

FOOD CHAIN LIMITED

Annual Report and Financial Statements
31 January 2024

	Pages
Directors' report	1 - 2
Independent auditor's report	3 - 8
Statement of financial position	9 - 10
Income statement	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 32

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 January 2024.

Principal activities

The Company's principal function, is the operations of Kentucky Fried Chicken®, Burger King®, Pizza Hut® and Boost Juice® outlets in Malta.

Review of the business

The Company achieved a revenue growth of 26.3% from its franchised food eateries, reaching a total of €27.5 million in the most recent financial year. This increase was primarily driven by the full-year contribution of the launch of the Australian smoothie franchise chain, Boost Juice bars, the opening of two outlets launched mid-year in 2023 at the University Campus Hub, along with a successful strategy to attract a larger customer base.

The Company continued its investment program to ensure all outlets maintain high standards of customer service, investing an additional €684,370 in its restaurants. Following a strategic review of its Pizza Hut® operations, the Sliema outlet was closed in December 2023, and the St. Julians outlet was closed in the first quarter of the new financial year.

The revenue growth, combined with enhanced management controls over expenditures, resulted in an improved gross profit margin of 15.7% (FY23 – 12.2%) and a higher profitability ratio of 4.96% (FY23 – 3.19%).

Outlook for financial year 31 January 2025

The Company's strategy to expand its presence in the Maltese market by selecting locations aligned with its outlet offerings will continue to be a key focus for management in the upcoming financial year. In March 2024, the Company opened a new Boost outlet in Shoreline Shopping Complex, Kalkara and is currently undertaking refurbishment works to launch both a Pizza Hut® and a KFC® outlet within the Bay Street Complex, St. Julians, at the start of summer 2024. Additionally, a new Pizza Hut® outlet is scheduled to open in the southern part of the Island towards the end of the forthcoming financial year.

Going concern basis

After making enquiries, the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Financial risk management

The Company's activities expose it to a variety of financial risks, including market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk), credit risk and liquidity risk. Refer to Note 2 in these financial statements.

Results and dividends

The income statement is set out on page 11. The Directors do not recommend the payment of a dividend.

Directors' report - continued

Directors

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

Mr. Norman Aquilina
Mr. Dominic Borg
Mr. Matthew J. Marshall
Ms. Anne Marie Tabone
Mr. Jan Zammit
Mr. Neil Psaila

In accordance with the Company's Memorandum and Articles of Association, all the Directors retire and being eligible, offer themselves for re-election.

Statement of directors' responsibilities for the financial statements

The Directors are required by the Maltese Companies Act (Cap. 386) 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 the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act (Cap. 386). 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.

On behalf of the board



Norman Aquilina
Chairman



Anne Marie Tabone
Director

Registered office:
303, Qormi Road
Marsa
Malta

22 May 2024



Independent auditor's report

To the Shareholders of Food Chain Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Food Chain Limited as at 31 January 2024, and of the Company's financial performance and cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME); and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Food Chain Limited's financial statements, set out on pages 9 to 32, comprise:

- the statement of financial position as at 31 January 2024;
- the income statement 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 a summary of significant accounting policies.

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 Food Chain Limited

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with GAPSME 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.

Auditor's responsibilities for the audit of the financial statements

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

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

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



Independent auditor's report - continued

To the Shareholders of Food Chain Limited

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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 Food Chain Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the <i>Annual Report and Financial Statements 2024</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 2) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: - the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and - the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.



Independent auditor's report - continued

To the Shareholders of Food Chain Limited

Area of the Annual Report and Financial Statements 2024 and the related Directors' responsibilities	Our responsibilities	Our reporting
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

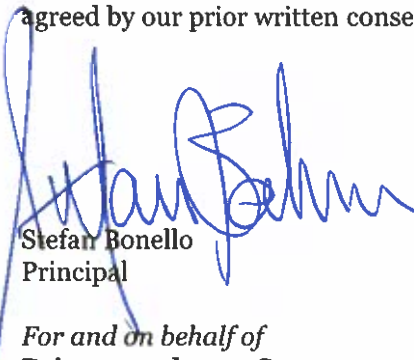


Independent auditor's report - continued

To the Shareholders of Food Chain Limited

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.



Stefan Bonello
Principal

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

22 May 2024

Statement of financial position

		As at 31 January	
	Notes	2024 €	2023 €
ASSETS			
Non-current assets			
Intangible assets	3	267,892	368,153
Property, plant and equipment	4	4,869,992	5,502,598
Deferred tax assets	5	498,985	434,681
Total non-current assets		5,636,869	6,305,432
Current assets			
Inventories	6	550,971	553,225
Trade and other receivables	7	8,380,444	8,241,106
Cash and cash equivalents	8	544,379	778,739
Total current assets		9,475,794	9,573,070
Non-current assets classified as held for sale	12	951,000	951,000
Total assets		16,063,663	16,829,502

Statement of financial position - continued

		As at 31 January	
	Notes	2024 €	2023 €
EQUITY AND LIABILITIES			
Equity			
Share capital	9	9,224,319	9,224,319
Accumulated losses		(79,683)	(771,166)
Total equity		9,144,636	8,453,153
Current liabilities			
Borrowings	10	444,456	-
Trade and other payables	11	6,255,932	7,933,701
Current tax liability		218,639	442,648
Total current liabilities		6,919,027	8,376,349
Total equity and liabilities		16,063,663	16,829,502

The notes on pages 14 to 32 are an integral part of these financial statements.

The financial statements on pages 9 to 32 were authorised for issue by the board on 22 May 2024 and were signed on its behalf by:


Norman Aquilina
Chairman


Anne Marie Tabone
Director

Income statement

		Year ended 31 January	
	Notes	2024 €	2023 €
Revenue	13	27,466,019	21,756,111
Cost of sales		(23,165,878)	(19,098,655)
Gross profit		4,300,141	2,657,456
Administrative expenses		(2,931,516)	(1,939,298)
Other operating income		57,088	22,315
Operating profit		1,425,713	740,473
Finance income	16	29,668	29,668
Finance costs	17	(93,171)	(76,326)
Profit before tax		1,362,210	693,815
Tax expense	18	(670,727)	(194,719)
Profit for the year		691,483	499,096

The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Accumulated losses €	Total €
Balance at 1 February 2022	9,224,319	(1,270,262)	7,954,057
Profit for the year	-	499,096	499,096
Balance at 31 January 2023	9,224,319	(771,166)	8,453,153
Balance at 1 February 2023	9,224,319	(771,166)	8,453,153
Profit for the year	-	691,483	691,483
Balance at 31 January 2024	9,224,319	(79,683)	9,144,636

The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 January	
	Notes	2024 €	2023 €
Cash flows from operating activities			
Cash generated from operations	20	1,028,097	823,392
Interest received		29,668	29,668
Interest paid		(93,171)	(76,326)
Tax paid		(959,040)	(932,430)
Net cash generated from/(used in) operating activities		5,554	(155,696)
Cash flows from investing activities			
Purchases of property, plant and equipment		(684,370)	(2,191,411)
Renewal of intangible assets		-	(177,201)
Net cash used in investing activities		(684,370)	(2,368,612)
Net movement in cash and cash equivalents		(678,816)	(2,524,308)
Cash and cash equivalents at beginning of year		778,739	3,303,047
Cash and cash equivalents at end of year	8	99,923	778,739

The notes on pages 14 to 32 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

The financial statements have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 (GAPSME), and the requirements of the Maltese Companies Act (Cap. 386).

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

1.2 Foreign currency translation

(a) Functional and presentation currency

The Company's financial results and financial position are measured in the functional currency, i.e. euro ("€"), which is the currency of the primary economic environment in which the Company operates. These financial statements are presented in euro ("€"), i.e. the presentation currency, which is the currency in which the Company's share capital is denominated.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 foreign exchange gains and losses are presented in the income statement within 'other operating income'.

1.3 Intangible assets

Franchise rights are shown at historical cost. Franchise rights have a definite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives (10 to 20 years).

Where an indication of impairment exists, in that the carrying amount of an intangible asset is greater than its estimated recoverable amount, a charge is made to write-down the value of the asset to its estimated recoverable amount (Note 1.5).

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost and are subsequently stated at 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.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives as follows:

	%
Plant, machinery and motor vehicles	10 - 33
Other fixtures, fittings, tools and equipment	10 - 20
Improvement to premises	2 - 20
Buildings	2

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

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.5).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

1.5 Impairment of non-financial assets

Non-financial 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 that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1. Summary of significant accounting policies - continued

1.6 Financial assets

1.6.1 Classification

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Note 1.8 and 1.9).

1.6.2 Recognition and measurement

The Company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial maturity amounts using the effective interest method.

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 risks and rewards of ownership or has not retained control of the asset.

1.6.3 Impairment

The Company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The Company first assesses whether objective evidence of impairment exists. The criteria that the Company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and
- Observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of these assets, although the decrease cannot yet be identified with the individual financial assets in the group.

1. Summary of significant accounting policies - continued

1.6.3 Impairment - continued

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss.

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.8 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.6.3). 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.

1.9 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 include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

1. Summary of significant accounting policies - continued

1.10 Non-current assets held for sale

Non-current assets held for sale are classified as held for sale if their carrying amount will be recovered principally through a sale transaction, not through continuing use. These assets may be a component of an entity, a disposal group or an individual non-current asset. Non-current assets (classified as assets held for sale) are stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through a continuing use.

1.11 Share capital

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

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. Financial liabilities are recognised initially at fair value, including transaction costs. These 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 are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable 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.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.14 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.

1.15 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 directly in equity. In this case, the tax is also recognised directly in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

1. Summary of significant accounting policies - continued

1.15 Current and deferred tax - continued

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 liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

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

Provisions are measured at the present value of the expenditure 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.

1.17 Revenue recognition

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

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

(a) Sales of goods - retail

Sales of goods are recognised when the Company sells a product to the customer.

1. Summary of significant accounting policies - continued

1.17 Revenue recognition - continued

(b) Finance income

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

1.18 Operating leases

The Company is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to profit or loss on a straight-line basis over the period of the lease.

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 foreign exchange risk, cash flow and fair value 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 parent company's board of Directors provides principles for overall group 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 exposures during 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. The Company is not exposed to foreign exchange risk.

The Company's revenues, operating expenses, financial assets and liabilities, including financing are denominated in euro.

Accordingly, 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(a) Market risk - continued

(ii) Cash flow and fair value interest rate risk

The Company's income and operating cash flows are substantially independent of changes in market interest rates. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on. Interest rates on these financial instruments are linked with the Central Intervention Rate issued by the European Central Bank.

Based on the above, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial. Up to the end of the reporting period the Company did not have any hedging arrangements with respect to the exposure of floating interest rate risk.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks as well as credit exposures to customers, including outstanding receivables and committed transactions. The carrying amount of financial assets represents the maximum credit exposure.

The Company's exposure to credit risk at the end of the reporting periods is analysed as follows:

	2024 €	2023 €
Loans and receivables category:		
Trade and other receivables (Note 7)	7,531,388	7,282,720
Cash and cash equivalents (Note 8)	544,379	778,739
	8,075,767	8,061,459

The Company banks only with local financial institutions with high quality standing or rating. The Company's operations are principally carried out in Malta and most of the Company's revenues originate from clients based in Malta. The Company has no concentration of credit risk that could materially impact on the sustainability of its operations. The figures disclosed in the table above in respect of trade and other receivables exclude prepayment and accrued income and advances to suppliers.

The Company assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. The Company monitors the performance of these financial assets on a regular basis to identify incurred collection losses which are inherent in the Company's receivables taking into account historical experience in collection of accounts receivable.

The Company's receivables, which are not impaired financial assets, are principally in respect of transactions with customers for whom there is no recent history of default. Management does not expect any material losses from non-performance by these customers.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Impairment losses

As at 31 January 2024 and 2023, no impairment provisions for the Company were present in respect of trade receivables that were overdue and that were not expected to be recovered. Overdue trade receivables that were not impaired amounted to €214,881 (2023: €62,048). The Company does not hold security against these receivables. These unsecured overdue amounts consisted of €65,888 (2023: €11,356) that were less than three months overdue and €148,993 (2023: €50,692) that were greater than three months overdue.

The Company's receivables also include advances to related parties on which no credit risk is considered to arise.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally of trade and other payables (Note 11). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that adequate financing facilities are in place for the coming year. The carrying amounts of the Company's assets and liabilities are analysed into relevant maturity groupings based on the remaining period to the contractual maturity date in the respective notes to the financial statements.

The Company's financial liability balances due within twelve months, equal their carrying balances, as the impact of discounting is not significant.

3. Intangible assets

	Franchise rights €
At 1 February 2022	
Cost	1,226,969
Accumulated amortisation	(898,855)
	328,114
Year ended 31 January 2023	
Opening net book amount	328,114
Additions	177,201
Disposals	(691,809)
Amortisation	(137,162)
Amortisation released on disposal	691,809
	368,153
At 31 January 2023	
Cost	712,361
Accumulated amortisation	(344,208)
	368,153
Year ended 31 January 2024	
Opening net book amount	368,153
Amortisation	(55,329)
Impairment	(44,932)
	267,892
At 31 January 2024	
Cost	712,361
Accumulated amortisation and impairment	(444,469)
	267,892

Amortisation charge of €55,329 (2023: €137,162) is included in cost of sales.

4. Property, plant and equipment

At 1 February 2022

Cost
Accumulated depreciation and impairment
Net book amount

	Assets in course of construction €	Buildings €	Improvement to premises €	Plant, machinery and motor vehicles €	Other fixtures, fittings, tools and equipment €	Total €
	163,608	1,632,927 (785,088)	2,639,807 (1,126,788)	3,582,370 (2,467,235)	2,436,962 (1,933,046)	10,455,674 (6,312,157)
	163,608	847,839	1,513,019	1,115,135	503,916	4,143,517

Year ended 31 January 2023

Opening net book amount
Additions
Disposals
Transfers
Depreciation
Depreciation released on disposal

	163,608	847,839	1,513,019	1,115,135	503,916	4,143,517
	-	-	542,964	550,843	1,097,604	2,191,411
	-	-	(238,894)	(232,503)	(178,126)	(649,523)
	(163,608)	-	17,316	70,998	75,294	-
	-	(29,003)	(169,361)	(144,914)	(489,052)	(832,330)
	-	-	238,894	232,503	178,126	649,523
Closing net book amount	-	818,836	1,903,938	1,592,062	1,187,762	5,502,598

4. Property, plant and equipment - continued

	Assets in course of construction €	Buildings €	Improvement to premises €	Plant, machinery and motor vehicles €	Other fixtures, fittings, tools and equipment €	Total €
At 31 January 2023						
Cost	-	1,632,927	2,961,193	3,971,708	3,431,734	11,997,562
Accumulated depreciation and impairment	-	(814,091)	(1,057,255)	(2,379,646)	(2,243,972)	(6,494,964)
Net book amount	-	818,836	1,903,938	1,592,062	1,187,762	5,502,598
Year ended 31 January 2024						
Opening net book amount	-	818,836	1,903,938	1,592,062	1,187,762	5,502,598
Additions	103,846	-	24,161	325,542	230,821	684,370
Disposals	-	-	(8,120)	(146,469)	(91,186)	(245,775)
Depreciation	-	(28,805)	(195,525)	(336,679)	(369,264)	(930,273)
Impairment	-	-	(158,114)	(44,408)	(184,181)	(386,703)
Depreciation released on disposal	-	-	8,120	146,469	91,186	245,775
Closing net book amount	103,846	790,031	1,574,460	1,536,517	865,138	4,869,992
At 31 January 2024						
Cost	103,846	1,632,927	2,977,234	4,150,781	3,571,369	12,436,157
Accumulated depreciation and impairment	-	(842,896)	(1,402,774)	(2,614,264)	(2,706,231)	(7,566,165)
Net book amount	103,846	790,031	1,574,460	1,536,517	865,138	4,869,992

Depreciation charge of €930,273 (2023: €832,330) is included in cost of sales.

5. Deferred tax asset

	2024 €	2023 €
At beginning of year	434,681	340,658
Credited to income statement (Note 18)	64,304	94,023
At end of year	<u>498,985</u>	<u>434,681</u>

The balance at 31 January represent:

	2024 €	2023 €
Temporary differences attributable to the depreciation and amortisation of non-current assets	<u>498,985</u>	<u>434,681</u>

6. Inventories

	2024 €	2023 €
Raw materials and consumables	<u>550,971</u>	<u>553,225</u>

7. Trade and other receivables

	2024 €	2023 €
Current		
Trade receivables	265,955	121,250
Amount owed by parent	3,193,874	3,129,255
Amounts owed by fellow subsidiaries	3,908,984	3,902,695
Other receivables	162,575	129,520
Advance payment to suppliers	76,526	48,374
Prepayments and accrued income	772,530	910,012
	<u>8,380,444</u>	<u>8,241,106</u>

Trade and other receivables are stated net of impairment provision as follows:

	2024 €	2023 €
Amounts owed by fellow subsidiaries	<u>49,804</u>	<u>49,804</u>

7. Trade and other receivables - continued

Amounts owed by parent and fellow subsidiaries are unsecured and repayable on demand. Included in these balances are year-end amounts of €850,000 (2023: €850,000) which are subject to an average interest rate of 3.5% (2023: 3.5%). Other balances within amounts owed from parent and fellow subsidiaries are interest free. The other classes within receivables do not contain impaired assets.

8. Cash and cash equivalents

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

	2024 €	2023 €
Cash at bank and in hand	544,379	778,739
Bank overdraft (Note 10)	(444,456)	-
	<u>99,923</u>	<u>778,739</u>

9. Share capital

	2024 €	2023 €
Authorised		
39,600 ordinary shares of €232.937339 each	9,224,319	9,224,319
Issued and fully paid		
39,600 ordinary shares of €232.937339 each	9,224,319	9,224,319

10. Borrowings

	2024 €	2023 €
Bank overdraft	444,456	-

The Company's banking facilities as at 31 January 2024 amounted to €1,431,000 (2023: €1,431,000).

11. Trade and other payables

	2024 €	2023 €
Current		
Trade payables	1,414,545	1,964,584
Amounts owed to fellow subsidiaries	679,886	1,406,260
Other payables	207	207
Advance deposits	991,000	991,000
Indirect taxes and social security	1,451,630	2,123,443
Accruals and deferred income	1,718,664	1,448,207
	<u>6,255,932</u>	<u>7,933,701</u>

Amounts owed to fellow subsidiaries were unsecured, interest free and repayable on demand.

12. Non-current assets held for sale

	2024 €	2023 €
Year ended 31 January	<u>951,000</u>	<u>951,000</u>

On 26 October 2017, the Company entered into a promise of sale agreement to transfer all of its shares in Sliema Fort Company to Trident Estates plc for a consideration of €951,000.

This investment is classified as Non-current assets held for sale in 2024 and 2023. The legal transfer will be executed when all the necessary approvals related to this transfer are obtained from the Lands Authority.

13. Revenue

All the Company's revenue is derived from the sale of food and beverage in the local market.

14. Profit before tax

Profit before tax is stated after charging the following:

	2024 €	2023 €
Amortisation on intangible assets (Note 3)	55,329	137,162
Depreciation on property, plant and equipment (Note 4)	930,273	832,330
Impairment on property, plant and equipment (Note 4)	386,703	-
Impairment on intangible assets (Note 3)	44,932	-
Auditor's remuneration	29,967	25,684
Employee benefit expense (Note 15)	7,187,406	6,374,518
Property rentals payable	2,272,240	1,801,356

15. Employee benefit expense

	2024 €	2023 €
Wages and salaries	5,979,742	5,452,635
Social security costs	392,077	361,511
	6,371,819	5,814,146
Recharged from parent	815,587	560,372
	7,187,406	6,374,518

Employee benefit expense for financial year 2023 is paid by the Government of Malta to the Company to support the payment of employee wages and salaries amounting to €125,217 stated net of COVID wage supplement.

The average number of persons employed by the Company during the financial reporting period were 310 (2023: 306).

16. Finance income

	2024 €	2023 €
Interest on amounts owed by fellow subsidiary	29,668	29,668

17. Finance costs

	2024 €	2023 €
Other finance charges	93,171	76,326

18. Tax expense

	2024 €	2023 €
Current tax expenses	735,031	288,742
Deferred tax credit (Note 5)	(64,304)	(94,023)
Tax expense	670,727	194,719

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

	2024 €	2023 €
Profit before tax	1,362,210	693,815
Tax on profit at 35%	476,774	242,835
Tax effect of:		
Unrecognised deferred tax in prior year	218,496	-
Non allowable expenses	10,082	45,840
Temporary differences related to intangibles	-	19,803
Other temporary differences	-	(113,759)
Other	(34,625)	-
Tax expense	670,727	194,719

19. Directors' fees

	2024 €	2023 €
Recharged from parent	64,422	59,554

20. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2024 €	2023 €
Operating profit	1,425,713	740,473
Adjustments for:		
Amortisation of intangible assets (Note 3)	55,329	137,162
Impairment of intangible assets (Note 3)	44,932	-
Impairment of property, plant and equipment (Note 4)	386,703	-
Depreciation of property, plant and equipment (Note 4)	930,273	832,330
Changes in working capital:		
Inventories	2,254	(208,255)
Trade and other receivables	(139,338)	(2,179,521)
Trade and other payables	(1,677,769)	1,501,203
Cash generated from operations	<u>1,028,097</u>	<u>823,392</u>

21. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2024 €	2023 €
Authorised but not contracted	<u>3,200,000</u>	<u>948,000</u>

Operating lease commitments - where the Company is a lessee

The future minimum lease payments payable under non-cancellable property operating leases are as follows:

	2024 €	2023 €
Not later than 1 year	1,178,919	1,478,387
Later than 1 year and not later than 5 years	1,905,625	3,816,399
Later than 5 years and not later than 30 years	413,265	1,485,799
	<u>3,497,809</u>	<u>6,780,585</u>

22. Related party transactions

The Company forms part of the Simonds Farsons Cisk p.l.c. group of companies. All companies forming part of this Group are related parties since these companies are all ultimately owned by Simonds Farsons Cisk p.l.c. Trading transactions between these companies include items which are normally encountered in a group context.

Farrugia Investments Limited, M.S.M. Investments Limited, Sciclunas Estates Limited (and their respective subsidiaries and associates) are related parties by virtue of their significant shareholding in the Company's ultimate parent.

The Directors make particular reference to the fact that Trident Estates plc and its subsidiaries are considered to be related parties due to common Directors and the common shareholding.

The following main transactions were carried out with related parties:

	2024 €	2023 €
Purchases of goods and services	(8,939,843)	(7,355,426)
Recharged expenses payable	(1,046,797)	(820,473)
Rental expenses	467,690	(496,503)
Interest income	29,668	36,083
Computer related expenses	53,573	(34,626)

Key management personnel compensation, consisting of Directors' fees, has been disclosed in note 19 to the financial statements.

Amounts due from/to parent, fellow subsidiaries within the group and other related parties, in connection with sales and purchases transactions and financing transactions, are disclosed in notes 7 and 11 to these financial statements.

23. Statutory information

Food Chain Limited is a limited liability Company and is incorporated in Malta.

The ultimate parent company of Food Chain Limited is Simonds Farsons Cisk p.l.c., a Company registered in Malta, with its registered address at The Brewery, Mdina Road, Zone 2, Central Business District, Birkirkara, Malta. The financial statements of Food Chain Limited are included in the consolidated financial statements prepared by Simonds Farsons Cisk p.l.c.

24. Comparative information

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