

Registered number: 02135991

# GIORGIO'S CONTINENTAL LIMITED

Annual report and financial statements

For the Year Ended 31 July 2022



**GIORGIO'S CONTINENTAL LIMITED**

**Company Information**

<b>Director</b>	S Devivo
<b>Registered number</b>	02135991
<b>Registered office</b>	Dunsil Road, Moorgreen Industrial Park Engine Lane, Newthorpe Nottingham NG16 3PX
<b>Independent auditors</b>	PKF Smith Cooper Audit Limited Statutory Auditors 2 Lace Market Square Nottingham NG1 1PB

# GIORGIO'S CONTINENTAL LIMITED

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## GIORGIO'S CONTINENTAL LIMITED

### Strategic report For the Year Ended 31 July 2022

#### Introduction

The Giorgio's Continental business continues to operate in two main markets, primarily supplying premium continental imported foods to market leading ready meal manufacturers and secondly providing a food service range to major UK high street restaurant chains.

The ready meal products include pasta, cheese, oils and vinegars together with a wide selection of wines and other alcohols used in the preparation of ready meals. The food service products are supplied to a variety of national restaurant chains and are primarily products such as meatballs, sausage meat ranges and selections of filled and unfilled pastas.

#### Business review

The Company recovered well from the Covid-19 pandemic with a 16% increase in sales to £40,032k from the previous year, however this remained 7% below 2019 levels. The recovery was similar across both the industrial sector and food service sector.

The contract manufacture of Meatless products remained and included investment in new machinery and personnel.

The Company fully utilised the Furlough scheme to its conclusion offsetting labour costs associated with reduced food service sales. As sales recovered, the recruitment and reintroduction of staff to achieve near full capacity production presented challenges for the business due to increased rates of pay and competition for staff.

The post-Covid commitment to making overhead savings has continued and New Product Development work restarted in the year where the skills and expertise remained in place. The Company's Italian based technical support and supplier networks also remained and were gradually remobilised as the economic recovery returned.

The Brexit associated import complications continued resulting in increased customs clearance costs and ongoing documentation challenges. Additional specialist staff have been recruited to manage these issues which has supported reduced stock levels set previously to mitigate customer disruption with supply shortages and lost sales. The adverse effects of foreign exchange costs were substantially reduced in the year.

#### Principal risks and uncertainties

The Company's food service sector continues to grow. However current inflationary pressures relating to labour, materials and overheads provide future uncertainty to the Company's quality products.

The Company continues to work with customers to provide quality products at more value based prices. As stated in previous reports many of the Company's core product margins have been continually eroded by commoditisation of what were previously premium core products.

The Company also has specific exposure to already substantial power costs due to large refrigeration demands and the capital intensive nature of the operation.

The forward outlook for the business remains positive with improved profitability contingent on the outcomes of the general inflationary pressures on both production and the high street.

**GIORGIO'S CONTINENTAL LIMITED**


**Strategic report (continued)  
For the Year Ended 31 July 2022**

**Financial key performance indicators**

The Company continues to drive the following KPI's to improve business financial performance:

	<b>2022</b>	<b>2021</b>
Sales (£'000)	40,032	34,433
EBITDA (£'000)	1,552	919
Debtor days	72	70
Creditor days	48	50

This report was approved by the board and signed on its behalf.



.....  
**S Devivo**  
Director

Date: 06/02/2023

## GIORGIO'S CONTINENTAL LIMITED

### Director's report For the Year Ended 31 July 2022

The Director presents his report and the financial statements for the year ended 31 July 2022.

#### Director's responsibilities statement

The Director is responsible for preparing the Strategic report, the Director's report and the financial statements in accordance with applicable law and regulations.

Company law requires the Director to prepare financial statements for each financial year. Under that law the Director has elected to prepare the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland'. Under company law the Director must not approve the financial statements unless he is satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period.

In preparing these financial statements, the Director is required to:

- select suitable accounting policies for the Company's financial statements and then apply them consistently;
- make judgments and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Director is responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and to enable him to ensure that the financial statements comply with the Companies Act 2006. He is 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.

#### Principal activity

The principal activity of the company is that of importers and distributors of food and wine.

#### Results and dividends

The profit for the year, after taxation, amounted to £607,548 (2021 - £231,003).

Dividends of £254,075 (2021: £51,137) were paid during the year.

#### Director

The Director who served during the year was:

S Devivo

#### Disclosure of information to auditors

The Director at the time when this Director's report is approved has confirmed that:

- so far as he is aware, there is no relevant audit information of which the Company's auditors are unaware, and
- he has taken all the steps that ought to have been taken as a Director in order to be aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

**GIORGIO'S CONTINENTAL LIMITED**

**Director's report (continued)  
For the Year Ended 31 July 2022**

**Auditors**

The auditors, PKF Smith Cooper Audit Limited, will be proposed for reappointment in accordance with section 485 of the Companies Act 2006.

This report was approved by the board and signed on its behalf.



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**S Devivo**  
Director

Date:

## GIORGIO'S CONTINENTAL LIMITED

### Independent auditors' report to the members of Giorgio's Continental Limited

#### Opinion

We have audited the financial statements of Giorgio's Continental Limited (the 'Company') for the year ended 31 July 2022, which comprise the Statement of comprehensive income, the Balance sheet, the Statement of cash flows, the Statement of changes in equity and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 July 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the United Kingdom, including the Financial Reporting Council's Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Director's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Director with respect to going concern are described in the relevant sections of this report.

#### Other information

The other information comprises the information included in the Annual Report other than the financial statements and our Auditors' report thereon. The Director is responsible for the other information contained within the Annual Report. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. 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.

## GIORGIO'S CONTINENTAL LIMITED

### Independent auditors' report to the members of Giorgio's Continental Limited (continued)

#### Opinion on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the Strategic report and the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Strategic report and the Director's report have been prepared in accordance with applicable legal requirements.

#### Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the Strategic report or the Director's report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us 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; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of Director's remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

#### Responsibilities of directors

As explained more fully in the Director's responsibilities statement set out on page 3, the Director is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Director determines 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 Director is 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 Director either intends to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

**Auditors' 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 Auditors' 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 (UK) 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.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. Based on our understanding of the Company and industry, we identify the key laws and regulations affecting the Company to include food hygiene, health and safety and employment law. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We identified that the principal risk of fraud or non-compliance with laws and regulations related to:

- Management bias in respect of accounting estimates and judgements made;
- Management override of control;
- Posting of unusual journals or transactions;
- Compliance with bank covenants.

We focussed on those areas that could give rise to a material misstatement in the Company financial statements. Our procedures included, but were not limited to:

- Enquiry of management and those charged with governance around actual and potential litigation and claims, including instances of non-compliance with laws and regulations and fraud;
- Reviewing minutes of meetings of those charged with governance where available;
- Reviewing legal expenditure in the year to identify instances of non-compliance with laws and regulations and fraud;
- Reviewing financial statement disclosures and testing to supporting documentation to assess compliance with applicable laws and regulations;
- Performing audit work over the risk of management override of controls, including testing of journal entries and other adjustments for appropriateness, evaluating the business rationale of significant transactions outside the normal course of business and reviewing accounting estimates for bias.

It is the primary responsibility of management, with the oversight of those charged with governance, to ensure that the entity's operations are conducted in accordance with the provisions of laws and regulations and for the prevention and detection of fraud.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with regulation. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. The risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, collusion, omission or misrepresentation.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our Auditors' report.

**GIORGIO'S CONTINENTAL LIMITED**

**Independent auditors' report to the members of Giorgio's Continental Limited (continued)**

**Use of our report**

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an Auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members, as a body, for our audit work, for this report, or for the opinions we have formed.



James Bagley (Senior statutory auditor)  
for and on behalf of

**PKF Smith Cooper Audit Limited**

Statutory Auditors  
2 Lace Market Square  
Nottingham

NG1 1PB

Date:

7/2/23

**GIORGIO'S CONTINENTAL LIMITED**

**Statement of comprehensive income  
For the Year Ended 31 July 2022**

	Note	2022 £	2021 £
Turnover	4	40,031,514	34,433,630
Cost of sales		(32,608,625)	(28,887,621)
<b>Gross profit</b>		<b>7,422,889</b>	<b>5,546,009</b>
Administrative expenses		(6,350,638)	(5,411,758)
Other operating income	5	24,154	306,496
Gain on revaluation of listed investments		-	7,064
<b>Operating profit</b>	<b>6</b>	<b>1,096,405</b>	<b>447,811</b>
Loss on disposal of investments	15	(12,198)	-
Interest receivable and similar income	10	-	1,645
Interest payable and similar expenses	11	(237,998)	(251,413)
<b>Profit before tax</b>		<b>846,209</b>	<b>198,043</b>
Tax on profit	12	(238,661)	32,960
<b>Profit for the financial year</b>		<b>607,548</b>	<b>231,003</b>

There was no other comprehensive income for 2022 (2021:£NIL).

The notes on pages 15 to 31 form part of these financial statements.

**GIORGIO'S CONTINENTAL LIMITED**  
Registered number: 02135991

**Balance sheet**  
**As at 31 July 2022**

	Note	2022 £	2021 £
<b>Fixed assets</b>			
Tangible assets	14	9,573,263	9,938,420
Investments	15	100,100	112,298
		<u>9,673,363</u>	<u>10,050,718</u>
<b>Current assets</b>			
Stocks	16	3,257,800	3,894,199
Debtors: amounts falling due within one year	17	10,600,979	10,648,738
Cash at bank and in hand	18	592,697	1,325,660
		<u>14,451,476</u>	<u>15,868,597</u>
Creditors: amounts falling due within one year	19	<u>(11,516,726)</u>	<u>(13,189,626)</u>
<b>Net current assets</b>		<u>2,934,750</u>	<u>2,678,971</u>
<b>Total assets less current liabilities</b>		<u>12,608,113</u>	<u>12,729,689</u>
Creditors: amounts falling due after more than one year	20	(2,204,841)	(2,703,191)
<b>Provisions for liabilities</b>			
Deferred tax	24	(710,888)	(649,587)
<b>Net assets</b>		<u><u>9,692,384</u></u>	<u><u>9,376,911</u></u>
<b>Capital and reserves</b>			
Called up share capital	25	81	81
Share premium account	26	52,385	52,385
Revaluation reserve	26	1,447,189	1,461,847
Capital redemption reserve	26	17	17
Profit and loss account	26	8,192,712	7,862,581
		<u>9,692,384</u>	<u>9,376,911</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf by:



**S Devivo**  
Director

Date: 06/02/2023

The notes on pages 15 to 31 form part of these financial statements.

**GIORGIO'S CONTINENTAL LIMITED**

**Statement of changes in equity  
For the Year Ended 31 July 2022**

	Called up share capital £	Share premium account £	Capital redemption reserve £	Revaluation reserve £	Profit and loss account £	Total equity £
<b>At 1 August 2020</b>	82	52,385	17	1,476,505	7,706,057	9,235,046
Profit for the year	-	-	-	-	231,003	231,003
Excess depreciation on revalued property	-	-	-	-	14,658	14,658
Dividends: Equity capital	-	-	-	-	(51,137)	(51,137)
Purchase of own shares	-	-	-	-	(38,000)	(38,000)
Shares cancelled during the year	(1)	-	-	-	-	(1)
Transfer to/from profit and loss account	-	-	-	(14,658)	-	(14,658)
<b>At 1 August 2021</b>	<b>81</b>	<b>52,385</b>	<b>17</b>	<b>1,461,847</b>	<b>7,862,581</b>	<b>9,376,911</b>
Profit for the year	-	-	-	-	607,548	607,548
Excess depreciation on revalued property	-	-	-	-	14,658	14,658
Dividends: Equity capital	-	-	-	-	(254,075)	(254,075)
Purchase of own shares	-	-	-	-	(38,000)	(38,000)
Transfer to/from profit and loss account	-	-	-	(14,658)	-	(14,658)
<b>At 31 July 2022</b>	<b>81</b>	<b>52,385</b>	<b>17</b>	<b>1,447,189</b>	<b>8,192,712</b>	<b>9,692,384</b>

The notes on pages 15 to 31 form part of these financial statements.

**GIORGIO'S CONTINENTAL LIMITED**

**Statement of cash flows  
For the Year Ended 31 July 2022**

	2022 £	2021 £
<b>Cash flows from operating activities</b>		
Profit for the financial year	607,548	231,003
<b>Adjustments for:</b>		
Depreciation of tangible assets	455,761	456,791
Loss on disposal of listed investments	12,198	-
Interest paid	237,998	251,413
Interest received	-	(1,645)
Taxation charge	238,661	(32,960)
Decrease in stocks	636,399	1,605
(Increase) in debtors	(120,189)	(2,176,261)
(Decrease) in creditors	(640,053)	(1,348)
Net fair value losses/(gains) recognised in P&L	-	(7,064)
Corporation tax received/(paid)	164,918	(60,189)
<b>Net cash generated from operating activities</b>	<b>1,593,241</b>	<b>(1,338,655)</b>
 <b>Cash flows from investing activities</b>		
Purchase of tangible fixed assets	(102,905)	(96,441)
Sale of tangible fixed assets	12,300	-
Interest received	-	1,645
HP interest paid	(63,240)	(69,839)
<b>Net cash from investing activities</b>	<b>(153,845)</b>	<b>(164,635)</b>
 <b>Cash flows from financing activities</b>		
Purchase of ordinary shares	(38,000)	(38,000)
Repayment of loans	(277,500)	292,500
Repayment of/new finance leases and hire purchase contracts	(177,500)	(198,461)
Movements on invoice discounting	(680,784)	1,233,835
Dividends paid	(254,075)	(51,137)
Interest paid	(174,758)	(181,574)
<b>Net cash used in financing activities</b>	<b>(1,602,617)</b>	<b>1,057,163</b>
<b>Net (decrease) in cash and cash equivalents</b>	<b>(163,221)</b>	<b>(446,127)</b>

**GIORGIO'S CONTINENTAL LIMITED**

**Statement of cash flows (continued)  
For the Year Ended 31 July 2022**

	2022 £	2021 £
Cash and cash equivalents at beginning of year	(44,082)	402,045
<b>Cash and cash equivalents at the end of year</b>	<b>(207,303)</b>	<b>(44,082)</b>
<b>Cash and cash equivalents at the end of year comprise:</b>		
Cash at bank and in hand	592,697	1,325,660
Bank overdrafts	(800,000)	(1,369,742)
	<b>(207,303)</b>	<b>(44,082)</b>

The notes on pages 15 to 31 form part of these financial statements.

**GIORGIO'S CONTINENTAL LIMITED**

**Analysis of Net Debt  
For the Year Ended 31 July 2022**

	At 1 August 2021 £	Cash flows £	New finance leases £	Other non- cash changes £	At 31 July 2022 £
Cash at bank and in hand	1,325,660	(732,963)	-	-	592,697
Bank overdrafts	(1,369,742)	569,742	-	-	(800,000)
Debt due after 1 year	(1,882,500)	-	-	277,500	(1,605,000)
Debt due within 1 year	(300,000)	277,500	-	(277,500)	(300,000)
Finance leases and hire purchase contracts	(1,091,950)	292,500	(115,000)	-	(914,450)
	<u>(3,318,532)</u>	<u>406,779</u>	<u>(115,000)</u>	<u>-</u>	<u>(3,026,753)</u>

The notes on pages 15 to 31 form part of these financial statements.

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 1. General information

Giorgio's Continental Limited is a private company limited by shares and incorporated in England, United Kingdom. The address of the registered office and the company's registration number is given in the Company Information page of these financial statements. The nature of the company's operations and principal activities are given in the Director's Report.

#### 2. Accounting policies

##### 2.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention unless otherwise specified within these accounting policies and in accordance with Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and the Republic of Ireland and the Companies Act 2006.

The financial statements are prepared in Sterling which is the functional currency of the company and are rounded to the nearest £1.

The following principal accounting policies have been applied:

##### 2.2 Exemption from preparing consolidated financial statements

The company is exempt under section 402/405 of the Companies Act 2006 from the requirement to prepare consolidated financial statements as its subsidiary undertaking is not material for the purpose of giving a true and fair view.

##### 2.3 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue is measured as the fair value of the consideration received or receivable, excluding discounts, rebates, value added tax and other sales taxes. The following criteria must also be met before revenue is recognised:

###### Sale of goods

Revenue from the sale of food and wine products is recognised when the significant risks and rewards of ownership transfer to the buyer, the amount of revenue can be measured reliably, it is probable that the Company will receive the consideration due under the transaction and the costs incurred or to be incurred in respect of the transaction can be measured reliably. This is usually upon despatch of goods.

##### 2.4 Tangible fixed assets

Tangible fixed assets under the cost model are stated at historical cost less accumulated depreciation and any accumulated impairment losses. Historical cost includes expenditure that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 2. Accounting policies (continued)

##### 2.4 Tangible fixed assets (continued)

Depreciation is charged so as to allocate the cost of assets less their residual value over their estimated useful lives, using the methods detailed below.

Depreciation is provided on the following basis:

Freehold property	- 2% per annum straight line
Plant and machinery	- 10% per annum straight line
Motor vehicles	- 25% per annum reducing balance
Fixtures and fittings	- 20% per annum straight line

The assets' residual values, useful lives and depreciation methods are reviewed, and adjusted prospectively if appropriate, or if there is an indication of a significant change since the last reporting date.

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

##### 2.5 Valuation of investments

Investments in subsidiaries are measured at cost less accumulated impairment.

Investments in unlisted Company shares, whose market value can be reliably determined, are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in the Statement of comprehensive income for the period. Where market value cannot be reliably determined, such investments are stated at historic cost less impairment.

Investments in listed company shares are remeasured to market value at each balance sheet date. Gains and losses on remeasurement are recognised in profit or loss for the period.

##### 2.6 Stocks

Stocks are valued at the lower of cost and net realisable value, being the estimated selling price less costs to complete and sell. Costs include all costs of purchase, costs of conversion and other costs incurred in bringing stock to its present location and condition. Cost is calculated using the first-in, first-out formula. Provision is made for damaged, obsolete and slow moving stock where appropriate.

##### 2.7 Debtors and creditors receivable/payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment are recognised in the profit and loss account in other administrative expenses.

##### 2.8 Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise cash in hand and short term deposits with an original maturity date of three months or less.

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 2. Accounting policies (continued)

##### 2.9 Provisions for liabilities

Provisions are made where an event has taken place that gives the Company a legal or constructive obligation that probably requires settlement by a transfer of economic benefit, and a reliable estimate can be made of the amount of the obligation.

Provisions are charged as an expense to profit or loss in the year that the Company becomes aware of the obligation, and are measured at the best estimate at the balance sheet date of the expenditure required to settle the obligation, taking into account relevant risks and uncertainties.

When payments are eventually made, they are charged to the provision carried in the Balance sheet.

##### 2.10 Operating leases: the Company as lessee

Rentals paid under operating leases are charged to profit or loss on a straight-line basis over the lease term.

##### 2.11 Leased assets: the Company as lessee

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to profit or loss so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

##### 2.12 Loans and borrowings

All borrowing costs are recognised in profit or loss in the year in which they are incurred.

##### 2.13 Financial instruments

The Company only enters into basic financial instrument transactions that result in the recognition of financial assets and liabilities like trade and other debtors and creditors, loans from banks and other third parties, loans to related parties and investments in ordinary shares.

Debt instruments (other than those wholly repayable or receivable within one year), including loans and other accounts receivable and payable, are initially measured at present value of the future cash flows and subsequently at amortised cost using the effective interest method. Debt instruments that are payable or receivable within one year, typically trade debtors and creditors, are measured, initially and subsequently, at the undiscounted amount of the cash or other consideration expected to be paid or received. However, if the arrangements of a short-term instrument constitute a financing transaction, like the payment of a trade debt deferred beyond normal business terms or in case of an out-right short-term loan that is not at market rate, the financial asset or liability is measured, initially at the present value of future cash flows discounted at a market rate of interest for a similar debt instrument and subsequently at amortised cost, unless it qualifies as a loan from a director in the case of a small company, or a public benefit entity concessionary loan.

Investments in non-derivative instruments that are equity to the issuer are measured:

- at fair value with changes recognised in the Statement of comprehensive income if the shares are publicly traded or their fair value can otherwise be measured reliably;
- at cost less impairment for all other investments.

Financial assets that are measured at cost and amortised cost are assessed at the end of each reporting period for objective evidence of impairment. If objective evidence of impairment is found, an

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 2. Accounting policies (continued)

##### 2.13 Financial instruments (continued)

impairment loss is recognised in the Statement of comprehensive income.

For financial assets measured at amortised cost, the impairment loss is measured as the difference between an asset's carrying amount and the present value of estimated cash flows discounted at the asset's original effective interest rate. If a financial asset has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

For financial assets measured at cost less impairment, the impairment loss is measured as the difference between an asset's carrying amount and best estimate of the recoverable amount, which is an approximation of the amount that the Company would receive for the asset if it were to be sold at the balance sheet date.

##### 2.14 Pensions

###### Defined contribution pension plan

The Company operates a defined contribution pension scheme and contributions to the scheme are recognised in the Statement of comprehensive income in the period in which they become payable.

##### 2.15 Current and deferred taxation

Current tax represents the amount of tax payable or receivable in respect of the taxable profit (or loss) for the current or past reporting periods. It is measured at the amount expected to be paid or recovered using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax represents the future tax consequences of transactions and events recognised in the financial statements of current and previous periods. It is recognised in respect of all timing differences, with certain exceptions. Timing differences are differences between taxable profits and total comprehensive income as stated in the financial statements that arise from the inclusion of income and expense in tax assessments in periods different from those in which they are recognised in the financial statements. Unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of timing differences. Deferred tax on revalued non-depreciable tangible fixed assets and investment properties is measured using the rates and allowances that apply to the sale of the asset.

##### 2.16 Dividends

Equity dividends are recognised when they become legally payable. Interim equity dividends are recognised when paid. Final equity dividends are recognised when approved by the shareholders at an annual general meeting.

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 2. Accounting policies (continued)

##### 2.17 Foreign currency translation

###### Functional and presentation currency

The Company's functional and presentational currency is Sterling.

###### Transactions and balances

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

##### 2.18 Government Grants

Grants are accounted for under the accruals model as permitted by FRS 102. The deferred element of grants is included in creditors as deferred income.

Grants of a revenue nature are recognised in the Statement of comprehensive income in the same period as the related expenditure.

#### 3. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. Management do not consider there to be any judgments, estimates and assumptions that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

#### 4. Turnover

An analysis of turnover by class of business is as follows:

	2022	2021
	£	£
Sales of food and wine products	<u>40,031,514</u>	<u>34,433,630</u>

All turnover arose within the United Kingdom.

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**5. Other operating income**

	2022	2021
	£	£
Net rents receivable	30,000	23,322
Government grants receivable/(repayable)	(5,846)	283,174
	24,154	306,496
	24,154	306,496

**6. Operating profit**

The operating profit is stated after charging:

	2022	2021
	£	£
Depreciation of tangible fixed assets	455,762	456,791
Defined benefit pension cost	61,044	57,848
Other operating lease rentals	16,310	15,049
	455,762	456,791
	455,762	456,791

**7. Auditors' remuneration**

	2022	2021
	£	£
Fees payable to the Company's auditor for the audit of the Company's annual financial statements	19,500	19,500
	19,500	19,500
	19,500	19,500

**Fees payable to the Company's auditor in respect of:**

Taxation compliance services	2,500	2,550
Other services relating to taxation	43,650	9,900
	46,150	12,450
	46,150	12,450

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**8. Employees**

Staff costs, including Director's remuneration, were as follows:

	2022 £	2021 £
Wages and salaries	3,105,359	3,141,084
Social security costs	287,157	272,386
Cost of defined contribution scheme	61,044	57,848
	<u>3,453,560</u>	<u>3,471,318</u>

The average monthly number of employees, including the Director, during the year was as follows:

	2022 No.	2021 No.
Management and Administration	39	36
Warehouse	22	30
Pasta production	59	62
	<u>120</u>	<u>128</u>

**9. Director's remuneration**

	2022 £	2021 £
Director's emoluments	10,223	66,698
Company contributions to defined contribution pension schemes	76	901
	<u>10,299</u>	<u>67,599</u>

During the year retirement benefits were accruing to 1 Director (2021 - 1) in respect of defined contribution pension schemes.

**10. Interest receivable**

	2022 £	2021 £
Other interest receivable	-	1,645
	<u>-</u>	<u>1,645</u>

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**11. Interest payable and similar expenses**

	2022	2021
	£	£
Bank interest payable	122,523	143,785
Other loan interest payable	52,235	37,789
Finance leases and hire purchase contracts	63,240	69,839
	<b>237,998</b>	<b>251,413</b>
	<b>237,998</b>	<b>251,413</b>

**12. Taxation**

	2022	2021
	£	£
<b>Corporation tax</b>		
Current tax on profits for the year	237,195	56,955
Adjustments in respect of previous periods	(59,835)	(164,715)
	<b>177,360</b>	<b>(107,760)</b>
	<b>177,360</b>	<b>(107,760)</b>
<b>Deferred tax</b>		
Origination and reversal of timing differences	(88,971)	74,800
Changes to tax rates	191,967	-
Adjustments in respect of prior periods	(41,695)	-
	<b>61,301</b>	<b>74,800</b>
	<b>61,301</b>	<b>74,800</b>
<b>Taxation on profit on ordinary activities</b>	<b>238,661</b>	<b>(32,960)</b>
	<b>238,661</b>	<b>(32,960)</b>

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**12. Taxation (continued)**

**Factors affecting tax charge for the year**

The tax assessed for the year is higher than (2021 - lower than) the standard rate of corporation tax in the UK of 19% (2021 - 19%). The differences are explained below:

	2022 £	2021 £
Profit on ordinary activities before tax	<u>846,209</u>	<u>198,043</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 19% (2021 - 19%)	160,780	37,628
<b>Effects of:</b>		
Expenses not deductible for tax purposes	9,532	304
Fixed asset timing differences	(345)	5,623
Utilisation of tax losses	-	100,302
Adjustments to tax charge in respect of prior periods	(59,835)	(10,760)
Adjustments to tax charge in respect of prior periods - deferred tax	(41,695)	-
Remeasurement of deferred tax for changes in tax rates	170,613	-
Other timing differences leading to an decrease in taxation	(389)	-
Non-taxable income	-	(1,342)
Adjustment in research and development tax credit leading to an decrease in the tax charge	-	(164,715)
<b>Total tax charge for the year</b>	<u><u>238,661</u></u>	<u><u>(32,960)</u></u>

**Factors that may affect future tax charges**

On 1 April 2023 the rate of corporation tax will increase to 25% from the current rate of 19%.

**13. Dividends**

	2022 £	2021 £
Dividends paid on equity share capital	<u><u>254,075</u></u>	<u><u>51,137</u></u>

GIORGIO'S CONTINENTAL LIMITED

Notes to the financial statements  
For the Year Ended 31 July 2022

14. Tangible fixed assets

	Freehold property £	Plant and machinery £	Motor vehicles £	Fixtures and fittings £	Total £
<b>Cost</b>					
At 1 August 2021	7,451,734	5,684,149	215,825	601,114	13,952,822
Additions	-	99,368	-	3,537	102,905
Disposals	-	(12,300)	(153,254)	-	(165,554)
At 31 July 2022	<u>7,451,734</u>	<u>5,771,217</u>	<u>62,571</u>	<u>604,651</u>	<u>13,890,173</u>
<b>Depreciation</b>					
At 1 August 2021	471,866	2,814,977	187,582	539,977	4,014,402
Charge for the year	53,914	372,331	10,123	19,394	455,762
Disposals	-	-	(153,254)	-	(153,254)
At 31 July 2022	<u>525,780</u>	<u>3,187,308</u>	<u>44,451</u>	<u>559,371</u>	<u>4,316,910</u>
<b>Net book value</b>					
At 31 July 2022	<u>6,925,954</u>	<u>2,583,909</u>	<u>18,120</u>	<u>45,280</u>	<u>9,573,263</u>
At 31 July 2021	<u>6,979,868</u>	<u>2,869,172</u>	<u>28,243</u>	<u>61,137</u>	<u>9,938,420</u>

The gross book value of freehold property includes £5,403,178 (2021: £5,403,178) of assets which are not depreciated.

The freehold land and buildings existing at 1st August 2014, the date of transition to FRS 102, were included at deemed cost.

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**14. Tangible fixed assets (continued)**

The net book value of assets held under finance leases or hire purchase contracts, included above, are as follows:

	2022 £	2021 £
Plant and machinery	1,088,129	1,229,763
Motor vehicles	19,871	26,495
	1,108,000	1,256,258

**15. Fixed asset investments**

	Investments in subsidiary companies £	Listed investments £	Unlisted investments £	Total £
<b>Cost or valuation</b>				
At 1 August 2021	100	12,198	100,000	112,298
Disposals	-	(12,198)	-	(12,198)
At 31 July 2022	100	-	100,000	100,100

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**15. Fixed asset investments (continued)**

**Subsidiary undertaking**

The following was a subsidiary undertaking of the Company:

Name	Principal activity	Class of shares	Holding
Pastaficio Limited	Dormant	Ordinary	100%

The address of the registered office of the subsidiary is the same as that of the parent company.

The aggregate of the share capital and reserves as at 31 July 2022 and the profit or loss for the year ended on that date for the subsidiary undertaking were as follows:

Name	Aggregate of the share capital and reserves £	Profit/loss for the year £
Pastaficio Limited	100	-

**16. Stocks**

	2022 £	2021 £
Finished goods and goods for resale	<u>3,257,800</u>	<u>3,894,199</u>

**17. Debtors**

	2022 £	2021 £
Trade debtors	9,152,481	8,540,599
Other debtors	1,205,468	1,836,425
Prepayments and accrued income	243,030	271,714
	<u>10,600,979</u>	<u>10,648,738</u>

**18. Cash and cash equivalents**

	2022 £	2021 £
Cash at bank and in hand	592,697	1,325,660
Less: bank overdrafts	(800,000)	(1,369,742)
	<u>(207,303)</u>	<u>(44,082)</u>

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**19. Creditors: Amounts falling due within one year**

	2022 £	2021 £
Bank overdrafts	800,000	1,369,742
Bank loans	300,000	300,000
Trade creditors	3,796,444	3,354,565
Corporation tax	174,329	-
Other taxation and social security	781,832	1,853,025
Obligations under finance lease and hire purchase contracts	314,609	271,259
Invoice discounting creditor	4,829,870	5,510,654
Other creditors	519,642	530,381
	<u>11,516,726</u>	<u>13,189,626</u>

The bank loan and overdraft provided by Santander UK PLC are secured by a legal charge over the land and buildings and a debenture including a fixed and floating charge over all assets of the company both present and future.

The invoice discounting creditor is secured against the trade debtors to which they relate.

Obligations under finance lease and hire purchase contracts are secured upon the assets to which they relate.

**20. Creditors: Amounts falling due after more than one year**

	2022 £	2021 £
Bank loans	1,605,000	1,882,500
Net obligations under finance leases and hire purchase contracts	599,841	820,691
	<u>2,204,841</u>	<u>2,703,191</u>

The loan provided by Santander UK Plc is secured by a legal charge over the land and buildings and a debenture including a fixed and floating charge over all assets of the undertaking both present and future.

Obligations under finance lease and hire purchase contracts are secured upon the assets to which they relate.

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**21. Loans**

Analysis of the maturity of loans is given below:

	2022 £	2021 £
<b>Amounts falling due within one year</b>		
Bank loans	300,000	300,000
<b>Amounts falling due 1-2 years</b>		
Bank loans	1,402,500	300,000
<b>Amounts falling due 2-5 years</b>		
Bank loans	202,500	1,582,500
	<b>1,905,000</b>	<b>2,182,500</b>

**22. Hire purchase and finance leases**

Minimum lease payments under hire purchase fall due as follows:

	2022 £	2021 £
Within one year	314,610	271,259
Between 1-5 years	599,840	820,691
	<b>914,450</b>	<b>1,091,950</b>

**23. Financial instruments**

	2022 £	2021 £
<b>Financial assets</b>		
Financial assets that are debt instruments measured at amortised cost	<b>10,357,949</b>	10,377,024
<b>Financial liabilities</b>		
Financial liabilities measured at amortised cost	<b>(7,935,536)</b>	(8,529,138)

Financial assets that are debt instruments measured at amortised cost comprise trade debtors and other debtors.

Financial liabilities measured at amortised cost comprise bank borrowings, obligations under finance lease and hire purchase contracts, trade creditors and other creditors.

**GIORGIO'S CONTINENTAL LIMITED**

**Notes to the financial statements  
For the Year Ended 31 July 2022**

**24. Deferred taxation**

	2022 £
At beginning of year	(649,587)
Charged to profit or loss	(61,301)
<b>At end of year</b>	<b>(710,888)</b>

The provision for deferred taxation is made up as follows:

	2022 £	2021 £
Fixed asset timing differences	(820,766)	(650,506)
Short term timing differences	109,878	919
	<b>(710,888)</b>	<b>(649,587)</b>

**25. Share capital**

	2022 £	2021 £
<b>Allotted, called up and fully paid</b>		
700 (2021 - 700) Ordinary 'A' shares of £0.10 each	70	70
40 (2021 - 40) Ordinary 'B' shares of £0.10 each	4	4
0 (2021 - 4) Ordinary 'C' shares of £0.10 each	-	-
70 (2021 - 70) Ordinary 'D' shares of £0.10 each	7	7
	<b>81</b>	<b>81</b>

On 8 April 2022 the Company purchased 4 £0.10 Ordinary 'C' shares for cash consideration of £38,000. These shares were then cancelled.

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 26. Reserves

##### Share premium account

The share premium account represents the premium arising on the issue of shares net of issue costs.

##### Revaluation reserve

The revaluation reserve represents the cumulative effect of revaluations of freehold land and buildings prior to 1st August 2014, the date of transition to FRS 102, reduced by excess depreciation offset against it.

##### Capital redemption reserve

This reserve records the nominal value of shares repurchased by the company.

##### Profit and loss account

The profit and loss account represents cumulative profit and losses net of dividends and other adjustments.

#### 27. Contingent liabilities

The company has a duty deferment guarantee amounting to £3,000,000 to its bank for HM Revenue and Customs.

#### 28. Pension commitments

The company operates a defined contribution pension scheme. The pension cost charge for the year represents contributions payable by the company to the scheme and amounted to £61,044 (2021: £57,848).

Contributions totalling £14,668 (2021: £12,949) were payable to the scheme at the end of the year and are included in creditors.

#### 29. Commitments under operating leases

At 31 July 2022 the Company had future minimum lease payments due under non-cancellable operating leases for each of the following periods:

	2022	2021
	£	£
Not later than 1 year	20,458	18,146
Later than 1 year and not later than 5 years	33,663	20,779
	<u>54,121</u>	<u>38,925</u>

## GIORGIO'S CONTINENTAL LIMITED

### Notes to the financial statements For the Year Ended 31 July 2022

#### 30. Rental receipts under operating leases

At 31 July 2022 the Company had future minimum lease rental receipts under non-cancellable operating leases as follows:

	2022 £	2021 £
No later than 1 year	-	30,000
Later than 1 year and not later than 5 years	-	-
	<u>-</u>	<u>30,000</u>

#### 31. Other financial commitments

At the year end the company had contracted for foreign exchange contracts amounting to £13,200,000 (2021: £6,600,000).

#### 32. Related party transactions

##### Directors and shareholders transactions

Dividends paid to directors and shareholders totalled £254,075 (2021: £51,137).

##### Key management personnel

All directors of the company who have authority and responsibility for planning, directing and controlling the activities of the company are considered to be key management personnel. Key management personnel remuneration during the year totalled £10,223 (2021: £66,698) for short term employment benefits and £76 (2021: £901) for post-employment benefits.

##### Related party transactions

At the balance sheet date an amount of £1,053,673 (2021: £1,053,673) was due from a company which has a director in common in respect of an interest free loan. This is included within other debtors.

At the balance sheet date an amount of £434,033 (2021: £436,553) was due from a company which has a director in common in respect of an interest free loan. Full provision has been made against this loan and an equivalent bad debt expense is included within administration expenses. The balance included within other debtors in respect of this loan at the balance sheet date is therefore £nil. The company also recharged expenses of £47,054 (2021: £2,520) and invoiced sales of £394,238 (2021: £624,267) to this related party. An amount of £292,302 (2021: £413,125) was owing at the balance sheet date and is included within trade debtors.

#### 33. Controlling party

The Company is controlled by A Tudino, the majority shareholder of Giorgio's Continental Limited.