

M&Z (MARKETING) LIMITED

Annual Report and Financial Statements  
31 December 2019

M&Z (MARKETING) LIMITED  
Annual Report and Financial Statements - 31 December 2019

---

	<b>Pages</b>
Directors' report	1 - 5
Independent auditor's report	6 - 9
Statement of financial position	10
Income statement	11
Statement of changes in equity	12
Statement of cash flows	13
Notes to the financial statements	14 - 29

## **Directors' report**

The directors present their report and the audited financial statements for the year ended 31 December 2019.

### **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 remains on course to deliver stable and consistent year-on-year growth amidst increasingly difficult market conditions not least from the pressures from ongoing dominance of organized retail groups and the relentless advance of the Hard Discounters' encroachment on the traditional Grocery sector which still accounts for most of the Company's business.

The change in consumer trends and shopping preferences including also the emergence of on-line shopping is bringing about more concentration in market-play and inevitably more margin compression and increased costs in securing and maintaining reasonable market presence. Clearly the challenges call for even more efficiencies and synergies and how we manage operational costs in maximizing on resources. For this reason, a decision was taken to merge the Storage & Distribution functions previously carried out by Micallef & Zammit Limited into the Company effective as from 1 January 2020.

At time of writing this Company analysis and with the benefit of hindsight - the Directors are pleased to announce that the transition and execution of this very important integration was seamless and is already delivering benefits that the Company was aspiring for at minimal costs of completion – other than that this has brought about a restructuring in shareholding of M&Z (Marketing) Limited to the effect that the M&Z Group Limited now holds 80% and Vadala Company Limited – the remaining 20%.

Aside from this important development - the Company remains resolute in its strategy to identify and bolt-on sensible acquisitions as the strategy has contributed to delivering consolidation and increasing market-reach. The process that was started in 2007 when a merger of the Unilever foods business had taken root – in 2014 the Company took over the entire business of Edible Oil Group including the distribution of Algida, Ben & Jerry's and other key brands – in 2016 the Company took over the business of V&F Portelli in line to further diversify its business portfolio – the Directors are looking for realistic opportunities in bringing on board other businesses that fit the profile and is actively committed to broadening its interests in diversifying product offering and services.

The Company is actively pursuing the process of strengthening its Management structure with definite plans to extend the Board from five to nine Directors including two non-executive directors from outside the Company in its quest to bring on even more transparency and governance. This is also part of and in tandem with plans to shore up its strengths as Paul Camilleri who has devoted more than fifty years in developing the Business will be stepping down as Managing Director as of 1 January 2021 instead taking a more consultative, less intense role as one of the Directors of the Company. The Board of Directors is in the process of appointing an external CEO to drive the management forward.

## **Directors' report** - continued

### **Review of business** - continued

#### *COVID effect*

Also, with the benefit of hindsight the Company feels duty bound to give some insight on the impact this has had on its business in 2020. In common with the rest of the market - the Company has taken a hit on its business to the extent that its historic Year on Year growth has to some extent inevitably stalled mostly because of its exposure to HORECA and the pull-back of the economy at large caused by the sharp reduction in tourist arrivals, the repatriation of about 15,000 relatively young consumers that have inevitably impacted on business as a whole and brought about a contraction in consumption and purchasing-power.

The Company is nevertheless managing the crisis by banking onto its diversified brand portfolio to mostly make good for the impairment on its business and is proud to report that conscious of its corporate responsibility the Company has so far managed to navigate and is hoping to climb over current difficult market conditions from these extraordinary times without having to tap into or depend on Government support in sustaining its staff complement and remains up to date in full compliance of its fiscal obligations.

### **Financial performance**

Revenue for the company for the year ended 31 December 2019 amounts to €22,123,184 (2018: €21,452,845). Gross profit during the year amounted to €7,461,975 (2018: €6,603,615) representing a 34% (2018: 31%) gross profit margin.

After taking into consideration distribution expenses and administrative costs of €3,812,057 (2018: €3,546,397) and €2,008,613 (2018: €1,758,030) respectively, the company registered an EBITDA of €2,449,440 (2018: €2,000,841).

### **Events after the reporting period**

Since early 2020, the COVID-19 outbreak across the world has caused disruption to business and economic activity and may ultimately impact the Company's future performance and asset values. The scale and duration of these developments remain uncertain but could impact the Company's earnings, cash flow and financial position. Although, to date, the Company has not seen a material impact on its operations due to this crisis, COVID-19 could lead to reduced gross inflows and therefore reduced future revenues and future cash flows. The directors have assessed the reserves and financing available to the Company and are confident that these are adequate to support the Company in the foreseeable future.

Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact. Notwithstanding this, the directors support the preparation of the financial statements on a going concern basis and are confident that the company is able to operate within the next year.

### **Results and dividends**

The income statement is set out on page 11. The directors have paid a net interim dividend of €90,000 (2018: €90,000) and declared a net final dividend of €1,550,389 (2018: €8,901,831).

### **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.

## Directors' report - continued

### Financial risk management - continued

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.

#### *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 2019 and 2018, receivables, payables and bank balances denominated in GBP, USD and DKK amounted to:

	2019	2018
	€	€
USD		
Trade receivables	-	6,183
Trade payables	<b>54,981</b>	1,839
Bank balances	<b>37,068</b>	288,438
DKK		
Bank balances	-	239
GBP		
Trade receivables	-	116,979
Trade payables	<b>148,496</b>	26,227
Bank balances	<b>266,384</b>	955,714

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 (2018: €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:

	2019 €	2018 €
Trade and other receivables (note 6)	5,553,758	4,751,575
Cash and cash equivalents (note 7)	2,727,545	3,580,196
	<b>8,281,303</b>	<b>8,331,771</b>

#### *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.

### 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 2019 are included in the Annual Report 2019, 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 2020



## *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 2019, 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 10 to 29, comprise:

- the statement of financial position as at 31 December 2019;
- 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. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers and the disruption to its business and the overall economy.
- 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.

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

**PricewaterhouseCoopers**

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

A handwritten signature in blue ink, appearing to read 'D. Valenzia', is written over the printed name and title of the signatory.

David Valenzia  
Partner

31 October 2020

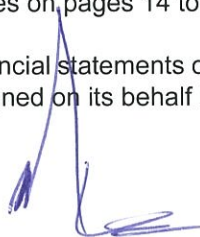


## Statement of financial position

		As at 31 December	
		2019	2018
		€	€
ASSETS	Notes		
<b>Non-current assets</b>			
Intangible assets	2	66,374	81,979
Property, plant and equipment	3	470,165	420,682
Deferred tax assets	9	229,453	227,253
Available-for-sale financial assets	4	50	50
Total non-current assets		766,042	729,964
<b>Current assets</b>			
Inventories	5	2,645,076	2,188,766
Trade and other receivables	6	5,941,696	4,918,681
Current tax assets		-	212,892
Cash and cash equivalents	7	2,727,545	3,580,196
Total current assets		11,314,317	10,900,535
<b>Total assets</b>		12,080,359	11,630,499
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Share capital	8	1,250,000	1,250,000
Retained earnings		-	257,924
<b>Total equity</b>		1,250,000	1,507,924
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	10	10,397,484	10,122,575
Current tax liabilities		432,875	-
<b>Total liabilities</b>		10,830,359	10,122,575
<b>Total equity and liabilities</b>		12,080,359	11,630,499

The notes on pages 14 to 29 are an integral part of these financial statements.

The financial statements on pages 10 to 29 were authorised for issue by the board on 31 October 2020 and were signed on its behalf by:



Paul S. Camilleri  
Director



Thomas Agius Vadala  
Director

## Income statement

	Notes	Year ended 31 December	
		2019 €	2018 €
Revenue	11	22,123,184	21,452,845
Cost of sales		(14,661,209)	(14,849,230)
<b>Gross profit</b>		<b>7,461,975</b>	6,603,615
Distribution costs		(3,812,057)	(3,546,397)
Administrative expenses		(2,008,613)	(1,758,030)
Other operating income - net	14	502,020	402,520
<b>Operating profit</b>		<b>2,143,325</b>	1,701,708
Finance income		716	1,125
Finance costs	15	(8,283)	(7,163)
<b>Profit before tax</b>		<b>2,135,758</b>	1,695,670
Tax expense	16	(753,293)	(597,746)
<b>Profit for the year</b>		<b>1,382,465</b>	1,097,924

The notes on pages 14 to 29 are an integral part of these financial statements.

## Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2018		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
Balance at 1 January 2019		1,250,000	257,924	1,507,924
Profit for the year		-	1,382,465	1,382,465
Total recognised income for 2019		-	1,382,465	1,382,465
Transactions with owners: Dividends	18	-	(1,640,389)	(1,640,389)
<b>Balance at 31 December 2019</b>		<b>1,250,000</b>	<b>-</b>	<b>1,250,000</b>

The notes on pages 14 to 29 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2019 €	2018 €
<b>Cash flows from operating activities</b>			
Cash (used in)/generated from operations	19	(293,799)	1,991,488
Interest received		716	1,125
Interest paid	15	(8,283)	(7,163)
Income tax paid		(109,897)	(242,120)
		(411,263)	1,743,330
<b>Net cash (used in )/generated from operating activities</b>			
 <b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment	3	(351,388)	(320,416)
		(351,388)	(320,416)
<b>Net cash used in investing activities</b>			
 <b>Cash flows from financing activities</b>			
Dividends paid	18	(90,000)	(90,000)
		(90,000)	(90,000)
<b>Net cash used in financing activities</b>			
		(852,651)	1,332,914
<b>Net movement in cash and cash equivalents</b>			
		(852,651)	1,332,914
<b>Cash and cash equivalents at beginning of year</b>		3,580,196	2,247,282
<b>Cash and cash equivalents at end of year</b>	7	2,727,545	3,580,196

The notes on pages 14 to 29 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 company 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 financial 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.

**1.6.3 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:

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

**1.6 Financial assets - continued**

**1.6.3 Impairment - continued**

- 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.

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. Summary of significant accounting policies - continued**

**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 €
<b>At 1 January 2018</b>			
Cost	156,054	700,000	856,054
Accumulated amortisation	(58,470)	(549,969)	(608,439)
Net book amount	97,584	150,031	247,615
<b>Year ended 31 December 2018</b>			
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
<b>At 31 December 2018</b>			
Cost	156,054	700,000	856,054
Accumulated amortisation	(74,075)	(700,000)	(774,075)
Net book amount	81,979	-	81,979
<b>Year ended 31 December 2019</b>			
Opening net book amount	81,979	-	81,979
Amortisation charge	(15,605)	-	(15,605)
Closing net book amount	66,374	-	66,374
<b>At 31 December 2019</b>			
Cost	156,054	700,000	856,054
Accumulated amortisation	(89,680)	(700,000)	(789,680)
Net book amount	66,374	-	66,374

**3. Property, plant and equipment**

	IT software and equipment €	Fixture and fittings €	Office furniture €	Freezers and equipment €	Motor vehicles €	Total €
<b>At 1 January 2018</b>						
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
<b>Year ended 31 December 2018</b>						
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
<b>At 31 December 2018</b>						
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
<b>Year ended 31 December 2019</b>						
Opening net book amount	31,136	10,529	120,729	258,288	-	420,682
Additions	60,673	15,906	126,997	126,442	21,370	351,388
Disposals	-	-	(27,763)	(730,740)	-	(758,503)
Depreciation charge	(25,975)	(1,763)	(23,473)	(235,025)	(4,274)	(290,510)
Depreciation released on Disposal	-	-	16,368	730,740	-	747,108
Closing net book amount	65,834	24,672	212,858	149,705	17,096	470,165
<b>At 31 December 2019</b>						
Cost	343,766	26,435	237,686	661,727	43,870	1,313,484
Accumulated depreciation	(277,932)	(1,763)	(24,828)	(512,022)	(26,774)	(843,319)
Net book amount	65,834	24,672	212,858	149,705	17,096	470,165

**4. Available-for-sale financial assets**

	<b>€</b>
<b>Year ended 31 December 2019 and 2018</b>	
Opening and closing cost and net book amount	<b>50</b>

**5. Inventories**

	<b>2019</b>	2018
	<b>€</b>	<b>€</b>
Finished goods and goods for resale	<b>2,645,076</b>	2,188,766

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**

	<b>2019</b>	2018
	<b>€</b>	<b>€</b>
Trade receivables - net	<b>5,338,674</b>	4,503,209
Indirect taxation	<b>215,084</b>	248,366
Prepayments and accrued income	<b>387,938</b>	167,106
	<b>5,941,696</b>	4,918,681

**7. Cash and cash equivalents**

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

	<b>2019</b>	2018
	<b>€</b>	<b>€</b>
Cash at bank and in hand	<b>2,727,545</b>	3,580,196



**8. Share capital**

	2019	2018
	€	€
<b>Authorised, issued and fully paid</b>		
712,500 ordinary 'A' shares of €1 each	<b>712,500</b>	712,500
350,000 ordinary 'B' shares of €1 each	<b>350,000</b>	350,000
187,500 ordinary 'C' shares of €1 each	<b>187,500</b>	187,500
	<b>1,250,000</b>	1,250,000

The ordinary 'A' and 'B' shares carry full voting rights to dividends and surplus assets upon eventual liquidation. Until 5 August 2019, the ordinary 'C' shares did not carry any voting rights.

On 5 August 2019, the shareholders entered into a Share Purchase Agreement whereby the holder of ordinary "C" shares transferred its shareholding to holders of ordinary "A" shares and ordinary "B" shares. Upon transfer, the ordinary "C" shares were converted into shares of the same class of shares held by the transferees immediately preceding the transfer, without the need of further formalities save those required by the Act.

**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% (2018: 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:

	2019	2018
	€	€
At beginning of year	<b>227,253</b>	259,519
<i>Recognised directly in profit or loss</i>		
Deferred income taxes on temporary differences arising on property, plant and equipment (note 16)	<b>2,200</b>	(32,266)
<b>At end of year</b>	<b>229,453</b>	227,253

**9. Deferred tax assets - continued**

The balance at 31 December represents:

	2019	2018
	€	€
Temporary differences arising on property, plant and equipment	54,453	52,253
Temporary differences arising on provisions for impairment of trade receivables	175,000	175,000
	229,453	227,253

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

**10. Trade and other payables**

	2019	2018
	€	€
Trade payables	546,961	494,436
Amounts due to parent company	5,499,213	5,074,044
Amounts owed to group company	-	1,938
Amounts owed to fellow subsidiaries	857,219	-
Amounts due to shareholders	2,702,733	3,827,787
Accruals and deferred income	791,358	724,370
	10,397,484	10,122,575

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.

	2019	2018
	€	€
Sale of goods	22,123,184	21,452,845

**12. Profit**

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

	2019	2018
	€	€
Amortisation of intangible assets (note 2)	15,605	165,636
Depreciation on property, plant and equipment (note 3)	290,510	133,497
Employee benefit expense (note 13)	2,256,057	2,012,312
Write-down in value of inventories	-	(71,565)
	-	-

*Auditor's fees*

Fees charged by the auditor for services rendered during the financial years ended 31 December 2019 and 2018 relate to the following:

	2019	2018
	€	€
Annual statutory audit	10,250	9,750
	10,250	9,750

**13. Employee benefit expense**

	2019	2018
	€	€
Wages and salaries	2,163,672	1,929,375
Social security costs	92,385	82,937
	2,256,057	2,012,312

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

	2019	2018
Direct	49	41
Administration	30	30
	79	71

**14. Other operating income - net**

Other operating income includes:

	2019 €	2018 €
Marketing contributions	503,939	392,038
Dividend income	9,331	10,482
Loss from disposal of property, plant and equipment	(11,250)	-
	502,020	402,520

**15. Finance costs**

	2019 €	2018 €
Bank charges	7,241	7,030
Bank interest	1,042	133
	8,283	7,163

**16. Tax expense**

	2019 €	2018 €
Current tax expense	755,493	565,480
Deferred tax (credit)/expense (note 9)	(2,200)	32,266
	753,293	597,746

**16. Tax expense - continued**

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

	2019 €	2018 €
Profit before tax	<b>2,135,758</b>	1,695,670
Tax on profit at 35%	<b>747,515</b>	593,485
Tax effect of:		
Income subject to tax at 15%	(144)	(225)
Depreciation on non-qualifying assets	9,971	5,473
Disallowed expenses for tax purpose	54	705
Unrecognised deferred tax in prior years	42,137	1,977
Income not subject to tax	(3,266)	(3,669)
Under provision of current tax in prior year	396	-
Other differences	(43,370)	-
Tax expense	<b>753,293</b>	597,746

**17. Directors' emoluments**

	2019 €	2018 €
Salaries and other emoluments	<b>379,464</b>	380,028

**18. Dividends**

	2019 €	2018 €
Gross dividends paid or declared on ordinary shares	<b>2,523,675</b>	13,833,313
Tax at source	(883,286)	(4,841,482)
Net	<b>1,640,389</b>	8,991,831
Dividends per share	<b>1.31</b>	7.19

**19. Cash (used in)/generated from operations**

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

	<b>2019</b>	<b>2018</b>
	€	€
Operating profit	<b>2,143,640</b>	1,701,708
Adjustments for:		
Amortisation of intangible assets (note 2)	<b>15,605</b>	165,636
Depreciation of property, plant and equipment (note 3)	<b>290,510</b>	133,497
Loss on disposal of property, plant and equipment	<b>11,250</b>	-
Changes in working capital:		
Inventories	<b>(456,310)</b>	99,063
Trade and other receivables	<b>(1,023,014)</b>	(486,590)
Trade and other payables	<b>(1,275,480)</b>	378,174
Cash (used in)/generated from operations	<b>(293,799)</b>	1,991,488

**20. Commitments**

As at 31 December 2019, the company had purchased forward contracts which will be settled on a date in 2020 amounting to €4,670,069 (2018: €2,185,447).

**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:

	<b>2019</b>	<b>2018</b>
	€	€
<b>Purchases and services:</b>		
- Other related parties	<b>3,117,211</b>	2,945,803

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**

Since early 2020, the COVID-19 outbreak across the world has caused disruption to business and economic activity and may ultimately impact the Company's future performance and asset values. The scale and duration of these developments remain uncertain but could impact the Company's earnings, cash flow and financial position. Although, to date, the Company has not seen a material impact on its operations due to this crisis, COVID-19 could lead to reduced gross inflows and therefore reduced future revenues and future cash flows. The directors have assessed the reserves and financing available to the Company and are confident that these are adequate to support the Company in the foreseeable future.

Given the inherent uncertainties, it is not practicable at this time to determine the impact of COVID-19 on the Company or to provide a quantitative estimate of this impact. Notwithstanding this, the directors support the preparation of the financial statements on a going concern basis and are confident that the Company is able to operate within the next year.

**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.

