

M&Z (MARKETING) LIMITED

Condensed Interim Financial Statements
30 June 2021

For the period 1 January 2021 to 30 June 2021

	Pages
Directors' report	1 - 2
Condensed interim statement of financial position	3 - 4
Condensed interim statement of comprehensive income	5
Condensed interim statement of changes in equity	6
Condensed interim statement of cash flows	7
Notes to the condensed interim financial statements	8 - 10

Directors' report

The directors present their annual report and the condensed financial statements for the six month period ended 30 June 2021. The underlying accounting policies are the same as those adopted by the Company in its annual report for the financial year ended 31 December 2020. The figures have been extracted from the Company's unaudited accounts for the six months ended 30 June 2021, as approved by the Board of Directors on 20 December 2021 and are in accordance with accounting standards as adopted by the EU for interim financial statements, (International Accounting Standard 34, 'Interim Financial Reporting').

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 business

The Company remains firmly on course in extending its reach in other categories and sectors by taking on new businesses that complements and strengthens its product portfolio.

The Company however did take a sharp hit notably in Q1 from the effects of Brexit after January 1st 2021 because of its relative concentration of UK business particularly that which is sourced in EU and supplied back into the EU via the UK.

As expected, it became increasingly apparent that GB business in general was not prepared for even a peaceful Brexit outcome to the extent that UK exports to the EU in general were down by as much as 30%.

Clearly, M&Z (Marketing) Limited is not immune from the disturbing effects that followed including major supply outage and increased tariff charges that inevitably had a bearing on top and bottom line as most UK suppliers struggled to get organized in navigating around the realities brought about by Brexit.

Notwithstanding the loss of trade over which the Company had absolutely no control, the Directors are pleased to report that the business eventually managed to recoup lost sales to the extent that the Directors are now safely projecting 2021 revenue to close about 4% up on 2020 to near pre-pandemic levels.

Clearly the strong recovery in Q2 is testament to the resilience of the business from the diversification process that the Company has been striving to achieve for over the past ten years and remains committed to its strategy of consolidating new business in broadening its presence in other relevant categories.

The multi-faceted approach should also hopefully mitigate pressure from the Global Shipping crises caused by the global shortage of containers (referred to in the Directors' report at the end of 2020) that has triggered abnormal and unprecedented freight costs that are also driving up costs feeding into considerable inflationary pressures that will ultimately impact on consumer pricing.

Results for 2021

The Directors are confident that the Company will deliver the results that were projected despite the hard impact from Brexit – looking ahead cost and price Inflation is clearly a concern as this is expected to weigh on consumer spending and possibly shopping habits as in response shoppers reign in expectations and tone down preferences – clearly however the foods sector though not immune is likely to be the least affected sector from a likely retrenchment in consumer spending power.

Directors' report - continued

Financial performance

Revenue for the company for the period ended 30 June 2021 amounts to €10,641,689. Gross profit during the period amounted to €2,310,271 representing a 22% gross profit margin.

After taking into consideration administrative costs of €1,040,345 the company registered an EBITDA of €1,618,814.

Results and dividends

The condensed interim consolidated statement of comprehensive income is set out on page 5. The directors do not recommend the payment of an interim dividend for the period under review.

Directors

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

Mr. Matthew A. Camilleri
Mr. Paul S. Camilleri
Mrs. Erika Pace Bonello
Mr. Thomas Agius Vadala
Ms. Greta Camilleri
Mr. Charles J. Farrugia
Ms. Emma Pullicino
Mr. Kevin Rapinett

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

Approved by the Board of Directors on 20 December 2021 and signed on its behalf by:

Paul S. Camilleri
Director

Thomas Agius Vadala
Director

Registered office:
MMGH Complex,
Industrial Estate,
Marsa MRS 3000
Malta

Condensed interim statements of financial position

	As at 30 June	As at 31 December
	2021	2020
	€	€
ASSETS		
Non-current assets		
Intangible assets	156,054	156,054
Property, plant and equipment	1,415,591	1,490,027
Right-of-use assets	2,030,652	2,153,313
Deferred tax assets	250,477	210,975
Equity instruments at fair value through other comprehensive income	50	50
	<hr/>	<hr/>
Total non-current assets	3,852,824	4,010,419
	<hr/>	<hr/>
Current assets		
Inventories	2,612,899	2,498,500
Trade and other receivables	6,164,366	5,104,329
Cash and cash equivalents	482,538	1,073,183
	<hr/>	<hr/>
Total current assets	9,259,803	8,676,012
	<hr/>	<hr/>
Total assets	13,112,627	12,686,431

Condensed interim statements of financial position - continued

	As at 30 June	As at 31 December
	2021	2020
	€	€
EQUITY AND LIABILITIES		
Equity		
Ordinary share capital	10,543,760	6,401,557
Preference share capital	1,500,000	1,500,000
Advances for shares to be issued	-	4,142,203
Other reserve	(5,082,797)	(5,082,797)
Retained earnings	2,089,119	1,311,821
Total equity	9,050,082	8,272,784
LIABILITIES		
Non-current liabilities		
Lease liabilities	1,914,463	2,022,762
Total non-current liabilities	1,914,463	2,022,762
Current liabilities		
Lease liabilities	213,825	209,076
Trade and other payables	1,292,596	1,862,832
Current tax liabilities	641,661	318,977
Total current liabilities	2,148,082	2,390,885
Total liabilities	4,062,545	4,413,647
Total equity and liabilities	13,112,627	12,686,431

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 3 to 10 were authorised for issue by the board on DATE and were signed on its behalf by:

Paul S. Camilleri
Director

Thomas Agius Vadala
Director

Condensed interim statement of comprehensive income

	Period from 1 January to 30 June	
	2021 €	2020 €
Revenue	10,641,689	11,032,684
Cost of sales	(8,331,418)	(8,359,649)
Gross profit	2,310,271	2,673,035
Administrative expenses	(1,040,345)	(1,021,785)
Operating profit	1,269,926	1,651,250
Finance income	-	229
Finance costs	(74,129)	(50,547)
Profit before tax	1,195,797	1,600,932
Tax expense	(418,499)	(558,162)
Profit for the period – total comprehensive income	777,298	1,042,770

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

Condensed interim statements of changes in equity

	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	-	-	-	4,142,203	(5,552,216)	(1,410,013)
Profit for the period	-	-	1,042,770	-	-	1,042,770
Total comprehensive income	-	-	1,042,770	-	-	1,042,770
Balance at 30 June 2020	1,250,000	-	2,094,310	4,142,203	(5,082,797)	2,403,716
Balance at 1 January 2021	6,401,557	1,500,000	1,311,821	4,142,203	(5,082,797)	8,272,784
Transactions with owners: Increase in share capital	4,142,203	-	-	(4,142,203)	-	-
Profit for the period	-	-	777,298	-	-	777,298
Total comprehensive income	-	-	777,298	-	-	777,298
Balance at 30 June 2021	10,543,760	1,500,000	2,089,119	-	(5,082,797)	9,050,082

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

Condensed interim statements of cash flows

	Period from 1 January to 30 June	
	2021 €	2020 €
Net cash (used in)/generated from operating activities	(291,707)	2,331,883
Net cash used in investing activities	(151,791)	(273,932)
Net cash used in financing activities	(147,147)	(1,231,237)
Net movement in cash and cash equivalents	(590,645)	826,714
Impact on reorganisation	-	(1,160,079)
Cash and cash equivalents not included in acquisition	-	114,272
Cash and cash equivalents at beginning of period	1,073,183	3,696,079
Cash and cash equivalents at end of period	482,538	3,476,986

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. General information

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

The financial statements for the year ended 31 December 2020 are available upon request from the company's registered office at MMGH Complex, Industrial Estate, Marsa MRS 3000, Malta.

This condensed interim financial information was approved for issue by the Board of Directors on 20 December 2021.

This condensed interim financial information has been reviewed, not audited, in accordance with the requirements of ISRE 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity'.

2. Basis of preparation

The condensed interim financial information for the six-month period ended 30 June 2021 has been prepared in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (International Accounting Standard 34, 'Interim Financial Reporting'. The condensed interim financial information should be read in conjunction with the audited financial statements for the year ended 31 December 2020, which have been prepared in accordance with IFRSs as adopted by the EU.

The Directors are confident that the Company will deliver the results that were projected despite the hard impact from Brexit – looking ahead cost and price Inflation is clearly a concern as this is expected to weigh on consumer spending and possibly shopping habits as in response shoppers reign in expectations and tone down preferences – clearly however the foods sector though not immune is likely to be the least affected sector from a likely retrenchment in consumer spending power. 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.

3. Summary of significant accounting policies

The accounting policies applied in the preparation of the condensed consolidated interim financial information are the same as those applied in the consolidated financial statements for the year ended 31 December 2020.

(a) Standards, interpretations and amendments to published standards effective in 2021

In 2021, the Company adopted revised standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards which are mandatory for accounting periods beginning after 1 January 2021 have been published by the date of authorisation for issue of this financial information. The Company's 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.

Notes to the condensed interim consolidated financial statements - continued

4. Financial risk management

The Company's financial risk management objectives and policies are consistent with those disclosed in the financial statements for the year ended 31 December 2020.

5. 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.

6. Intangible assets

Intangible assets include goodwill related 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 period.

7. Property, plant and equipment

The Company holds various property, plant and equipment to support its business operations. The movement in property, plant and equipment during the period relates to:

	€
As at 1 January 2021	1,490,027
Additions	151,791
Disposals	(26,082)
Depreciation	(226,227)
Depreciation released on disposal	26,082
	1,415,591
As at 30 June 2021	1,415,591

8. Right of use assets

Right of use assets relates to an office space and a warehouse. The movement in the carrying amount of right of use assets during the period is also attributable to depreciation charges, which amounted to €122,661.

9. Share capital

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

Notes to the condensed interim consolidated financial statements - continued

10. Lease liabilities

The lease liabilities associated with the right of use assets relate to an office space and a warehouse. The total cash outflows for leases during the reporting period was €103,550.

11. Taxation

The tax expense for the period ended 30 June 2021 amounting to €418,499 consisted of a current tax expense of €439,523 and a deferred tax credit for €21,024.

12. Capital commitments

As at 30 June 2021, the Company had purchased forward contracts which will be settled on a date in 2021 and 2022 amounting to €5,538,912.

13. Contingent liabilities

No events occurred since 31 December 2020 that require disclosure of any contingent liabilities as at 30 June 2021.

14. Related parties

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 principal transactions carried out by the Company with related parties during the six month period ended 30 June 2021 are outlined below:

	2021 €	2020 €
Purchases and services:		
- Other related parties	2,799	1,110
Dividends paid to shareholders	-	500,000

Director's emoluments paid during the period ended 30 June 2021 amounted to €180,035.

15. Subsequent events

There were no material events which occurred subsequent to the balance sheet date.