

Signature record and distribution sheet

To be raised for all financial statements on which the firm is issuing an opinion. All details to be completed and all checks initialled and dated

Details	
iPower code/file no.	6 0 0 0
Name of client	M & Z (Marketing) Limited
Year end	31/12/19 Partner David Valenzia Manager Josianne Zammit

Distribution

	Date sent to client
Draft copies	
Signed copies	

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- Tax
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1	1
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7	

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**Is the company Small Private Exempt? Y N

* delete as appropriate

Manager's approval for release

I confirm that the attached financial statements have been read through and that castings and referencing have been checked. This work is evidenced in the appropriate EGA in the Aura file. I also confirm that a copy of the financial statements evidencing these checks has been retained in the AURA file. The attached financial statements are in order for signature.

J. Zammit 5/11/19
 Manager's signature and date

Maintenance of financial statements

- Latest version of financial statements filed on the appropriate drive on the server
- Signed financial statements scanned and included in the Aura file
- Report signing date and report release date entered in EMW have been updated and aligned with audit report date.
- Scanned signed financial statements attached in Tax Returns Status database

Admin approval	Manager's approval
RG	

M&Z (MARKETING) LIMITED

Annual Report and Financial Statements
31 December 2018

M&Z (MARKETING) LIMITED
Annual Report and Financial Statements - 31 December 2018

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2018.

Principal activities

The principal activity of the company, which is unchanged since last year, is the importation of food stuff.

Review of the business

The Company continues to register sustained year-on-year growth with revenue increasing by almost 9% on 2017 and a strong EBITDA albeit on more favourable exchange market rates that were obtainable in 2018. The Directors are satisfied with the results particularly when one considers the challenging and ever tighter market conditions resulting in increased operational costs.

The Board has taken the decision to issue an extraordinary dividend of €8,991,831 following a request by one of its shareholders to offer its 15% investment in the company to the other two shareholders. The 15% equity shall be proportionately taken up by the remaining shareholders such that proceeds from the dividend payout will be reinvested in the Company by way of substantial increase in paid-up share-capital with the balance to be held in the Share premium account.

The business and the company's financial position remain robust, and the directors are expecting the current level of activity will be sustained in the foreseeable future.

Financial performance

Revenue for the company for the year ended 31 December 2018 amounts to €21,452,845 (2017: €19,681,627). Gross profit during this period amounted to €6,603,615 (2017: €5,449,373) representing a 31% (2017: 27.7%) gross profit margin.

After taking into consideration distribution expenses and administrative costs of €3,546,397 (2017: €3,170,964) and €1,758,030 (2017: €1,675,758) respectively, the company registered an EBITDA of €2,000,841 (2017: €1,317,465).

Results and dividends

The income statement is set out on page 10. The directors have paid a net interim dividend of €90,000 and declared a net final dividend of €8,901,831 (2017: €90,000). The directors are proposing that the balance of retained earnings amounting to €257,924 be carried forward to the next financial year.

Financial risk management

The company's activities expose it to a variety of financial risks, including foreign exchange risk, price risk, credit risk and liquidity risk.

The company's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. Risk management is carried out within the company where applicable under policies approved by the Management of the company.

Directors' report - continued

Financial risk management - continued

Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in currencies other than the euro.

As at 31 December 2018 and 2017, receivable balances, payables and bank balances denominated in GBP, USD and DKK amounted to:

	2018 €	2017 €
USD		
Trade receivables	6,183	-
Trade payables	1,839	19,983
Bank balances	288,438	39,428
DKK		
Bank balances	239	239
GBP		
Trade receivables	116,979	120,746
Trade payables	26,227	-
Bank balances	955,714	321,127

Management does not normally consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions to be significant since balances are settled within very short periods in accordance with the negotiated credit terms. However, during the year management entered into forward exchange contracts to manage the perceived risk of fluctuations on foreign exchange that existed during the year.

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

Price risk

The company is exposed to equity securities price risk because of investments held by the company amounting to €50 (2017: €50) and classified in the statement of financial position as available-for-sale. However this risk is not considered material in view of the extent of the investments in such equity instruments (refer to note 4).

Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions, as well as credit exposures to outstanding receivables. The credit quality of customers is assessed, taking into account financial position, past experience and other factors. The utilisation of credit limits is regularly monitored.

Directors' report - continued

Financial risk management - continued

Credit risk - continued

The maximum exposure to credit risk at the reporting date was:

	2018 €	2017 €
Trade and other receivables (note 6)	4,751,575	4,317,546
Cash and cash equivalents (note 7)	3,580,196	2,247,282
	<u>8,331,771</u>	<u>6,564,828</u>

Liquidity risk

Liquidity risk refers to the risk that a company is unable to meet future obligations associated with its financial liabilities. 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 financial liabilities which comprise principally trade and other payables (note 10) are due within twelve months and are equal to their carrying balances, as the impact of discounting is not significant.

Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period and ensures that no additional financing facilities are expected to be required over the coming year. The company's liquidity risk is not deemed material in view of the matching of cash inflows and outflows arising from expected maturities of financial instruments, coupled with the company's committed borrowing facilities that it can access to meet liquidity needs as referred to previously.

Events after the reporting period

On 5 August 2019, one of the company's shareholders has sold its shareholding to the remaining shareholders.

Directors

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

Mr. Matthew A. Camilleri
Mr. Paul S. Camilleri
Mrs. Erika Pace Bonello
Mr. Thomas Agius Vadala

The company's Articles of Association do not require any directors to retire.

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

- ensuring that the financial statements have been drawn up in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

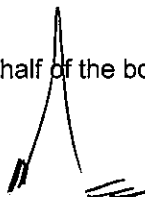
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of M&Z (Marketing) Limited for the year ended 31 December 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and may be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Paul S. Camilleri
Director



Thomas Agius Vadala
Director

93, Mill Street,
Qormi
QRM 3102
Malta

31 October 2019



Independent auditor's report

To the Shareholders of M&Z (Marketing) Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- M&Z (Marketing) Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2018, and of the company's financial performance and cash flows for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME); and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

M&Z (Marketing) Limited's financial statements, set out on pages 9 to 26, comprise:

- the statement of financial position as at 31 December 2018;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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 (Capt. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

Other information

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

Our opinion on the financial statements does not cover the other information, including the directors' report.

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

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

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

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



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

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 judgment and maintain professional scepticism throughout the audit. We also:

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

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

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 we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers

78, Mill Street
Qormi
Malta


David Valenzia
Partner

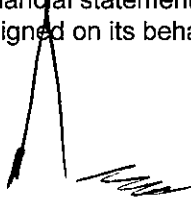
31 October 2019

Statement of financial position

	Notes	As at 31 December	
		2018 €	2017 €
ASSETS			
Non-current assets			
Intangible assets	2	81,979	247,615
Property, plant and equipment	3	420,682	233,763
Deferred tax assets	9	227,253	259,519
Available-for-sale financial assets	4	50	50
Total non-current assets		729,964	740,947
Current assets			
Inventories	5	2,188,766	2,287,829
Trade and other receivables	6	4,918,681	4,432,091
Current tax assets		212,892	536,252
Cash and cash equivalents	7	3,580,196	2,247,282
Total current assets		10,900,535	9,503,454
Total assets		11,630,499	10,244,401
EQUITY AND LIABILITIES			
Equity			
Share capital	8	1,250,000	1,250,000
Retained earnings		257,924	8,151,831
Total equity		1,507,924	9,401,831
LIABILITIES			
Current liabilities			
Trade and other payables	10	10,122,575	842,570
Total liabilities		10,122,575	842,570
Total equity and liabilities		11,630,499	10,244,401

The notes on pages 13 to 26 are an integral part of these financial statements.

The financial statements on pages 9 to 26 were authorised for issue by the board on 31 October 2019 and were signed on its behalf by:



Paul S. Camilleri
Director



Thomas Agius Vadala
Director

Income statement

	Notes	Year ended 31 December	
		2018 €	2017 €
Revenue	11	21,452,845	19,681,627
Cost of sales		(14,849,230)	(14,232,254)
Gross profit		6,603,615	5,449,373
Distribution costs		(3,546,397)	(3,170,964)
Administrative expenses		(1,758,030)	(1,675,758)
Other operating income	14	402,520	449,678
Operating profit		1,701,708	1,052,329
Finance income		1,125	605
Finance costs	15	(7,163)	(8,184)
Profit before tax		1,695,670	1,044,750
Tax expense	16	(597,746)	(367,397)
Profit for the year		1,097,924	677,353

The notes on pages 13 to 26 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2017		1,250,000	7,564,478	8,814,478
Profit for the year		-	677,353	677,353
Total recognised income for 2017		-	677,353	677,353
Transactions with owners:				
Dividends	18	-	(90,000)	(90,000)
Balance at 31 December 2017		1,250,000	8,151,831	9,401,831
Profit for the year		-	1,097,924	1,097,924
Total recognised income for 2018		-	1,097,924	1,097,924
Transactions with owners:				
Dividends	18	-	(8,991,831)	(8,991,831)
Balance at 31 December 2018		1,250,000	257,924	1,507,924

The notes on pages 13 to 26 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2018 €	2017 €
Cash flows from operating activities			
Cash generated from operations	19	1,991,488	2,116,593
Interest received		1,125	605
Interest paid	15	(7,163)	(8,184)
Income tax paid		(242,120)	(744,698)
		1,743,330	1,364,316
Cash flows from investing activities			
Purchases of property, plant and equipment	3	(320,416)	(85,924)
		(320,416)	(85,924)
Cash flows from financing activities			
Dividends paid	18	(90,000)	(90,000)
		(90,000)	(90,000)
Net movement in cash and cash equivalents		1,332,914	1,188,392
Cash and cash equivalents at beginning of year		2,247,282	1,058,890
Cash and cash equivalents at end of year	7	3,580,196	2,247,282

The notes on pages 13 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 applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

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

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

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All other foreign exchange gains and losses are presented in the income statement within 'administrative expenses'.

1.3 Intangible assets

(a) Goodwill

Goodwill represents the excess of the consideration transferred over the fair value of the identifiable net assets acquired.

Goodwill is carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised using the straight-line method over its estimated useful life of 10 years. The useful life of goodwill is reviewed regularly and revised if necessary. At each reporting date the group assesses whether there is any indication of impairment. Impairment losses on goodwill are not reversed. Goodwill is allocated to a group of assets for the purpose of impairment testing.

(b) Other

Other intangible assets are carried at cost less accumulated amortisation. Other intangible assets are amortised using the straight-line method over their estimated useful life of 3 years.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

	%
IT Software and equipment	25
Freezers and equipment	20 - 25
Office furniture	10
Fixtures and fittings	10
Motor vehicles	20

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

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

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

1.5 Impairment of non-financial assets

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

1.6 Financial assets

1.6.1 Classification

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.1 Classification - continued

(a) Loans and receivables

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

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1.6.2 Recognition and measurement

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

After initial recognition, available-for-sale financial assets are subsequently carried at the lower of cost and fair value less costs to sell.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Under the cost model, any adjustment in order to measure the investment's carrying amount at the lower of cost and fair value less costs to sell, is recognised in profit or loss for the period.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.3 Impairment

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

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

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1.8.

1.7 Inventories

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

1.8 Trade and other receivables

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

1. Summary of significant accounting policies - continued

1.8 Trade and other receivables - continued

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (note 1.6.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1.9 Cash and cash equivalents

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

1.10 Share capital

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

1.11 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value, including transaction costs. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.13 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.14 Current and deferred tax

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

1. Summary of significant accounting policies - continued

1.14 Current and deferred tax - continued

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

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

1.15 Revenue recognition

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

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

(a) Sale of goods

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

(b) Interest income

Interest income is recognised on a time-proportion basis using the effective interest method.

(c) Dividend income

Dividend income is recognised when the right to receive payment is established.

1.16 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Intangible assets

	Goodwill €	Others €	Total €
At 1 January 2018			
Cost	156,054	700,000	856,054
Accumulated amortisation	(58,470)	(549,969)	(608,439)
Net book amount	97,584	150,031	247,615
Year ended 31 December 2018			
Opening net book amount	97,584	150,031	247,615
Amortisation charge	(15,605)	(150,031)	(165,636)
Closing net book amount	81,979	-	81,979
At 31 December 2018			
Cost	156,054	700,000	856,054
Accumulated amortisation	(74,075)	(700,000)	(774,075)
Net book amount	81,979	-	81,979

3. Property, plant and equipment

Group	IT software and equipment €	Fixture and fittings €	Office furniture €	Freezers and equipment €	Motor vehicles €	Total €
At 1 January 2018						
Cost	267,082	-	30,615	1,079,986	22,500	1,400,183
Accumulated depreciation	(231,943)	-	(15,118)	(901,359)	(18,000)	(1,166,420)
Net book amount	35,139	-	15,497	178,627	4,500	233,763
Year ended 31 December 2018						
Opening net book amount	35,139	-	15,497	178,627	4,500	233,763
Additions	16,011	10,529	107,837	186,039	-	320,416
Depreciation charge	(20,014)	-	(2,605)	(106,378)	(4,500)	(133,497)
Closing net book amount	31,136	10,529	120,729	258,288	-	420,682
At 31 December 2018						
Cost	283,093	10,529	138,452	1,266,025	22,500	1,720,599
Accumulated depreciation	(251,957)	-	(17,723)	(1,007,737)	(22,500)	(1,299,917)
Net book amount	31,136	10,529	120,729	258,288	-	420,682

During the year ended 31 December 2018, additions amounting to €121,089 were still not in use.

4. Available-for-sale financial assets

	€
Year ended 31 December 2018	
Opening and closing cost and net book amount	50

5. Inventories

	2018	2017
	€	€
Finished goods and goods for resale	2,188,766	2,287,829

Write-downs to net realisable value recognised as an expense are disclosed in note 12 to the financial statements. These amounts have been charged to profit or loss and are included within 'cost of sales' in the income statement.

6. Trade and other receivables

	2018	2017
	€	€
Trade receivables - net	4,503,209	4,135,963
Indirect taxation	248,366	181,583
Prepayments and accrued income	167,106	114,545
	4,918,681	4,432,091

7. Cash and cash equivalents

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

	2018	2017
	€	€
Cash at bank and in hand	3,580,196	2,247,282

8. Share capital

	2018	2017
	€	€
Authorised, issued and fully paid		
712,500 ordinary 'A' shares of €1 each	712,500	712,500
350,000 ordinary 'B' shares of €1 each	350,000	350,000
187,500 ordinary 'C' shares of €1 each	187,500	187,500
	1,250,000	1,250,000

The ordinary 'A' and 'B' shares carry full voting rights to dividends and surplus assets upon eventual liquidation. The ordinary 'C' shares do not carry any rights other than return on liquidation of the part amount of those shares.

9. Deferred tax assets

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2017: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% of the transfer value.

The movement on the deferred tax account is as follows:

	2018	2017
	€	€
At beginning of year	259,519	300,348
<i>Recognised directly in profit or loss</i>		
Deferred income taxes on temporary differences arising on property, plant and equipment (note 16)	(32,266)	(40,829)
At end of year	227,253	259,519

The balance at 31 December represents:

	2018	2017
	€	€
Temporary differences arising on property, plant and equipment	52,253	84,519
Temporary differences arising on provisions for impairment of trade receivables	175,000	175,000
	227,253	259,519

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

10. Trade and other payables

	2018 €	2017 €
Trade payables	494,436	238,584
Amounts due to parent company	5,074,044	-
Amounts owed to group company	1,938	67,025
Amounts due to shareholders	3,827,787	-
Accruals and deferred income	724,370	536,961
	10,122,575	842,570

Amounts due to parent company, group company and shareholders are unsecured, interest free and repayable on demand.

11. Revenue

All the company's revenue was derived from the sale of food products together with the provision of other ancillary services, in the local market.

	2018 €	2017 €
Sale of goods	21,452,845	19,681,627

12. Profit

Profit is stated after charging/(crediting) the following:

	2018 €	2017 €
Amortisation of intangible assets (note 2)	165,636	165,590
Depreciation on property, plant and equipment (note 3)	133,497	99,546
Employee benefit expense (note 14)	2,012,312	1,814,933
Write-down in value of inventories	(71,565)	(233,688)
	(71,565)	(233,688)

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	2018 €	2017 €
Annual statutory audit	9,750	8,500

13. Employee benefit expense

	2018 €	2017 €
Wages and salaries	1,929,375	1,740,364
Social security costs	82,937	74,569
	2,012,312	1,814,933

The average number of persons employed by the company during the financial reporting period was:

	2018	2017
Direct	41	39
Administration	30	28
	71	67

14. Other operating income

Other operating income includes:

	2018 €	2017 €
Marketing contributions	392,038	437,504
Dividend income	10,482	12,174
	402,520	449,678

15. Finance costs

	2018 €	2017 €
Bank charges	7,030	7,341
Bank interest	133	843
	7,163	8,184

16. Tax expense

	2018 €	2017 €
Current tax expense	565,480	326,568
Deferred tax expense (note 9)	32,266	40,829
	597,746	367,397

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

	2018 €	2017 €
Profit before tax	1,695,670	1,044,750
Tax on profit at 35%	593,485	365,663
Tax effect of:		
Income subject to tax at 15%	(225)	(121)
Depreciation on non-qualifying assets	5,473	5,456
Disallowed expenses for tax purpose	705	613
Unrecognised deferred tax in prior years	1,977	-
Income not subject to tax	(3,669)	(4,261)
Under provision in prior year	-	47
Tax expense	597,746	367,397

17. Directors' emoluments

	2018 €	2017 €
Salaries and other emoluments	380,028	376,890

18. Dividends

	2018 €	2017 €
Gross dividends paid or declared on ordinary shares	13,833,313	138,321
Tax at source	(4,841,482)	(48,321)
Net	8,991,831	90,000
Dividends per share	7.19	0.07

19. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2018	2017
	€	€
Operating profit	1,701,708	1,052,329
Adjustments for:		
Amortisation of intangible assets (note 2)	165,636	165,590
Depreciation of property, plant and equipment (note 3)	133,497	99,546
Changes in working capital:		
Inventories	99,063	495,105
Trade and other receivables	(486,590)	180,352
Trade and other payables	378,174	123,671
Cash generated from operations	1,991,488	2,116,593

20. Commitments

As at 31 December 2018, the company had purchased forward contracts which will be settled on a date in 2019 amounting to €2,185,447 (2017: €2,488,965).

21. Related party transactions

M&Z (Marketing) Limited forms part of M&Z Group. M&Z Group Limited and its subsidiaries are considered by the directors to be related parties of M&Z (Marketing) Limited. Due to common shareholding, PSC Limited and its subsidiary are also considered to be related parties of M&Z (Marketing) Limited.

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

	2018	2017
	€	€
Purchases and services:		
- Other related parties	2,945,803	2,754,243

Year-end balances owed to fellow subsidiaries and other related parties, arising principally from sales and purchases transactions, are disclosed in note 10 to these financial statements.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 17.

22. Events after the reporting period

On 5 August 2019, one of the company's shareholders has sold its shareholding to the remaining shareholders.

23. Statutory information

M&Z (Marketing) Limited is a limited liability company and is incorporated in Malta.

The parent company of M&Z (Marketing) Limited is M&Z Group Limited, a company registered in Malta, with its registered address at 93, Mill Street, Qormi, QRM 3102, Malta.

The ultimate controlling party is Mr. Paul S. Camilleri and his immediate family.