

HUDSON MALTA SALES LTD

Annual Financial Report
31 December 2024

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2024.

Principal activities

Hudson Malta Sales Ltd (the "Company") is involved in the importation and distribution of branded consumer products. The company also operates its own retail outlets.

Review of business

The Company benefited from its expansion in retail stores in 2023 that resulted in an increase in turnover of €4,374,376 (or 7.3%) to €64,138,876 with gross profit margin decreasing slightly to 33.8% from 35.1% while the overall gross profit increased by €725,264 (or 3.5%) to €21,695,917. Operating and administrative expenses grew by €484,383 which was impacted by various factors resulting in a stable operating profit of €2,441,673.

After taking into consideration the net impact of financing, which was €441,753 greater than in 2023 mainly due to higher interest rates, the Company reported a profit before tax of €555,361 compared to a profit before tax of €347,944 in 2023. From a balance sheet aspect, the liquidity position of the Company remains strong with net current assets amounting to €6,012,679 as at 31 December 2024 (2023: €4,298,673).

Corporate social responsibility

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

Results and dividends

During a meeting of the Company's Board of Directors held on 26th March 2024, the Board resolved to declare an interim dividend of €5,900,000.

No further dividends were declared and paid to shareholders in 2024 and 2023.

Significant risks and uncertainty

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

Directors' report - continued

Directors

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

Alfred Borg
Christopher Muscat
Joseph A. Borg

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese 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 Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Hudson Malta Sales Ltd for the year ended 31 December 2024 are included in the Annual Report 2024, 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.

Directors' report - continued

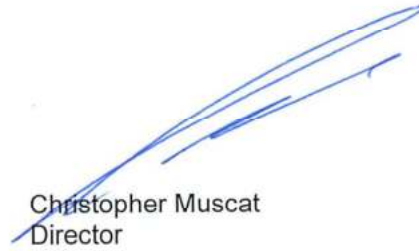
Auditors

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

On behalf of the board



Alfred Borg
Director



Christopher Muscat
Director

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

30 April 2025



Independent auditor's report

To the Shareholders of Hudson Malta Sales Ltd

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Hudson Malta Sales Ltd (the Company) as at 31 December 2024, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Hudson Malta Sales Ltd's financial statements, set out on pages 10 to 47, comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

We are independent of the 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 Malta Sales Ltd

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

In preparing the financial statements, the directors are responsible for assessing the 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 company or to cease operations, or have no realistic alternative but to do so.

Independent auditor's report - continued

To the Shareholders of Hudson Malta Sales Ltd

Auditor's responsibilities for the audit of the financial statements

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

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

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

We communicate with the 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 Malta Sales Ltd

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2024* 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 2024 and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report <i>(on pages 1 to 3)</i> 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>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"> the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We 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 Malta Sales Ltd

Area of the Annual Report and Financial Statements 2024 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none"> adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. the financial statements are not in agreement with the accounting records and returns. we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. 	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of Hudson Malta Sales Ltd

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the 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', with a stylized flourish at the end.

Lucienne Pace Ross
Principal

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

30 April 2025

Statement of financial position

		As at 31 December	
	Notes	2024 €	2023 €
ASSETS			
Non-current assets			
Intangible assets	4	3,638,827	3,853,771
Property, plant and equipment	5	5,961,465	6,695,753
Right-of-use assets	6	23,199,776	30,180,311
Deferred tax asset	7	1,509,482	1,178,398
Trade and other receivables	9	800,638	616,530
Total non-current assets		35,110,188	42,524,763
Current assets			
Inventories	8	11,509,213	10,135,881
Trade and other receivables	9	20,512,967	15,797,473
Cash and cash equivalents	10	4,527,459	3,363,020
Total current assets		36,549,639	29,296,374
Total assets		71,659,827	71,821,137
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	11	82,227	82,227
Share premium	11	6,072,917	6,072,917
Capital contribution	11	5,900,000	-
Other reserves	11	500,000	500,000
Retained earnings		336,500	5,894,433
Total equity		12,891,644	12,549,577

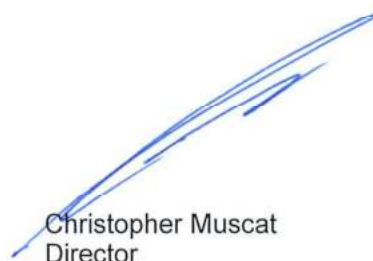
Statement of financial position - continued

		As at 31 December	
	Notes	2024 €	2023 €
Non-current liabilities			
Borrowings	14	6,644,455	6,413,817
Lease liabilities	13	21,428,298	27,860,042
Trade and other payables		158,470	-
Total non-current liabilities		28,231,223	34,273,859
Current liabilities			
Borrowings	14	6,071,213	3,272,701
Lease liabilities	13	2,857,068	3,575,129
Current tax liabilities		66,428	237,010
Trade and other payables	12	21,542,251	17,912,861
Total current liabilities		30,536,960	24,997,701
Total liabilities		58,768,183	59,271,560
Total equity and liabilities		71,659,827	71,821,137

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

The financial statements on pages 10 to 47 were authorised for issue by the Board on 30 April 2025 and were signed on its behalf by:


Alfred Borg
Director


Christopher Muscat
Director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2024 €	2023 €
Revenue	15	64,138,876	59,764,500
Cost of sales	16	(42,442,959)	(38,793,847)
Gross profit		21,695,917	20,970,653
Operating and administrative expenses	16	(19,633,404)	(19,149,021)
Net impairment losses on financial and contract assets	16	27,465	7,016
Gain on lease reassessment	13,16	467,354	-
Other expenses	17	(115,659)	(36,145)
Operating profit		2,441,673	1,792,503
Finance costs	19	(1,886,312)	(1,444,559)
Profit before tax		555,361	347,944
Tax expense	20	(213,294)	(341,958)
Profit for the year - total comprehensive income		342,067	5,986

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

Statement of changes in equity

	Share capital €	Share premium €	Capital contribution €	Merger reserve €	Retained earnings €	Total €
Balance 1 January 2023	82,227	6,072,917	-	500,000	5,888,447	12,543,591
Comprehensive income						
Profit for the year	-	-	-	-	5,986	5,986
Balance at 31 December 2023	82,227	6,072,917	-	500,000	5,894,433	12,549,577
Balance 1 January 2024	82,227	6,072,917	-	500,000	5,894,433	12,549,577
Comprehensive income						
Profit for the year – total comprehensive income	-	-	-	-	342,067	342,067
Transactions with owners						
Dividend declared	-	-	-	-	(5,900,000)	(5,900,000)
Capital contribution	-	-	5,900,000	-	-	5,900,000
Total transactions with owners	-	-	5,900,000	-	(5,900,000)	-
Balance at 31 December 2024	82,227	6,072,917	5,900,000	500,000	336,500	12,891,644

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

Statement of cash flows

		Year ended 31 December	
	Notes	2024 €	2023 €
Cash flows from operating activities			
Cash generated from operations	21	10,736,122	7,234,558
Interest paid on lease liabilities	19	(1,215,777)	(991,002)
Interest paid on borrowings	19	(670,535)	(453,557)
Income tax paid		(714,979)	(378,760)
Net cash generated from operating activities		8,134,831	5,411,239
Cash flows used in investing activities			
Purchases of property, plant and equipment	5	(903,544)	(3,116,486)
Amounts provided to ultimate parent		(3,989,515)	-
Amounts provided to fellow group undertakings		(1,364,265)	-
Net cash used in investing activities		(6,257,324)	(3,116,486)
Cash flows used in financing activities			
Net movement in borrowings	14	3,067,797	3,071,068
Principal elements of lease repayments	13	(3,742,217)	(3,068,038)
Net cash (used in)/generated from financing activities		(674,420)	3,030
Net movement in cash and cash equivalents		1,203,087	2,297,783
Cash and cash equivalents at the beginning of the year		2,967,386	669,603
Cash and cash equivalents at end of year	10	4,170,473	2,967,386

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

Notes to the financial statements

1. Summary of material accounting policies

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

1.1 Basis of preparation

Hudson Malta Sales Ltd (the "Company") is involved in the importation and distribution of branded consumer products. The company also operates its own retail outlets.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) and in accordance 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 Company's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 3.

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

Standards, interpretations and amendments to published standards effective in 2024

In 2024, the Company adopted amendments to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2024. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the 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 Company's accounting periods beginning after 1 January 2024.

The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Directors are of the opinion that there are no requirements which will have a possible material impact on the Company's financial statements in the period of initial application, other than what is described below.

IFRS 18 'Presentation and Disclosure in Financial Statements' (effective for annual periods beginning on or after 1 January 2027)

IFRS 18 (issued on 9 April 2024) is yet to be endorsed for use in the EU however it is set to replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance. IFRS 18 will also require the disclosure of management-defined performance measures within the financial statements.

1. Summary of material accounting policies - continued

1.1 Basis of preparation - continued

Management is currently assessing the detailed implications of applying the new standard on the Company's financial statements.

The new standard will be applicable from its mandatory effective date of 1 January 2027, subject to endorsement for use in the EU, with retrospective application.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

1.3 Intangible assets

(a) Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business less accumulated impairment losses, if any. For the purposes of impairment testing, goodwill is allocated to each of the company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

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

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

(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

1.3 Intangible assets - continued

(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. The remaining amortisation period as at 31 December 2024 was of 11 years.

1.4 Property, plant and equipment

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

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

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

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

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised within 'Other operating income' in the statement of comprehensive income.

Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 1.6).

1.5 Leases

The company as the lessee

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

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

1. Summary of material accounting policies - continued

1.5 Leases - continued

The company as the lessee - continued

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 Company under residual value guarantees;
- the exercise price of a purchase option if the Company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Company exercising that option.

The Company 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 Company and not by the respective lessor.

Some property leases contain variable payment terms that are linked to sales generated from a store. For individual stores, up to 100% of lease payments are on the basis of variable payment terms with percentages ranging from 4.2% to 12% of sales. Variable payment terms are used for a variety of reasons, including minimising the fixed costs base for newly established stores. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Company, 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 Company:

- 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 Company, 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.

1. Summary of material accounting policies - continued

1.5 Leases - continued

The company as the lessee – continued

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 Company 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 Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate);
- Otherwise, the Company 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 Company 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.

Contracts might contain both lease and non-lease components. For leases of real estate for which the Company is a lessee, the Company has elected not to separate lease and non-lease components, and it accounts for these instead as a single lease component.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets cannot be used as security for borrowing purposes.

1. Summary of material accounting policies - continued

1.6 Impairment of non-financial assets

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

1.7 Financial assets

(a) Classification

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

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

The classification depends on the 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 changes.

(b) Recognition and derecognition

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 cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

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

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

1. Summary of material accounting policies – continued

1.7 Financial assets - continued

(c) Measurement - continued

Debt instruments

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

(d) Impairment

The Company assesses on a forward-looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company 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).

1.7.1 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 expected credit loss allowances. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.7.2 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.

1.8 Inventories

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

1. Summary of material accounting policies – continued

1.9 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company'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 company 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.

(a) 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.

(b) Borrowings

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

1.10 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.

1.11 Provisions

Provisions for legal claims are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made. Provisions are not recognised for future operating losses.

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

1. Summary of material accounting policies – continued

1.12 Current and deferred tax

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

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

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

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

1.13 Revenue recognition

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

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

(a) Sales of goods – retail

Sales of goods are recognised when the Company 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 company'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.

1. Summary of material accounting policies - continued

1.13 Revenue recognition - continued

(b) Sales of goods – customer loyalty programme

The Company 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. 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. Revenue is recognised when the points are redeemed. 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 Company sells a range of branded consumer products in the wholesale market. Sales of goods are recognised when the Company 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.

1.14 Dividend distribution

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk

(i) Foreign exchange risk

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

Management does not consider foreign exchange risk attributable to recognised assets and liabilities arising from transactions denominated in foreign currencies, to be significant. Accordingly, the impact of any reasonable sensitivities to changes in these foreign currencies is not deemed to be material to the Company at the end of the reporting period.

(ii) Cash flow and fair value interest rate risk

The Company's interest principally arises from intra-group borrowings (Note 14) which have fixed rates of interest whilst the bank borrowings (Note 14) are subject to variable interest rates. In this respect, the Company is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. For bank borrowings subject to variable interest rates, management performed a sensitivity analysis factoring in a reasonable shift in interest rates and determined that the impact would not be material.

(b) Credit risk

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

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

	2024	2023
	€	€
Loans and receivables category:		
Trade and other receivables (Note 9)	20,410,123	14,536,543
Cash and cash equivalents (Note 10)	4,527,459	3,363,020
	24,937,582	17,899,563

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

(i) Third party trade and other receivables (including contract assets)

The Company 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 Company'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 Company'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 Company monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable.

The Company is exposed to significant concentration of credit risk with respect to two of its main trading customers amounting to 78% (2023: 54%) of the total trade receivables. These material exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the respective Company undertaking and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

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

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

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

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

(i) Third party trade and other receivables (including contract assets) - continued

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

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

As at 31 December 2024, provision on trade receivables for the Company amounted to:

	2024 €	2023 €
At beginning of the year	103,947	149,236
Reversal of provision due to bad debts written-off	(15,408)	(67,592)
Movement in provision	(3,158)	22,303
At end of year	<u>85,381</u>	<u>103,947</u>

As part of the company's policy, 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 Company. 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.

(ii) Cash and cash equivalents

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

(iii) Amounts owed by fellow group companies

The Company is exposed to credit risk arising from amounts owed by ultimate parent and fellow group undertakings (Note 9). 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

(iii) Amounts owed by fellow group companies – continued

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 history, existing market conditions, as well as forward looking estimates at the end of each reporting period.

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

	2024 €	2023 €
Balance at 1 January	952,701	914,428
Net increase in loss allowance recognised in profit or loss during the year	(8,899)	38,273
Balance at 31 December	<u>943,802</u>	<u>952,701</u>

Furthermore, during the year, the Company did not write off any intercompany balances on the basis that they were deemed unrecoverable (2023: €Nil).

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise interest-bearing borrowings (Note 14), trade and other payables (Note 12) and lease liabilities (Note 13). 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.

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

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

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

	Carrying Amount €	Contractual Cashflows €	Less than 1 year €	Between 1 and 5 years €	More than 5 years €
At 31 December 2023					
Lease liabilities (Note 13)	31,435,171	39,929,360	4,854,903	15,550,850	19,523,607
Loans from immediate parent (Note 14)	5,715,647	6,926,025	5,332,964	1,593,061	-
Bank borrowings (Note 14)	3,970,871	4,129,705	3,384,624	745,081	-
Trade and other payables (Note 12)	17,912,861	17,912,861	17,912,861	-	-
	59,034,550	68,897,951	31,485,352	17,888,992	19,523,607
At 31 December 2024					
Lease liabilities (Note 13)	24,285,366	29,300,278	4,611,333	14,322,190	10,366,755
Loans from immediate parent (Note 14)	6,298,985	6,760,910	346,444	6,414,466	-
Bank borrowings (Note 14)	6,416,683	6,455,221	6,101,278	353,943	-
Trade and other payables (Note 12)	21,700,721	21,700,721	21,700,721	-	-
	58,701,755	64,217,130	32,759,776	21,090,599	10,366,755

2.2 Capital risk management

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

The Company 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.

2. Financial risk management - continued

2.2 Capital risk management - continued

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

	2024	2023
	€	€
Borrowings (Note 14)	12,715,668	9,686,518
Lease liabilities (Note 13)	24,285,366	31,435,171
Less: cash and cash equivalents (Note 10)	(4,527,459)	(3,363,020)
Net debt	32,473,575	37,758,669
Total equity	12,891,644	12,549,577
Total capital	45,365,219	50,308,246
Net debt ratio	71.6%	75.1%

The Company 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 Company's respective financial obligations and commitments arising from operational requirements. In view of the nature of the Company's activities and the extent of debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

3. Critical accounting estimates and judgements

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

The Company makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Company's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

Determination of extension for right-of-use assets and liabilities

The Company leases various properties. Rental contracts may have extension options to renew the lease after the original period. Determination of the lease term considered is deemed to be a critical accounting estimate in view of the magnitude of lease payments considered in the extension periods. Details surrounding critical judgements and assumptions are further disclosed in Note 6 and Note 13.

3. Critical accounting estimates and judgements - continued

In the opinion of the directors, other than those stated above, 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. In addition, the directors confirm that there is no significant measurement uncertainty associated with the accounting estimates and judgements made in preparing these financial statements.

4. Intangible assets

	Goodwill €	Trademarks €	Supplier relationships €	Total €
Year ended 31 December 2023				
Opening balance	1,065,688	131,825	2,871,202	4,068,715
Amortisation charge	-	(2,262)	(212,682)	(214,944)
Closing net book amount	1,065,688	129,563	2,658,520	3,853,771
At 31 December 2023				
Cost	1,065,688	141,065	3,190,224	4,396,977
Accumulated depreciation	-	(11,502)	(531,704)	(543,206)
Net book amount	1,065,688	129,563	2,658,520	3,853,771
Year ended 31 December 2024				
Opening balance	1,065,688	129,563	2,658,520	3,853,771
Amortisation charge	-	(2,263)	(212,681)	(214,944)
Closing net book amount	1,065,688	127,300	2,445,839	3,638,827
At 31 December 2024				
Cost	1,065,688	141,065	3,190,224	4,396,977
Accumulated depreciation	-	(13,765)	(744,385)	(758,150)
Net book amount	1,065,688	127,300	2,445,839	3,638,827

Impairment test for goodwill with an indefinite useful life

The Company's reported goodwill is attributable to business combinations effected in prior years. The Company 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 the Company (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. Management considers the timing of the future tax cash flows to have an immaterial impact on the impairment assessment performed. Accordingly, the pre-tax discount rate utilised can be derived from the post-tax discount rate utilised.

4. Intangible assets - continued

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% (2023: 12.5%) whilst the long-term growth rate applied in the valuation of the residual value was 1.0% (2023: 1.0%). These parameters have been principally based on market observable data.

The Company 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 2024.

The recoverable amount of the HMS CGU currently exceeds its carrying amount by €6,160,000 (2023: €13,700,000). The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 12.5% to 15.5% (2023: from 12.5% to 22.8%) or projected annual EBITDA is 17% lower (2023: 27% lower).

5. Property, plant and equipment

	Improvement to leasehold premises €	Motor vehicles €	Furniture, fittings and other equipment €	Assets under construction €	Total €
At 1 January 2023					
Cost	764,771	19,346	6,212,582	-	6,996,699
Accumulated depreciation	(87,832)	(19,346)	(1,727,487)	-	(1,834,665)
Net book amount	676,939	-	4,485,095	-	5,162,034
Year ended 31 December 2023					
Opening net book amount	676,939	-	4,485,095	-	5,162,034
Additions	-	-	3,116,486	-	3,116,486
Disposals	-	-	(103,848)	-	(103,848)
Depreciation charge (Note 16)	(36,966)	-	(1,507,826)	-	(1,544,792)
Depreciation released on disposal	-	-	65,873	-	65,873
Closing net book amount	639,973	-	6,055,780	-	6,695,753
At 31 December 2023					
Cost	764,771	19,346	9,225,220	-	10,009,337
Accumulated depreciation	(124,798)	(19,346)	(3,169,440)	-	(3,313,584)
Net book amount	639,973	-	6,055,780	-	6,695,753

5. Property, plant and equipment - continued

	Improve ment to leasehold premises €	Motor vehicles €	Furniture, fittings and other equipment €	Assets under construction €	Total €
Year ended 31 December 2024					
Opening net book amount	639,973	-	6,055,780	-	6,695,753
Additions	-	-	857,478	46,067	903,545
Disposals	-	-	(529,438)	-	(529,438)
Depreciation charge (Note 16)	(25,047)	-	(1,510,068)	-	(1,535,115)
Depreciation released on disposal	-	-	426,720	-	426,720
Reclassification – net of accumulated depreciation	(553,984)	-	553,984	-	-
Closing net book amount	60,942	-	5,854,456	46,067	5,961,465
At 31 December 2024					
Cost	347,772	19,346	12,097,855	46,067	12,511,040
Accumulated depreciation	(286,830)	(19,346)	(6,243,399)	-	(6,549,575)
Net book amount	60,942	-	5,854,456	46,067	5,961,465

6. Right-of-use assets

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

	Property leases €	Total €
Year ended 31 December 2023		
Opening net book value	20,914,547	20,914,547
Additions	12,749,704	12,749,704
Lease modifications	(89,731)	(89,731)
Amortisation charge (Note 16)	(3,394,209)	(3,394,209)
Closing net book value	30,180,311	30,180,311
Year ended 31 December 2024		
Opening net book value	30,180,311	30,180,311
Additions	184,671	184,671
Lease reassessment (Note 13)	(3,124,905)	(3,124,905)
Amortisation charge (Note 16)	(4,040,301)	(4,040,301)
Closing net book value	23,199,776	23,199,776

6. Right-of-use assets - continued

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

	2024 €	2023 €
Depreciation charge of right-of-use assets	(4,040,301)	(3,394,209)
Gain on lease reassessment (Note 13)	467,354	-
Interest expense (Note 13 and 19)	(1,215,777)	(991,002)
Expense relating to variable lease payments not included in lease liabilities (included in administrative expenses)	(1,036,318)	(824,982)

7. Deferred tax assets

	2024 €	2023 €
At beginning of year	1,178,398	1,164,163
Credited to the income statement (Note 20)	331,084	14,235
At end of year	1,509,482	1,178,398

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2023: 35%).

The balance at 31 December represents temporary differences on:

	2024 €	2023 €
Provision for trade and other receivables	360,214	369,826
Depreciation of property, plant and equipment	270,328	250,870
Lease liabilities	8,774,359	11,002,310
Right-of-use assets	(7,998,183)	(10,712,388)
Other provisions	102,764	267,780
	1,509,482	1,178,398

Deferred tax assets arising on lease liabilities are being offset against deferred tax liabilities arising on right-of-use assets in line with the accounting policy as described in Note 1.10.

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

8. Inventories

	2024 €	2023 €
Goods held for re-sale	11,509,213	10,135,881

Inventory is stated at net of write-downs of €609,706 (2023: €761,455). Write-downs to net realisable value have been charged to profit and loss and are included within 'Cost of sales' in the statement of comprehensive income.

9. Trade and other receivables

	2024 €	2023 €
Trade receivables	1,790,622	1,779,508
Less: expected credit loss	(85,381)	(103,947)
Trade receivables – net	1,705,241	1,675,561
Amounts owed by ultimate parent company (net of provisions)	9,700,623	5,711,111
Amounts owed by fellow group companies (net of provisions)	8,124,258	6,759,993
Other receivables	796,550	511,464
Prepayments	903,482	1,450,948
Contract assets	83,451	304,926
	21,313,605	16,414,003

	2024 €	2023 €
Non-current	800,638	616,530
Current	20,512,967	15,797,473
	21,313,605	16,414,003

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

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

	2024 €	2023 €
Provision on amounts owed by ultimate parent company	60,028	65,581
Provision on amounts owed by group undertakings	883,774	887,120
	943,802	952,701

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

10. Cash and cash equivalents

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

	2024 €	2023 €
Cash at bank and in hand	4,527,459	3,363,020
Bank overdrafts (Note 14)	(356,986)	(395,634)
	<u>4,170,473</u>	<u>2,967,386</u>

11. Share capital and other equity reserves

Share Capital and share premium

	2024 €	2023 €
Authorised		
35,300 ordinary shares of €2.329373 each	82,227	82,227
1,000 redeemable cumulative preference shares of €2.329373 each	2,329	2,329
	<u>84,556</u>	<u>84,556</u>
Issued and fully paid		
35,300 ordinary shares of €2.329373 each	82,227	82,227
	<u>82,227</u>	<u>82,227</u>

The ordinary shares of the company rank after the preference shares as regards payment of dividends and return of capital but carry full voting rights at general meetings of the company. Voting rights are not available to the preference shareholders. Dividend payable on ordinary shares fluctuate depending on the company's results whereas preference dividends are payable at a fixed rate and are cumulative.

Capital contribution

	2024 €	2023 €
<i>Capital contribution</i>		
Balance at beginning of year	-	-
Additions	5,900,000	-
Balance at end of year	<u>5,900,000</u>	<u>-</u>

During the year-ended 31 December 2024, the Company declared an interim dividend of €5,900,000 to its parent. Through a board resolution subsequent to the declaration of the dividend, Hudson Malta P.L.C. have undertaken a commitment to convert the receivable due from the Company in relation to this dividend into shares in Hudson Malta Sales Ltd. Given that at year-end, this process has not yet started, this balance is being classified as a non-distributable reserve in equity.

11. Share capital and other equity reserves - continued

Merger reserve

	2024 €	2023 €
<i>Merger reserve</i>		
Credit balance at beginning and end of year	500,000	500,000

On 1 January 2021, Hudson International Company Limited merged into Hudson Malta Sales Ltd ('the Company') in terms of the Maltese Companies Act (Cap. 386).

The merger meets the definition of a business combination between entities under common control, and accordingly, the transaction falls outside the scope of IFRS 3, Business Combinations. The Company's policy is to account for mergers between entities under common control using the predecessor method of accounting. Under the predecessor method of accounting, the assets and liabilities of the merged entity (in this case, Hudson International Company Limited), are incorporated at the predecessor carrying values, which are its carrying amounts of assets and liabilities from its financial statements. The resulting merger reserve amounting to €500,000 represents the difference between the consideration paid 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.

12. Trade and other payables

	2024 €	2023 €
Trade payables	7,112,407	5,683,633
Amounts owed to fellow group undertakings	9,786,857	6,087,928
Indirect taxation	2,231,972	2,644,866
Other payables	160,308	272,337
Accruals	1,338,073	2,437,009
Deferred income	158,470	-
Contract liabilities	912,634	787,088
	21,700,721	17,912,861
	2024 €	2023 €
Non-current	158,470	-
Current	21,542,251	17,912,861
	21,700,721	17,912,861

Amounts owed to fellow group undertakings are unsecured, interest-free and are repayable on demand.

Contract liabilities pertain to Hudson coins or consumer vouchers currently in circulation. The Company's performance obligation will be fulfilled when customers redeem these coins or vouchers for their purchases. Each coin or voucher expires one year from the date of issuance.

13. Lease liability

	2024 €	2023 €
Non-current	21,428,298	27,860,042
Current	2,857,068	3,575,129
Total lease liabilities	24,285,366	31,435,171

	2024 €	2023 €
At beginning of the year	31,435,171	21,574,377
Additions	184,671	12,749,704
Lease modifications	(3,592,259)	179,128
Interest expense (Note 13 and 19)	1,215,777	991,002
Payments effected	(4,957,994)	(4,059,040)
	24,285,366	31,435,171

Included in the lease liabilities for properties are amounts of €2,649,962 (2023: €3,498,802) which are attributable arrangements with the ultimate parent, of which €1,725,842 (2023: €2,616,843) are non-current amounts.

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

Specific extension options in property leases have been included in the lease liability as the lease term reflects the exercise of such options. As at 31 December 2024, potential future cash outflows of €18,406,829 (2023: nil) (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended.

The table below describes the nature of the Company'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	34	1 - 9	6	3	24	-	29

13. Lease liability - continued

Reassessment of extension for right-of-use assets and liabilities

During the year under review, management have revised certain lease agreements with the objective of extending the contracted fixed lease term and lease period extension options, as well as revising the contracted lease payments. As a result, management performed a reassessment of the lease liability related to these respective locations.

Furthermore, during the current year, management performed a reassessment of the optional extension period being considered for the determination of the lease liabilities and related right-of-use assets specific to other lease agreements. This assessment took into consideration changes in the expected exit period for properties whereby the performance of the respective location is not in line with the original expected performance at the last assessment period, hence resulting in a downward revision of the optional extension period being considered for determination of the lease liabilities and related right-of-use asset. The reassessment of the lease term of certain locations resulted in a decrease in the lease liability that exceeded the carrying amount of the respective right-of-use asset at the date of the reassessment. Such excess amounts were recognised as a gain within the Income Statement.

The impact of these reassessments is being summarised in the table below:

	Before reassessment €	After reassessment €	Impact €
Right-of-use assets			
Reassessment of revised agreements	3,034,064	9,502,516	6,468,452
Reassessment of optional extension period	16,777,185	7,183,828	(9,593,367)
	<u>19,811,249</u>	<u>16,686,344</u>	<u>(3,124,905)</u>
 Lease liabilities			
Reassessment of revised agreements	3,520,864	9,989,316	6,468,452
Reassessment of optional extension period	18,106,288	8,045,577	(10,060,711)
	<u>21,627,152</u>	<u>18,034,893</u>	<u>(3,592,259)</u>
 Gain on lease reassessment			 <u>467,354</u>

14. Borrowings

	2024 €	2023 €
Non-current		
Loans owed to immediate parent	6,298,985	5,715,647
Bank loan	345,470	698,170
	<u>6,644,455</u>	<u>6,413,817</u>
Current		
Bank overdraft (Note 10)	356,986	395,634
Bank loan	439,368	474,613
Other bank trade financing	5,274,859	2,402,454
	<u>6,071,213</u>	<u>3,272,701</u>
Total borrowings	<u>12,715,668</u>	<u>9,686,518</u>

Loans from immediate parent bear interest at 5.5% and are repayable by 2026.

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

The Company has unutilised overdraft facilities as at 31 December 2024 amounting to €1,142,658 (2023: €1,104,010). The overdraft facilities carry floating interest rates averaging 4.43% (2023: 4.43%). Furthermore, during 2024, the Company utilised the other bank trade financing made available to them amounting to €5,274,859 (2023: €2,402,454) out of a total limit of €5,275,000. The other bank trade facilities carry floating interest rate of 6.1% as at 31 December 2024 (2023: 6.1%).

The fair value of the financial liabilities at amortised cost is an approximation of the carrying amount of the financial liability.

15. Revenue

	2024 €	2023 €
Retail	49,622,274	45,827,458
Wholesale	14,516,602	13,937,042
	64,138,876	59,764,500

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

16. Expenses by nature (net)

	2024 €	2023 €
Purchases of goods for resale	39,448,041	35,968,586
Franchise fees (Royalties)	1,290,239	1,504,672
Other direct expenses	1,704,679	1,320,589
Employee benefit expense (Note 18)	8,067,444	7,444,148
Amortisation of intangible assets (Note 4)	214,944	214,944
Depreciation of property, plant and equipment (Note 5)	1,535,115	1,544,792
Depreciation of right-of-use assets (Note 6)	4,040,301	3,394,209
Professional fees	63,545	87,554
Rent and common charges	1,036,318	824,982
Bad debts written off	7,722	144,785
Management fees	1,363,249	2,289,512
Advertising	1,017,065	1,068,970
Bank charges	453,270	442,084
Movement in expected credit loss allowance (Note 9)	(27,465)	(7,016)
Gain on lease reassessment (Note 6)	(467,354)	-
Other operating expenses	1,834,431	1,693,041
Total cost of sales, operating and administrative expenses	61,581,544	57,935,852

Auditor's fees

	2024 €	2023 €
Annual statutory audit	45,485	42,500
Other non-assurance services	4,250	3,700
	49,735	46,200

During the current year fees in relation to non-assurance services amounting to €4,250 (2023: €3,700) have been charged by connected undertakings of the Company's auditor in respect of tax advisory and compliance services.

17. Other expenses

	2024 €	2023 €
Other expenses	(115,659)	(36,145)

18. Employee benefit expense

	2024 €	2023 €
Wages and salaries	7,530,069	6,965,553
Social security costs	537,375	478,595
	8,067,444	7,444,148

The average number of persons employed (full-time equivalent) by the company during the financial reporting period was:

	2024	2023
Distribution	69	69
Retail	287	246
	356	315

19. Finance costs

	2024 €	2023 €
Bank interest and charges	363,314	145,986
Interest on loan from parent	307,221	307,571
Interest charges on lease liabilities (Note 13)	1,215,777	991,002
	1,886,312	1,444,559

20. Tax expense

	2024 €	2023 €
Current tax expense	544,378	356,193
Deferred tax credit (Note 7)	(331,084)	(14,235)
	<u>213,294</u>	<u>341,958</u>

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

	2024 €	2023 €
Profit/(loss) before tax	555,361	347,944
Tax at 35%	194,376	121,780
Tax effect of:		
Unrecognised deferred tax in prior years	(236,274)	9,805
Over provision of current tax in prior year	121,860	-
Expenses and provisions not allowable for tax purposes	135,438	210,373
Other	(2,106)	-
Tax charge	<u>213,294</u>	<u>341,958</u>

21. Cash generated from operations

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

	2024 €	2023 €
Operating profit	2,441,673	1,792,503
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	1,535,115	1,544,792
Depreciation of right-of-use assets (Note 6)	4,040,301	3,394,209
Amortisation of intangible assets (Note 4)	214,944	214,944
Lease modifications (Note 6 and 13)	(467,354)	268,859
Movement in credit loss allowance	(27,465)	(7,016)
Loss on disposal of property, plant and equipment	102,718	37,975
Bad debts written off	7,722	144,782
Changes in working capital:		
Inventories	(1,373,332)	(2,295,989)
Trade and other receivables	473,940	(1,700,512)
Trade and other payables	3,787,860	3,840,011
Cash generated from operations	<u>10,736,122</u>	<u>7,234,558</u>

Net debt reconciliation

	2024 €	2023 €
Cash and cash equivalents	(4,170,473)	(2,967,386)
Bank borrowings (excluding bank overdrafts)	6,059,697	3,575,236
Loans owed to immediate parent	6,298,985	5,715,647
Lease liabilities	24,285,366	31,435,171
Net debt	<u>32,473,575</u>	<u>37,758,669</u>

21. Cash generated from operations - continued

Net debt reconciliation - continued

	Liabilities from financing activities				Other assets	
	Bank borrowings	Loans owed to parent	Lease liabilities	Sub-total	Cash/Bank overdraft	Total
Net debt as at 1 January 2023	1,583,615	4,636,201	21,574,377	27,794,193	(669,603)	27,124,590
Financing cashflows	-	-	-	-	(2,297,783)	(2,297,783)
New leases	-	-	12,749,704	12,749,704	-	12,749,704
Proceeds from drawdowns	1,991,622	1,079,446	-	3,071,068	-	3,071,068
Repayment of principal	-	-	(3,068,038)	(3,068,038)	-	(3,068,038)
Lease modifications	-	-	179,128	179,128	-	179,128
Interest expense	145,986	307,571	991,002	1,444,559	-	1,444,559
Interest payments (presented as operating cashflows)	(145,986)	(307,571)	(991,002)	(1,444,559)	-	(1,444,559)
Net debt as at 31 December 2023	3,575,237	5,715,647	31,435,171	40,726,055	(2,967,386)	37,758,669
Net debt as at 1 January 2024	3,575,237	5,715,647	31,435,171	40,726,055	(2,967,386)	37,758,669
Financing cashflows	-	-	(3,742,217)	(3,742,217)	(1,203,087)	(4,945,304)
New leases	-	-	184,671	184,671	-	184,671
Proceeds from drawdowns	2,872,405	583,338	-	3,455,743	-	3,455,743
Repayment of principal	(387,945)	-	-	(387,945)	-	(387,945)
Lease modifications	-	-	(3,592,259)	(3,592,259)	-	(3,592,259)
Interest expense	363,314	307,221	1,215,777	1,886,312	-	1,886,312
Interest payments (presented as operating cashflows)	(363,314)	(307,221)	(1,215,777)	(1,886,312)	-	(1,886,312)
Net debt as at 31 December 2024	6,059,697	6,298,985	24,285,366	36,644,048	(4,170,473)	32,473,575

22. Dividends

During a meeting of the Company's Board of Directors held on 26th March 2024, the Board resolved to declare an interim dividend of €5,900,000.

No further dividends were declared and paid to shareholders in 2024 and 2023.

23. Contingent liabilities and guarantees

As at 31 December 2024, the Company provided third parties with guarantees amounting to €3,801,295 (2023: €4,330,956).

The Company's bank facilities disclosed in note 14 are mainly secured by first general hypothecs and guarantees over the Hudson Malta p.l.c Group and Hudson Holdings Group's assets. Furthermore, the assets of the Company are used as security against bank facilities available to the ultimate parent company and other fellow group undertakings.

24. Related party transactions

All companies forming part of the Hudson Group, which comprises Hudson Holdings Limited, the company's immediate and ultimate parent, and its subsidiaries are related parties since these companies all have common ultimate shareholders.

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

	2024 €	2023 €
Revenue		
Sales - fellow group undertakings	9,908,790	8,834,366
Other income - ultimate parent	65,872	-
Other income - fellow group undertakings	113,978	-
Expenses		
Cost of sales - fellow group undertakings	2,658,394	2,091,589
Management fees - ultimate parent (Note 16)	1,363,249	2,289,512
Interest expenses – parent (Note 19)	307,221	307,571
Other expenses - ultimate parent	731,008	593,078
Other expenses - fellow group undertakings	42,015	-

Year-end balances with related parties are disclosed in Notes 9, 12, 13 and 14 to these financial statements.

25. Events after the end of reporting period

There are no events occurring after the reporting period that require disclosure.

26. Comparative information

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

27. Statutory information

Hudson Malta Sales Ltd, is a limited liability company and is incorporated in Malta.

The immediate parent company of Hudson Malta Sales Ltd is Hudson Malta p.l.c., a company registered in Malta, with its registered address at Hudson House, Burmarrad Road, Burmarrad, St. Paul's Bay, SPB 9060, Malta.

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

