

M&Z (MARKETING) LIMITED

Annual Report and Financial Statements
31 December 2020

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2020.

Principal activities

The principal activity of the Company, which is unchanged since last year, is the importation and distribution of food stuffs and pharmaceutical non-medical products.

As part of its policy for ongoing diversification the Company has considerably increased its presence in the Pharma (non-medical) sector and in so doing it has succeeded in reducing its historic dependence on the distribution of FMCG Food products at a time when the traditional grocery market is under increased margin compression from the strength of major retail players.

Review of the business

In common with the business sector in general the Company faced extraordinary challenges as a direct consequence of COVID-19 following the effective closure of the Food Service sector which brought about not only loss of revenue and return but also stock value impairment that was dedicated for HORECA.

In spite of the significant contraction on that side of the Business the Company managed to recover a significant part of the loss in Sales from increased business in Grocery and Pharma to close the year down a mere 2.23% on 2019.

The containment was achieved by the retention of key staff mostly working remotely who succeeded in generating even better results from products that were relatively unscathed by the pandemic and by the on-boarding of new and established products which effectively made up for the inevitable loss of Business from consumer leisure and outdoor activities that was also hard-hit by the sharp fall in tourist numbers.

On a matter of principle and as part of its social responsibility the Company remained resolute in declining offers from Government on employee wage supplements and other incentives and by way of tax deferrals and other means of support and the Company is proud to report that none of the benefits were in any way availed of.

The limbo-effect on the Company's activities in 2020 aptly served to free up time and resource for the consolidation of all the Storage and Distribution functions under M&Z (Marketing) Limited in anticipation of further, planned rationalization process under M&Z Plc., in 2021.

Based on the advances that have been made by the broader distribution of vaccines, the Company remains on course to deliver stable yet realistic growth for most parts of the business amid challenging market conditions although clearly this remains hugely dependent on the effectiveness of the vaccination program and more specifically on the ultimate cost effects from Brexit.

The Company is concerned about the apparent lack of preparedness of UK exporters to Brexit as this will inevitably lead to supply shortages and the potential of increased tariff costs.

The Company is also preparing for significant inflationary pressures on global raw materials and services not least freight costs that will inevitably have a bearing on the business community and ultimately the consumer at large, as added costs are gradually passed on.

Directors' report - continued

Review of business - continued

The proliferation of hard discounters and organized retail groups on the traditional grocery market is also weighing on revenue and bottom line and therefore the Company continues to pursue opportunities for bolt-on acquisitions in its drive to reduce its reliance on retail grocery to other sectors with upside potential in the sectors where it sees good prospects for tangible growth.

The Company is also looking to extend its reach abroad and has appointed David Leach for the role of CEO as from the 1st of January 2021 specifically tasked with identifying and developing opportunities in expanding the Company's business in other markets. David Leach held the position of Director with Unilever for many years heading up a unit specifically involved in the promotion of Business and has extensive experience in identifying opportunities and developing niche markets.

The Company has strengthened Management structure having increased the Board from five to nine Directors including two Non-Executive Directors with vast experience in Treasury and Finance – as of the 1st of January 2021 Paul Camilleri has stepped down from Managing Director and will continue to assist the Company as Board Director.

Financial performance

Revenue for the company for the year ended 31 December 2020 amounts to €21,630,742 (2019: €22,123,184). Gross profit during the year amounted to €4,673,808 (2019: €4,863,871) representing a 22% (2019: 22%) gross profit margin.

After taking into consideration distribution expenses and administrative costs of €1,133,445 (2019: €3,812,057) and €3,625,539 (2019: €2,008,613) respectively, the company registered an EBITDA of €3,027,162 (2019: €2,449,440).

Events after the reporting period

Brexit developments

Brexit is still one of the main risks of the trading operations of the Company. The agreement between the EU and UK on the new partnership sets out the new rules that apply as of 1 January 2021. The trade in goods and services is one of the areas covered in the agreement. Even though significant preparations had been made by the Company to prepare for and mitigate the impact of Brexit, the full impact on the supply chains of which it is a part will not be known until later in 2021.

Increase in share capital

Additional share capital of 4,142,203 shares having a nominal value of €1 each have been allotted to M&Z Group on 20 May 2021.

Results and dividends

The statement of comprehensive income is set out on page 13. The directors have paid a net interim dividend of €1,200,000 (2019: €90,000) and declared a net final dividend of €nil (2019: €1,550,389).

Directors' report - continued

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
Ms. Greta Camilleri (appointed on 27 November 2020)
Mr. Charles J. Farrugia (appointed on 27 November 2020)
Ms. Emma Pullicino (appointed on 27 November 2020)
Mr. Kevin Rapinett (appointed on 27 November 2020)

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

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 International Financial Reporting Standards ('IFRSs') as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.

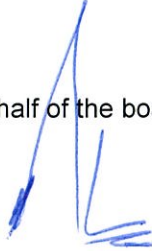
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies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

Directors' report - continued

Auditors

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

On behalf of the board



Paul S. Camilleri
Director

MMGH Complex,
Industrial Estate,
Marsa MRS 3000
Malta

2 August 2021



Thomas Agius Vadala
Director





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:

- The financial statements give a true and fair view of the company's financial position of M&Z (Marketing) Limited as at 31 December 2020, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

M&Z (Marketing) Limited's financial statements, set out on pages 11 to 48, comprise:

- the statement of financial position as at 31 December 2020;
- the income statement for the year then ended;
- the statement of changes in equity for the year then ended;
- the cash flow statement for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.



Independent auditor's report - continued

To the Shareholders of 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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

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

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

Those charged with governance are responsible for overseeing the company's financial reporting process.



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



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 4) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.</p>	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">• 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the Other information section.</p>



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

Report on other legal and regulatory requirements

Area of the Annual Report and Financial Statements 2020 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.• the financial statements are not in agreement with the accounting records and returns.• we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of M&Z (Marketing) Limited

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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

A handwritten signature in black ink, appearing to read 'Stefan Bonello', with a stylized flourish at the end.

Stefan Bonello
Partner

2 August 2021

Statement of financial position


	Notes	As at 31 December			As at 1 January
		2020 €	2019 (restated) €	2018 (restated) €	2018 (restated) €
ASSETS					
Non-current assets					
Intangible assets	5	156,054	156,054	156,054	306,085
Property, plant and equipment	6	1,490,027	1,630,244	1,652,480	1,579,533
Right-of-use assets	7	2,153,313	2,398,635	1,298,173	1,433,635
Deferred tax assets	14	210,975	29,173	56,968	131,123
Equity instruments at fair value through other comprehensive income	8	50	50	50	50
Total non-current assets		4,010,419	4,214,156	3,163,725	3,450,426
Current assets					
Inventories	9	2,498,500	2,645,076	2,188,766	2,287,829
Trade and other receivables	10	5,104,329	6,123,067	5,281,726	4,694,798
Current tax assets		-	-	-	354,037
Cash and cash equivalents	11	1,073,183	3,696,079	4,430,007	2,327,016
Total current assets		8,676,012	12,464,222	11,900,499	9,663,680
Total assets		12,686,431	16,678,378	15,064,224	13,114,106


Statement of financial position - continued

	Notes	As at 31 December			As at 1 January
		2020 €	2019 (restated) €	2018 (restated) €	2018 (restated) €
EQUITY AND LIABILITIES					
Equity					
Ordinary share capital	12	6,401,557	1,250,000	1,250,000	1,250,000
Preference share capital	12	1,500,000	-	-	-
Advances for shares to be issued	26	4,142,203	-	-	-
Other reserve	13	(5,082,797)	469,419	469,419	469,419
Retained earnings		1,311,821	1,051,540	847,413	8,165,501
Total equity		8,272,784	2,770,959	2,566,832	9,884,920
LIABILITIES					
Non-current liabilities					
Lease liabilities	15	2,022,762	2,231,838	1,234,134	1,354,913
Total non-current liabilities		2,022,762	2,231,838	1,234,134	1,354,913
Current liabilities					
Borrowings	16	-	1,082,806	962,296	490,384
Lease liabilities	15	209,076	200,403	120,779	109,286
Trade and other payables	17	1,862,832	9,619,169	10,166,260	1,274,603
Current tax liabilities		318,977	773,203	13,923	-
Total current liabilities		2,390,885	11,675,581	11,263,258	1,874,273
Total liabilities		4,413,647	13,907,491	12,497,392	3,229,186
Total equity and liabilities		12,686,431	16,678,378	15,064,224	13,114,106

The notes on pages 17 to 48 are an integral part of these financial statements.

The financial statements on pages 11 to 48 were authorised for issue by the board on 2 August 2021 and were signed on its behalf by:


Paul S. Camilleri
Director


Thomas Agius Vadala
Director

Statement of comprehensive income

		Year ended 31 December		
		2020	2019	2018
		€	(restated) €	(restated) €
	Notes			
Revenue	18	21,630,742	22,123,184	21,452,845
Cost of sales	19	(16,956,934)	(17,259,313)	(17,060,549)
Gross profit		4,673,808	4,863,871	4,392,296
Administrative expenses	19	(2,295,199)	(1,862,408)	(1,751,949)
Other operating income/(losses) - net	21	7,267	(8,583)	11,286
Operating profit		2,385,876	2,992,880	2,651,633
Finance income		266	716	1,125
Finance costs	22	(109,481)	(123,216)	(84,543)
Profit before tax		2,276,661	2,870,380	2,568,215
Tax expense	23	(816,380)	(1,025,864)	(894,472)
Profit for the year – total comprehensive income		1,460,281	1,844,516	1,673,743

The notes on pages 17 to 48 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Ordinary share capital €	Preference share capital €	Retained earnings €	Other reserves €	Total €
Balance at 1 January 2018 as previously reported		1,250,000	-	8,057,331	-	9,307,331
Impact on reorganisation	26	-	-	-	469,419	469,419
Reversal of goodwill						
Amortisation	2	-	-	58,470	-	58,470
IFRS 9 adjustment	2	-	-	240,409	-	240,409
IFRS 16 adjustment	2	-	-	(106,566)	-	(106,566)
Tax impact thereon	2	-	-	(84,143)	-	(84,143)
		-	-	108,170	-	108,170
Balance at 1 January 2018 as restated		1,250,000	-	8,165,501	469,419	9,884,920
Profit for the year		-	-	1,673,743	-	1,673,743
Total comprehensive income		-	-	1,673,743	-	1,673,743
Transactions with owners: Dividends	25	-	-	(8,991,831)	-	(8,991,831)
Balance at 31 December 2018		1,250,000	-	847,413	469,419	2,566,832
Balance at 1 January 2019		1,250,000	-	847,413	469,419	2,566,832
Profit for the year		-	-	1,844,516	-	1,844,516
Total comprehensive income		-	-	1,844,516	-	1,844,516
Transactions with owners: Dividends	25	-	-	(1,640,389)	-	(1,640,389)
Balance at 31 December 2019		1,250,000	-	1,051,540	469,419	2,770,959

Statement of changes in equity - continued

	Notes	Ordinary share capital €	Preference share capital €	Retained earnings €	Advances for shares to be issued €	Other reserves €	Total €
Balance at 1 January 2020		1,250,000	-	1,051,540	-	469,419	2,770,959
Impact on reorganisation	26	-	-	-	4,142,203	(5,552,216)	(1,410,013)
Profit for the year		-	-	1,460,281	-	-	1,460,281
Total comprehensive income		-	-	1,460,281	-	-	1,460,281
Transactions with owners:							
Issue of share capital	12	5,151,557	1,500,000	-	-	-	6,651,557
Dividends	25	-	-	(1,200,000)	-	-	(1,200,000)
Total transactions with owners		5,151,557	1,500,000	(1,200,000)	-	-	5,451,557
Balance at 31 December 2020		6,401,557	1,500,000	1,311,821	4,142,203	(5,082,797)	8,272,784

The notes on pages 17 to 48 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December		
		2020 €	2019 €	2018 €
Cash flows from operating activities				
Cash generated from operations	27	2,357,281	407,528	2,880,534
Interest received		266	716	1,125
Interest paid	22	(15,049)	(33,478)	(27,605)
Income tax paid		(994,728)	(238,789)	(452,357)
Net cash generated from operating activities		1,347,770	135,977	2,401,697
Cash flows from investing activities				
Purchases of property, plant and equipment	6	(347,218)	(569,686)	(514,394)
Net cash used in investing activities		(347,218)	(569,686)	(514,394)
Cash flows from financing activities				
Payments of lease liabilities	15	(294,835)	(330,729)	(166,224)
Dividends paid		(1,200,000)	(90,000)	(90,000)
Net cash used in financing activities		(1,494,835)	(420,729)	(256,224)
Net movement in cash and cash equivalents		(494,283)	(854,438)	1,631,079
Impact on reorganisation	26	(1,160,079)	-	-
Cash and cash equivalents not included in acquisition		114,272	-	-
Cash and cash equivalents at beginning of year		2,613,273	3,467,711	1,836,632
Cash and cash equivalents at end of year	11	1,073,183	2,613,273	3,467,711

The notes on pages 17 to 48 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 International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). The Company adopted IFRSs during the year ended 31 December 2020, with a date of transition to IFRS of 1 January 2018. The prior year financial statements for the year ended 31 December 2018 were prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 (GAPSME). GAPSME differs in certain respects from IFRSs as adopted by the EU. When preparing M&Z (Marketing) Limited's 2020 financial statements, management amended certain accounting and valuation methods applied in the GAPSME financial statements to comply with IFRSs as adopted by the EU. The comparative figures were restated to reflect these adjustments. Reconciliations and descriptions of the effect of the transition from GAPSME to IFRSs as adopted by the EU on the Company's equity and its profit are given in Note 2.

During 2020, the Company acquired the operational assets and storage and distribution operations of Micallef and Zammit Limited, as a transfer of a going concern, with the objective of increasing efficiencies and synergies, be more cost effective and enhance business growth. Micallef and Zammit Limited is the Company's fellow subsidiary, which is also ultimately owned by M&Z Group Limited.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from its financial statements.

No goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity as a separate reserve.

In order to provide more meaningful information, the acquired entity's results are incorporated into the financial statements of the Company as if both entities had always been combined, with the result that the financial statements of the surviving company reflect both entities' full year's results even though the business combination may have occurred part way through the year.

These financial statements have been prepared under the historical cost convention as modified by the fair valuation of equity instruments at fair value through other comprehensive income.

Since early 2020, the COVID-19 outbreak across the world has caused disruption to business and economic activity. In common with the business sector in general the Company faced extraordinary challenges as a direct consequence of COVID-19 following the effective closure of the Food Service sector which brought about not only loss of revenue and return but also stock value impairment that was dedicated for HORECA.

In spite of the significant contraction on that side of the business the Company managed to recover a significant part of the loss in Sales from increased business in Grocery and Pharma to close the year down a mere 2.23% on 2019.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The containment was achieved by the retention of key staff mostly working remotely who succeeded in generating even better results from products that were relatively unscathed by the pandemic and by the on-boarding of new and established products which effectively made up for the inevitable loss of business from consumer leisure and outdoor activities that was also hard-hit by the sharp fall in Tourist numbers. 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.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgement in the process of applying the Company's accounting policies (see Note 4 – Critical accounting estimates and judgements).

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the Company's accounting policies impacting the financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Company's accounting periods beginning after 1 January 2020. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

1.2 Foreign currency translation

(a) Functional and presentation currency

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. Summary of significant accounting policies - continued

1.3 Business Combinations

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from its financial statements.

No goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of the transaction) of the acquired entity, is included in equity as a separate reserve.

In order to provide more meaningful information, the acquired entity's results are incorporated into the financial statements of the Company as if both entities had always been combined, with the result that the financial statements of the surviving company reflect both entities' full year's results even though the business combination may have occurred part way through the year.

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 tested annually for impairment and carried at cost less accumulated impairment losses (Note 1.6). Impairment losses on goodwill are not reversed.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segments. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if its carrying amount is greater than its estimated recoverable amount (Note 1.6).

(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.

1.4 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.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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 1.6).

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

1.5 Leases

Company is the lessee

At inception of a contract, the company assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

At commencement date, the company recognises a right-of-use asset and a lease liability. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the company under residual guarantees;
- the exercise price of a purchase option if the company is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

1. Summary of significant accounting policies - continued

1.5 Leases - continued

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is the case for the Company's lease, the incremental borrowing rate is used, being the rate that the Company would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received;
- any initial direct costs; and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less.

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

For leases of properties, the following factors are normally the most relevant:

- If there are significant penalties to terminate (or not extend), the Company is typically reasonably certain to extend (or not terminate);
- If any leasehold improvements are expected to have a significant remaining value, the Company is typically reasonably certain to extend (or not terminate);
- Otherwise, the Company considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Company becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

1. Summary of significant accounting policies - continued

1.5 Leases - continued

The Company's leasing activities

The Company leases two properties – an office space and warehouse. Rental contracts are typically made for fixed periods of up to 12 years and 8 years, respectively. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Contracts may contain both lease and non-lease components. The Company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Company is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

Extension and termination options

Extension and termination options are included in the property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Company and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

1.6 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.

1.7 Financial assets

1.7.1 Classification

The Company classifies its financial assets in the amortised cost category.

The classification depends on the Company's business model for managing the financial assets and the contractual terms of the cash flows.

The Company reclassifies debt instruments when and only when its business model for managing those assets changes.

1.7.2 Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has transferred substantially all the risks and rewards of ownership.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.3 Measurement

Debt instruments

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

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

Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

- **FVPL:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within other gains/(losses) in the period in which it arises.

1.7.4 Impairment

The Company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The Company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and the IFRS 9 general approach to measuring expected credit losses which uses a 12-month ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 90 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or the financial asset is more than 180 days past due.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

1.7.4 Impairment - continued

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1.8 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.

1.9 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, i.e. expected credit loss allowances. 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. Impairment of financial assets is described in Note 1.7.4 above.

1.10 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.

1.11 Share capital

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

1. Summary of significant accounting policies - continued

1.12 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.

1.13 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.

1.14 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.

1.15 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.

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. Summary of significant accounting policies - continued

1.16 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.

1.17 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. Transition to IFRS

The company applied IFRS as adopted by the EU until financial year ended 31 December 2016 upon the introduction of GAPSME. As from the financial year ended 31 December 2020, the Board decided to re-adopt the IFRS accounting framework. The directors believe that financial statements prepared in accordance with IFRS as adopted by the EU will reflect a clearer picture of the Company's operations moving forward.

(a) Reconciliation

The following reconciliation shows the effect on the Company's equity of the transition from GAPSME to IFRSs as adopted by the EU at 1 January 2018, and the Company's profit for the year ended 31 December 2019 and 2018.

		31 December 2019 €	31 December 2018 €	1 January 2018 €
Equity as reported under GAPSME	Note	2,551,579	2,330,819	9,776,750
Adjustment for the reversal of the goodwill amortisation previously carried at amortised cost	(i)	89,680	74,075	58,470
Adjustment for the impact of IFRS 9	(ii)	276,802	309,809	240,409
Adjustment for the impact of IFRS 16	(iii)	(172,608)	(132,742)	(106,566)
Tax impact thereon		25,506	(15,128)	(84,143)
Equity as reported under IFRS as adopted by the EU		2,770,959	2,566,832	9,884,920
	Note		2019 €	2018 €
Results for the year under GAPSME			1,876,278	1,630,042
Adjustment for the reversal of the goodwill amortisation previously carried at amortised cost	(i)		15,605	15,605
Adjustment for the impact of IFRS 9	(ii)		(33,007)	69,400
Adjustment for the impact of IFRS 16	(iii)		(39,866)	(26,176)
Tax impact thereon			25,506	(15,128)
Results for the year under IFRSs as adopted by the EU			1,844,516	1,673,743

The above figures are stated after the adjustment for business combination as disclosed in Note 26.

(b) Explanation of transition to IFRS

(i) Adjustment to goodwill carrying amount

Under GAPSME, Goodwill was carried at cost less accumulated amortisation and accumulated impairment losses. Goodwill was amortised using the straight-line method over its estimated useful life of 10 years. On transition to IFRSs as adopted by the EU, Goodwill is not amortised but is tested annually for impairment and carried at cost less accumulated impairment losses.

2. Transition to IFRS - continued

(b) Explanation of transition to IFRS

(ii) Changes in the credit loss allowance assessment on trade and other receivables – IFRS 9

For the Company's trade and other receivables, the amount of the loss was measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that had not been incurred) discounted at the financial asset's original effective interest rate.

Under IFRSs as adopted by the EU, the Company assesses on a forward-looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. For trade receivables, the Company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables. The Company's accounting policies on impairment of financial assets at amortised cost are disclosed in Note 1.7.4 to these financial statements.

The total impact on the Company's retained earnings as at 1 January 2018, arising as a result of the new impairment requirements of the standard, as explained in Note 1.7.4, are disclosed in the table above.

(iii) Adjustment for the impact of IFRS 16

Upon transitioning to IFRS, the Company applied IFRS 16 retrospectively, as from the date of transition. The Company leases two properties – an office space and warehouse. Under GAPSME, leases which did not transfer the risks and rewards of ownership to the Company, were not recognised on-balance sheet; rather, the Company recognised the minimum lease payments in relation to such leases over the lease term. Under IFRS, all leases are recognised on-balance-sheet, subject to some exceptions.

Consequently, as at the date of transition, the Company recognised a right-of-use asset of €1,433,635 and a lease liability of €1,464,199. The Company's equity decreased by €106,566 on transition date as a result.

Subsequently, IFRS 16 requires the lease liability recognised on initial application to be carried at amortised cost, whilst right-of-use asset are depreciated over their useful life, which in the case of the Company, does not exceed the lease term. Accordingly, the Company replaced the rental expense previously recognised in profit or loss on a straight line basis under GAPSME, with a depreciation charge (also recognised on a straight-line basis) and an interest expense, recognised using the discount rate used in measuring the Company's lease liabilities (in the case of the Company, this represents the incremental borrowing rate). The lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2018 is 4%.

During 31 December 2018, and 31 December 2019, the Company recognised an incremental charge in profit or loss of €26,176 and €39,866 compared to its GAPSME results, respectively.

The new accounting policies are disclosed in Notes 1.5. and 1.7.

3. Financial risk management

3.1 Financial risk factors

The Company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company's financial performance.

The Board provides principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, and investment of excess liquidity.

(a) Market risk

(i) 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.

Trade and other receivables and payables denominated in GBP and USD amounted to:

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
USD				
Trade and other receivables	124,169	-	6,183	-
Trade payables	-	54,981	1,839	19,983
Bank balances	53,524	37,068	288,438	39,428
DKK				
Bank balances	-	-	239	239
GBP				
Trade and other receivables	26,652	-	116,979	120,746
Trade payables	542,025	148,496	26,227	-
Bank balances	720,949	266,384	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.

(ii) Price risk

The company is exposed to equity securities price risk because of investments held by the company amounting to €50 (2019: €50) and classified in the statement of financial position as equity instruments at fair value through other comprehensive income. However this risk is not considered material in view of the extent of the investments in such equity instruments (refer to note 8).

3. Financial risk management - continued

3.1 Financial risk factors - continued

(a) Market risk - continued

(iii) Cash flow and fair value interest rate risk

The Company has no interest-bearing assets and as such management considers that the Company's exposure to cashflow and fair value interest rate risk is not significant. Furthermore, the Company's operating cashflows are independent of changes in market interest rates.

(b) 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.

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

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Trade and other receivables (note 10)	4,955,742	5,864,257	5,076,384	4,557,955
Cash and cash equivalents (note 11)	1,073,183	3,696,079	4,430,007	2,327,016
	6,028,925	9,560,336	9,506,391	6,884,971

Trade and other receivables

The Company assesses the credit quality of its trade customers, the majority of which are unrated, taking into account financial position, past experience and other factors. The Company's exposure to credit risk is influenced mainly by the individual characteristics of each customer. It has policies in place to ensure that sales of services are affected to customers with an appropriate credit history.

Standard credit terms are in place for individual clients, however, wherever possible, new customers are analysed individually for creditworthiness before the Company's standard payment and service delivery terms and conditions are offered. The creditworthiness analysis for new customers includes a review through external creditworthiness databases when available. The Company monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Company's debtors, taking into account historical experience in collection of accounts receivable.

The Company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters.

Impairment of trade and other receivables

The Company applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Company adjusted the historical loss rates based on expected changes in these factors. On that basis, the loss allowance was determined to as follows:

	Current and up to 30 days past due €	31 to 60 days past due €	61 to 90 days past due €	+ 91 days past due €	Total €
As at 31 December 2020					
Expected loss rate (weighted average)	3%	9%	36%	100%	
Gross carrying amount	4,511,304	166,359	43,518	97,267	4,818,448
Loss allowance - provision	(139,508)	(14,857)	(15,524)	(97,267)	(267,156)
As at 31 December 2019					
Expected loss rate (weighted average)	1%	14%	40%	94%	
Gross carrying amount	5,304,027	364,052	78,316	93,976	5,840,371
Loss allowance – provision	(52,158)	(51,531)	(31,225)	(88,284)	(223,198)
As at 31 December 2018					
Expected loss rate (weighted average)	1%	5%	20%	100%	
Gross carrying amount	4,545,111	226,682	102,668	128,748	5,003,209
Loss allowance – provision	(31,188)	(10,205)	(20,050)	(128,748)	(190,191)
As at 1 January 2018					
Expected loss rate (weighted average)	1%	13%	38%	100%	
Gross carrying amount	4,186,012	197,178	115,103	137,670	4,635,963
Loss allowance – provision	(51,966)	(26,281)	(43,674)	(137,670)	(259,591)

3. Financial risk management - continued

3.1 Financial risk factors - continued

(b) Credit risk - continued

The closing loss allowances for trade receivables as at 31 December reconcile to the opening loss allowances as follows:

	2020 €	2019 €	2018 €
<i>Trade receivables</i>			
Balance at 1 January	223,198	190,191	259,591
Increase/(decrease) in loss allowance recognised in profit or loss during the year	43,958	33,007	(69,400)
Balance at 31 December	267,156	223,198	190,191

Trade receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Company.

Impairment losses on trade receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

Cash and cash equivalents

The credit risk for cash and cash equivalents is considered negligible since the counterparties are reputable banks with high quality external credit ratings. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified impairment loss was insignificant.

(c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities, borrowings and trade and other payables (Notes 15,16 and 17). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the statement of financial position to the contractual maturity date.

3. Financial risk management - continued

3.1 Financial risk factors - continued

(c) Liquidity risk - continued

The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 31 December 2020					
Lease liabilities	2,231,838	2,661,344	295,475	1,262,592	1,103,277
Trade and other payables	1,862,832	1,862,832	1,862,832	-	-
	4,094,670	4,524,176	2,158,307	1,262,592	1,103,277
	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 31 December 2019 (restated)					
Borrowings	1,082,806	1,082,806	1,082,806	-	-
Lease liabilities	2,432,241	2,956,179	294,835	1,236,001	1,425,343
Trade and other payables	9,619,169	9,619,169	9,619,169	-	-
	13,134,216	13,658,154	10,996,810	1,236,001	1,425,343
	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 31 December 2018 (restated)					
Borrowings	962,296	962,296	962,296	-	-
Lease liabilities	1,354,913	1,634,741	173,229	691,293	770,219
Trade and other payables	10,166,260	10,166,260	10,166,260	-	-
	12,483,469	12,763,297	11,301,785	691,293	770,219
	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 1 January 2018 (restated)					
Borrowings	490,384	490,384	490,384	-	-
Lease liabilities	1,464,199	1,800,965	166,224	681,654	953,087
Trade and other payables	1,274,603	1,274,603	1,274,603	-	-
	3,229,186	3,565,952	1,931,211	681,654	953,087

3. Financial risk management - continued

3.2 Capital risk management

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

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

3.3 Fair values of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. The Company uses as a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

At 31 December 2020, 2019 and 2018, the carrying amounts of cash at bank, trade receivables (net of provision), payables and accrued expenses reflected in the financial statements are reasonable estimates of fair values in view of the nature of these instruments on the relatively short period of time between the organisation of the instruments and the expected realisation.

As at the end of the reporting period, the fair values of financial assets and liabilities, approximate the carrying amounts shown in the statement of financial position.

4. Critical accounting estimates and judgements

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

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

5. Intangible assets

	Goodwill €	Others €	Total €
At 1 January 2018			
Cost	156,054	700,000	856,054
Accumulated amortisation	-	(549,969)	(549,969)
Net book amount	156,054	150,031	306,085
Year ended 31 December 2018			
Opening net book amount	156,054	150,031	306,085
Amortisation	-	(150,031)	(150,031)
Closing net book amount	156,054	-	156,054
At 31 December 2018			
Cost	156,054	700,000	856,054
Accumulated amortisation	-	(700,000)	(700,000)
Net book amount	156,054	-	156,054
Year ended 31 December 2019			
Opening and closing net book amount	156,054	-	156,054
At 31 December 2019			
Cost	156,054	700,000	856,054
Accumulated amortisation	-	(700,000)	(700,000)
Net book amount	156,054	-	156,054
Year ended 31 December 2020			
Opening and closing net book amount	156,054	-	156,054
At 31 December 2020			
Cost	156,054	700,000	856,054
Accumulated amortisation	-	(700,000)	(700,000)
Net book amount	156,054	-	156,054

5. Intangible assets - continued

Impairment tests for goodwill

The goodwill relates to the Company's acquisition of various brands from a third party. As a result of the acquisition, the Company increased its presence in the market. The recoverable amount is reassessed annually based on estimates of expected future cash flows as identified from a business plan approved by management.

On the basis of the latest business plan and current market data available to the board, no impairment charge is required for the current year.

6. Property, plant and equipment

	IT software and equipment €	Fixture and fittings €	Office furniture €	Freezers and equipment €	Motor vehicles €	Total €
At 1 January 2018						
Cost	267,082	101,859	30,615	2,197,137	1,789,935	4,386,628
Accumulated depreciation	(231,943)	(101,859)	(15,118)	(1,233,897)	(1,224,278)	(2,807,095)
Net book amount	35,139	-	15,497	963,240	565,657	1,579,533
Year ended 31 December 2018						
Opening net book amount	35,139	-	15,497	963,240	565,657	1,579,533
Additions	16,011	10,529	107,837	249,502	130,515	514,394
Depreciation charge	(20,014)	-	(2,605)	(275,993)	(142,835)	(441,447)
Closing net book amount	31,136	10,529	120,729	936,749	553,337	1,652,480
At 31 December 2018						
Cost	283,093	112,388	138,452	2,446,639	1,920,450	4,901,022
Accumulated depreciation	(251,957)	(101,859)	(17,723)	(1,509,890)	(1,367,113)	(3,248,542)
Net book amount	31,136	10,529	120,729	936,749	553,337	1,652,480
Year ended 31 December 2019						
Opening net book amount	31,136	10,529	120,729	936,749	553,337	1,652,480
Additions	60,673	15,906	126,997	266,464	99,646	569,686
Disposals	-	(101,859)	(27,763)	(730,740)	-	(860,362)
Depreciation charge	(25,975)	(1,763)	(23,473)	(398,721)	(130,595)	(580,527)
Depreciation released on disposal	-	101,859	16,368	730,740	-	848,967
Closing net book amount	65,834	24,672	212,858	804,492	522,388	1,630,244
At 31 December 2019						
Cost	343,766	26,435	237,686	1,982,363	2,020,096	4,610,346
Accumulated depreciation	(277,932)	(1,763)	(24,828)	(1,177,871)	(1,497,708)	(2,980,102)
Net book amount	65,834	24,672	212,858	804,492	522,388	1,630,244

6. Property, plant and equipment - continued

	IT software and equipment €	Fixture and fittings €	Office furniture €	Freezers and equipment €	Motor vehicles €	Total €
Year ended 31 December 2020						
Opening net book amount	65,834	24,672	212,858	804,492	522,388	1,630,244
Additions	120,258	9,275	181	167,651	49,853	347,218
Disposals	(188,388)	-	-	-	-	(188,388)
Depreciation charge	(64,639)	(24,470)	(3,199)	(281,247)	(113,880)	(487,435)
Depreciation released on disposal	188,388	-	-	-	-	188,388
Closing net book amount	121,453	9,477	209,840	690,896	458,361	1,490,027
At 31 December 2020						
Cost	275,636	35,710	237,867	2,150,014	2,069,949	4,769,176
Accumulated depreciation	(154,183)	(26,233)	(28,027)	(1,459,118)	(1,611,588)	(3,279,149)
Net book amount	121,453	9,477	209,840	690,896	458,361	1,490,027

7. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	Property Leases €	Total €
At 1 January 2018		
Impact on adoption of IFRS 16	1,433,635	1,433,635
Depreciation charge	(135,462)	(135,462)
Closing net book amount	1,298,173	1,298,173
Year ended 31 December 2018		
Impact on adoption of IFRS 16	1,433,635	1,433,635
Depreciation charge	(135,462)	(135,462)
Closing net book amount	1,298,173	1,298,173
Year ended 31 December 2019		
Opening net book amount	1,298,173	1,298,173
Acquisition	1,318,319	1,318,319
Depreciation charge	(217,857)	(217,857)
Closing net book amount	2,398,635	2,398,635
Year ended 31 December 2020		
Opening net book amount	2,398,635	2,398,635
Depreciation charge	(245,322)	(245,322)
Closing net book amount	2,153,313	2,153,313

7. Right-of-use assets - continued

The statement of profit or loss shows the following amounts relating to leases:

	2020 €	2019 €	2018 €
Depreciation charge of right-of-use assets	245,322	217,857	135,462
Interest expense (included in finance cost)	94,432	89,738	56,938
	339,754	307,595	192,400

8. Equity instruments at fair value through other comprehensive income

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Year ended 31 December				
Opening and closing cost and net book amount	50	50	50	50

9. Inventories

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Finished goods and goods for resale	2,498,500	2,645,076	2,188,766	2,287,829

10. Trade and other receivables

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Trade receivables - gross	4,818,448	5,840,371	5,003,209	4,635,963
Less: loss allowance	(267,156)	(223,198)	(190,191)	(259,591)
Trade receivables - net	4,551,292	5,617,173	4,813,018	4,376,372
Indirect taxation	119,802	215,084	248,366	181,583
Advance payments to suppliers	284,648	32,000	15,000	-
Prepayments and accrued income	148,587	258,810	205,342	136,843
	5,104,329	6,123,067	5,281,726	4,694,798

10. Trade and other receivables - continued

The net carrying amount of the trade receivables is considered a reasonable approximation of fair value. In determining the recoverability of trade receivables the Company considers any change in the credit quality of each trade receivable from the date credit was initially granted up to the reporting date.

The Company's exposure to credit and currency risks and impairment losses relating to trade and other receivables are disclosed in Note 3.

11. Cash and cash equivalents

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

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Cash at bank and in hand	1,073,183	3,696,079	4,430,007	2,327,016
Bank overdraft (Note 16)	-	(1,082,806)	(962,296)	(490,384)
	1,073,183	2,613,273	3,467,711	1,836,632

12. Share capital

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Authorised				
712,500 ordinary 'A' shares of €1 each		712,500	712,500	712,500
350,000 ordinary 'B' shares of €1 each		350,000	350,000	350,000
187,500 ordinary 'C' shares of €1 each		187,500	187,500	187,500
45,000,000 ordinary shares of €1 each	45,000,000	-	-	-
5,000,000 3% cumulative redeemable preference shares of €1 each	5,000,000	-	-	-
	50,000,000	1,250,000	1,250,000	1,250,000
Issued and fully paid up				
712,500 ordinary 'A' shares of €1 each	-	712,500	712,500	712,500
350,000 ordinary 'B' shares of €1 each	-	350,000	350,000	350,000
187,500 ordinary 'C' shares of €1 each	-	187,500	187,500	187,500
6,401,557 ordinary shares of €1 each	6,401,557	-	-	-
1,500,000 3% cumulative redeemable preference shares of €1 each	1,500,000	-	-	-
	7,901,557	1,250,000	1,250,000	1,250,000

As per shareholder's resolution on 27 November 2020, the shareholders removed the classes of shares and re-designated its issued share capital to Ordinary Shares. The shareholders also increased the authorised share capital to 45,000,000 Ordinary Shares and 5,000,000 Redeemable Preference Shares, each with a nominal value of €1 per share.

12. Share capital - continued

Furthermore, during the year, the Company converted its amounts due to parent company and shareholder of €6,651,557 into equity through issuance and allotment of 5,151,557 ordinary shares and 1,500,000 cumulative redeemable preference shares, each with a nominal value of €1 per share.

13. Other reserves

Other reserves of €5,082,798 represent the difference between the consideration transferred and the aggregate carrying value of the assets and accumulated operational results of the acquired business as at 1 January 2020, being the effective date of acquisition.

14. Deferred taxation

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% (2019: 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:

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
At beginning of year	29,173	56,968	131,123	270,204
<i>Recognised directly in profit or loss</i>				
Deferred tax credit/(charge)	64,450	(27,795)	(74,155)	(139,081)
<i>Recognised directly in equity</i>				
Deferred tax liabilities not included in acquisition	117,352	-	-	-
At end of year	210,975	29,173	56,968	131,123

14. Deferred taxation - continued

The balance at 31 December represents:

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Temporary differences arising on property, plant and equipment	101,748	(62,899)	(18,761)	40,266
Temporary differences arising on provisions for impairment of trade receivables	93,505	78,119	66,567	90,857
Temporary differences on leases	15,722	13,953	9,162	-
	210,975	29,173	56,968	131,123

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

15. Lease liabilities

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Non-current	2,022,762	2,231,838	1,234,133	1,354,913
Current	209,076	200,403	120,780	109,286
	2,231,838	2,432,241	1,354,913	1,464,199

The total cash outflows for leases in 2020 was €294,835. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 3.1(c).

16. Borrowings

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Current				
Bank overdraft	-	1,082,806	962,296	490,384
	-	1,082,806	962,296	490,384

The Company's borrowings are subject to floating rates of interest.

16. Borrowings - continued

The Company's banking facilities as at 31 December 2020 amounted to the following and were secured by a general hypothec over the assets of the company.

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Total facilities	-	1,000,000	1,000,000	1,000,000

Weighted average effective interest rates at the year end:

	As at 31 December			At 1 January
	2020 %	2019 %	2018 %	2018 %
Current				
Bank overdraft	-	3	3	3

17. Trade and other payables

	As at 31 December			At 1 January
	2020 €	2019 €	2018 €	2018 €
Trade payables	1,004,364	745,225	552,365	261,349
Amounts due to parent company	-	5,049,213	5,074,044	-
Amounts due to Group company	-	86,874	1,938	-
Amounts due to shareholders	-	2,702,733	3,827,787	-
Indirect taxation	-	185,697	46,115	90,953
Accruals and deferred income	858,468	849,427	914,898	826,502
	1,862,832	9,619,169	10,417,147	1,178,804

Amounts due to parent company, fellow subsidiaries and shareholders were unsecured, interest free and repayable on demand. During the year, amounts due to parent company of €4,460,452 and to shareholders of €2,191,105 were capitalised in equity (Note 12).

18. 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.

	2020 €	2019 €	2018 €
Sale of goods	21,630,742	22,123,184	21,452,845

19. Expenses by nature

	2020 €	2019 €	2018 €
Purchases	13,846,547	13,143,818	13,398,770
Selling and distribution	1,011,485	1,305,002	1,206,364
Employee benefit expense (note 20)	3,190,998	3,337,599	2,986,327
Amortisation on intangible assets (note 5)	-	-	150,031
Depreciation on property, plant and equipment (note 6)	487,435	580,672	441,448
Depreciation on right-of-use assets (note 7)	245,322	217,857	135,462
Professional fees	77,295	78,115	103,962
Repairs and maintenance	86,454	106,278	97,033
Operating lease	2,928	7,516	66,461
Insurance and licenses	128,701	94,598	107,473
Utilities	122,559	138,503	155,431
Allowance for doubtful accounts	43,958	33,007	(69,400)
Other expenses	8,451	78,756	50,071
Total cost of sales, selling and administrative expenses	19,252,133	19,121,721	18,829,433

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	2020 €	2019 €	2018 €
Annual statutory audit	35,000	18,950	18,125

20. Employee benefit expense

	2020 €	2019 €	2018 €
Wages and salaries	3,047,289	3,041,060	2,716,271
Social security costs	143,709	296,539	270,056
	3,190,998	3,337,599	2,986,327

Employee benefit expenses have been classified as follows in the statement of comprehensive income:

	2020 €	2019 €	2018 €
Cost of sales	1,799,900	2,064,767	1,858,789
Administrative expenses	1,391,098	1,272,832	1,127,538
	3,190,998	3,337,599	2,986,327

20. Employee benefit expense - continued

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

	2020	2019	2018
Direct	85	98	90
Administration	35	34	34
	120	132	124

21. Other operating income/(expenses) - net

Other operating income/(expenses) - net includes:

	2020 €	2019 €	2018 €
Dividend income	7,267	9,331	10,482
Loss from disposal of property, plant and equipment	-	(11,250)	-
Sundry sales	-	-	804
Other losses	-	(6,664)	-
	7,267	(8,583)	11,286

22. Finance costs

	2020 €	2019 €	2018 €
Interest on lease liabilities	94,432	89,738	56,938
Bank charges	10,887	10,868	9,310
Bank interest	4,162	22,610	18,295
	109,481	123,216	84,543

23. Tax expense

	2020 €	2019 €	2018 €
Current tax expense	880,830	998,069	820,317
Deferred tax (credit)/expense (note 14)	(64,450)	27,795	74,155
	816,380	1,025,864	894,472

23. 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:

	2020 €	2019 €	2018 €
Profit before tax	2,276,661	2,870,380	2,568,215
Tax on profit at 35%	796,831	1,004,633	898,875
Tax effect of:			
Income subject to tax at 15%	-	(144)	(225)
Rent maintenance allowance	-	-	(1,601)
Depreciation on non-qualifying assets	-	18,371	9,518
Disallowed expenses for tax purpose	257	641	1,197
Unrecognised deferred tax in prior years	-	44,882	1,808
Income not subject to tax	-	(3,266)	(3,669)
Under provision of current tax in prior year	-	416	(42)
Other differences	19,292	(39,669)	(11,389)
Tax expense	816,380	1,025,864	894,472

24. Directors' emoluments

	2020 €	2019 €	2018 €
Salaries and other emoluments	358,357	379,464	380,028

25. Dividends

	2020 €	2019 €	2018 €
Gross dividends paid or declared on ordinary shares	1,846,154	2,523,675	13,833,313
Tax at source	(646,154)	(883,286)	(4,841,482)
Net	1,200,000	1,640,389	8,991,831
Dividends per share	0.15	1.31	7.19

26. Business combinations between entities under common control

On 1 January 2020, the Company acquired the operational assets and storage and distribution operations of Micallef and Zammit Limited, as a transfer of a going concern. Micallef and Zammit Limited is the Company's fellow subsidiary, which is also ultimately owned by M&Z Group Limited. As a result of this acquisition, the Company is expected to increase efficiencies and synergies, be more cost effective and enhance business growth.

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from its financial statements.

The following table summarises the consideration paid for the acquisition of the operations and the fair value of the assets acquired:

	Fair value €
Property, plant and equipment	1,160,079
Accumulated operational results taken over	(940,594)
Consideration in cash	(1,160,079)
Consideration through allotment of share capital	(4,142,203)
Other reserve	(5,082,797)

Upon the effective date of transfer, the parties had agreed that the consideration to be paid for the transfer of business would be partly paid in cash to Micallef and Zammit Limited and, following an assignment agreement between the Company's parent, M&Z Group Limited and Micallef and Zammit Limited, the amount due by the Company to Micallef and Zammit Limited for the remaining part of the consideration, would be settled through the issue of share capital to M&Z Group Limited. The issue of shares would be effected following the finalisation and the signing of the transfer of business agreement which was concluded on 20 May 2021 (note 30). Accordingly, as at 31 December 2020, the obligation for the issue of the fixed amount of shares to M&Z Group Limited has been presented as 'Advances for shares to be issued'.

27. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2020 €	2019 €	2018 €
Operating profit	2,385,876	2,992,880	2,651,633
Adjustments for:			
Movement in IFRS 9 provision	43,958	33,007	(69,400)
Amortisation of intangible assets (note 5)	-	-	150,031
Depreciation of property, plant and equipment (note 6)	487,435	580,527	441,447
Depreciation on right-of-use assets (note 7)	245,322	217,857	135,462
Loss on disposal of property, plant and equipment	-	11,395	-
Changes in working capital:			
Inventories	146,576	(456,310)	99,063
Trade and other receivables	73,990	(874,348)	(517,528)
Trade and other payables	(1,025,876)	(2,097,480)	(10,174)
Cash generated from operations	2,357,281	407,528	2,880,534

Non-cash transactions

During the year, the Company converted its amounts due to parent company and shareholder of €6,651,557 into equity through the issuance and allotment of 5,151,557 ordinary shares and 1,500,000 cumulative redeemable preference shares, each with a nominal value of €1 per share.

Non-cash transactions include also the movements in the assets and liabilities not included in the acquisition.

28. Commitments

As at 31 December 2020, the Company had purchased forward contracts which will be settled on a date in 2021 amounting to €5,538,912 (2019: €4,670,069).

29. 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:

	2020 €	2019 €	2018 €
Purchases and services:			
- Other related parties	1,110	14,013	43,602
Dividends paid to shareholder	1,200,000	1,640,389	8,991,831

29. Related party transactions - continued

During the year, amounts due to parent company and shareholder were capitalised (note 12).

Year-end balances owed to fellow subsidiaries and other related parties, arising principally from sales and purchases transactions, are disclosed in note 17 to these financial statements.

Key management personnel compensation, consisting of directors' remuneration, has been disclosed in note 24.

30. Events after the reporting period

Brexit developments

Brexit is still one of the main risks of the trading operations of the Company. The agreement between the EU and UK on the new partnership sets out the new rules that apply as of 1 January 2021. The trade in goods and services is one of the areas covered in the agreement. Even though significant preparations had been made by the Company to prepare for and mitigate the impact of Brexit, the full impact on the supply chains of which it is a part will not be known until later in 2021.

Increase in share capital

Additional share capital of 4,142,203 shares having a nominal value of €1 each have been allotted to M&Z Group on 20 May 2021.

31. 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.

32. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's disclosure format for the purpose of compliance with IFRSs as adopted by the EU, and the requirements of the Maltese Companies Act (Cap.386).