to the same network of the audit firm amounted to €43,550 (2022: €49,000)

Fees in relation to non-assurance services amounting to €10,900 and €500 (2022: €20,100 and €23,720) have been charged to the Group and Company respectively by connected undertakings of the audit firm for tax advisory and compliance services and other non-assurance services.

**22. Employee benefit expense**

|   | Group             |                   | Company          |                  |
|---|-------------------|-------------------|------------------|------------------|
|   | 2023              | 2022              | 2023             | 2022             |
|   | €                 | €                 | €                | €                |
| Wages and salaries                        | 17,933,590        | 14,902,083        | 4,305,598        | 3,924,627        |
| Social security costs                     | 1,569,575         | 795,210           | 226,915          | 174,851          |
|   | <b>19,503,166</b> | <b>15,697,293</b> | <b>4,532,513</b> | <b>4,099,478</b> |
| Capitalised development costs             | -                 | (427,442)         | -                | (427,442)        |
| Amount recognised in the income statement | <b>19,503,166</b> | <b>15,269,851</b> | <b>4,532,513</b> | <b>3,672,036</b> |

In 2022 Wages and salaries of the Group and Company were presented net of a payroll grant received from the Government of Malta in view of the COVID-19 pandemic, amounting to €157,146 and €28,153 respectively. Grants related to income are presented as a deduction in reporting the related expense.

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

|                            | Group      |            | Company   |           |
|----------------------------|------------|------------|-----------|-----------|
|                            | 2023       | 2022       | 2023      | 2022      |
|                            | €          |            | €         |           |
| Administration and finance | 118        | 66         | 95        | 42        |
| Operations                 | 140        | 159        | -         | 43        |
| Retail                     | 682        | 488        | -         | -         |
|                            | <b>940</b> | <b>713</b> | <b>95</b> | <b>85</b> |

**23. Finance income**

|  | Group         |               | Company        |                |
|--|---------------|---------------|----------------|----------------|
|  | 2023          | 2022          | 2023           | 2022           |
|  | €             | €             | €              | €              |
| Interest income on lease receivables               | -             | -             | 172,932        | 307,116        |
| Interest income on amounts due<br>by third parties | 60,000        | 91,972        | 60,000         | 91,972         |
| Interest income on amounts due<br>by subsidiaries  | -             | -             | 241,141        | 189,200        |
|  | <b>60,000</b> | <b>91,972</b> | <b>474,073</b> | <b>588,288</b> |

**24. Finance costs**

|  | Group            |                  | Company        |                |
|--|------------------|------------------|----------------|----------------|
|  | 2023             | 2022             | 2023           | 2022           |
|  | €                | €                | €              | €              |
| Interest on bank overdrafts and loans                      | 2,970,661        | 1,508,134        | 124,038        | 154,111        |
| Interest on loan from subsidiary                           | -                | -                | 327,500        | 247,500        |
| Interest charges on lease liabilities                      | 1,685,732        | 1,472,829        | 202,281        | 339,183        |
| Unrealised foreign exchange losses on<br>lease liabilities | 527,041          | -                | -              | -              |
|  | <b>5,183,434</b> | <b>2,980,963</b> | <b>653,819</b> | <b>740,794</b> |

**24. Tax expense/(credit)**

|  | Group            |                  | Company       |                 |
|--|------------------|------------------|---------------|-----------------|
|  | 2023             | 2022             | 2023          | 2022            |
|  | €                | €                | €             | €               |
| Current tax expense                            | 1,125,785        | 3,956,282        | 28,394        | 240,931         |
| Deferred tax expense/(credit) (Note 13)        | 636,737          | (776,896)        | (7,394)       | (317,606)       |
| Tax expense/(credit) through profit or<br>loss | <b>1,762,522</b> | <b>3,179,386</b> | <b>21,000</b> | <b>(76,675)</b> |

**25. Tax expense/(credit) - continued**

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

|   | Group     |           | Company  |           |
|---|-----------|-----------|----------|-----------|
|   | 2023      | 2022      | 2023     | 2022      |
|   | €         | €         | €        | €         |
| Profit/(loss) before tax                | 747,697   | 7,572,348 | (35,769) | (299,807) |
| Tax at 35%                              | 261,694   | 2,650,321 | (12,519) | (104,932) |
| Tax effect of:                          |           |           |          |           |
| Difference in tax rates                 | 535,465   | 148,497   | -        | -         |
| Unrecognised deferred tax in prior year | -         | (12,573)  | -        | 21,797    |
| Expenses not allowable for tax purposes | 954,863   | 402,441   | 33,519   | 6,460     |
| Other                                   | -         | (9,300)   | -        | -         |
| Tax expense/(credit)                    | 1,762,522 | 3,179,386 | 21,000   | (76,675)  |

**26. Directors' emoluments**

|                               | Group     |         | Company |         |
|-------------------------------|-----------|---------|---------|---------|
|                               | 2023      | 2022    | 2023    | 2022    |
|                               | €         | €       | €       | €       |
| Salaries and other emoluments | 1,052,397 | 998,430 | 921,548 | 839,679 |

**27. Items affecting comparability**

|                          | Group   |         | Company |         |
|--------------------------|---------|---------|---------|---------|
|                          | 2023    | 2022    | 2023    | 2022    |
|                          | €       | €       | €       | €       |
| ERP implementation costs | 119,400 | 756,045 | 119,400 | 756,045 |
|                          | 119,400 | 756,045 | 119,400 | 756,045 |

ERP implementation costs are costs attributable to the implementation of the ERP software implemented during the year which do not meet the capitalisation criteria under IAS 38 'Intangible Assets'.

**28. Cash generated from operating activities**

|  | Group        |              | Company     |           |
|--|--------------|--------------|-------------|-----------|
|  | 2023         | 2022         | 2023        | 2022      |
|  | €            | €            | €           | €         |
| Operating profit   | 5,282,159    | 10,216,324   | 143,977     | (147,301) |
| Adjustments for:   |              |              |             |           |
| Amortisation of intangible assets (Note 4)                 | 820,944      | 729,160      | 561,094     | 392,170   |
| Depreciation of property, plant and equipment (Note 5)     | 4,409,557    | 3,095,150    | 166,788     | 138,922   |
| Loss on disposal of property, plant and equipment (Note 5) | 141,983      | 555,012      | -           | -         |
| Amortisation right-of-use assets (Note 6)                  | 7,048,405    | 6,052,719    | 81,682      | 81,682    |
| Lease modifications (Note 6)                               | 99,046       | 77,079       | -           | 23,368    |
| Other income   | 12,165       | -            | -           | -         |
| Movement in impairment of provision on trade receivables   | -            | (17,338)     | -           | -         |
| Bad debts written off (Note 21)                            | 56,606       | 5,005        | -           | -         |
| Changes in working capital:                                |              |              |             |           |
| Inventories  | (11,271,349) | (16,040,553) | -           | -         |
| Trade and other receivables                                | 4,043,729    | (10,209,688) | (4,707,555) | 584,578   |
| Trade and other payables                                   | 9,630,324    | 3,300,122    | 5,008,208   | 868,687   |
| Cash generated from operations                             | 20,273,569   | (2,237,004)  | 1,254,194   | 1,942,107 |

**30. Contingent liabilities**

As at 31 December 2023, the Group provided third parties with guarantees amounting to €21,903,469 (2022: €19,681,063).

The Group's bank facilities disclosed in note 19 are mainly secured by first general hypothecs and guarantees over the Hudson Malta p.l.c Group and Hudson Holdings Group's assets.

As part of the deal to acquire Trilogy Limited in 2021, the Group agreed to pay a contingent consideration to the former shareholders based on target equity value of Hudson Holdings Limited for the five years subsequent to effective acquisition date. The agreed maximum contingent consideration is €1,650,000 and as of 31 December 2023 management has determined that the value of the contingent consideration is €425,100 (2022: €75,000).

### 31. Related party transactions

#### Group

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

#### Company

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

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

|  | 2023      | 2022      |
|--|-----------|-----------|
|  | €         | €         |
| <b>Revenue</b>                                     |           |           |
| Revenue - subsidiaries                             | 8,442,305 | 6,968,443 |
| Interest income on lease receivables               | 172,932   | 307,116   |
| Interest income on amounts due by subsidiaries     | 189,200   | 215,669   |
| Interest income on loan to related parties         | 51,941    | 65,503    |
|  |           |           |
| <b>Expenses</b>                                    |           |           |
| Administrative expenses - key management personnel | 1,508,430 | 1,792,553 |
| Interest on lease liabilities                      | 172,932   | 307,116   |
| Interest on loans due to subsidiaries              | 327,500   | 247,500   |
|  |           |           |

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

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

### 32. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

### 33. Statutory information

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



## *Independent auditor's report*

To the Shareholders of Hudson Holdings Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

- The Group financial statements and the Parent Company financial statements (the “financial statements”) of Hudson Holdings Limited 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).

#### **What we have audited**

Hudson Holdings Limited’s financial statements, set out on pages 4 to 61, comprise:

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

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#### *Basis for opinion*

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

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

#### **Independence**

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



## *Independent auditor's report - continued*

To the Shareholders of Hudson Holdings Limited

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### *Other information*

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

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

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

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

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### *Responsibilities of the directors for the financial statements*

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

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

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### *Auditor's responsibilities for the audit of the financial statements*

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.



## *Independent auditor's report - continued*

To the Shareholders of Hudson Holdings Limited

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

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



**Independent auditor’s report - continued**

To the Shareholders of Hudson Holdings Limited

**Report on other legal and regulatory requirements**

The *Annual Report and Financial Statements 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 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 Report and Financial Statements 2023 and the related Directors’ responsibilities   | Our responsibilities   | Our reporting   |
|---|--|---|
| <p><b>Directors’ report</b><br/>(on pages 1 to 3)<br/>The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors’ report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p> | <p>We are required to consider whether the information given in the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors’ report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors’ report, and if so to give an indication of the nature of any such misstatements.</p> | <p>In our opinion:</p> <ul style="list-style-type: none"> <li>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</li> <li>the Directors’ report has been prepared in accordance with the Maltese Companies Act (Cap. 386).</li> </ul> <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p> |



## *Independent auditor's report - continued*

To the Shareholders of Hudson Holdings Limited

| Area of the Annual Report and Financial Statements 2023 and the related Directors' responsibilities | Our responsibilities  | Our reporting   |
|---|---|---|
|   | <p><b>Other matters on which we are required to report by exception</b></p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"><li>• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.</li><li>• the financial statements are not in agreement with the accounting records and returns.</li><li>• we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.</li></ul> | <p>We have nothing to report to you in respect of these responsibilities.</p> |



## *Independent auditor's report - continued*

To the Shareholders of Hudson Holdings Limited

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### *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.

A handwritten signature in blue ink, appearing to read 'L. Pace Ross', is written over a faint, light blue grid background.

Lucienne Pace Ross  
Principal

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

28 June 2024