

QUINTANO FOODS LIMITED

Annual Report and Financial Statements
31 January 2023

Company Registration Number: C33660

	Pages
Directors' report	1 - 3
Independent auditor's report	4 - 9
Statement of financial position	10 - 11
Income statement	12
Statement of changes in equity	13
Statement of cash flows	14
Notes to the financial statements	15 - 31

Directors' report

The directors present their report and the audited financial statements for the year ended 31 January 2023.

Principal activities

The company's principal activities, which are unchanged since last year, are the importation and distribution of food and beverage products in the local market.

Review of the business

During the financial year 2023, the company rebound in the post Covid-19 pandemic registering improved revenue and results. The supply chain challenges brought about by the post pandemic months and the unfortunate start of the war in Ukraine, whilst presenting challenges were adequately managed to ensure least disruption of supply of products to consumers.

The Company registered a turnover of €15.1 million for financial year 2023, an increase of 30% when compared to previous year. The increase in turnover, had a direct impact on the result of the Company which registered a profit before tax of €893,757 for the current financial year as compared to €331,268 the previous year.

Outlook for Financial Year 31 January 2024

The Company is expected to continue building on its strong portfolio and client base, especially in the hotels and restaurants category whilst continuing to fight macroeconomic challenges particularly brought about by the current war in Eastern Europe and rising inflation. The Company looks to retain its strong position in terms of product offering and financial stability and is cautiously optimistic that the forthcoming financial year will continue to strengthen the company's results.

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.

Results and dividends

The income statement is set out on page 12. The directors do not recommend the payment of a dividend.

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.

Directors' report - continued

Directors

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

Mr. Norman Aquilina
Mr. Dominic Borg
Mr. Luke Scicluna Marshall
Ms. Adriana Camilleri Vassallo
Ms. Anne Marie Tabone
Mr. Neil Psaila (appointed on 1 August 2022)

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;
- 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.

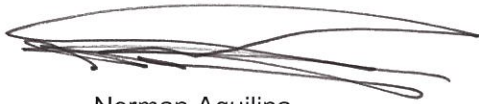
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies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

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



Norman Aquilina
Chairman

Registered office:
Quintano Foods Limited
303, Qormi Road
Marsa
Malta

8 May 2023



Anne Marie Tabone
Director



Independent auditor's report

To the Shareholders of Quintano Foods 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 Quintano Food Limited as at 31 January 2023, 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

Quintano Foods Limited's financial statements, set out on pages 10 to 31, comprise:

- the statement of financial position as at 31 January 2023;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement 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 Quintano Foods 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.



Independent auditor's report - continued

To the Shareholders of Quintano Foods Limited

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 Quintano Foods Limited

Report on other legal and regulatory requirements

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

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

Area of the <i>Annual Report and Financial Statements 2023</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 3) 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 Quintano Foods Limited

Area of the Annual Report and Financial Statements 2023 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

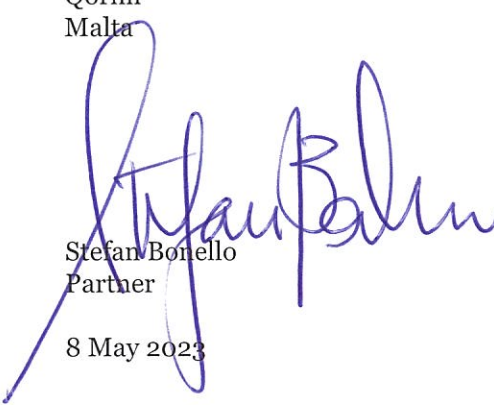
To the Shareholders of Quintano Foods Limited

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.

PricewaterhouseCoopers

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



Stefan Bonello
Partner

8 May 2023

Statement of financial position

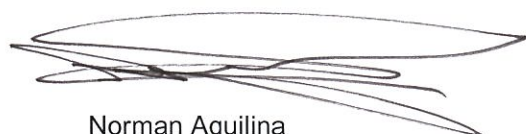
		As at 31 January	
	Notes	2023 €	2022 €
ASSETS			
Non-current assets			
Property, plant and equipment	3	3,810,050	3,757,877
Total non-current assets		3,810,050	3,757,877
Current assets			
Inventories	4	1,713,071	874,267
Trade and other receivables	5	3,055,703	2,285,642
Cash and cash equivalents	6	958,667	1,760,280
Total current assets		5,727,441	4,920,189
Total assets		9,537,491	8,678,066

Statement of financial position - continued

		As at 31 January	
	Notes	2023 €	2022 €
EQUITY AND LIABILITIES			
EQUITY			
Share capital	7	582,343	582,343
Retained earnings		1,549,477	960,903
Total equity		2,131,820	1,543,246
LIABILITIES			
Non-current liabilities			
Deferred tax liabilities	8	2,373	11,950
Trade and other payables	9	3,200,000	3,200,000
Total non-current liabilities		3,202,373	3,211,950
Current liabilities			
Trade and other payables	9	3,916,173	3,790,769
Current tax liabilities		287,125	132,101
Total current liabilities		4,203,298	3,922,870
Total liabilities		7,405,671	7,134,820
Total equity and liabilities		9,537,491	8,678,066

The Notes on pages 15 to 31 are an integral part of these financial statements.

The financial statements on pages 10 to 31 were authorised for issue by the board on 8 May 2023 and were signed on its behalf by:



Norman Aquilina
Chairman



Anne Marie Tabone
Director

Income statement

	Notes	Year ended 31 January	
		2023 €	2022 €
Revenue	10	15,147,895	11,682,311
Cost of sales		(11,291,553)	(8,655,127)
Gross profit		3,856,342	3,027,184
Selling and distribution costs		(1,678,248)	(1,422,515)
Administrative expenses		(1,306,427)	(1,276,616)
Other operating income	13	47,652	23,243
Operating profit		919,319	351,296
Finance costs	14	(25,562)	(20,028)
Profit before tax		893,757	331,268
Tax expense	15	(305,183)	(72,076)
Profit for the year		588,574	259,192

The notes on pages 15 to 31 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total equity €
Balance at 1 February 2021	582,343	701,711	1,284,054
Profit for the year	-	259,192	259,192
Balance at 31 January 2022	582,343	960,903	1,543,246
Balance at 1 February 2022	582,343	960,903	1,543,246
Profit for the year	-	588,574	588,574
Balance at 31 January 2023	582,343	1,549,477	2,131,820

The notes on pages 15 to 31 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 January	
		2023 €	2022 €
Cash flows from operating activities			
Cash (used in)/generated from operations	17	(439,864)	1,283,021
Interest paid	14	(25,562)	(20,028)
Tax paid		(159,736)	(129,078)
Net cash (used in)/generated from operating activities		(625,162)	1,133,915
Cash flows from investing activities			
Purchases of property, plant and equipment	3	(176,451)	(182,127)
Proceeds from disposal of property, plant and equipment	13	-	5,085
Net cash used in investing activities		(176,451)	(177,042)
Net movement in cash and cash equivalents		(801,613)	956,873
Cash and cash equivalents at beginning of year		1,760,280	803,407
Cash and cash equivalents at end of year	6	958,667	1,760,280

The notes on pages 15 to 31 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.

All foreign exchange gains and losses are presented in the income statement within 'other operating income'.

1.3 Property, plant and equipment

Property, plant and equipment is initially recorded at historical cost, and are subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs are recognised in profit or loss as incurred in accordance with accounting policy 1.17.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

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:

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

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 1.4).

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

1.4 Impairment of non-financial assets

Non-financial assets that are subject to depreciation 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.

1.5 Financial assets

1.5.1 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.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

1.5.1 Classification - continued

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 (Notes 1.7 and 1.8).

1.5.2 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.

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.

1.5.3 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

1.5 Financial assets - continued

1.5.3 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. Impairment testing of trade receivables is described in Note 1.7.

1.6 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.

1.7 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 1.5.3). 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.

1.8 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 and deposits held at call with banks.

1.9 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. Summary of significant accounting policies - continued

1.10 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.

1.11 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.

1.12 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.

1.13 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised 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.

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 substantively 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. Summary of significant accounting policies - continued

1.14 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 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.

1.15 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.

Sales of goods - wholesale

Sales of goods are recognised when the Company has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

1.16 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.

1.17 Borrowing costs

Borrowing costs are recognised in profit or loss as incurred.

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 and 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. From time to time, the Company enters into foreign exchange contracts to hedge certain risk exposures.

(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 exposed to foreign exchange risk arising primarily from the company's purchases. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms.

The company's receivables and cash and cash equivalents are denominated in euro.

As at 31 January 2023 and 2022, there were no open contracts. 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.

(ii) Cash flow and fair value interest rate risk

The company's income and operating cash flows are independent of changes in market interest rates. The Company does not hold external borrowings. Interest rate risk related to amounts due to the parent Company are limited given that interest rates are fixed by the group treasury function. 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.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(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 maximum exposure to credit risk at the reporting was:

	2023 €	2022 €
Loans and receivables		
Trade and other receivables (Note 5)	2,908,539	2,178,581
Cash and cash equivalents (Note 6)	958,667	1,760,280
	3,867,206	3,938,861

The figures disclosed above in respect of trade and other receivables exclude prepayment and accrued income and indirect taxation.

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. However, in common with similar business concerns, the failure of specific large customers could have a material impact on the company's results.

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. Sales to retail customers are made in cash or via major credit cards. 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.

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 company's review includes external creditworthiness databases when available. The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. This allowance represents specific provisions against individual exposures.

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

Impairment provisions of €226,236 (2022: €226,236) for the Company were present at year end in respect of trade receivables that were overdue and that were not expected to be recovered.

The movement in the provision for impairment in respect of trade and other receivables during the year was as follows:

	2023 €	2022 €
Balance as at 31 January	226,236	226,236

The company's policy is to recognise impairment losses on all receivables which exceed the contract credit period and that are not expected to be recovered. The allowance accounts in respect of trade receivables are used to record impairment losses unless the Company is satisfied that no recovery of the amount owing is possible; at which point the amounts considered irrecoverable are written off against trade receivables directly.

The company's receivables also include advances to fellow subsidiaries 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 trade and other payables (Note 9). 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 at the end of the reporting 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. Property, plant and equipment

	Land and improvements to premises €	Furniture, fixtures, fittings and equipment €	Motor vehicles €	Assets under construction €	Total €
At 1 February 2021					
Cost	3,248,960	655,106	814,455	-	4,718,521
Accumulated depreciation	(37,007)	(611,518)	(369,930)	-	(1,018,455)
Net book amount	3,211,953	43,588	444,525	-	3,700,066
Year ended 31 January 2022					
Opening net book value	3,211,953	43,588	444,525	-	3,700,066
Additions	2,950	31,980	147,197	-	182,127
Disposals	-	-	(23,560)	-	(23,560)
Depreciation	(1,012)	(24,461)	(98,843)	-	(124,316)
Depreciation released on disposals	-	-	23,560	-	23,560
Closing net book amount	3,213,891	51,107	492,879	-	3,757,877
At 31 January 2022					
Cost	3,251,910	687,086	938,092	-	4,877,088
Accumulated depreciation	(38,019)	(635,979)	(445,213)	-	(1,119,211)
Net book amount	3,213,891	51,107	492,879	-	3,757,877
Year ended 31 January 2023					
Opening net book value	3,213,891	51,107	492,879	-	3,757,877
Additions	-	2,343	63,660	110,448	176,451
Depreciation	(1,749)	(30,332)	(92,197)	-	(124,278)
Closing net book amount	3,212,142	23,118	464,342	110,448	3,810,050
At 31 January 2023					
Cost	3,251,910	689,429	1,001,752	110,448	5,053,539
Accumulated depreciation	(39,768)	(666,311)	(537,410)	-	(1,243,489)
Net book amount	3,212,142	23,118	464,342	110,448	3,810,050

Depreciation charge of €66,931 (2022: €67,910) is included in selling and distribution costs, and €57,347 (2022: €56,406) is included in administrative expenses.

4. Inventories

	2023 €	2022 €
Finished goods and goods for resale	1,713,071	874,267

5. Trade and other receivables

	2023 €	2022 €
Current		
Trade receivables - net	1,386,558	1,315,816
Amounts owed by fellow subsidiaries	1,443,145	787,630
Advance payments to suppliers	21,632	56,578
Other receivables	57,204	18,557
Indirect taxation	130,565	99,683
Prepayments and accrued income	16,599	7,378
	3,055,703	2,285,642

As at 31 January 2023, the amounts due from fellow subsidiaries are unsecured and repayable on demand. For the year ended 31 January 2023, the amounts due from fellow subsidiaries were subject to an interest rate of 3.5% (2022: Nil).

Receivables are stated net of impairment provision as follows:

	2023 €	2022 €
Trade receivables	226,236	226,236

The other classes of receivables do not contain impaired assets.

6. Cash and cash equivalents

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

	2023 €	2022 €
Cash at bank and in hand	958,667	1,760,280

The Company had an unutilised bank overdraft facility amounting to €1,400,000 (2022: €1,400,000).

7. Share capital

	2023 €	2022 €
Authorised		
250,000 ordinary shares of €2.329373 each	582,343	582,343
Issued and fully paid		
250,000 ordinary shares of €2.329373 each	582,343	582,343

8. Deferred taxation

	2023 €	2022 €
At beginning of year	(11,950)	(38,049)
Credited to the income statement (Note 15)	9,577	26,099
At end of year	(2,373)	(11,950)

Deferred tax is calculated on all temporary differences under the liability method using a principal tax rate of 35% (2022: 35%).

The balance at 31 January represents:

	2023 €	2022 €
Temporary differences attributable to property, plant equipment	(89,306)	(91,132)
Temporary differences attributable to credit loss allowance	86,933	79,182
	(2,373)	(11,950)

Deferred tax is principally composed of deferred tax liabilities which are to be settled after more than twelve months.

9. Trade and other payables

	2023 €	2022 €
Current		
Trade payables	1,611,288	861,383
Amounts owed to parent	137,703	704,034
Amounts owed to fellow subsidiaries	1,507,941	1,604,164
Accruals	659,242	621,188
	3,916,174	3,790,769
Non-current		
Amounts owed to parent	3,200,000	3,200,000
Total trade and other payables	7,116,174	6,990,769

As at 31 January 2023 and 2022, the amounts owed to parent of €3,200,000 is related to the acquisition of land from a related party but with an obligation to pay was assigned to parent company. This amount is interest free and unsecured. The parent Company has undertaken not to request repayment of amounts due until alternative financing is available.

As at 31 January 2023, the amounts due to parent and fellow subsidiaries are unsecured and repayable on demand. For the year ended 31 January 2023, the amounts due to parent and fellow subsidiaries were subject to an interest rate of 3.5% (2022: 3.5%).

10. Revenue

All the company's revenue was derived from the sale of food products and beverages in the local market.

11. Profit

Profit is stated after charging the following:

	2023 €	2022 €
Depreciation on property, plant and equipment (Note 3)	124,278	124,316
Auditor's remuneration	14,417	15,000
Property rentals payable	275,361	266,959
Employee benefit expense (Note 12)	1,719,014	1,563,524

12. Employee benefit expense

	2023 €	2022 €
Wages and salaries	1,148,119	1,060,377
Social security costs	76,088	77,322
	1,224,207	1,137,699
Recharged from parent	494,807	425,825
	1,719,014	1,563,524

Employee benefit expense for financial year 2023 is stated net of the COVID-19 wage supplement paid by the Government of Malta to the Company to support the payment of employees' wages and salaries amounting to €2,076 (2022: €63,245).

The average number of persons employed by the Company during the financial reporting period was 49 (2022:56).

13. Other operating income

The income credited to the statement of comprehensive income include:

	2023 €	2022 €
Gain on disposal of assets	-	5,085
Foreign exchange gains	18,042	5,476
Other income	29,610	12,682
	47,652	23,243

14. Finance costs

	2023 €	2022 €
Interest on amounts owed to parent	18,713	15,724
Bank and other financial charges	6,849	4,304
	25,562	20,028

15. Tax expense

	2023 €	2022 €
Current tax expense	314,760	98,175
Deferred tax expense (Note 8)	(9,577)	(26,099)
	305,183	72,076

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

	2023 €	2022 €
Profit before tax	893,757	331,268
Tax on profit at 35%	312,815	115,944
Tax effect of:		
Depreciation on non-qualifying assets	754	354
Over provision of deferred tax	(8,386)	(44,222)
Tax expense in the accounts	305,183	72,076

16. Directors' fees

	2023 €	2022 €
Recharged from parent	42,911	42,807

17. Cash (used in)/generated from operations

Reconciliation of operating profit to cash (used in)/generated from operations:

	2023 €	2022 €
Operating profit	919,319	351,296
Adjustments for:		
Depreciation of property, plant and equipment (Note 3)	124,278	124,316
Gain on disposal of property, plant and equipment (Note 13)	-	(5,085)
Changes in working capital:		
Inventories	(838,804)	(114,588)
Trade and other receivables	(770,061)	(426,781)
Trade and other payables	125,404	1,353,863
Cash (used in)/generated from operations	(439,864)	1,282,021

18. Commitments

Capital commitments

Commitments for capital expenditure related to property, plant and equipment not provided for in these financial statements are as follows:

	2023 €	2022 €
Authorised but not contracted	334,213	244,600

Operating lease commitments – where the Company is a lessee

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

	2023 €	2022 €
No later than 1 year	300,185	294,299
Later than 1 year and no later than 5 years	618,502	606,374
	918,687	900,673

19. Related party transactions

The Company forms part of the Simonds Farsons Cisk p.l.c. Group of Companies. All companies forming part of the Farsons 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 p.l.c. and its subsidiaries are considered to be related parties due to common directors and the common shareholding.

19. Related party transactions - continued

The following main transactions were entered into with related parties during the financial reporting period:

	2023 €	2022 €
Income from goods and services		
- Sales of goods to parent and fellow subsidiaries	6,714,770	4,158,342
- Sales of goods to related parties	7,840	2,067
	6,722,610	4,160,409
Expenditure for goods and services		
- Purchases of goods and services from related parties	10,101	6,132
- Rental expense	294,299	288,529
- Interest expense	15,702	15,724
- Recharged expenses	592,886	655,734
	912,988	966,119

Key management personnel compensation, consisting of directors' fees, has been disclosed in Note 16 of 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 5 and 9 to these financial statements.

20. Statutory information

Quintano Foods Limited is a limited liability Company and is incorporated in Malta.

The ultimate parent Company of Quintano Foods 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 Quintano Foods Limited are included in the consolidated financial statements prepared by Simonds Farsons Cisk p.l.c.