

# **HUDSON MALTA SALES LTD**

Annual Financial Report  
31 December 2022

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## Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

### 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.

In 2021 the Hudson Group acquired Trilogy Limited, a Maltese company operating retail stores in Malta. Subsequently the equity stake in Trilogy was transferred to Hudson Malta P.L.C so that Trilogy Limited became a subsidiary along with the Company. On 30 August 2022, Hudson Malta P.L.C legally transferred its equity stake in Trilogy Limited, to the Company for a consideration of €6,000,000 settled by an issue of shares to Hudson Malta P.L.C. Subsequent to the transfer, Trilogy Limited merged into the Company, however the legal merger was not yet effected by 31 December 2022. The directors have made an assessment that although the merger has not as yet taken legal effect, they are of the belief that given the nature of the entities being merged, the related operations and assets and liabilities, the merger will take legal effect. On this basis, the directors have accounted for such transfer and merger in the year ended 31 December 2022, with the accounting effective date of the merger being determined as being 1 January 2022.

Reference is also made to the amalgamation by virtue of a merger by acquisition by Time International (Sport) Limited (hereinafter "TISL"; presently Hudson Malta Sales Ltd, the Company) of Hudson International Company Limited (C 48705) (hereinafter "HICL"), which amalgamation of TISL and of the company being acquired, HICL, became effective on the 14 March 2021. In virtue of the afore-mentioned merger by acquisition having taken effect, TISL (presently HMS), as the acquiring company, succeeded to acquire all the assets, rights, liabilities and obligations of HICL, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

### Review of business

Overall, in 2022 the Company reported an increase in turnover of €18 million (or 48%) to €55 million, with such increase being partially due to the amalgamation of Trilogy revenue as from 1 January 2022. With gross profit margin improving to 34% from 31% and increased revenues, the gross profit increased by €7.1 million (or 62%) to €18.5 million. Operating and administrative expenses however grew by €7 million from increased costs, mainly due to the amalgamation of Trilogy costs as from 1 January 2022, increased payroll costs and recharges of expenses from the parent company, resulting in an operating profit of €1.7 million compared to an operating profit of €2.1 million in 2021.

After taking into consideration the impact of financing costs, which were greater than in 2021, the Company reported a profit before tax of €0.6 million compared to a profit before tax of €1.1 million in 2021. From a balance sheet aspect, the liquidity position of the company is in line with prior year with net current assets amounting to €5 million as at 31 December 2022 (2021: €5 million).

### Results and dividends

The income statement is set out on page 12. The directors do not recommend the payment of a final dividend and propose that the balance of retained earnings of the company amounting to €5,888,447 (2021: €5,395,615) be carried forward to the next financial year.

## **Directors' report - continued**

### **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**

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

Alfred Borg  
Christopher Muscat  
Felice Ilacqua (resigned on 22 December 2022)  
Joseph A. Borg (appointed on 22 December 2022)  
Ritianne Grech

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 2022 are included in the Annual Report 2022, 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

27 April 2023



## *Independent auditor's report*

To the Shareholders of Hudson Malta Sales Ltd

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

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#### *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 2022, 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 2022;
- 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, 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 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

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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 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

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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.
- 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 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the <i>Annual Report and Financial Statements 2022</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
<p><b>Directors' report</b> (on pages 1 to 3)</p> <p>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 Malta Sales Ltd

Area of the Annual Report and Financial Statements 2022 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 Malta Sales Ltd

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### *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.

#### **PricewaterhouseCoopers**

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

A handwritten signature in blue ink, appearing to read 'Lucienne Pace Ross', is written over the printed name.

Lucienne Pace Ross  
Partner

27 April 2023

## Statement of financial position

		As at 31 December	
		2022	2021
		€	€
ASSETS	Notes		
<b>Non-current assets</b>			
Intangible assets	4	4,068,715	1,199,964
Property, plant and equipment	5	5,162,034	3,416,740
Right-of-use assets	6	21,341,059	15,386,986
Deferred tax asset	7	1,164,163	814,811
Lease receivables	6	-	484,757
Trade and other receivables	9	249,682	-
<b>Total non-current assets</b>		<b>31,985,653</b>	<b>21,303,258</b>
<b>Current assets</b>			
Lease receivables	6	-	100,511
Inventories	8	7,839,892	4,232,407
Trade and other receivables	9	14,175,063	7,854,403
Cash and cash equivalents	10	2,121,884	4,741,506
<b>Total current assets</b>		<b>24,136,839</b>	<b>16,928,827</b>
<b>Total assets</b>		<b>56,122,492</b>	<b>38,232,085</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	11	82,227	75,332
Share premium	11	6,072,917	79,812
Other reserves		500,000	500,000
Retained earnings		5,888,447	5,395,615
<b>Total equity</b>		<b>12,543,591</b>	<b>6,050,759</b>

**Statement of financial position - continued**

	Notes	As at 31 December	
		2022	2021
		€	€
<b>Non-current liabilities</b>			
Borrowings	14	5,745,204	5,863,387
Lease liabilities	13	18,543,565	14,188,053
<b>Total non-current liabilities</b>		<b>24,288,769</b>	<b>20,051,440</b>
<b>Current liabilities</b>			
Borrowings	14	1,926,893	710,902
Lease liabilities	13	3,030,812	2,024,152
Current tax liabilities		259,577	199,572
Trade and other payables	12	14,072,850	9,195,260
<b>Total current liabilities</b>		<b>19,290,132</b>	<b>12,129,886</b>
<b>Total liabilities</b>		<b>43,578,901</b>	<b>32,181,326</b>
<b>Total equity and liabilities</b>		<b>56,122,492</b>	<b>38,232,085</b>

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 27 April 2023 and were signed on its behalf by:

  
Alfred Borg  
Director

  
Christopher Muscat  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December	
		2022	2021
		€	€
Revenue	15	54,858,846	37,116,915
Cost of sales	16	(36,343,345)	(25,698,229)
<b>Gross profit</b>		<b>18,515,501</b>	11,418,686
Operating and administrative expenses	16	(16,739,354)	(9,805,618)
Net impairment losses on financial and contract assets	16	(78,879)	15,636
Other income	17	52,604	510,570
<b>Operating profit</b>		<b>1,749,872</b>	2,139,274
Finance income	20	-	14,283
Finance costs	21	(1,177,684)	(1,037,553)
<b>Profit before tax</b>		<b>572,188</b>	1,116,004
Tax expense	22	(404,210)	(392,357)
<b>Profit for the year - total comprehensive income</b>		<b>167,978</b>	723,647

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

### Statement of changes in equity

	Share capital €	Merger reserve €	Share premium €	Retained earnings €	Total €
Balance 1 January 2021	75,332	500,000	79,812	4,671,968	5,327,112
<b>Comprehensive income</b>					
Profit for the year	-	-	-	723,647	723,647
<b>Balance at 31 December 2021</b>	<b>75,332</b>	<b>500,000</b>	<b>79,812</b>	<b>5,395,615</b>	<b>6,050,759</b>
Balance 1 January 2022	75,332	500,000	79,812	5,395,615	6,050,759
<b>Comprehensive income</b>					
Profit for the year	-	-	-	167,978	167,978
<b>Transactions with owners</b>					
Issue of share capital (Note 11)	6,895	-	5,993,105	-	6,000,000
Acquisition through business combinations (Note 28)	-	-	-	324,854	324,854
<b>Balance at 31 December 2022</b>	<b>82,227</b>	<b>500,000</b>	<b>6,072,917</b>	<b>5,888,447</b>	<b>12,543,591</b>

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

## Statement of cash flows

	Notes	Year ended 31 December	
		2022	2021
		€	€
<b>Cash flows from operating activities</b>			
Cash generated from operations	23	2,356,324	3,830,315
Interest paid on lease liabilities	21	(900,658)	(726,764)
Interest paid on borrowings	21	(277,026)	(310,789)
Interest received	20	-	14,283
Income (paid)/tax refunds		(910,282)	29,001
<b>Net cash generated from operating activities</b>		<b>268,358</b>	<b>2,836,046</b>
<b>Cash flows used in investing activities</b>			
Purchases of property, plant and equipment	5	(2,236,390)	(987,732)
Receipts from lease receivables		-	92,517
<b>Net cash used in investing activities</b>		<b>(2,236,390)</b>	<b>(895,215)</b>
<b>Cash flows used in financing activities</b>			
Net movement in borrowings	14	(12,692)	1,302,968
Principal elements of lease repayments	6	(2,683,284)	(2,140,696)
<b>Net cash used in financing activities</b>		<b>(2,695,976)</b>	<b>(837,728)</b>
<b>Net movement in cash and cash equivalents</b>		<b>(4,664,008)</b>	<b>1,103,103</b>
<b>Assets acquired through business combination</b>	28	<b>933,886</b>	<b>-</b>
<b>Cash and cash equivalents at the beginning of the year</b>		<b>4,399,725</b>	<b>3,296,622</b>
<b>Cash and cash equivalents at end of year</b>	10	<b>669,603</b>	<b>4,399,725</b>

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



## Notes to the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these 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

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 financial statements have been prepared under the historical cost convention.

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 (see Note 3 – Critical accounting estimates and judgements).

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

Furthermore, in 2021 the Hudson Group acquired Trilogy Limited, a Maltese company operating retail stores in Malta. Subsequently, during 2021, the equity stake in Trilogy was transferred to Hudson Malta P.L.C so that Trilogy Limited became a subsidiary along with the Company. On 30 August 2022, Hudson Malta P.L.C. legally transferred its equity stake in Trilogy Limited to the Company, for a consideration of €6,000,000 settled by an issue of shares by the Company to Hudson Malta P.L.C. Subsequent to the transfer, Trilogy Limited merged into the Company, however the legal merger was not yet effected by 31 December 2022. The directors have made an assessment that, although the merger has not as yet taken legal effect, they are of the belief that given the nature of the entities being merged, the related operations, assets and liabilities, the merger will take legal effect. On this basis, the directors have accounted for such transfer and merger in the year ended 31 December 2022, with the accounting effective date of the merger being determined as being 1 January 2022.

Both mergers meet the definition of a business combination between entities under common control, and accordingly, the transactions fall outside the scope of IFRS 3, Business Combinations. As disclosed in Note 1.2, the Company's policy is to account for mergers between entities under common control using the predecessor method of accounting.

Having assessed the substance of the Hudson International Company Limited merger transaction, and the fact that Hudson International Company Limited was already under common control as at the commencement of the earliest comparative period, the directors considered it more meaningful to incorporate Hudson International Company Limited's results and financial position with those of the Company using the retrospective presentation method, i.e. as if the post-merger structure was already in place at the commencement of the comparative period (i.e. 1 January 2020).

## 1 Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

With respect to the Trilogy Limited merger transaction, in view that Trilogy Limited was under common control as from 1 July 2021, the directors considered it more meaningful to incorporate Trilogy Limited's results and financial position with those of the Company using the prospective presentation method rather than the retrospective presentation method. Therefore, the result is that the financial statements of the Company consider the results as from the accounting date of merger, i.e. 1 January 2022 even though control was acquired by the Hudson Group on 1 July 2021. Had the directors used the retrospective presentation method the Company's comparative period's financial statements and notes would have been restated to reflect such transaction as from 1 July 2021.

Information regarding the assets and liabilities taken over by the Company as a result of these mergers, are included in Note 27 and Note 28.

#### *Standards, interpretations and amendments to published standards effective in 2022*

In 2022, there were no amendments to existing standards that were mandatory for the company to be adopted for the accounting period beginning on 1 January 2022.

#### *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 2022. 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 that will have a possible significant impact on the Company's financial statements in the period of initial application.

### 1.2 Merger between entities under common control

Mergers between entities under common control, which do not fall within the scope of IFRS 3, Business Combinations, 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 amounts of assets and liabilities of the acquired entity from the carrying amounts of assets and liabilities of the acquired entity from the consolidated financial statements of the highest entity that has common control for which consolidated financial statements are prepared. These amounts include any goodwill (and other fair value adjustments) recorded at the consolidated level in respect of the acquired entity, their financial statements. Therefore 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 the transaction) of the acquired entity, is included in equity.

### 1.3 Foreign currency translation

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

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

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

**1.3 Foreign currency translation**

*(b) Transactions and balances*

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

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

**1.4 Intangible assets**

*(a) Goodwill*

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

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

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

*(b) Trademarks*

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

*(c) Supplier relationships*

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

## 1. Summary of significant accounting policies – continued

### 1.5 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the 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 1.7).

### 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

#### 1.7.1 Classification

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

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

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

## 1. Summary of significant accounting policies – continued

### 1.7 Financial assets - continued

#### 1.7.1 Classification - continued

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.

#### 1.7.2 Recognition and derecognition

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

#### 1.7.3 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.

#### *Debt instruments*

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

- **Amortised Cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented 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.
- **FVOCI:** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movement in the carrying amount is taken through OCI, except for the recognition of impairment gain or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses).

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as a separate line item in the statement of profit or loss.

## **1. Summary of significant accounting policies – continued**

### **1.7 Financial assets - continued**

#### **1.7.3 Measurement - continued**

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net with other gains/(losses) in the period in which it arises.

#### **1.7.4 Impairment**

The Company assesses on a forward-looking basis the expected credit losses 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 Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

### **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.

### **1.9 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.

### **1.10 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.

### **1.11 Share capital**

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

## 1. Summary of significant accounting policies - continued

### 1.12 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.

### 1.13 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.

Redeemable preference shares are classified as liabilities. The dividends on these preference shares are recognised in the income statement as interest expense.

### 1.14 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.

### 1.15 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.

### 1.16 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 significant accounting policies - continued**

**1.17 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.

**1.18 Deferred government grants**

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Company will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

**1.19 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.



## 1. Summary of significant accounting policies - continued

### 1.19 Revenue recognition - continued

#### *(a) 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.

#### *(b) Sales of goods - retail*

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

#### *(c) Interest income*

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

### 1.20 Leases

#### *The company is the lessee*

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

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

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.

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

**1.20 Leases - continued**

*The company is the lessee - continued*

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. In respect of the property lease arrangements, the extension periods have been included in determining lease term of the respective arrangement except for a new lease agreement entered into in 2022 as management is still assessing the long term viability of the location.

The table below describes the nature of the 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	33	1 – 14	9	5 - 7	33	-	33

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

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 significant accounting policies - continued

### 1.20 Leases - continued

*The company is 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.

### 1.21 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.

#### (a) Market risk

##### (i) Foreign exchange risk

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

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

##### (ii) Cash flow and fair value interest rate risk

The Company's interest principally arises from intra-group borrowings (Note 14) and related party balances (Notes 9 and 12) which have fixed rates of interest. 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.

#### (b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, credit exposures to customers, including outstanding receivables and, from the Company's perspective, 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:

	2022	2021
	€	€
Loans and receivables category:		
Lease receivable (Note 6)	-	585,268
Trade and other receivables (Note 9)	12,721,085	7,613,794
Cash and cash equivalents (Note 10)	2,121,884	4,741,506
	14,842,969	12,940,568

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

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

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

##### 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 45.7% (2021: 22.6%) 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 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 and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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.

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.

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

*(b) Credit risk - continued*

As at 31 December 2022, trade receivables for the Company amounting to €149,236 (2021: €149,236) were impaired.

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.

The closing loss allowances for trade receivables at amortised cost as at 31 December 2022 reconcile to the opening loss allowances as follows:

	2022	2021
	€	€
<i>Trade receivables</i>		
Balance at 1 January	(149,236)	(185,721)
Decrease in loss allowance recognised in profit or loss during the year	-	36,485
Balance at 31 December	(149,236)	(149,236)

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.

Amounts owed by fellow group companies

The Company's amounts owed by fellow group companies due from group and related undertakings. 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 amounts due are based on assumptions about risk of default and expected loss rates, taking into consideration the impact of COVID-19 on the financial performance and operations of the respective counterparties. 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 of €914,428 (2021: €835,549). Furthermore, during the year, the Company wrote-off balances amounting to €3,327 (2021: €213,485), on the basis that these amounts are deemed unrecoverable.

**2. Financial risk management** - continued

**2.1 Financial risk factors** - continued

*(b) Credit risk - continued*

The closing loss allowances for the Company's amounts owed by fellow group companies as at 31 December 2021 reconcile to the opening loss allowances as follows:

	<b>2022</b>	<b>2021</b>
<i>Other financial assets</i>		
Balance at 1 January	<b>835,549</b>	835,549
Net increase in loss allowance recognised in profit or loss during the year	<b>78,879</b>	-
Balance at 31 December	<b>914,428</b>	835,549

*(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.

Management monitors liquidity risk by reviewing expected cash flows and ensures that no additional financing facilities are expected to be required over the coming year. The company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the company's committed bank borrowing facilities and other intra-group financing that it can access to meet liquidity needs.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk - continued

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

	Carrying Amount €	Contractual Cashflows €	Less than 1 year €	Between 1 and 5 years €	More than 5 years €
<b>At 31 December 2022</b>					
Lease liabilities	21,574,377	26,664,880	3,921,786	12,945,019	9,798,075
Loans from immediate parent	4,636,201	5,427,360	1,728,746	3,698,614	-
Bank borrowings	3,035,896	3,157,322	2,003,969	1,153,363	-
Trade and other payables	14,072,850	14,072,850	14,072,850	-	-
	<b>43,319,324</b>	<b>49,322,412</b>	<b>21,727,351</b>	<b>17,796,996</b>	<b>9,798,075</b>
<b>At 31 December 2021</b>					
Lease liabilities	16,212,205	19,590,322	2,668,841	9,466,628	7,454,853
Loans from immediate parent	4,302,000	5,485,050	236,610	5,248,440	-
Bank borrowings	2,272,289	2,369,309	748,901	474,612	1,145,796
Trade and other payables	9,195,260	9,195,260	9,195,260	-	-
	<b>31,981,754</b>	<b>36,639,941</b>	<b>12,849,612</b>	<b>15,189,680</b>	<b>8,600,649</b>

### 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:

	2022	2021
	€	€
Borrowings (Note 14)	<b>7,672,097</b>	6,574,289
Lease liabilities (Note 13)	<b>21,574,377</b>	16,212,205
Less: cash and cash equivalents (Note 10)	<b>(2,121,884)</b>	(4,741,506)
	<hr/>	<hr/>
Net debt	<b>27,124,590</b>	18,044,988
Total equity	<b>12,543,591</b>	6,050,759
	<hr/>	<hr/>
<b>Total capital</b>	<b>39,668,181</b>	24,095,747
	<hr/>	<hr/>
Net debt ratio	<b>68.4%</b>	74.9%

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.

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

#### 4. Intangible assets

	Goodwill €	Trademarks €	Supplier Relationships €	Total €
<b>At 1 January 2021</b>	1,065,688	136,539	-	1,202,227
Accumulated amortisation and impairment charges	-	(2,263)	-	(2,263)
<b>At 31 December 2021</b>	<b>1,065,688</b>	<b>134,276</b>	-	<b>1,199,964</b>
<b>At 1 January 2022</b>	<b>1,065,688</b>	<b>134,276</b>	-	<b>1,199,964</b>
Acquisition through business combination (Note 28)	-	-	3,190,224	3,190,224
Accumulated amortisation and impairment charges	-	(2,451)	(319,022)	(321,473)
<b>At 31 December 2022</b>	<b>1,065,688</b>	<b>131,825</b>	<b>2,871,202</b>	<b>4,068,715</b>

#### *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 2023 to 2028 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 12.3% (2021: 8.4%) whilst the long-term growth rate applied in the valuation of the residual value was 1.0% (2021: 1.4%). 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 2022.

The recoverable amount of the HMS CGU currently exceeds its carrying amount by €10,235,000 (2021: €3,641,000). The recoverable amount of this CGU would equal its carrying amount if the post-tax discount rate is increased from 12.3% to 19.4% (2021: from 8.4% to 14%) or projected annual EBITDA is 13% lower (2021: 13% lower).

**5. Property, plant and equipment**

	Improvement to premises €	Motor vehicles €	Furniture, fittings and other equipment €	Total €
<b>Year ended 31 December 2021</b>				
Opening net book amount	282,652	1,177	3,202,138	3,485,967
Additions	15,830	-	971,902	987,732
Disposals	(221,148)	-	(2,230,425)	(2,451,573)
Depreciation charge	(6,185)	(1,176)	(836,386)	(843,747)
Depreciation released on disposals	43,610	(1)	2,194,752	2,238,361
Closing net book amount	<b>114,759</b>	<b>-</b>	<b>3,301,981</b>	<b>3,416,740</b>
<b>At 31 December 2021</b>				
Cost	134,990	19,346	3,638,339	3,792,675
Accumulated depreciation	(20,231)	(19,346)	(336,358)	(375,935)
Net book amount	<b>114,759</b>	<b>-</b>	<b>3,301,981</b>	<b>3,416,740</b>
<b>Year ended 31 December 2022</b>				
Opening net book amount	114,759	-	3,301,981	3,416,740
Acquisitions through business combinations (Note 28)	650,583	-	606,955	1,257,538
Additions	489,560	-	1,427,549	1,917,109
Disposals	(1,189)	-	(56,310)	(57,499)
Depreciation charge	(42,967)	-	(1,377,784)	(1,420,751)
Depreciation released on disposal	1,071	-	47,826	48,897
Reclassification between asset categories	(534,878)	-	534,878	-
Closing net book amount	<b>676,939</b>	<b>-</b>	<b>4,482,095</b>	<b>5,162,034</b>
<b>At 31 December 2022</b>				
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	<b>676,939</b>	<b>-</b>	<b>4,485,095</b>	<b>5,162,034</b>

As at 31 December 2022, the Company had assets under construction in the amount of €391,402 which mainly represent fixtures and fittings for stores not yet in use. These assets do not attract any depreciation.

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

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

	Property leases €	Total €
<b>Year ended 31 December 2021</b>		
Opening net book value	16,422,289	16,422,289
Additions	2,027,439	2,027,439
Disposals	(1,078,586)	(1,078,586)
Lease modifications	(14,164)	(14,164)
Amortisation charge	(2,364,506)	(2,364,506)
Amortisation released on disposal	394,514	394,514
	<b>15,386,986</b>	<b>15,386,986</b>
<b>Year ended 31 December 2022</b>		
Opening net book value	15,386,986	15,386,986
Acquisitions through business combinations (Note 28)	5,439,112	5,439,112
Additions	3,737,073	3,737,073
Lease modifications	(39,826)	(39,826)
Amortisation charge	(3,182,286)	(3,182,286)
	<b>21,341,059</b>	<b>21,341,059</b>

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

	2022 €	2021 €
Depreciation charge of right-of-use assets	<b>3,182,286</b>	2,364,506
Interest expense (Note 13)	<b>900,658</b>	726,764
Expense relating to variable lease payments not included in lease liabilities (incl. in administrative expenses)	<b>747,452</b>	507,224
Rent rebates in relation to COVID-19 (Note 13)	-	(340,282)
	<b>4,830,406</b>	<b>3,258,212</b>

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

<b>Lease receivable</b>	<b>2022</b>	<b>2021</b>
	€	€
Non-current	-	484,757
Current	-	100,511
<b>Total lease liabilities</b>	<b>-</b>	<b>585,268</b>

In 2021, the Company entered into a sub-lease agreement with Trilogy Limited for a property leased-out from third parties, whereby the terms and conditions of the sub-lease agreement were back-to-back to the lease agreement with the third party. As a result of this arrangement, the Company de-recognised right-of-use assets amounting to €636,727 and recognised lease receivables amounting to €645,659. In 2022, this sub-lease agreement was no longer effective following the merger of both companies (Note 28).

**7. Deferred taxation**

	<b>2022</b>	<b>2021</b>
	€	€
At beginning of year	<b>814,811</b>	1,034,564
Acquisition through business combination (Note 28)	<b>138,962</b>	-
Credited to the income statement (Note 22)	<b>210,390</b>	(219,753)
<b>At end of year</b>	<b>1,164,163</b>	<b>814,811</b>

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2021: 35%). The balance at 31 December represents temporary differences on:

	<b>2022</b>	<b>2021</b>
	€	€
Depreciation of property, plant and equipment	<b>263,973</b>	239,568
Depreciation of right-of-use assets	<b>445,870</b>	224,462
Provision for trade and other receivables	<b>372,282</b>	350,781
Other provisions	<b>82,038</b>	-
	<b>1,164,163</b>	<b>814,811</b>

**8. Inventories**

	<b>2022</b>	<b>2021</b>
	€	€
Goods held for re-sale	<b>7,839,892</b>	4,232,407

Inventory is stated at net of write-downs of €904,690 (2021: €215,905). 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**

	2022	2021
	€	€
Trade receivables	2,535,887	1,867,218
Less: Provisions for impairment	(149,236)	(149,236)
	2,386,651	1,717,982
Trade receivables – net	2,386,651	1,717,982
Amounts owed by ultimate parent company	4,619,150	3,639,697
Amounts owed by fellow group companies (net of provisions)	5,233,671	2,256,115
Other receivables	136,606	-
Prepayments and accrued income	2,048,667	240,609
	14,424,745	7,854,403
	2022	2021
	€	€
Non-current	249,682	-
Current	14,175,063	-
	14,424,745	-

Amounts owed by fellow subsidiaries bear interest at 4.00% per annum (2021: 4.00%) and are stated at net of a credit loss allowance as per IFRS 9 of €914,428 (2021: €835,549).

**10. Cash and cash equivalents**

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

	2022	2021
	€	€
Cash at bank and in hand	2,121,884	4,741,506
Bank overdrafts (Note 14)	(1,452,281)	(341,781)
	669,603	4,399,725

## 11. Share capital and share premium

	2022 €	2021 €
<b>Authorised</b>		
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
	84,556	84,556
 <b>Issued and fully paid</b>		
35,300 (2021: 32,340) ordinary shares of €2.329373 each	82,227	75,332
	82,227	75,332

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.

On 30 August 2022, Hudson Malta P.L.C. legally transferred its equity stake in Trilogy Limited to the Company, for a consideration of €6,000,000 settled by an issue of 2,960 units of shares by the Company to Hudson Malta P.L.C. (Note 28). The shares issued by the Company to Hudson Malta P.L.C. were at a nominal share value of €2.329373 and a share premium value of €2,024.697635, thereby resulting in an increase in share capital and share premium of €6,895 and €5,993,105 respectively.

## 12. Trade and other payables

	2022 €	2021 €
Trade payables	5,765,231	5,570,870
Amounts owed to fellow group companies	2,517,898	891,661
Indirect taxation	2,551,157	1,910,857
Other payables	97,345	338,576
Accruals	3,141,219	483,296
	14,072,850	9,195,260

Amounts owed to fellow subsidiaries are unsecured, bear interest at 4% (2021: 4%) per annum and are repayable on demand.

**13. Lease liability**

	2022 €	2021 €
Non-current	18,543,565	14,188,053
Current	3,030,812	2,024,152
<b>Total lease liabilities</b>	<b>21,574,377</b>	<b>16,212,205</b>

	2022 €	2021 €
At beginning of the year	16,212,205	16,535,384
Acquisition through business combination (note 28)	4,445,059	-
Additions	3,586,512	1,893,809
Lease modifications	13,885	(142,535)
Disposals	-	(48,371)
COVID-19 lease concessions	-	(340,282)
Interest expense (Note 21)	900,658	726,764
Payments effected	(3,583,942)	(2,412,564)
	<b>21,574,377</b>	<b>16,212,205</b>

Included in the lease liabilities for properties are amounts of €6,494,948 (2021: €7,785,848) which are attributable arrangements with the ultimate parent, of which €5,028,812 (2021: €6,747,664) are non-current amounts.

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

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

As a result of the COVID-19 pandemic, rent concessions have been granted to lessees. Such concessions might take a variety of forms, including payment holidays and deferral of lease payments. In May 2020, the IASB made an amendment to IFRS 16 - Leases which provides lessees with an option to treat qualifying rent concessions in the same way as they would if they were not lease modifications. The Company has applied this practical expedient for all qualifying lease concessions and, as a result, has accounted for such concessions as variable lease payments in the period in which they are granted in 2021 and 2020.



#### 14. Borrowings

	2022 €	2021 €
<b>Non-current</b>		
Loans owed to immediate parent	4,636,201	4,302,000
Bank loan	1,109,003	1,561,387
	5,745,204	5,863,387
 <b>Current</b>		
Bank overdraft (Note 10)	1,452,281	341,781
Bank loan	474,612	369,121
	1,926,893	710,902
 Total borrowings	7,672,097	6,574,289

Loans from immediate parent are secured by the Company's and its fellow subsidiary's assets, bear interest at 5.5% and are repayable by 2026.

The Company's bank borrowings relate to a loan carrying an effective interest rate of 4% and repayable within 5 years from initial drawdown. Furthermore, the Company has unutilised overdraft facilities as at 31 December 2022 amounting to €325,798. The overdraft facilities carry floating interest rates averaging 4.00%. The Company also has an invoice financing arrangement with a local financial institution allowing for a prepaid facility for pre-selected receivable balances up to a maximum of €500,000.

During 2020, the Company 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.

#### 15. Revenue

	2022 €	2021 €
Retail	42,112,598	26,582,951
Wholesale	12,746,248	10,533,964
	54,858,846	37,116,915

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

**16. Expenses by nature**

	2022 €	2021 €
Purchases of goods for resale	33,638,044	23,144,593
Franchise fees	1,456,465	1,290,234
Other direct expenses	1,248,836	1,263,402
Employee benefit expense (Note 18)	5,686,774	2,669,213
Depreciation of property, plant and equipment (Note 5)	1,420,751	843,747
Depreciation of right-of-use assets (Note 6)	3,182,286	2,364,506
Amortisation of intangible assets (Note 4)	321,473	2,263
Professional fees	54,168	105,318
Rent and common charges	747,452	507,224
COVID-19 rent rebates (Note 13)	-	(340,282)
Shop expenses and consumables	948,323	440,812
Water and electricity	46,273	236,531
Movement in expected credit loss allowance (Note 9)	78,879	(36,485)
Bad debts written-off	3,327	20,851
Management fees	2,706,224	1,832,057
Advertising	893,935	448,876
Other expenses	728,368	695,351
<b>Total cost of sales, operating and administrative expenses</b>	<b>53,161,578</b>	<b>35,488,211</b>

Auditor's fees

	2022 €	2021 €
Annual statutory audit	39,900	24,000
Other non-assurance services	9,655	800
Tax compliances services	1,950	1,500
	<b>51,505</b>	<b>26,300</b>

**17. Other income**

	2022 €	2021 €
Other income	49,299	523,819
Differences on exchange	3,305	(13,249)
	<b>52,604</b>	<b>510,570</b>

**18. Employee benefit expense**

	2022	2021
	€	€
Wages and salaries	5,312,739	2,413,316
Social security costs	374,035	255,897
	5,686,774	2,669,213

Wages and salaries in the table above are presented net of grants received from the Government of Malta under the COVID-19 Wage Supplement Scheme amounting to €128,994 (2021: €966,794). Grants related to income are presented as a deduction in reporting the related expense which the grant is intended to compensate for.

The average number of persons employed by the company during the financial reporting period were as follows:

	2022	2021
Distribution	43	25
Retail	282	227
	325	252

**19. Directors' emoluments**

	2022	2021
	€	€
Salaries and other emoluments	4,000	8,000

**20. Finance income**

	2022	2021
	€	€
Interest on amounts due from group undertakings	-	14,283
	-	14,283

**21. Finance costs**

	2022	2021
	€	€
Bank interest and charges	23,121	35,948
Interest expense due to related parties (Note 26)	-	12,269
Interest on loan from parent (Note 26)	253,905	262,572
Interest charges on lease liabilities (Note 13)	900,658	726,764
	1,177,684	1,037,553

**22. Tax expense**

	2022	2021
	€	€
Current tax expense	614,600	172,604
Deferred tax (credit)/charge (Note 7)	(210,390)	219,753
	404,210	392,357

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

	2022	2021
	€	€
Profit/(loss) before tax	572,188	1,116,004
Tax at 35%	200,265	390,601
Tax effect of:		
Unrecognised deferred tax in prior years	6,478	(8,554)
Expenses and provisions not allowable for tax purposes	205,018	10,310
Other	(7,551)	-
Tax charge	404,210	392,357

**23. Cash generated from operations**

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

	2022	2021
	€	€
Operating profit	1,749,872	2,139,274
Adjustments for:		
Depreciation of property, plant and equipment (Note 5)	1,420,751	843,747
Depreciation of right-of-use assets (Note 6)	3,182,286	2,364,506
Amortisation of intangible assets (Note 4)	321,473	2,263
COVID-19 rent rebates (Note 13)	-	(340,282)
Lease modifications (Note 6 and 13)	(6,680)	99,960
Movement in credit loss allowance	78,879	(36,485)
Loss on disposal of property, plant and equipment	8,602	213,212
Bad debts written-off	3,327	20,851
Changes in working capital:		
Inventories	(2,392,682)	(738,737)
Trade and other receivables	(5,753,730)	(1,103,523)
Trade and other payables	3,744,226	365,529
Cash generated from operations	2,356,324	3,830,315

**Net debt reconciliation**

	2022	2021
	€	€
Cash and cash equivalents	(669,603)	(4,399,725)
Bank borrowings (excluding bank overdrafts)	1,583,615	1,930,508
Loans owed to immediate parent	4,636,201	4,302,000
Lease liabilities	21,574,377	16,212,205
Net debt	27,124,590	18,044,988

23. 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 2021	149,540	4,780,000	16,535,384	21,464,924	(3,296,622)	18,168,302
Financing cashflows	-	-	-	-	(1,103,103)	(1,103,103)
Proceeds from drawdowns	1,878,599	-	-	1,878,599	-	1,878,599
Repayment of principal	(97,631)	(478,000)	(1,685,800)	(2,261,431)	-	(2,261,431)
New leases	-	-	1,893,809	1,893,809	-	1,893,809
Lease modifications	-	-	(190,906)	(190,906)	-	(190,906)
Covid-19 lease concessions	-	-	(340,282)	(340,282)	-	(340,282)
Interest expense	35,948	262,572	726,764	1,025,284	-	1,025,284
Interest payments (presented as operating cashflows)	(35,948)	(262,572)	(726,764)	(1,025,284)	-	(1,025,284)
Net debt as at 31 December 2021	1,930,508	4,302,000	16,212,205	22,444,713	(4,399,725)	18,044,988
Financing cashflows	-	-	-	-	3,730,122	3,730,122
New leases	-	-	3,586,512	3,586,512	-	3,586,512
Amounts taken over on acquisition	-	-	4,445,059	4,445,059	-	4,445,059
Proceeds from drawdowns	-	812,201	-	812,201	-	812,201
Repayment of principal	(346,893)	(478,000)	(2,683,284)	(3,508,177)	-	(3,508,177)
Lease modifications	-	-	13,885	13,885	-	13,885
Interest expense	23,121	253,905	900,658	1,177,684	-	1,177,684
Interest payments (presented as operating cashflows)	(23,121)	(253,905)	(900,658)	(1,177,684)	-	(1,177,684)
Net debt as at 31 December 2022	1,583,615	4,636,201	21,574,377	27,794,193	(669,603)	27,124,590

**24. Dividends**

No dividends were declared and paid to shareholders in 2022 and 2021.

**25. Contingent liabilities**

As at 31 December 2022, the Company provided third parties with guarantees amounting to €3,655,073 (2021: €2,870,148).

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.

**26. 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:

	2022	2021
	€	€
<b>Revenue</b>		
Sales - related parties	6,167,833	2,945,498
Interest income - related parties	-	14,283
	-	14,283
<b>Expenses</b>		
Cost of sales - related parties	1,244,097	462,528
Finance costs - related parties (Note 21)	253,905	262,572
Management fees - parent	2,706,224	1,832,057
	2,706,224	1,832,057

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

**27. Merger of Hudson International Company Limited**

As disclosed in Note 1.1, Hudson International Company Limited merged into the Company on 1 January 2021. Given that both companies are ultimately controlled by the same shareholders, the transaction was accounted for using the predecessor method of accounting. In order to present more meaningful information, the directors elected to account for the transaction using the retrospective presentation method, i.e. as if the post merger structure was always in place. Accordingly, the financial position of the Company as at 31 December 2020 was restated in order to reflect the assets and liabilities of the Company as at this date.

The consideration for the 500,000 ordinary shares of €1 each in Hudson International Company Limited paid by the Company to the intermediate parent amounted to €1 in exchange for the assets, rights, liabilities and obligations of Hudson International Company Limited.

**27. Merger of Hudson International Company Limited - continued**

The following table summarises the consideration given up by the Company and the amounts of assets acquired and liabilities assumed that were recognised in the statement of financial position as from 1 January 2020.

**Recognised amounts of identifiable assets acquired and liabilities assumed**

	31 December 2020 €	1 January 2020 €
<b>Assets</b>		
Property, plant and equipment	2,014,629	2,166,558
Right-of-use assets	9,067,077	10,340,833
Deferred tax assets	559,831	547,751
Inventories	1,135,121	1,549,293
Trade and other receivables	2,881,538	3,208,726
Cash and cash equivalents	2,062,444	1,469,250
<b>Equity</b>		
Retained earnings	(2,351,015)	(2,579,517)
<b>Liabilities</b>		
Borrowings	(2,812,559)	(2,800,000)
Lease liabilities	(9,274,850)	(10,261,285)
Trade and other payables	(2,759,023)	(3,081,939)
Current tax liabilities	(23,193)	(59,670)
<b>Net impact of merger on financial position</b>	<b>500,000</b>	<b>500,000</b>

**28. Merger of Trilogy Limited**

As disclosed in Note 1.1, on 30 August 2022, Hudson Malta P.L.C. legally transferred its equity stake in Trilogy Limited to the Company, for a consideration of €6,000,000 settled by an issue of shares by the Company to Hudson Malta P.L.C. Subsequent to the transfer, Trilogy Limited merged into the Company, however the legal merger was not yet effected by 31 December 2022. The directors have made an assessment that, although the merger has not as yet taken legal effect, they are of the belief that given the nature of the entities being merged, the related operations, assets and liabilities, the merger will take legal effect. On this basis, the directors have accounted for such transfer and merger in the year ended 31 December 2022, with the accounting effective date of the merger being determined as being 1 January 2022.

In view that Trilogy Limited was under common control as from 1 July 2021, the directors considered it more meaningful to incorporate Trilogy Limited's results and financial position with those of the Company using the prospective presentation method rather than the retrospective presentation method. Therefore, the result is that the financial statements of the Company consider the results as from the accounting date of merger, i.e. 1 January 2022 even though control was acquired by the Hudson Group on 1 July 2021. Had the directors used the retrospective presentation method the Company's comparative period's financial statements and notes would have been restated to reflect such transaction as from 1 July 2021.



**28. Merger of Trilogy Limited - continued**

The consideration for the 300,000 ordinary shares of €1 each and 150,000 preference shares of €1.33 each in Trilogy Limited paid by the Company to the intermediate parent amounted to €6,000,000 in exchange for the assets, rights, liabilities and obligations of Trilogy Limited.

The following table summarises the consideration given up by the Company and the amounts of assets acquired and liabilities assumed that were recognised in the statement of financial position as from 1 January 2022.

	<b>1 January 2022 €</b>
<b>Consideration paid in kind</b>	<b>6,000,000</b>
<b>Assets</b>	
Property, plant and equipment	1,257,538
Right-of-use assets	5,439,112
Intangible assets - supplier contracts	3,190,224
Deferred tax assets	138,962
Inventories	1,214,803
Trade and other receivables	1,049,379
Cash and cash equivalents	933,886
<b>Liabilities</b>	
Lease liabilities	(5,090,718)
Trade and other payables	(1,452,647)
Current tax liabilities	(355,685)
Net assets acquired	6,324,854
<b>Net impact of merger on financial position</b>	<b>(324,854)</b>

**29. Statutory information**

Hudson Malta Sales Ltd, formerly Time International (Sport) Limited, is a limited liability company and is incorporated in Malta. In 2020, there was an amalgamation by virtue of a merger by acquisition by Time International (Sport) Limited (hereinafter "TISL"; presently Hudson Malta Sales Ltd) of Hudson International Company Limited (C 48705) (hereinafter "HICL"), which amalgamation of TISL and of the company being acquired HICL became effective on the 14 March 2021. In virtue of the aforementioned merger by acquisition having taken effect, TISL (presently Hudson Malta Sales Ltd), as the acquiring company, succeeded to all the assets, rights, liabilities and obligations of HICL, which, in turn, ceased to exist and has been struck off with effect from 14 March 2021.

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.