SKY GOURMET MALTA LIMITED

Annual Report and Financial Statements
31 March 2022

Company Registration Number: C 40070

Independent auditor's report

To the Shareholders of Sky Gourmet Malta 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 Sky Gourmet Malta Limited as at 31 March 2022, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Sky Gourmet Malta Limited's financial statements, set out on pages 4 to 26, comprise:

- the statement of financial position as at 31 March 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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.

Emphasis of matter

We draw attention to Note 1.1 to these financial statements that refers to the expiration of a major agreement with an airline and the expected impact on the Company's operations and financial performance going forward. These matters are considered to be of fundamental importance to the users' understanding of the financial statements due to their nature and significance. Our opinion is not modified in respect of this matter.

Independent auditor's report - *continued*

To the Shareholders of Sky Gourmet Malta Limited

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

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Independent auditor's report - *continued*

To the Shareholders of Sky Gourmet Malta Limited

Auditor's responsibilities for the audit of the financial statements - *continued*

- 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 those charged with governance 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.

Report on other legal and regulatory requirements

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 that 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.

Other matter – use of this report

Our report, including the opinion, 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 this opinion, 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, CBD 5090
Malta

Stefan Bonello
Partner

4 November 2022

Statement of financial position

	Notes	As at 31 March 2022 €	2021 €
ASSETS			
Non-current assets			
Deferred tax assets	9	**10,962**	88,668
Current assets			
Inventories	5	**274,928**	235,044
Trade and other receivables	6	**941,084**	876,433
Cash and cash equivalents	7	**1,263,627**	1,228,905
Total current assets		**2,479,639**	2,340,382
Total assets		**2,490,601**	2,429,050
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**1,397**	1,397
Retained earnings		**1,159,145**	1,232,869
Total equity		**1,160,542**	1,234,266
Current liabilities			
Trade and other payables	10	**1,177,255**	1,170,897
Current tax liability		**152,804**	23,887
Total current liabilities		**1,330,059**	1,194,784
Total liabilities		**1,330,059**	1,194,784
Total equity and liabilities		**2,490,601**	2,429,050

The notes on pages 8 to 26 are an integral part of these financial statements.

The financial statements on pages 4 to 26 were authorised for issue by the board of directors on 4 November 2022 and were signed on its behalf by:

Arthur Gauci
Director

James Barbara
Director

Statement of comprehensive income

	Notes	Year ended 31 March 2022 €	2021 €
Revenue	11	**2,582,583**	1,411,584
Cost of sales	12	**(1,580,895)**	(1,106,408)
Gross profit		**1,001,688**	305,176
Administrative expenses	12	**(420,712)**	(622,430)
Operating profit/(loss)		**580,976**	(317,254)
Finance income	14	**189**	165
Finance costs	15	**(1,951)**	(6,716)
Profit/(Loss) before tax		**579,214**	(323,805)
Tax credit/(expense)	16	**(202,938)**	102,492
Profit/(loss) for the year - total comprehensive income/(loss)		**376,276**	(221,313)

The notes on pages 8 to 26 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 April 2020	1,397	1,454,182	1,455,579
Comprehensive income			
Loss for the year			
- total comprehensive loss	-	(221,313)	(221,313)
Balance at 31 March 2021	**1,397**	**1,232,869**	**1,234,266**
Balance at 1 April 2021	1,397	1,232,869	1,234,266
Transactions with owners			
Dividend Paid	-	(450,000)	(450,000)
Comprehensive income			
Profit for the year			
- total comprehensive income	-	376,276	376,276
Balance at 31 March 2022	**1,397**	**1,159,145**	**1,160,542**

The notes on pages 8 to 26 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 March 2022 €	2021 €
Cash flows from operating activities			
Cash generated from/(used in) operations	18	**482,799**	(369,022)
Interest received		**189**	165
Interest paid		**(1,951)**	(6,716)
Net tax received/(paid)		**3,685**	(407,611)
Net cash from/(used in) operating activities		**484,722**	(783,184)
Cash flows from financing activities			
Dividends paid		**(450,000)**	-
Net cash used in financing activities		**(450,000)**	-
Net movements in cash and cash equivalents		**34,722**	(783,184)
Cash and cash equivalents at beginning of year		**1,228,905**	2,012,089
Cash and cash equivalents at end of year	7	**1,263,627**	1,228,905

The notes on pages 8 to 26 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, (Cap. 386). The financial statements are prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRS as adopted by the EU requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgements).

Since February 2020, the world is experiencing an unprecedented crisis caused by the COVID-19 pandemic which has been negatively impacting various economic sectors, including the aviation industry which the company operations depend on. Although the performance of the Company improved during financial year 2022, the impacts of the pandemic continued being felt. The Ukraine-Russia conflict which started at the end of the financial year 31 March 2022, is not expected to affect the results of the Company as its exposure of business from these two countries is negligible. However, whilst the Company has no direct business linkages with these countries, the directors are monitoring the effect that this conflict might have.

Subsequent to the end of the current financial year, the main agreement with an airline (amounting to 60% of total revenue) is due to expire and is not expected to be renewed. Management is actively seeking business with all aircraft arriving in Malta to increase the "other airlines" revenue stream. In this respect, the company has prepared projections for the coming 12 months factoring in the expiry of a major agreement with an airline. The projections are conservative maintaining the current level of business that has been achieved in financial year 2022 for the other airlines.

The company has a substantial cash reserve as at year end and it has no bank liabilities. The cash flow projections carried out showed that the company will still have sufficient cash to cover its obligations. Although the situation continues to be uncertain, the directors are confident that the company will continue business as a going concern for the foreseeable future and will be able to honour its obligations in the coming 12-month period.

Standards, interpretations and amendments to published standards effective during the current financial year

During the current financial year, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 April 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, not impacting the company's financial performance and position.

1. Summary of significant accounting policies - continued

Standards, interpretations and amendments to published standards that are not yet adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 April 2021. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU, and the company's directors are of the opinion that, except as disclosed below, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost, and subsequently stated at historical cost less depreciation. 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. All other repairs and maintenance are charged to the profit of loss during the financial period in which they are incurred.

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

	%
Plant and equipment	16
Furniture, fittings and office equipment	16
Motor vehicles	16

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

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

Property, plant and equipment is reviewed for impairment whenever events on charges in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposal of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in profit or loss.

1.4 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in first-out method. Net realisable value is the estimate of the selling price in the ordinary course of business, less selling expenses.

1.5 Financial assets

Classification

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

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

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

Recognition and derecognition

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

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the company. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

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

1.5 Financial assets - continued

Measurement

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

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

(a) Debt instruments

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

- Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented as a separate line item in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

(b) Equity instruments

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

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

Impairment

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

For trade receivables and contract assets, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 2 for further details).

1.6 Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade and other receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade and other receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.7 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents includes cash in hand and deposits held at call with banks.

1.8 Share capital

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

1.9 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.

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

1.10 Borrowings

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

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

1.11 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 in equity.

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, the deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets and liabilities are offset when there is a legally or foreseeable 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.

1.12 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

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

1. Summary of significant accounting policies - continued

1.13 Revenue recognition

Revenues include all revenues from the ordinary business activities of the company. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The company's business principally comprises the provision of catering and ancillary services to airlines entities.

(a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the company's recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the company fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Sales from catering and ancillary services

Revenue from services is generally recognized in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue arising from the catering activities is recognised when the service is performed and/or when the goods (primarily food and beverage) are supplied upon performance of the service. Revenue is usually in on credit.

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

1.13 Revenue recognition - continued

Financing

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

(b) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

(c) Other operating income

Other operating income is recognised on an accrual basis unless collectability is in doubt.

1.14 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet.

1.15 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which an obligation to pay a dividend is established.

1.16 Leases

Leases in which a significant portion of the risk and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

1. Summary of significant accounting policies - continued

1.17 Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised.

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 company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years. The directors do not consider the impact of price risk material to effect the results of the company.

(a) Market risk

(i) Foreign exchange risk

The company's operating revenues, operating expenditure and financing are mainly denominated in euro. Accordingly, the company's exposure to foreign exchange risk is not significant and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting periods is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The company does not have significant instruments which are subject to fixed interest rates. In this respect, the company is not exposed to fair value interest rate risk.

The company's interest rate risk principally arises from deposits held with banks issued at variable rates (Note 7) which expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on these instruments. Based on this analysis, 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 and accordingly the level of interest rates risk is contained. The company's operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from bank deposits as well as credit exposures to customers, including outstanding receivables and committed transactions. The company's exposures to credit risk are analysed as follows:

	2022	2021
	€	€
Financial assets carried at amortised cost		
Trade and other receivables (Note 6)	**733,007**	828,471
Cash and cash equivalents (Note 7)	**1,263,627**	1,228,905
	1,996,634	2,057,376

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

The maximum exposure to credit risk at the reporting date in respect of the carrying amount/fair value of the financial assets mentioned above is disclosed in the respective notes to the financial statements. The company does not hold any collateral as security in this respect. The figures disclosed above in respect of trade and other receivables exclude indirect taxation and prepayments.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the days past due. The company has therefore concluded that the expected loss rates for the receivables are a reasonable approximation of the loss rates for the accrued income.

The company assesses the credit quality of its customers taking into account financial position, past experience and other factors. The loss allowances for financial assets are based on assumptions about risk of default and, expected loss rates. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation, based on the company's past history, existing market conditions as well as forward-looking estimates at the end of each reporting period. At the end of the current and the preceding reporting periods, the company had no past due or impaired trade receivables.

Other receivables are considered to have low credit risk, and the loss allowance recognised during the period was therefore limited to 12 months expected losses. Management consider 'low credit risk' for instruments which have a low risk of default and the issuer has a strong capacity to meet its contractual cash flow obligations in the near term. Management monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. Since such balances are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date.

Following the assessment of the directors, all of the company's financial assets are considered to have low credit risk and a low risk of default. In this respect, the expect credit loss allowance attributable to amounts owed by related parties and other receivables was deemed immaterial to be recognised.

Cash and cash equivalents

The company's cash and cash equivalents are held with local financial institutions with high quality standing or rating or nothing and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Receivables (including contract assets)

In view of the nature of the company's activities and the market in which it operates, the company has a significant concentration of credit risk with respect to receivables from two customers which constitute 81% (2021: one customer constituting 85%) of the company's trade receivables. As at the date of authorisation for issue of the financial statements no amounts were still outstanding in respect of this customer's receivables amount (2021: €195,000) in line with the agreed repayment terms. Management does not expect any losses from non-performance of these customers.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

Receivables (including contract assets) - continued

The company monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the company's receivables, taking into account historical experience.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities which comprise trade and other payables (Note 10). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's trade and other payables are entirely repayable within one year from the end of the financial reporting period.

2.2 Capital risk management

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

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

2.3 Fair values of financial instruments

At 31 March 2022 and 2021, the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair values in view of the nature of these instruments and their relatively short period of time between the origination of the instruments and their expected realisation. Balances with shareholders and related parties which are repayable on demand are equivalent to these carrying amounts.

3. Critical accounting estimates and judgements

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

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

4. Property, plant and equipment

	Plant and equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 April 2020				
Cost	2,242,896	334,868	771,038	3,348,802
Accumulated depreciation	(2,168,430)	(301,279)	(715,886)	(3,185,595)
Net book amount	**74,466**	**33,589**	**55,152**	**163,207**
Year ended 31 March 2021				
Opening net book amount	74,466	33,589	55,152	163,207
Depreciation charge	(74,466)	(33,589)	(55,152)	(163,207)
Closing net book amount	-	-	-	-
At 31 March 2021				
Cost	2,242,896	334,868	771,038	3,348,802
Accumulated depreciation	(2,242,896)	(334,868)	(771,038)	(3,348,802)
Net book amount	-	-	-	-
Year ended 31 March 2022				
Opening net book amount	-	-	-	-
Depreciation charge	-	-	-	-
Closing net book amount	-	-	-	-
At 31 March 2022				
Cost	-	-	-	-
Accumulated depreciation	-	-	-	-
Net book amount	-	-	-	-

Depreciation of property, plant and equipment amounting to Nil (2021: €163,207) is charged to profit or loss as follows:

	2022 €	2021 €
Cost of sales	-	159,959
Administrative expenses	-	3,248

5. Inventories

	2022 €	2021 €
Food and beverage	**79,035**	34,233
Consumables	**195,893**	200,811
	274,928	235,044

6. Trade and other receivables

	2022 €	2021 €
Current		
Trade receivables	**457,354**	245,664
Amounts owed by shareholders	**69,522**	361,799
Amounts owed by related parties	**206,131**	221,008
Indirect taxation	**57,227**	44,643
Prepayments	**2,801**	3,319
Accrued Income	**148,049**	-
	941,084	876,433

Amounts owed by shareholders and related parties are unsecured, interest free and repayable on demand.

7. Cash and cash equivalents

For the purposes of the cash flow statement, the year end cash and cash equivalents comprise the following:

	2022 €	2021 €
Cash at bank and in hand	**1,263,627**	1,228,905

8. Share capital

	2022	2021
	€	€
Authorised		
3,000 Ordinary shares of €2.329373 each	**6,988**	6,988
Issued and 20% paid up		
1,200 Ordinary 'A' shares of €2.329373 each	**559**	559
900 Ordinary 'B' shares of €2.329373 each	**419**	419
900 Ordinary 'C' shares of €2.329373 each	**419**	419
	1,397	1,397

9. Deferred tax assets

	2022	2021
	€	€
At beginning of year	**88,668**	(24,577)
Recognised to profit or loss (Note 16)	**(77,706)**	113,245
At end of year	**10,962**	88,668

Deferred income taxes are calculated on temporary differences under the liability method using a principal tax rate of 35% (2021: 35%).

The deferred tax assets balance at 31 March represents temporary differences arising from the following:

	2022	2021
	€	€
Property, plant and equipment	**10,962**	19,846
Capital allowance	**-**	12,698
Tax losses	**-**	56,124
	10,962	88,668

10. Trade and other payables

	2022	2021
	€	€
Current		
Trade payables	**263,053**	172,039
Amounts owed to related parties	**429,012**	423,607
Other payables	**204,029**	204,029
Accruals	**281,161**	371,222
	1,177,255	1,170,897

Amounts owed to related parties are unsecured, interest free and repayable on demand.

11. Revenue

All the company's revenue is derived from catering activities and ancillary services provided to airlines operating outbound flights from Malta.

12. Expenses by nature

	2022	2021
	€	€
Employee benefit expense (Note 13)	**574,541**	401,840
Operating supplies and related expenses	**961,949**	628,677
Repairs and maintenance costs	**42,761**	50,864
Energy costs	**105,283**	63,215
Depreciation on property, plant and equipment (Note 4)	**-**	163,207
Other expenses	**317,073**	421,035
Total cost of sales and administrative expenses	**2,001,607**	1,728,838

Auditor's fees

Fees charged by the auditor for services rendered during the financial year relate to the following:

	2022	2021
	€	€
Annual statutory audit	**14,000**	13,000
Tax advisory and compliance services	**1,050**	1,100
	15,050	14,100

13. Employee benefit expense

	2022	2021
	€	€
Wages and salaries	**496,613**	329,636
Social security costs	**77,928**	72,204
	574,541	401,840

Average number of persons employed during the year:

	2022	2021
Direct	**66**	66

Amounts disclosed above include an amount of €498,694 (2021: €273,276) representing an average of 64 employees (2021: 62) which has been recharged by a related party. The Company also received COVID-19 wage supplement relating to its own employees during the year totalling to €22,706 (2021: €39,185).

14. Finance income

	2022	2021
	€	€
Interest income from amounts held with banks	**189**	165

15. Finance costs

	2022	2021
	€	€
Bank charges	**1,951**	6,716

16. Tax (expense)/credit

	2022 €	2021 €
Current tax expense	**125,232**	10,753
Deferred taxation (Note 9)	**77,706**	(113,245)
Tax expense/(credit)	**202,938**	(102,492)

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

	2022 €	2021 €
Profit/(loss) before tax	**579,214**	(323,805)
Tax on ordinary profit/(loss) at 35%	**202,725**	(113,332)
Tax effect of:		
Income subject to tax at 15%	**-**	-
Expenses not deductible for tax purposes	**213**	1,511
Income not subject to tax	**-**	(1,400)
Under provision on current tax charge of prior year	**-**	10,729
Tax expense/(credit)	**202,938**	(102,492)

17. Dividend paid

	2022 €	2021 €
Gross dividend	**692,309**	-
Tax at source	**(242,309)**	-
Net dividend	**450,000**	-
Net dividend per share	**150**	-

18. Cash generated from operations

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

	2022	2021
	€	€
Operating profit/(loss)	**580,976**	(317,254)
Adjustments for:		
Depreciation on property, plant and equipment (Note 4)	-	163,207
Changes in working capital:		
Inventories	**(39,884)**	198,519
Trade and other receivables	**(64,651)**	587,413
Trade and other payables	**6,358**	(1,000,907)
Cash generated from/(used in) operations	**482,799**	(369,022)

19. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions. The directors consider companies with common ultimate shareholding to be related parties. During the years ended 31 March 2022 and 2021, trading transactions with these entities were entered into on a regular basis as a result of normal trading transactions.

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

	2022	2021
	€	€
Income from services		
Sales made to shareholders	**235**	1,383
Sales made to other related parties	**338**	41,749
Staff costs charged to shareholders	**3,560**	20,207
Staff costs charged to other related parties	**735**	27,305
Operating expenses recharged to other related parties	**6,365**	3,689
Expenditure for goods and services		
Purchases of food and beverage from shareholders	**596**	175,332
Operating expenses recharged by shareholders	**168,545**	14,831
Management fees charged by related party	**9,974**	5,455
Staff costs recharged by shareholders	**17,071**	62,952

Balances with shareholders and other related parties as at the end of the financial reporting periods, arising principally from transactions summarised above, are disclosed in Notes 6 and 10 to these financial statements.

Key management personnel compensation amounted to €20,000 (2021: €10,000).

20. Contingencies

At 31 March 2022, the company had contingent liabilities amounting to €22,320 (2021: €22,320) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

21. Statutory information

Sky Gourmet Malta Limited is a limited liability company and is incorporated in Malta. The company is registered in Malta, with its registered address at Old Terminal Building, St Thomas Road, Luqa, Malta. The company's principal activities are the provision of catering and ancillary services to airline.

As at year end, the ultimate shareholding companies of Sky Gourmet Malta Limited were JCL Holdings Limited, SD Holdings Limited and DO & CO Aktiengesellschaft.

After the end of the reporting period, effective 26 October 2022, DO & CO Aktiengesellschaft, through its intermediate holdings transferred its shareholding to the other shareholding companies and Mr Arthur Gauci.

22. Comparative information

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

Declaration by Directors pursuant to article 183(3) of the Companies Act

Applicable to accounting periods other than the first accounting period

We, the undersigned directors of Sky Gourmet Malta Limited having registration no. C40070, do hereby confirm that in respect of the company's financial period ending 31 March 2022 the company qualifies as a small company in terms of article 185 (1) of the Companies Act on the grounds that:

The company did not exceed the limits of at least two of the below-mentioned three criteria, in respect of both the current accounting period and the previous accounting year;	☑
The company : - did not exceed the limits of at least two of the below-mentioned three criteria in respect of the current accounting period; and - exceeded the limits of at least two of the below-mentioned three criteria in the previous accounting period, but is still entitled to be treated as a small company on the basis of the provisions of article 185(3) of the Companies Act (the two consecutive accounting periods test);	☐
The company exceeded the limits of two of the below-mentioned criteria in respect of the current accounting year but is still entitled to be treated as a small company on the basis of the provisions of article 185(3) of the Companies Act (the two consecutive accounting periods test).	☐

Criteria for a small company

- Balance Sheet Total:	four million euro (€4,000,000)
- Turnover:	eight million euro (€8,000,000)
- Average number of employees during the accounting period:	fifty (50)

We also confirm that on the basis of the above, the company has taken advantage of the following exemptions (*tick where applicable*):

Directors' report has not been submitted to the Registrar of Companies	☑
Profit and Loss account has not been submitted to the Registrar of Companies ***(Applicable only in the case of a small private exempt company)***	☐

Arthur Gauci
Director

James Barbara
Director