M&Z p.l.c.
(Formerly M&Z (Marketing) Limited)

Annual Report and Financial Statements
31 December 2023

General information

Directors' report

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance

Remuneration Report

Statement of financial position

Statement of comprehensive income

Statement of changes in equity

Statement of cash flows

Notes to the financial statements

General information

Directors:	Mr. Paul S. Camilleri Mr. Thomas Agius Vadala Ms. Greta Camilleri Avallone Mrs. Erika Pace Bonello Ms. Emma Pullicino Mr. Charles J. Farrugia Mr. Matthew A. Camilleri Mr. Kevin Rapinett Mrs. Frances Fenech
Company Secretary:	Ganado Services Limited (C 10785) 171, Old Bakery Street, Valletta VLT 1455, Malta.
Registered Office:	MMGH Complex, Industrial Estate, Marsa MRS 3000 Malta
Company Registration Number:	C 23061
Auditors:	PricewaterhouseCoopers 78, Mill Street Zone 5, Central Business District Qormi Malta
Legal Counsel:	Ganado Advocates 171, Old Bakery Street, Valletta VLT 1455, Malta.

Directors' report

The Directors present their report and the audited financial statements for the year ended 31 December 2023.

Principal activities

M&Z p.l.c is a market-leading Company dealing in importation and distribution of a vast array of renowned fast-moving consumer goods ('FMCG'). The M&Z portfolio is comprised of over 100 brands, spread across 10 product categories as follows: ambient, chilled, frozen, fresh, ice-cream, baby and kids, home and personal care, wines and spirits, pet care and confectionary segments.

Review of the business

During 2023, the sector in which M&Z p.l.c operates has continued to encourage consolidation in the supply chain and this trend is expected to continue in the months to come. Financial year 2023 has been a year where the Company has continued to take the necessary steps to diversify its business risk and strengthen its market presence. During 2023, the Company has further diversified its revenue stream through the addition of pet care distribution to its portfolio of clients. The Company will remain focused on scaling the current brand portfolio whilst also being prepared for new opportunities.

Financial position

Trading performance

Company turnover for the year ending 31 December 2023 amounted to €31,317,687 (2022: €28,399,658) representing growth of 10.3%. The increase in turnover is mainly attributable to the Company's organic growth initiatives.

Inflation and cost of living pressures together with increased competition have continued to dominate our sector in 2023, and we expect these challenges to remain present in the coming months. Moreover, given that our portfolio is highly dominated by UK heritage brands, the Company has continued to face the ongoing cost of Brexit where most of our products are subject to tariff charges. Due to market pressures it may not be possible to pass on all cost increases to the consumer. We will continue in our efforts both with our suppliers and with the authorities to hopefully begin to minimise the effect that Brexit has had on our costs.

Administrative expenses for 2023 amounted to €3,736,488 (2022: €3,316,672), an increase of approximately 13% when compared to last year. This is mainly coming from an increase in the loss allowance in relation to trade receivables attributed to the challenges the FMCG market is presently facing in Malta. Market saturation, the introduction of heavy discounters in the industry, high operating costs together with evolving consumer preferences have intensified the financial strain on the sector. In response, we have applied a percentage uplift to the loss allowance that underscores our commitment to managing credit risk aligned with our assessment of the financial stability of operations in the face of industry challenges. These characteristics coupled with higher turnover, resulted in an increase of 9.7% in total operating expenses for the year ending 31 December 2023 which amounted to €28,457,644. This increase is predominantly coming from higher costs of purchases. The Company will continue working towards growing its revenue organically with an efficient cost base to achieve consistent and sustainable growth.

After taking into consideration administrative costs, the Company registered an EBITDA of €3,855,824 (2022: €3,404,234), a 13.3% growth compared to last year.

Net finance costs amounted to €360,067 (2022: 257,061) which represents an increase of 40% when compared to 2022. The increase is due to higher bank interest and charges during 2023 as a result of higher interest rates.

Directors’ report - continued

Despite the challenges faced, the Company’s profit before tax for the year amounted to €2,500,404 (2022: €2,205,523) an increase of 13.4% over the prior year. Profit after tax increased by approximately 26% to €1,765,292 (2022: €1,395,723) and earnings per share amounted to €0.04 (2022: €0.03).

Cash flows

Cash flow from operating activities for the full year 2023 amounted to €1,819,779 (2022: €495,822), out of which €635,684 (2022: €1,124,897) was used to pay income tax.

Cash flow from investing activities amounted to -€330,777 (2022: -€1,848,421) pertaining to the continuous investment in capital expenditure. The higher amount in 2022 is attributable to the acquisition in 2022.

Cash flow from financing activities during 2023 amounted to -€1,993,083 (2022: €1,188,556), which consisted primarily of dividends paid to shareholders, payments on lease liabilities and movement in the trade factoring facility.

Equity

Equity increased to €9,650,889 as per 31 December 2023, from €9,168,934 on 31 December 2022 as a result of the retained profits for the year 2023 netted off with the dividends distributed to shareholders.

Balance Sheet

The Company’s total asset base stands at €19,440,563 (2022: 19,021,077). The non-current assets comprise intangible assets amounting to €1,297,129 (2022: €1,519,256), which have decreased with amortisation for the year, right-of-use assets of €1,535,668 (2022: €1,815,008), which have decreased with amortisation for the year and property, plant and equipment of €923,873 (2022: €1,178,882) which have decreased with depreciation for the year. At 31 December 2023, the Company’s current assets amounted to €15,157,868 (2022: €14,287,363) which primarily include trade and other receivables of €8,935,233 (2022: €8,564,980), which have increased in line with the Company’s operations and inventories of €5,415,965 (2022: €4,688,328) which increased due to a strategic decision by the Company to optimise procurement pricing management in line with our principles. As at year end, non-current liabilities which include lease liabilities amounted to €1,367,829 (2022: €1,663,277). The Company’s current liabilities amounted to €8,421,845 (2022: €8,188,866) which mainly consist of borrowings of €4,635,401 (2022: €4,643,521), including the new factoring facility, and trade and other payables of €3,167,208 (2022: €3,262,356).

Risks and uncertainties

Trade credit exposure risk

The Company is exposed to trade credit risk in relation to the non-payment and non-performance of its customers resulting from the favorable payment terms provided by the Company. Any future financial market disruptions or tightening of the credit markets could result in some of the Company’s customers experiencing a significant decline in profits and/or reduced liquidity. A significant adverse change in the financial position of a customer could require the Company to assume greater credit risk relating to that customer and could limit the Company’s ability to collect receivables.

Directors' report - continued

Labour market conditions

The Company is also concerned and is flagging the prevalent, tight labour market conditions that are weighing on the sector, particularly since the shortage of human resources is especially acute in distribution to the extent that it is experiencing significant wage inflation and difficulty in servicing demand within regular time frames.

Hard discounters

As in recent years, this year has seen an increase in foreign and local hard discounters that import and sell their own products and that are vying for market share with the Company's retail client base. As a result of the diversified product offerings and permanently lower-priced products, improved shopping experience, and the increasingly price-sensitive shopper, the Company expects that the presence of hard discounters will continue to challenge the sale of the Company's branded products.

The impact of Brexit

The impact of Brexit continues to cast a significant shadow over our operations, persistently introducing uncertainty across regulatory frameworks, trade dynamics, and market conditions. This has triggered a heightened demand for accurate and timely documentation from our suppliers, leading to increased administrative efforts and subsequent rises in operational costs. Furthermore, the imposition of duty tariffs on certain products has further compounded our cost pressures. It is important to acknowledge the potential risks posed by Brexit-induced uncertainty, particularly in terms of price stability. The fluctuating market conditions driven by Brexit can pose challenges in managing prices effectively, impacting our revenue streams and profitability.

Tourism

Notwithstanding the recent increase in inbound tourism, the current international geo-political climate may still affect inbound tourism. This, in turn may have a bearing on the demand for some of the Company's product categories, such as ice-creams, wines and spirits.

Further information on the Company's financial risk management is set out in note 4.4 to the financial statements.

Sustainability Reporting

In 2023 the Company established an Environmental, Social and Governance (ESG) Steering Committee made up of Managing Director, Chief Financial Officer and Chief Operating Officer who with support from sustainability experts and industry leaders are responsible for setting strategic direction and goals related to environmental, social, and governance issues for the Company. They will also oversee the implementation of ESG initiatives, monitor progress, and report to the board of directors on a regular basis.

The Audit Committee provides oversight and guidance to the ESG Steering Committee, ensuring that ESG initiatives are aligned with the Company's overall goals and objectives. By working together, these committees will help to ensure that the Company remains compliant with all relevant regulations and standards, while also making best use of the positive impact of its ESG efforts.

Directors' report - continued

Outlook for 2024

Looking ahead to the current financial year, despite the prevailing uncertainties, we are projecting a moderate increase in revenues, driven by strategic market positioning and continued innovation across our product offering. The Company will continue working hard to enhance cost efficiencies through rigorous cost-saving initiatives.

M&Z p.l.c. remains focused on driving operational efficiency, enhancing customer satisfaction, and maximising shareholder value. The Directors expect to continue to pursue a policy of recommending a strong dividend distribution.

Results and dividends

Results for the year are stated in the Statement of Comprehensive Income. The Directors are recommending the payment of a final net dividend of €873,840 equivalent to €0.01986 per share. This is over and above the interim net dividend of €396,000 equivalent to €0.009 per share paid to shareholders in August 2023. The total dividend amount paid for the year will amount to €1,269,840 or €0.02886 per share which represents a net dividend yield of 4.01% on the issue price of €0.72 when the shares were listed on the Malta Stock Exchange in March of 2022.

The Directors have also confirmed the payment of a gross dividend of €45,000 on preference shares for the year ended 31 December 2023.

Going Concern Basis

After making enquiries the Directors, at the time of approving the financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, the Directors have adopted the going concern basis in preparing the financial statements.

Information pursuant to Capital Markets Rule 5.70.1

In terms of Capital Markets Rule 5.70.1 the Company states that on 1 March 2022, after following all pertinent procedures, it entered into a lease agreement with Mr Thomas Agius Vadala' (an executive director of the Company) and Mr John Agius Vadala' for a commercial store in the Central Business District, Mriehel (the "Lease Agreement"). The Lease Agreement was entered into for a period of five years at a cost of €24,000 (plus VAT) per annum and was deemed to be in the best commercial interests of the Company. The Lease Agreement shall terminate on 28 February 2027 or at any earlier date where the Company gives written notice of its intention to terminate said lease.

Directors' report - continued

Additional Information pursuant to Capital Markets Rule 5.64

Details of the company's share capital are disclosed in note 6 to the financial statements. The Company's authorised share capital is €50,000,000, divided into 360,000,000 Ordinary Shares of €0.125 each and 5,000,000 Preference Shares of €1 each. The Company's issued share capital is €7,000,0000 divided into 44,000,000 Ordinary Shares of €0.125 each and 1,500,000 Preference Shares of €1 each. All shares in the Company rank pari passu in all respects (save as otherwise provided in the Memorandum and Articles of Association). The rights attached to the Preference Shares are identical to those attached to the Ordinary Shares, except for the following:

i. Voting Rights: the holders of Preference Shares shall not have a vote at general meetings except on a resolution convened for the purpose of: a) reducing the capital of the Company; or b) winding up of the Company; or c) a proposal to be submitted to the meeting that directly affects their rights and privileges; or d) a proposal affecting the dividend on Preference Shares when the dividend on their Shares is in arrears for more than 6 months
ii. Dividends: Preference Shares are entitled to a fixed cumulative preferred dividend distribution of three percent (3%) of its nominal value per annum. The Shares are entitled to receive dividends when, as and if declared by the Board out of the assets lawfully available for such a purpose. No dividend shall be paid to the Ordinary Shares in any given year, unless the preferred dividend for that year and any cumulative preferred dividend from previous years would have been paid to the holders of the Preference Shares.
iii. Rights upon liquidation, dissolution or winding-up: each Preference Share shall, on a winding up of the Company, carry the right to receive the return of the paid-up nominal value of such share together with any accrued but unpaid cumulative preferred dividends in priority to any amounts of capital paid to the holders of other classes of shares, but shall not carry any other right to participate in any surplus assets of the Company following the payment of such amount.
iv. Redemption Rights Subject to the provisions of the applicable law of Malta, the Board shall have the right to redeem the Preference Shares, at any time by giving not less than one (1) month notice of the intention to redeem said shares. The Preference Shares may be redeemed by not later than 31 December 2030 and should any such shares not be redeemed within the same time frame, the unredeemed shares shall thereafter not be redeemable. The amount payable on the redemption shall be the nominal value of the Preference Shares being redeemed, together with any accrued but unpaid cumulative preferred dividends.

The only registered shareholders holding 5% or more of the equity share capital as at 31 December 2023 are as follows:

Shareholder	Approx. % Shareholding (total share capital by nominal value)
M&Z Group Limited (C 9208)	59%
Bank Of Valletta plc (C 2833) obo Wealth Management Discretionary Customers	6%
Rizzo Farrugia & Co (stk) Ltd obo Clients	6%

Additional information in terms of Para 3(e)(ii) of the Sixth Schedule of the Companies Act

Information on the Company's exposure to credit risk, liquidity risk and cash flow risk is contained in Note 4 of the Financial Statements for the financial year ended 31 December 2023.

Directors' report - continued

Directors & Company Secretary

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 Avallone
Mr. Charles J. Farrugia
Dr. Emma Pullicino
Mr. Kevin Rapinett
Mrs. Frances Fenech

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

Ganado Services Limited (C 10785) of 171, Old Bakery Street, Valletta VLT 1455, Malta acts as Company Secretary.

Information on the rules governing the appointment and replacement of Directors is contained in Section A of the Statement by the Directors on compliance by the Company with the Code of principles for Good Corporate Governance, whilst information on the amendments of the Memorandum and Articles of Association and the Powers of Directors is contained in Section E of the Statement by the Directors on compliance by the Company with the Code of principles for Good Corporate Governance.

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; and*
- *ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the company will continue in business as a going concern.*

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

The financial statements of M&Z p.l.c. for the year ended 31 December 2023 are included in the Annual Report 2023 which is published on the Company's website (www.mz.com.mt) and available in hard copy printed form upon request. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website.

Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Statement of Responsibility pursuant to Capital Markets Rule 5.68

We confirm that to the best of our knowledge:

- the financial statements, prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company; and

- The Directors' report includes a fair review of the performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that it faces.

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.

Statement by the Directors on the Financial Statements and Other Information included in the Annual Financial Report

The Directors declare that to the best of their knowledge, the financial statements included in the Annual Financial Report are prepared in accordance with the requirements of International Financial Reporting Standards as adopted by the EU and give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and that this report includes a fair review of the development and performance of the business and position of the Company, together with a description of the principal risks and uncertainties that it faces.

Signed on behalf of the Board of Directors on 25 April 2024 by Charles J. Farrugia (Chairman) and Paul S. Camilleri (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

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

25 April 2024

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance

The Company acknowledges that the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Capital Markets Rules (the '**Code**') does not prescribe mandatory rules but recommends principles of good practice for the Board of Directors (each a "**Director**" and collectively the "**Board**") and the Company's management to pursue in the best interests of the Company and its shareholders. The Board believes that compliance with the Code and the governance arrangements proposed thereby is not only expected by stakeholders but evidences the Boards' and the Company's commitment to a high standard of good governance. The Company endorses the Code and is hereby reporting its compliance with the provisions thereof.

The Board restates its full support of the Corporate Governance Code and undertakes to fully comply with the Code to the extent that this is considered complementary to its size, nature and operations. As at the date of this statement, the Board considers the Company to be in compliance with the Corporate Governance Code, save for three exceptions as explained in Section B below. The Company is hereby reporting on the extent of its adoption of and compliance with the Code for the period covering financial year ended 31 December 2023.

A. Compliance with the Corporate Governance Code

Principle 1 – The Board

In terms of Article 116 of the Company's Memorandum and Articles of Association ("**M&As**") administration and management of the Company shall be vested in the Board. The Board is responsible for devising the Company's values, standards and strategy, setting policies and the management of the Company as well as reviewing internal control procedures, financial performance and the business risks facing the Company.

The Board is composed of individuals who are fit and proper to direct the business of the company with honesty, competence and integrity and individuals who are diverse in their experience, knowledge, skills and values, resulting in an optimum Board set-up. Moreover, the Directors have been made fully aware of statutory and regulatory requirements connected to the business of the Company. The Directors attend the majority of Board meetings and are provided with the relative information in advance of said meetings in order to permit them to allocate sufficient time to the performance of their responsibilities.

The Board delegates specific responsibilities to the Audit Committee and the Executive Committee (collectively the "**Committees**"), the former operates under its own formal terms of reference approved by the Board. Further detail on said Committees and the responsibilities of the Board is contained in the below subsections of this statement entitled "Principle 4" and "Principle 5".

Appointment and Removal of Directors

The right to appoint a Director to the Board is reserved to the shareholders of the Company, save for where an appointment is made to fill a vacancy on the Board, where the Director may be appointed by the Board in terms of Article 130 – such Director would then hold office until the next annual general meeting. Any one or more shareholder holding (individually or in the aggregate) shares carrying the voting rights equal to 11.11% of the total number of shares carrying the right to attend and vote at a general meeting, shall for every 11.11% so held be entitled to appoint one Director in the Company. The procedures for the election of Directors shall be established by the Company in general meeting from time to time. The removal of Directors is governed by Article 133 of the Articles of Association.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance - continued

***A. Compliance with the Corporate Governance Code** - continued*

Principle 2 – Chairman and Chief Executive

The clear division of responsibilities at the head of the Company between the running of the Board and the executive responsibility for the running of the Company's business is evident in the fact that the Company has both a Chairman of the Board (Mr. Charles Farrugia) and a Managing Director (Mrs. Greta Camilleri Avallone). This separation of roles serves to avoid concentration of authority and power in a single individual and moreover differentiates the leadership on matters of the Board from leadership on matters relating to the operations of the business of the Company.

The responsibilities of both the Chairman of the Board and the Managing Director are clearly established and approved by the Board. The responsibilities of the Chairman of the Board reflect those set out in Code Provision 2.2, while the Managing Director heads the Executive Committee which is responsible for management decisions in relation to business of the Company.

Principle 3 – Composition of the Board

The Board believes that it fully complies with the requirements of Principle 3 and the relative Code Provisions. The Company is managed by a Board of nine (9) Directors who are responsible for the overall direction, management and strategy of the Company.

Pursuant to generally accepted practices, as well as the M&As, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders, except in so far as an appointment is made to fill a vacancy on the Board.

The Board is currently composed of the following persons:

- *Mr Charles Farrugia - Independent Non-Executive Director & Chairman*
- *Mr Kevin J. Rapinett - Independent Non-Executive Director*
- *Mr Matthew Camilleri - Non-Executive Director*
- *Ms Greta Camilleri Avallone - Managing Director*
- *Mr Paul Camilleri - Executive Director*
- *Mr Thomas Agius Vadala' - Executive Director*
- *Mrs Erika Pace Bonello - Executive Director*
- *Mrs Frances Fenech - Executive Director*
- *Dr Emma Pullicino - Executive Director*

The Board comprises a mix of individuals with a diverse array of skills and experience which is appropriate for the requirements of the business. The Board deems that in its current composition, currently comprising a third of the Board being non-executive directors, has the required diversity of knowledge, judgement and experience to complete its tasks.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance – continued

A. <u>Compliance with the Corporate Governance Code</u> *– continued*

<u>Principle 3 – Composition of the Board</u> – continued
Mr Charles Farrugia and Mr Kevin J. Rapinett are the Independent Non-Executive Directors which are deemed to be independent in line with the requirements of Code Provision 3.2. Neither of the independent non-executive directors:

a. *are or have been employed in any capacity by the Company within the last three (3) years;*
b. *have or had a significant business relationship with the Company;*
c. *received or receives significant additional remuneration from the Company;*
d. *have close family ties with any of the executive members of the Board or senior management of the Company;*
e. *has served on the board for more than twelve (12) consecutive years; or*
f. *is or has been within the last three (3) years an engagement partner or a member of the audit team of the present or former external auditor of the Company.*

For the purposes of Code Provision 3.4 each Non-Executive Director has declared in writing to the Board that he undertakes:

a. *to maintain in all circumstances his independence of analysis, decision and action;*
b. *not to seek or accept any unreasonable advantages that could be considered as compromising his independence; and*
c. *to clearly express his opposition in the event that he finds that a decision of the board may harm the company.*
(a)

<u>Principle 4 – The Responsibilities of the Board</u>
The Board believes that it fully complies with the requirements of this Principle and the relative Code Provisions. As required by Principle 4 of the Code the foremost responsibility of the Board is to establish and maintain a system of accountability, monitoring, strategy formulation and policy development for the Company. The Board Members apply high ethical standards and take into account the interests of all relevant stakeholders in their discussions and decisions.

The Board also takes upon itself the responsibility to regularly review and evaluate corporate strategy, major operational and financial plans, risk policy, performance objectives and monitor implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. Furthermore, the Board is responsible for the identification, assessment and management of the business risks facing the Company, oversight of the Company's internal control systems and its financial performance, determination of the Company's strategy and strategic aims.

In the performance of such functions the Board has delegated certain functions to the Committees as further detailed below.

<u>Executive Committee</u>
In the later part of 2021 the Company set up the Executive Committee, made up of eight core employees who are collectively responsible for decision-making on day-to-day issues whilst steering the Company forward to ensure the maintenance, growth, evolution and prosperity of the business acting on behalf of and in line with the long-term vision for the Company established by the Board. The Executive Committee is composed of the Managing Director (who is also the link to the Board) of the Company, the Chief Finance Officer, the Chief Operations Officer and senior representatives from the following segments within the Company: finance, operations, cost control, human resources, marketing, brand management and sales management.

Statement by the Directors on compliance by M&Z p.l.c. (the “Company”) with the Code of principles for Good Corporate Governance - continued

A. Compliance with the Corporate Governance Code *- continued*

Principle 4 – The Responsibilities of the Board - continued

Executive Committee - continued

The members of the Committee for the year under review are Ms Greta Camilleri Avallone, Mrs Erika Pace Bonello, Mrs Frances Fenech, Dr Emma Pullicino, Mr Christian Giordimaina, Mr George Zammit, Ms Natasha Saliba and Ms Charmaine Sciberras. During the financial year ended 31 December 2023 the Executive Committee met 4 times.

Audit Committee
The Board has established an Audit Committee to assist it fulfilling its supervisory and monitoring responsibilities, according to detailed terms of reference that reflect the requirements of the CMRs as well as current good corporate governance best practices. The terms of reference of the Audit Committee established by the Board set out its role and function, composition, the parameters of its remit, as well as the basis for the processes that it is required to comply with.

The Audit Committee, which meets at least four times a year, is a sub-committee of the Board and is directly responsible and accountable to the Board. During the year under review the Audit Committee met eight times. The primary purpose of the Audit Committee is to assist the Directors in conducting their role effectively so that the Company’s decision-making capability and the accuracy of its reporting and financial results are maintained at a high level at all times.

The members of the Audit Committee for the year under review are: Mr Kevin J. Rapinett (Chairperson of the Audit Committee) and Mr Charles Farrugia who are independent non-executive Directors (each of whom satisfies the independence criteria set out in the CMRs) and Mr Matthew Camilleri as non-executive Director. In accordance with the CMRs, the members of the Audit Committee that are designated as competent in auditing and/ or accounting are Mr Kevin J. Rapinett and Mr Charles Farrugia.

Principle 5 – Board Meetings
The Board believes that it fully complies with the requirements of Principle 5 and the relative Code Provisions. In line with the nature and demands of the Company’s business the Board endeavours to meet on a regular basis and at said meetings the Directors are given ample opportunity to discuss and give their opinion on the various issues placed on the respective Board agendas.

The Chairman is responsible for the preparation of the Board agenda, which seeks to strike a balance between long-term strategic and shorter-term performance issues, and for the general conduct of the Board meetings. Minutes of the meetings are taken by the Company secretary (the “**Company Secretary**”) which are subsequently circulated to the Board, as soon as practicable after the meeting, for their review prior to approval at the following Board Meeting.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance - continued

***A. Compliance with the Corporate Governance Code** - continued*

Principle 5 – Board Meetings - continued

During the financial year ended 31 December 2023 the Board met eight times, attendance at these meetings was as follows:

Board Member	Meetings Attended
Mr Charles Farrugia	7
Mr Kevin J. Rapinett	8
Mr Matthew Camilleri	8
Ms Greta Camilleri Avallone	8
Mr Paul Camilleri	8
Mr Thomas Agius Vadala'	8
Mrs Erika Pace Bonello	8
Dr Emma Pullicino	6
Mrs Frances Fenech	7

Principle 6 – Information and Professional Development

The Managing Director and the Board are closely involved in the recruitment and selection of any member of senior management. The Board ensures that that all Directors are supplied with precise, timely and clear information so that they can effectively contribute to the Board's decisions.

The Board is also responsible to ensure that adequate training is provided to the Company's Directors, management and employees. The Board will organise and/or attend professional development sessions as required to develop and update the Directors' knowledge and capabilities.

The Directors have direct access to the advice and services of Ganado Services Limited (C10785), the Company Secretary, who is responsible for advising the Board, through the Chairman, on all corporate governance matters. Where and as necessary the Board is also advised by its legal advisors.

Principle 8A – Remuneration Committee/Policy

The Company's Remuneration Policy was approved by the Board on 27 May 2022 and was put to a binding shareholder vote at the 2022 Annual General Meeting of the Company. The policy determines the basis for remuneration of all members of the Board. The principles of the Company's Remuneration Policy for Directors reflect a sound governance process, regulatory compliance as well as sustained and long-term value creation for the Company's shareholders. The Policy defines the principles and guidelines that apply to both fixed and variable remuneration, including all bonuses and benefits, which can be awarded to directors and, in the case of variable remuneration, indicates the relative proportion between fixed and variable components. It is the Company's overall intention that the implementation of this policy will constitute an adequate measure to attract and retain suitable people, calculated to provide the Company with the appropriate skills, technical knowledge experience and expertise both for the determination of policies and strategies of the Company as well as the supervisory role of the Board.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance - continued

*A. **Compliance with the Corporate Governance Code** - continued*

Principles 9 & 10– Relations with Shareholders and with the Market, and Institutional Shareholders
The Company recognises the importance of maintaining effective communication with the market and its stakeholders in order to ensure that all stakeholders can clearly understand the Company's objectives. Besides using the general meeting to communicate with its shareholders the Company intends to issue periodical company announcements for such purpose of communicating with the market, preparation and presentation of the Annual Financial Report and Financial Statements as well as through publications on the Company's website (https://mz.com.mt/). The latter contains information on the Company and its business as well as a dedicated "Investors'' section.

The Chairman of the Board shall ensure that all Directors (including Mr. Kevin Rapinett as Chairman of the Audit Committee) shall be present at the annual general meeting ("**AGM**") to answer any questions which may be posed thereat.

Principle 11 – Conflicts of Interest

The Directors acknowledge that, irrespective of who appointed them to the Board, their primary responsibility is always to act in the best interest of the Company and its stakeholders and that they are never to allow their personal interests to take precedence over those of the Company and its stakeholders. The M&As of the Company require any conflicted Director to declare such a conflict and subsequently: prohibit said Director from being counted in the quorum for the meeting at which such matter is to be discussed or participating in the discussion concerning a matter in respect of which he has declared a direct or indirect interest; and requiring the Director to withdraw from or, if applicable, not attend the Board meeting at which such matter is discussed. Furthermore, such a conflicted Director is prohibited from voting on any matter in which he has an interest. Any conflict of interest is to be accurately recorded in the Board minutes.

A Director having a continuing material interest that conflicts with the interests of the Company should take effective steps to eliminate the grounds of conflict.

The Directors are aware of their obligations when dealing in securities of the Company. The Directors have declared their beneficial interests in the capital of the Company as at 31 December 2023: Mr Paul Camilleri; Mr Matthew Camilleri; Ms Greta Camilleri Avallone; Mr Thomas Agius Vadala'; Mrs Erika Pace Bonello, Dr Emma Pullicino, Mrs Frances Fenech, Mr Charles Farrugia and Mr Kevin Rapinett.

Principle 12 – Corporate Social Responsibility
The Board ensures that the Company adheres to accepted principles of corporate social responsibility in all practices of the Company. The Board believes that adherence to such principle benefits not only the Company's stakeholders (including its shareholders, employees and customers) but society at large. The Company continuously works on adopting and using environmentally friendly technologies in the various aspects and processes of its business, works ethically, considering human rights as well as the social, economic and environmental impact of the business of the Company. The Company has initiated efforts towards Environmental, Social, and Governance (ESG) reporting. Recognizing the importance of sustainability and responsible business practices, we have commenced work on implementing frameworks and processes to effectively capture and report our ESG performance.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance - continued

B. Non-Compliance with the Corporate Governance Code

Principle 7 – Evaluation of the Board's Performance:
The Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board's performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of the Board itself (two of which are independent non-executive Directors), the Company's shareholders, the market and all of the rules and regulations which the Company is subject to, as a company, with its securities listed on a regulated market. In March 2023, the Board carried out an evaluation of its own performance together with that of the Committees and the Chairman. The Board delegated the carrying out of the evaluation exercise to the Company Secretary, who circulated to the Board for its review and completion a comprehensive Board Effectiveness Questionnaire. The results of said questionnaire were subsequently analysed by the Company Secretary and then discussed by the Board. The review has not resulted in any material changes in the Company's internal organisation or in its governance structures.

Principle 8 – Committees, Partial Non-Compliance with Code Provisions 8.A.4.2, 8.A.4.7 and 8.A.5
The Board considers that the size and operations of the Company do not warrant the setting up of remuneration and nomination committees. The Board believes that the size of the Company and the Board itself does not warrant the setting up of a separate committee to establish the remuneration packages of individual directors. The Company relies on the constant scrutiny of the Board itself, the Shareholders, the market and the rules by which the Company is regulated as a listed company.

The Company does not believe it is necessary to establish a nomination committee as appointments to the Board are determined by the shareholders of the Company in accordance with nomination and appointment process set out in the M&A. The Company considers that the members of the Board possess the level of skill, knowledge and experience expected in terms of the Corporate Governance Code. The Board shall retain these matters under review over the coming years.

Code Provisions 8.A.4.2, 8.A.4.7 and 8.A.5 – These Code Provisions refer to disclosures being required to be made in relation to "senior executives" (being any person reporting directly to the Board). The Company's Remuneration Policy does not cover senior executives and consequently no disclosures in this regard were included in the Remuneration Statement given that the senior executive functions are effectively carried out by the respective Executive Directors.

Principle 9 – Relations with Shareholders and with the Market – Code Provisions 9.3 and 9.4
Code Provision 9.3 – The M&As do not provide for a mechanism which would trigger arbitration proceedings in the event of non-resolution of conflicts between minority shareholders and controlling shareholders. Should any such conflict arise this will be handled by the Board in its meetings with the assistance of the Company Secretary to liaise with the relevant shareholder(s).

Code Provision 9.4 – The Company does not have in place a formal procedure by which a minority shareholder can present an issue to the Board. The Company however shall endeavour to have in place an open line of communication between the minority shareholders and the Company.

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance – continued

C. Internal Controls

Company Structure
The Board reviews and is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. Such a system is designed to manage rather than eliminate risk to achieve business objectives, and can provide only reasonable, and not absolute, assurance against normal business risks or loss. The company operates through the Board and the Audit Committee, supported by the Executive Committee. The Company has clear reporting lines and delegation of powers.

Control Environment
The Company is committed to the highest standards of business conduct and seeks to maintain these standards across all its operations. Policies and procedures are in place for reporting and dealing with improper activities. The Company has an appropriate organizational structure which enables it to plan, execute, control and monitor business operations in order to reach the company's objectives.

Risk identification
The Board of Directors, with the assistance of the Executive Committee, is responsible for the identification and assessment of key risks applicable to the business. The risks are assessed on an ongoing basis, and may be associated with a variety of internal and external sources.

Information and communication
The Board engages in regular strategic reviews on long-term financial projections, as well as other potential business opportunities. The Audit Committee meets on a regular basis, and reviews the effectiveness of the Company's systems of internal financial controls. The Committee receives report from management and the external auditors. Regular budgets are prepared and performance against these plans is actively monitored and reported to the Board.

D. General Meetings

As set out in Article 74 of the M&As, all shareholders of the Company included in the Register of Members of the Company on the Record Date relative to the AGM are entitled to receive notice of, participate in and vote at the general meeting, whether in person or by proxy. Each shareholder is entitled to appoint a person to act as their proxy holder to attend and vote at an AGM.

Voting at the AGM may take place either by a show of hands or by a poll, where such is demanded. Subject to any rights or restrictions attaching to any class or classes of Shares, on a show of hands each shareholder is entitled to one vote and in a poll each shareholder is entitled to one vote per share (carrying voting rights) held. Furthermore, each shareholder has the right to ask questions pertinent and related to agenda items and has the right to have such questions answered by the Directors or such person which may be delegated this task.

Adequate notice of the AGM, of at least twenty-one (21) days, is to be provided to all shareholders in terms of Article 69 of the M&A. The business of AGM includes the consideration of the Company's Annual Report and financial statements, the directors' and auditors' report for the previous financial year, the appointment or election of Directors (if necessary), the appointment or re-appointment of auditors and the fixing of the remuneration of Directors and Auditors. Any other business dealt with at the AGM is deemed to be "special business".

Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance - continued

D. General Meetings *- continued*

The Chairman arranges for all directors to attend the AGM, where shareholders are provided with a presentation on the performance and operations of the Company over the past financial year, in light of prevailing market and economic conditions, and in light of any disruptive events, and will also provide an overview of the future outlook of the Company.

E. Other Disclosures in terms of the Capital Markets Rules

Matters relating to the share capital of the Company are contained in the section entitled "Additional Information pursuant to Capital Markets Rule 5.64" in the Directors' Report.

Amendments to the M&A - In terms of the Companies Act (Cap. 386 of the Laws of Malta) the Company may by extraordinary resolution at a general meeting amend its M&A.

Powers of Directors – the Powers of Directors are set out in Articles 143 – 151 of the of the Company's Articles. For the purpose of this section, "Equity Securities" means shares, another class of shares, or any other securities or instruments (including but not limited to warrants or options in relation to shares), that can be converted or exchanged into, or which carry the right to subscribe for, shares or another class of shares. In terms of article 5 of the Articles the Board is authorised to exercise the power of the Company to issue and allot Equity Securities up to the amount of the authorised but unissued share capital of the Company from time to time (in respect of each class), and that the Board of Directors may offer, allot, grant, or otherwise dispose of such Equity Securities to such persons on such terms and in such manner as they think fit. This authorisation is valid until the date of the Company's AGM to be held in 2023 unless previously renewed, varied or revoked by the Company in general meeting. Accordingly, in terms of Article 88 of the Companies Act, and Article 4 of the Articles, the Board is authorised to withdraw or restrict all pre-emption rights of the Shareholders and will remain so authorised for as long as the Board remains so authorised to issue Equity Securities.

Approved by the Board of Directors on 25 April 2024.

Remuneration Report

A. *Introduction*

This remuneration report (the "**Report**") is being prepared in satisfaction of the requirements of Code Provisions 8.A.3 and 8.A.4 of the Code of Principles of Good Corporate Governance (the "**Code**") and the requirements of Chapter 12 of the Capital Markets Rules (the "**CMRs**"). During the period under review the Board of Directors of the Company (the "**Board**") was responsible for performing the functions of the Remuneration Committee.

The main function of the Remuneration Committee is to devise appropriate remuneration packages for the Board taking into consideration Board members' required competencies, skills, effort and the scope of the Board's role including the number of meetings and the preparation required by Directors to attend and actively contribute during meetings. In establishing said packages consideration is also given to market demands, the size of the Company and the complexity of its business as well as to the directors' responsibilities.

B. *Remuneration Policy*

The Company's Remuneration Policy (the "**Policy**") was approved by the Board on 27 May 2022 and subsequently approved by shareholders at the 2022 Annual General Meeting held on 24 June 2022, the Policy became effective from the date of said annual general meeting for a maximum period of 4 years. The Policy is available for viewing on the Company's website: https://mz.com.mt/app/uploads/2024/04/remuneration-policy-2022.pdf. Any material amendment to the Policy shall be submitted to the Annual General Meeting for a shareholders vote before adoption thereof and shall remain to be subject to confirmation every 4 years.

The Policy provides different criteria for the remuneration of Non-Executive Directors ("**NEDs**") and Executive Directors, based on the management and operational structure of the Company, the Board's view is that fixed remuneration is appropriate for the NEDs, whilst the Executive Directors are to be provided a combination of both fixed and annual performance-based remuneration. For the year under review all Directors' remuneration was in conformity with the Policy. Due to the difference in nature of the remuneration of Executive Directors and NEDs the reporting on Directors' remuneration shall also be split accordingly in this Report.

C. *Directors Emoluments*

On a general basis, the aggregate emoluments of all directors are from time to time determined by the Company in general meeting. In terms of the Director service contracts, Directors are appointed from one annual general meeting to the next, unless appointed or elected for a longer or shorter period and subject to a maximum term of three (3) years, renewable for further terms of up to three (3) years at the relevant annual general meeting at which their term expires. The relevant notice period for the termination of the Directors Service Contract is that of three (3) months and this may be given by either party in writing for whatever reason.

None of the Directors are offered any share-based remuneration nor paid any benefits linked to the termination of their office and they do not benefit from any pension or early retirement schemes by virtue of their office. As disclosed in the Policy, Directors may also benefit from non-cash benefits, such as, but not limited to, health insurance and other insurance schemes as well as Company discounts on products and services of the Company as the Board may from time to time determine.

Remuneration Report - continued

In terms of the adopted Policy the total remuneration of the Directors is calculated on the basis of whether a Director holds an executive or a non-executive position. The remuneration of NEDs is fixed on the basis of their expected contribution to the Company and on the basis of their relevant experience, knowledge and expertise, and additional remuneration is also provided to NEDs for their forming part of Board committees.

Also as set out in the Policy the remuneration of the Executive Directors comprises a fixed element and a variable element for three (3) of the Directors who are responsible for certain brands which the Company represents. This variable element fluctuates in accordance with the monthly performance of the Company and of the respective brands falling within the remit of said Executive Director. Such a performance-based element of remuneration is not applicable to the two (2) senior Executive Directors and the Director responsible for human resources. The Company has found that its current (and past) remuneration structure of linking variable remuneration to the attainment of certain goals and results contributes well to the long-term performance of the company.

i. Non-Executive Directors

In terms of the Policy, NEDs are not entitled to variable remuneration and each of the NEDs receive the same fixed remuneration for their respective duties as Directors, save for the following exceptions: the Chairman of the Board receives a different fixed fee commensurate with the added responsibilities of the role of the Chairman and NEDs who are also appointed as members of one of the Board committees shall be entitled to receive additional compensation for the work performed on such committees. Compensation due for performance of duties on a Board committee is of a fixed nature determined by the Board from time to time within the limit of the aggregate emoluments approved by Shareholders in the general meeting.

	Fixed (€)	**Variable (€)**	**Other* (€)**	**Aggregate 2023 (€)**	**Aggregate 2022 (€)**
Charles J. Farrugia	16,000	N.A.	14,000	30,000	30,000
Kevin Rapinett	15,000	N.A.	9,000	24,000	24,000
Matthew Camilleri	15,000	N.A.	14,000	29,000	29,000

** remuneration for forming part of a Board committee.*

ii. Executive Directors

The Executive Directors of the Company are the Managing Director (Greta Camilleri Avallone) and all other Directors of the Company who are actively involved in the day-to-day management of the Company. The role of the Executive Directors on the Board is considered as direct a consequence of their executive office in the Company. Accordingly in order that remuneration reflect such executive positions within the Company taking into account their competence, technical knowledge, experience and expertise in discharging their executive functions within the Company, said Executive Directors are entitled to a combination of fixed and variable remuneration.

The Executive Directors receive a fixed fee as remuneration for their respective duties as Directors in addition to a fixed monthly salary as remuneration for their employment as company executives. As indicated in C above the remuneration package of certain Executive Directors also includes a variable component (as part of their monthly salary) in the form of a monthly performance bonus, which is linked to the monthly performance of the Company and of the respective brands falling within the remit of the respective Executive Director.

Remuneration Report - continued

	Fixed (€)	**Variable (€)**	**Aggregate 2023 (€)**	**Aggregate 2022 (€)**
Greta Camilleri Avallone	78,276	27,542	105,818	105,372
Paul Camilleri	108,846	-	108,846	120,391
Erika Pace Bonello	80,776	-	80,776	76,761
Emma Pullicino	56,594	21,212	77,806	75,854
Frances Fenech	63,276	22,907	86,183	84,299
Thomas Agius Vadala	81,433	-	81,433	83,391

D. Other information on remuneration required by Appendix 12.1 of the CMRs

As required by bullet (b) of Appendix 12.1 of the CMRs, the below table presents the annual change of remuneration, of the performance of the company, and of average remuneration on a full-time equivalent basis of employees of the company other than Directors over the last couple of financial years.

	2023	**2022**	**2021**
Directors Emoluments	(0.83%)	16.51%	48.11%
Average Employee Remuneration	(0.97%)	7.73%	10.56%
Performance of the Company – EBITDA	13.27%	(4.38%)	14.16%

E. Contents of the Remuneration Report

As required by the CMRs the contents of the Report have been duly checked by the Company's external auditors to ensure compliance with the requirements of Appendix 12.1 of Chapter 12 of the CMRs.

Approved by the Board of Directors on 25 April 2024.

Statement of financial position

	Notes	As at 31 December 2023 €	2022 €
ASSETS			
Non-current assets			
Intangible assets	3.3	**1,297,129**	1,519,256
Property, plant and equipment	3.4	**923,873**	1,178,882
Right-of-use assets	3.4(b)(b)	**1,535,668**	1,815,008
Deferred tax assets	5.5(c)	**525,975**	220,518
Equity instruments at fair value through other comprehensive income	4.1.1	**50**	50
Total non-current assets		**4,282,695**	4,733,714
Current assets			
Inventories	3.2	**5,415,965**	4,688,328
Trade and other receivables	4.1.2	**8,935,233**	8,564,980
Current tax asset		**-**	80,217
Cash and cash equivalents	4.1.3	**806,670**	953,838
Total current assets		**15,157,868**	14,287,363
Total assets		**19,440,563**	19,021,077
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	6.1	**5,500,000**	5,500,000
Preference share capital	6.1	**1,500,000**	1,500,000
Retained earnings		**2,650,889**	2,168,934
Total equity		**9,650,889**	9,168,934
LIABILITIES			
Non-current liabilities			
Lease liabilities	4.2.1	**1,367,829**	1,663,277
Total non-current liabilities		**1,367,829**	1,663,277
Current liabilities			
Borrowings	4.2.2	**4,635,401**	4,643,521
Trade and other payables	4.2.3	**3,167,208**	3,262,356
Current tax liabilities		**324,668**	-
Lease liabilities	4.2.1	**294,568**	282,989
Total current liabilities		**8,421,845**	8,188,866
Total liabilities		**9,789,674**	9,852,143
Total equity and liabilities		**19,440,563**	19,021,077

Statement of comprehensive income

	Notes	Year ended 31 December 2023 €	2022 €
Revenue	2.1	**31,317,687**	28,399,658
Cost of sales	2.2	**(24,721,156)**	(22,625,577)
Gross profit		**6,596,531**	5,774,081
Administrative expenses	2.2	**(3,736,488)**	(3,316,672)
Other operating income	5.3	**428**	5,175
Operating profit		**2,860,471**	2,462,584
Finance costs	5.4	**(360,067)**	(257,061)
Profit before tax		**2,500,404**	2,205,523
Tax expense	5.5	**(735,112)**	(809,800)
Profit for the year – total comprehensive income		**1,765,292**	1,395,723
Earnings per share for the year attributable to ordinary shareholders	6.4	**0.04**	0.03

The accompanying notes in pages 24 to 52 are an integral part of these financial statements.

Statement of changes in equity

	Note	Ordinary share capital €	Preference share capital €	Retained earnings €	Total €
Balance at 1 January 2022		5,500,000	1,500,000	1,214,211	8,214,211
Profit for the year - total comprehensive income		-	-	1,395,723	1,395,723
Transactions with owners:					
Dividends	6.3	-	-	(441,000)	(441,000)
Total transactions with owners		-	-	(441,000)	(441,000)
Balance at 31 December 2022		**5,500,000**	**1,500,000**	**2,168,934**	**9,168,934**
Balance at 1 January 2023		5,500,000	1,500,000	2,168,934	9,168,934
Profit for the year - Total comprehensive income		-	-	1,765,292	1,765,292
Transactions with owners:					
Dividends	6.3	-	-	(1,283,337)	(1,283,337)
Total transactions with owners		-	-	(1,283,337)	(1,283,337)
Balance at 31 December 2023		**5,500,000**	**1,500,000**	**2,650,889**	**9,650,889**

The accompanying notes in pages 24 to 52 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2023 €	2022 €
Cash flows from operating activities			
Cash generated from operations	7	**2,741,191**	1,794,253
Interest paid	5.4	**(285,728)**	(173,534)
Income tax paid		**(635,684)**	(1,124,897)
Net cash generated from operating activities		**1,819,779**	495,822
Cash flows from investing activities			
Purchases of property, plant and equipment	3.4	**(333,926)**	(361,670)
Proceeds from disposal of property, plant and equipment		**3,149**	6,249
Acquisition of representation rights	3.3	**-**	(1,493,000)
Net cash used in investing activities		**(330,777)**	(1,848,421)
Cash flows from financing activities			
Principal and interest payments of lease liabilities	4.2.1	**(358,211)**	(341,552)
Movement in factoring facility	4.2.2	**(365,033)**	1,926,108
Dividends paid	6.3	**(1,269,839)**	(396,000)
Net cash (used in)/generated from financing activities		**(1,993,083)**	1,188,556
Net movement in cash and cash equivalents		**(504,081)**	(164,043)
Cash and cash equivalents at beginning of year		**(1,763,575)**	(1,599,532)
Cash and cash equivalents at end of year	4.1.3	**(2,267,656)**	(1,763,575)

The accompanying notes in pages 24 to 52 are an integral part of these financial statements.

Notes to the financial statements

1. General information

1.1 Information about the company

M&Z p.l.c. is a public limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of M&Z p.l.c. is M&Z Group Limited, a company registered in Malta, with its registered address at MMGH Complex, Industrial Estate, Marsa MRS 3000.

1.2 Basis of preparation

(a) Compliance with IFRS and with the Maltese Companies Act

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).

(b) Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not have a material effect on the Company's recognition, measurement and presentation of items within these financial statements. Disclosures have been impacted as described below.

The IASB amended IAS 1 'Presentation of Financial Statements' to require entities to disclose their material rather than their significant accounting policies. The amendments define what is 'material accounting policy information' (being information that, when considered together with other information included in an entity's financial statements, can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements) and explain how to identify when accounting policy information is material. They further clarify that immaterial accounting policy information does not need to be disclosed. If it is disclosed, it should not obscure material accounting information.

To support this amendment, the IASB also amended IFRS Practice Statement 2 'Making Materiality Judgements' to provide guidance on how to apply the concept of materiality to accounting policy disclosures.

Consequently, with effect from these financial statements, the Company is disclosing accounting policy information that is material.

(c) 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 2023. 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. General information - continued

(d) Use of estimates and judgements

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.

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 other accounting estimates and judgements made in the course of preparing these financial statements, except as disclosed in notes 4.1.2 and 4.1.5, are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

(e) Cost convention and presentation currency

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 and derivative financial instruments that are measured at fair value through profit or loss.

These financial statements are presented in euro ("€"), which is also the Company's functional currency and the currency in which its share capital is denominated. All figures are rounded to the nearest €1.

(f) Presentation of notes to the financial statements

With effect from these financial statements, the notes to the financial statements are grouped in a manner that gives prominence to the areas of the Company's activities that are most relevant.

2. Revenue and segmental information

2.1 Revenue from contracts with customers

Revenue comprises all revenues from the Company's ordinary business activities, being the importation, marketing and distribution of fast-moving consumer goods in the food sector that include ambient, ambient, chilled, frozen, fresh, ice-cream, baby and kids, home and personal care, wines and spirits, pet care and confectionary segments.

Management has determined that the Company does not have any material performance obligations other than the promise to transfer control over these products to its customers. Revenue from the sale of such products is recognised when the Company transfers control over those products to its customers; management has determined that control is transferred at a single point in time, which is 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.

2. Revenue and segmental information - continued

2.1 Revenue from contracts with customers - continued

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.

	2023	2022
	€	€
Sale of goods	**31,317,687**	28,399,658

2.2 Expenses by nature

	2023	2022
	€	€
Purchases (including movement in inventory)	**18,986,353**	17,041,087
Selling and distribution expenses	**2,373,981**	2,429,288
Employee benefit expense (note 5.1)	**4,766,854**	4,768,776
Amortisation of intangible assets (note 3.3)	**129,800**	129,798
Depreciation on property, plant and equipment (note 3.4)	**586,213**	537,338
Depreciation on right-of-use assets (note 3.4(b)(b))	**279,340**	274,513
Professional fees	**109,379**	123,543
Repairs and maintenance	**85,961**	111,554
Costs associated with short term leases	**-**	10,500
Insurance and licenses	**182,430**	184,081
Utilities	**114,986**	131,735
Impairment losses on financial and contract assets	**792,600**	139,300
Other expenses	**49,747**	60,736
Total cost of sales and administrative expenses	**28,457,644**	25,942,249

2.3 Segment reporting

The Company determines and presents operating segments based on the information that is provided internally to the board of directors, which is the Company's chief operating decision maker in accordance with the requirements of IFRS 8 'Operating Segments'.

An operating segment is a component of the Company that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Company's other components, and for which discrete financial information is available. An operating segment's operating results are reviewed regularly by the board of directors to make decisions about resources to be allocated to the segment and to assess its performance executing the function of the chief operating decision maker.

2. Revenue and segmental information - continued

2.3 Segment reporting - continued

The directors assess the operations of the Company as one reporting segment on the basis that the Company has one line of activity based in Malta. Accordingly, no segment disclosures are being presented.

3. Inventory and non-current assets

3.1 Impairment of non-financial assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other non-financial assets that are subject to amortisation 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.

3.2 Inventories

Inventories are stated at the lower of cost and net realisable value, where cost is determined using the first-in, first-out method.

	2023	2022
	€	€
Finished goods and goods for resale	**5,415,965**	4,688,328

Inventory write-downs during the year amounted to €308,767 (2022: €181,247).

3.3 Intangible assets

(a) Measurement of different classes of intangible assets

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.

Brand representations

Brand representations are carried at cost less accumulated amortisation. They are amortised using a straight line method over their estimated useful life of 10 years.

3. Inventory and non-current assets

3.3 Intangible assets - continued

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.

(b) Analysis of balances

	Brand representations	Goodwill	Others	Total
	€	€	€	€
At 1 January 2022				
Cost	-	156,054	700,000	856,054
Accumulated amortisation	-	-	(700,000)	(700,000)
Net book amount	-	156,054	-	156,054
Year ended 31 December 2022				
Opening net book amount	-	156,054	-	156,054
Acquisitions through business combinations (note 3.3(c))	1,298,000	195,000	-	1,493,000
Amortisation	(129,798)	-	-	(129,798)
Closing net book amount	1,168,202	351,054	-	1,519,256
At 31 December 2022				
Cost	1,298,000	351,054	700,000	2,349,054
Accumulated amortisation	(129,798)	-	(700,000)	(829,798)
Net book amount	1,168,202	351,054	-	1,519,256
Year ended 31 December 2023				
Opening net book amount	1,168,202	351,054	-	1,519,256
Impairment	-	(92,327)	-	(92,327)
Amortisation	(129,800)	-	-	(129,800)
Closing net book amount	**1,038,042**	**258,727**	**-**	**1,297,129**
At 31 December 2023				
Cost	1,298,000	258,727	700,000	2,256,727
Accumulated amortization	(259,598)	-	(700,000)	(959,598)
Net book amount	**1,038,402**	**258,727**	**-**	**1,297,129**

3. Inventory and non-current assets – continued

3.3 Intangible assets - continued

(c) Acquisition of intangible assets through business combinations

On 22 December 2021, the Company concluded negotiations for the acquisition of the representation rights of various brands and related assets from Red October Company Limited. Through this transaction, the Company has expanded its range of product categories through the acquisition of a number of wine, confectionery, spirits and tobacco brands. The final contract was signed on 22 December 2021, with an effective date of 15 January 2022 and the representation rights relating to the portfolio of brands held by Red October Company Limited was consolidated within the Company's portfolio as from the first quarter of 2022. This acquisition has aided the Company to increase its presence in the market and strengthen the Company's HORECA offering. The purchase consideration for this acquisition was initially €1,493,000 and was partly funded by bank debt amounting to €1.0 million, drawn down in 2022, with the remaining consideration amounting to €0.5 million funded through accumulated reserves. During January 2023 (within the measurement period allowed by IFRS3), new information obtained by the company resulted in an adjustments of €92,327 to goodwill.

(d) Impairment tests for goodwill

The goodwill relates to the Company's acquisition of brand representations from third parties. Management continued to conduct impairment assessment of the Company's single cash generating unit (CGU). Management has determined that the value of goodwill is not considered to be significant when taking into consideration the Company's profits and that no reasonably possible changes in the Company's earnings would cause the CGU's carrying amount to exceed its recoverable amount. Based on this, it is not considered necessary to perform a detailed goodwill impairment assessment.

3.4 Property, plant and equipment

(a) Measurement of different classes of property, plant and equipment

All property, plant and equipment is initially recorded at cost, and subsequently stated at historical cost less depreciation and impairment losses.

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 - 33
Fixtures and fittings	10
Office furniture	6 - 10
Motor vehicles	20

3. **Inventory and non-current assets** – continued

3.4 **Property, plant and equipment** - continued

(b) Analysis of balances

	IT software and equipment	Fixtures, fittings and office furniture	Freezers and equipment	Motor vehicles	Total
	€	€	€	€	€
At 1 January 2022					
Cost	361,011	288,597	2,322,148	2,133,768	5,105,524
Accumulated depreciation	(224,778)	(81,680)	(1,733,576)	(1,709,865)	(3,749,899)
Net book amount	136,233	206,917	588,572	423,903	1,355,625
Year ended 31 December 2022					
Opening net book amount	136,233	206,917	588,572	423,903	1,355,625
Additions	81,497	19,362	149,700	111,111	361,670
Disposals	-	-	(1,932)	(1,791)	(3,723)
Depreciation charge	(86,971)	(28,937)	(271,499)	(149,931)	(537,338)
Depreciation released on disposal	-	-	1,932	716	2,648
Closing net book amount	130,759	197,342	466,773	384,008	1,178,882
At 31 December 2022					
Cost	442,508	307,959	2,469,916	2,243,088	5,463,471
Accumulated depreciation	(311,749)	(110,617)	(2,003,143)	(1,859,080)	(4,284,589)
Net book amount	130,759	197,342	466,773	384,008	1,178,882
Year ended 31 December 2023					
Opening net book amount	130,759	197,342	466,773	384,008	1,178,882
Additions	27,764	-	37,216	268,946	333,926
Disposals	-	-	-	(6,805)	(6,805)
Depreciation charge	(75,588)	(28,739)	(248,313)	(233,573)	(586,213)
Depreciation released on disposal	-	-	-	4,083	4,083
Closing net book amount	**82,935**	**168,603**	**255,676**	**416,659**	**923,873**
At 31 December 2023					
Cost	470,272	307,959	2,507,132	2,505,229	5,790,592
Accumulated depreciation	(387,337)	(139,356)	(2,251,456)	(2,088,570)	(4,866,719)
Net book amount	**82,935**	**168,603**	**255,676**	**416,659**	**923,873**

3. Inventory and non-current assets – continued

3.5 Lease arrangements

(a) The Company's leasing activities

As a lessee, the Company recognises a right-of-use asset and a lease liability for all lease arrangements other than as described below.

The Company leases three properties – an office space and warehouses. Rental contracts are typically made for fixed periods of up to 12 years and between 5 to 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, and leased assets may not be used as security for borrowing purposes.

The Company's property lease arrangements include extension and termination options. 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 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). Lease payments to be made under reasonably certain extension options are also included in the initial measurement of the lease liability.

For leases of properties, management considers the following factors when carrying out this assessment of the lease term:

- 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 Company's control.

As an exception to the general rule of recognition of lease arrangements, payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised by the Company 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.

3. Inventory and non-current assets – continued

3.5 Lease arrangements - continued

(b) Amounts recognised in the statement of financial position, statement of profit and loss and statement of cash flows

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

Right-of-use assets

	Property leases €	Total €
Year ended 31 December 2022		
Opening net book amount	2,089,521	2,089,521
Depreciation charge	(274,513)	(274,513)
Closing net book amount	1,815,008	1,815,008
Year ended 31 December 2023		
Opening net book amount	1,815,008	1,815,008
Depreciation charge	(279,340)	(279,340)
Closing net book amount	**1,535,668**	**1,535,668**

Lease liabilities

	2023 **€**	2022 €
Non-current	**1,367,829**	1,663,277
Current	**294,568**	282,989
	1,662,397	1,946,266

The incremental borrowing rate used for the discounting of the lease payments is 4% (2022: 4%).

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

	2023 **€**	2022 €
Depreciation charge on right-of-use assets	**279,340**	274,513
Interest expense (included in finance cost) (Note 5.4)	**74,339**	83,526
Expense relating to short term leases (Note 2.2)	**-**	10,500
	353,679	368,539

The total cash outflows for leases in 2023 was €358,211 (2022: €341,552). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 4.2.5.

4. Financial assets and liabilities

The Company's financial assets comprise trade and other receivables, cash and cash equivalents, and an investment in an equity instrument, and its financial liabilities comprise lease liabilities, borrowings, and trade and other payables.

The Company also uses derivative instruments to manage foreign exchange risk exposures related to GBP. Derivatives are carried as financial assets when the fair value is positive and as financial liabilities when the fair value is negative.

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.

4.1 Financial assets

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments (comprising trade and other receivables and cash and cash equivalents) depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. The Company classifies all its debt instruments at amortised cost as they are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest.

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.

Equity instruments

The Company has elected to subsequently measure its equity investment at fair value through other comprehensive income (OCI).

4.1.1 Equity instruments at fair value through other comprehensive income

	2023	2022
	€	€
Year ended 31 December		
Opening and closing cost and net book amount	**50**	50

Equity instruments at FVOCI relate to an investment in Greenpak shares which are not listed and the directors consider this investment to be insignificant and that additional disclosures are not deemed necessary.

4. Financial assets and liabilities - continued

4.1.2 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. The Company presents these assets as current as collection is expected in one year or less.

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 4.1.5.

	2023	2022
	€	€
Current		
Trade receivables – gross	**7,956,813**	6,965,809
Less: loss allowance	**(839,748)**	(445,075)
Trade receivables – net	**7,117,065**	6,520,734
Other receivables	**1,144,105**	1,369,402
Indirect taxation	**47,404**	24,373
Advance payments to suppliers	**343,089**	426,710
Prepayments and contract assets	**283,570**	223,761
Total trade and other receivables	**8,935,233**	8,564,980

The Company derecognises financial assets when the rights to receive cash flows from the financial assets have expired or have been transferred and the Company has also transferred substantially all the risks and rewards of ownership.

The carrying amounts of trade receivables includes receivables which are subject to a factoring arrangement, under which M&Z p.l.c has transferred the relevant receivables to the factor in exchange for cash. However, as the Company has retained the late payment and credit risk, it therefore continues to recognise the transferred assets in their entirety in its statement of financial position; the amount repayable under the factoring agreement is presented as borrowings (Note 4.2.2). As the Company continues to recognise these receivables, management has determined that the hold to collect business model remains appropriate for these assets and hence continues measuring them at amortised cost. The Company presents the cash inflows received from the bank as financing cash inflows and the subsequent payments by the debtors as operating cashflows.

Other receivables include marketing contributions receivable, advances and loans to employees and third parties amounting to €1,144,105 (2022: €1,369,402). Other receivables are net of provisions for impairment amounting to €398,222 (2022: NIL).

4. Financial assets and liabilities - continued

4.1.2 Trade and other receivables - continued

The net carrying amount of 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 relating to trade and other receivables is disclosed in Notes 4.1.5 and 4.4.

4.1.3 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 and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

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

	2023	2022
	€	€
Cash at bank and in hand	**806,670**	953,838
Bank overdraft (Note 4.2.2)	**(3,074,326)**	(2,717,413)
	(2,267,656)	(1,763,575)

4.1.4 Derivative financial assets

Information about derivative financial assets is disclosed in note 4.4.2(a)

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

	2023	2022
	€	€
Trade and other receivables (note 4.1.2)	**8,651,663**	7,915,009
Cash and cash equivalents (note 4.1.3)	**806,670**	953,838
	9,458,333	8,868,847

4. Financial assets and liabilities - continued

4.1.5 Credit risk - continued

Recognition and measurement of loss allowances

The Company assesses on a forward-looking basis the expected credit losses (ECLs) associated with the above assets. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

The Company applies IFRS 9's simplified approach to measuring expected credit losses for all trade receivables. Under this approach, the Company recognises an allowance for lifetime ECLs. It applies IFRS 9's general approach to measuring expected credit losses for other financial assets, resulting in a loss allowance for the 12-month ECLs unless the credit risk on a financial asset has increased significantly since initial recognition; in this case, the Company recognises a loss allowance that represents the lifetime 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.

Trade and other receivables

The credit quality of customers is assessed, taking into account financial position, past experience and other factors.

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.

4. Financial assets and liabilities - continued

4.1.5 Credit risk - continued

Impairment of trade receivables

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

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. Based on management's assessment of current economic conditions an uplift of up to 10% has been applied to the historical credit losses of certain debtor portfolios. On that basis, the loss allowance was determined to be as follows:

	Current and up to 30 days past due €	31 to 60 days past due €	61 to 90 days past due €	91 to 180 days past due €	+ 180 days past due €	Total €
As at 31 December 2023						
Expected loss rate (weighted average)	**7%**	**10%**	**13%**	**36%**	**100%**	
Gross carrying amount	**6,863,728**	**447,454**	**239,650**	**237,096**	**168,885**	**7,956,813**
Loss allowance – provision	**(509,800)**	**(43,359)**	**(31,696)**	**(86,008)**	**(168,885)**	**(839,748)**
As at 31 December 2022						
Expected loss rate (weighted average)	2%	8%	30%	100%*	-	
Gross carrying amount	7,388,618	219,212	93,657	262,705	-	7,964,192
Loss allowance – provision	(135,776)	(18,562)	(28,032)	(262,705)	-	(445,075)

**2022 balance amounting to EUR262,705 included the brackets 91 – 180 and 180+ days past due*

Impairment of other receivables

The Company applies the general model to measuring expected credit losses for all other receivables. To measure the expected credit losses, loans and other receivables have been grouped based on shared credit risk characteristics and the days past due. The Company assesses the credit quality of these loans considering financial position, repayment patterns, past experience and other factors including history of default from the credit terms issued.

4. Financial assets and liabilities - continued

4.1.5 Credit risk - continued

On that basis, the loss allowance for the Company as at 31 December was determined by applying:

- An expected loss rate averaging 3% (2022: 0%) on all other receivables classified under stage 1 (other receivables where management has no concern of recoverability) resulting in a loss allowance of €40,936 (2022: NIL).
- An expected loss rate averaging 50% (2022: 0%) on all other receivables classified under stage 2 (other receivables where management has some concern of recoverability) resulting in a loss allowance of €16,241 (2022: NIL).
- An expected loss rate of 100% (2022: 0%) on all outstanding other receivables classified under stage 3 (other receivables where management has serious concerns about recoverability) resulting in a loss allowance of €341,045 (2022: NIL).

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The closing loss allowances for trade receivables and contract assets as at 31 December reconcile to the opening loss allowances as follows:

	2023	2022
	€	€
Trade receivables		
Balance at 1 January	**445,075**	305,775
Increase in loss allowance recognised in profit or loss during the year	**394,673**	139,300
Balance at 31 December	**839,748**	445,075
Other receivables		
Balance at 1 January	**-**	-
Increase in loss allowance recognised in profit or loss during the year	**398,222**	-
Balance at 31 December	**398,222**	-

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 on financial and contract assets within administrative expenses. 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.

4. Financial assets and liabilities - continued

4.2 Financial liabilities

All financial liabilities other than derivatives are subsequently measured at amortised cost.

4.2.1 Lease liabilities

Information about lease liabilities is disclosed in note 3.4(b)(b).

4.2.2 Borrowings

	2023	2022
	€	€
Current		
Bank overdraft	**3,074,326**	2,717,413
Factoring facility (Note 4.1.2)	**1,561,075**	1,926,108
	4,635,401	4,643,521

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

The Company's banking facilities as at 31 December amounted to €9,750,000 (2022: €9,750,000) and were secured by a general hypothec over all assets of the company.

The weighted average effective interest rates at the year end was 5% (2022: 3%).

During 2022, the Company entered into a €3,500,000 factoring facility agreement to factor the debts of the Company. In accordance with the provisions of the agreement, the Company has retained the late payment and credit risk (Note 4.1.2). The Company therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement is presented as borrowings.

4.2.3 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. The Company presents these liabilities as current liabilities as payment is due within one year or less.

	2023	2022
	€	€
Current		
Trade payables	**1,195,896**	934,997
Amounts due to related parties	**6,000**	51,000
Indirect taxation	**100,377**	110,034
Accruals	**1,864,935**	2,166,325
Total trade and other payables	**3,167,208**	3,262,356

Amounts due to related parties are unsecured, interest free and repayable on demand.

4. Financial assets and liabilities - continued

4.2.4 Derivative financial liabilities

Information about derivative financial assets is disclosed in note 4.4.2(a)

4.2.5 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 4.2.1, 4.2.2 and 4.2.3). 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.

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 2023					
Lease liabilities	1,662,397	1,867,074	357,436	1,247,660	261,978
Borrowings	4,635,401	4,635,401	4,635,401	-	-
Trade and other payables	3,167,208	3,167,208	3,167,208	-	-
	9,465,006	**9,669,683**	**8,160,045**	**1,247,660**	**261,978**

	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 31 December 2022					
Lease liabilities	1,946,266	2,237,277	355,610	1,445,141	436,526
Borrowings	4,643,521	4,643,521	4,643,521	-	-
Trade and other payables	3,262,356	3,262,356	3,262,356	-	-
	9,852,143	10,143,154	8,261,487	1,445,141	436,526

4.3 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 a variety of methods and makes assumptions that are based on market conditions existing at the end of each reporting period.

4. Financial assets and liabilities - continued

4.3 Fair values of financial instruments - continued

Financial instruments are carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Company's financial asset classified as FVOCI is included in level 3.

At 31 December 2023 and 2022 the carrying amounts of cash at bank, trade receivables (net of provision), payables, accrued expenses and borrowings reflected in the financial statements are reasonable estimates of fair values in view of the nature of these instruments or the relatively short period of time between the organisation of the instruments and the expected realisation.

As at 31 December 2023, the Company did not have any other financial instruments categorized in level 2 of the hierarchy. Information about the fair values of derivative financial instruments is disclosed in note 4.4.2(a).

4.4 Financial risk management

4.4.1 Risk management framework

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 (note 4.1.5) and liquidity risk (note 4.2.5). 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.

4.4.2 Market risk

(a) Foreign exchange risk

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 within 'administrative expenses'.

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

4. Financial assets and liabilities - continued

4.4 Financial risk management - continued

4.4.2 Market risk - continued

Monetary financial assets and liabilities denominated in GBP and USD amounted to:

	2023	2022
	€	€
USD		
Trade and other receivables	**62,104**	70,479
Bank balances	**270,089**	(119,111)
GBP		
Trade and other receivables	**404,955**	426,730
Trade payables	**(163,211)**	(187,361)
Bank balances	**417,361**	834,929

(a) Hedging activities and derivatives

During the financial year ended 31 December 2023, GBP purchases amounted to approximately 34% (2022: 34%) of the total purchases of the Company. As a result, any fluctuations in the GBP rate may have a significant effect on the Company's results. In order to manage the exchange rate risk subsequent to 2023 management was led to the decision to enter into forward contracts with respect to the foreign exchange rate for GBP which will directly impact the Company's future purchase cost.

These contracts are expected to reduce the volatility attributable to exchange rates for GBP. Hedging the exchange rate volatility of forecast GBP rates is in accordance with the risk management strategy outlined by the directors. The Company's derivative instruments are governed by contracts with the Company's bank.

These derivatives are initially measured at fair value on the date a derivative contract is entered into, and they are subsequently remeasured to their fair value at the end of each reporting date. The Company did not apply hedge accounting and as a result, these derivatives are classified as financial assets or liabilities at fair value through profit or loss. Changes in the fair value of the derivatives are recognised in profit or loss.

The fair value of the derivative instruments is derived from exchange rates and readily observable information and falls into the Level 2 hierarchy of IFRS 13.

As at 31 December 2023, the Company entered into forward contracts which will be settled on a date in 2024 amounting to €2,024,167 (2022: NIL). As at the reporting date, the Company made a gain of approximately €47,060 (2022: NIL) on the fair value on these contracts. In accordance with the Company's accounting policy, the fair value gain on derivative financial instruments is recognised in profit or loss. The directors believed that the fair value of the derivative financial instruments was insignificant at the reporting date and additional disclosures on the Company's hedging activities and derivatives were not deemed necessary.

4. Financial assets and liabilities - continued

4.4 Financial risk management - continued

4.4.2 Market risk - continued

With the exception of what has been disclosed above in relation to exposures to GBP and USD, 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 and the Company. In addition, the Company manages the risk arising on its largest exposure, the GBP, by entering into forward contracts as disclosed above.

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.

(b) Cash flow and fair value interest rate risk

The Company is exposed to risks associated with the effects of fluctuations in the prevailing levels of the market interest rates on its financing position and cash flows. As at the reporting date, the Company did not have fixed rate interest-bearing assets. Accordingly, its revenue and operating cash flows are substantially independent of changes in market interest rates.

The Company's bank balances and borrowings are subject to an interest rate that varies according to revision made to the Bank's Base Rate. Bank borrowings issued at variable rates, expose the group to cash flow interest rate risk. Management monitors the level of floating rate borrowings as a measure of cash flow risk taken on.

At the reporting date, a reasonably possible change of 200 basis points in interest rates would not increase/(decrease) equity and profit or loss materially.

Based on the above, the board considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial.

5. Other income and expense items, assets, and liabilities

5.1 Employee benefit expense

	2023	2022
	€	€
Wages and salaries	**4,538,729**	4,546,136
Social security costs	**228,125**	222,640
	4,766,854	4,768,776

5. Other income and expense items, assets, and liabilities - continued

5.1 Employee benefit expense - continued

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

	2023	2022
	€	€
Cost of sales	**2,889,515**	2,746,268
Administrative expenses	**1,877,399**	2,022,508
	4,766,854	4,768,776

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

	2023	2022
Direct	**109**	105
Administration	**44**	48
	153	153

5.2 Directors' emoluments

	2023	2022
	€	€
Salaries and other emoluments	**623,863**	629,069

5.3 Other operating income

	2023	2022
	€	€
Gain on disposal of property, plant and equipment	**428**	5,175

5.4 Finance costs

	2023	2022
	€	€
Interest on lease liabilities	**74,339**	83,526
Bank interest and charges	**285,728**	173,535
	360,067	257,061

5. Other income and expense items, assets, and liabilities - continued

5.5 Income tax

(a) Amounts recognised in profit or loss

	2023	2022
	€	€
Current tax expense	**1,079,705**	754,268
(Over)/under provision of current tax in prior year	**(39,136)**	25,326
Deferred tax (credit)/charge (note 5.5(c))	**(305,457)**	30,206
	735,112	809,800

(b) Reconciliation of income tax

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

	2023	2022
	€	€
Profit before tax	**2,500,404**	2,205,523
Tax on profit at 35%	**875,141**	771,933
Tax effect of:		
Disallowed expenses for tax purpose	**(3,818)**	3,474
Unrecognised deferred tax in prior year	**(96,874)**	(2,636)
(Over)/under provision of current tax in prior year	**(39,136)**	25,326
Other differences	**(201)**	11,703
Tax expense	**735,112**	809,800

(c) Deferred tax balances

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% (2022: 35%).

The movement on the deferred tax account is as follows:

	2023	2022
	€	€
At beginning of year	**220,518**	250,724
Recognised directly in profit or loss		
Deferred tax credit/(charge)	**305,457**	(30,206)
At end of year	**525,975**	220,518

5. **Other income and expense items, assets, and liabilities** - continued

5.5 **Income tax** - continued

The balance of deferred tax assets at 31 December represents:

	2023	2022
	€	€
Temporary differences arising on property, plant and equipment	**199,889**	164,975
Temporary differences on intellectual property	**(212,007)**	(106,004)
Temporary differences arising on provisions for impairment of trade receivables	**433,289**	155,776
Temporary differences on leases	**104,804**	5,771
	525,975	220,518

The movement in recognised deferred tax balances on each of the above temporary differences has been recognised in profit or loss (note 5.5(a)).

The deferred tax assets and liabilities have been offset in the statement of financial position as they relate to income taxes levied by the same taxation authority and there is an intention to settle the balances on a net basis.

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

5.6 Other items of expense

(a) Items included in profit or loss

	2023	2022
	€	€
Costs of inventories recognised as an expense, and included within cost of sales	**18,986,353**	17,041,087
Net foreign exchange differences	**(212,818)**	(181,529)

(b) Auditor's fees

Fees charged by the auditor and/or its connected undertakings for services rendered during the financial years ended 31 December 2023 and 2022 relate to the following:

	2023	2022
	€	€
Annual statutory audit	**35,000**	35,000
Other assurance services	**3,075**	3,000
Other non-audit services	**7,900**	10,100
	45,975	48,100

5. Other income and expense items, assets, and liabilities - continued

5.6 Other items of expense - continued

The following non-audit services have been provided by the auditor to the Company:

	2023	2022
	€	€
Assurance services related to the half yearly report	**1,575**	1,500

During the current year fees amounting to €7,900 (2022: €10,100) have been charged by connected undertakings of the Company's auditor to the Company, for tax advisory and compliance services and for advisory services related to a business acquisition.

6. Equity

6.1 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.

The Company classified instruments issued as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instruments. The Company's other equity instruments are redeemable by holders through decisions of the board of directors, and bear entitlement to coupons at the sole discretion of the board of directors. Accordingly, they are presented within equity. Distributions thereon are recognised in equity. Based on the Company's assessment of the terms of the instruments, the coupon payments meet the definition of dividends. Therefore, the related tax impacts are recognised in profit or loss in accordance with IAS 12, unless the transactions or events that generated those distributable profits were recognised outside profit or loss.

	2023	2022
	€	€
Authorised		
360,000,000 ordinary shares of €0.125 each	**45,000,000**	45,000,000
5,000,000 3% cumulative redeemable preference shares of €1 each	**5,000,000**	5,000,000
	50,000,000	50,000,000
Issued and fully paid up		
44,000,000 ordinary shares of €0.125 each	**5,500,000**	5,500,000
1,500,000 3% cumulative redeemable preference shares of €1 each	**1,500,000**	1,500,000
	7,000,000	7,000,000

6. Equity - continued

6.1 Share capital - continued

On 10 January 2022, the Company resolved to change the nominal value of the Ordinary shares from €1 to €0.125 each. Pursuant to the re-nominalisation, the Company's issued share capital consisted of €7,000,000 divided into 44,000,000 fully paid ordinary shares having a nominal value of €0.125 each and 1,500,000 cumulative redeemable preference share capital of €1 each.

On 13 January 2022 M&Z (Marketing) Limited changed its name to M&Z p.l.c. and converted its status from a private to a public limited liability company. Certain shareholders of the Company offered for sale 11,550,000 ordinary shares of the Company at an offer price of €0.72, pursuant to a prospectus dated 25 January 2022 for the listing of the Company's ordinary shares on the official list of the Malta Stock Exchange.

The share offer was over-subscribed and on 11 March 2022, the Company officially listed 11,550,000 ordinary shares of a nominal value of €0.125 per share on the official list of the Malta Stock Exchange.

6.2 Capital 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 monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings including lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The aggregated figures in respect of the Company's equity and borrowings are reflected below:

	2023	2022
	€	€
Total borrowings and lease liabilities (notes 4.2.2 and 4.2.1)	**6,297,798**	6,589,787
Less: Cash at bank and in hand (note 4.1.3)	**(806,670)**	(953,838)
Net borrowings and lease liabilities	**5,491,128**	5,635,949
Total equity	**9,650,889**	9,168,934
Total capital	**15,142,017**	14,804,883
Gearing	**36.3%**	38.1%

The Company manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above from period to period, with a view to managing the cost of capital. The level of capital of the Company, as reflected in the statement of financial position, is maintained by reference to its respective 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 at the end of the reporting period is deemed adequate by management.

6. Equity - continued

6.3 Dividends

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.

	2023	2022
	€	€
Gross dividends paid or declared on ordinary shares	**1,953,598**	609,231
Tax at source	**(683,759)**	(213,231)
Net dividend	**1,269,839**	396,000
Dividends per ordinary share	**0.23**	0.07

	2023	2022
	€	€
Gross dividends paid or declared on preference shares	**20,766**	69,231
Tax at source	**(7,268)**	(24,231)
Net dividend	**13,498**	45,000

Results for the year are stated in the Statement of Comprehensive Income. The Directors are recommending the payment of a final net dividend of €873,840 equivalent to €0.01986 per share. This is over and above the interim net dividend of €396,000 equivalent to €0.009 per share paid to shareholders in August 2023. The total dividend amount paid for the year will amount to €1,269,839 or €0.02886 per share which represents a net dividend yield of 4.01% on the issue price of €0.72 when the shares were listed on the Malta Stock Exchange in March of 2022.

The Directors have also confirmed the payment of a gross dividend of €45,000 on preference shares for the year ended 31 December 2023.

6.4 Earnings per share

(a) Basic earnings per share
Basic earnings per share is calculated by dividing profit attributable to equity holders of the Company by the weighted average number of ordinary shares in issue during the period.

(b) Diluted earnings per share
Diluted earnings per share is calculated by adjusting the weighted average number of ordinary shares outstanding to assume exercise of all dilutive potential ordinary shares.

Earnings per share is based on the profit for the financial year attributable to the shareholders of M&Z p.l.c. divided by the weighted average number of ordinary shares in issue during the year and ranking for dividend.

6. Equity - continued

6.4 Earnings per share - continued

	2023	2022
Profit for the year (€)	**1,765,292**	1,395,723
Less dividends on preference shares (€)	**(13,498)**	(45,000)
Profit attributable to ordinary equity holders of the Company (€)	**1,751,794**	1,350,723
Weighted average number of ordinary shares in issue	**42,794,521**	42,945,205
Basic and diluted earnings per share for the year attributable to shareholders	**€0.04**	€0.03

The Company does not have any dilutive contracts on own shares in issue.

7. Cash flow information

(a) Reconciliation of operating profit to cash generated from operations:

	2023 **€**	2022 €
Operating profit	**2,860,471**	2,462,584
Adjustments for:		
Movement in impairment of financial and contract assets	**792,600**	139,300
Depreciation of property, plant and equipment (note 3.44)	**586,213**	537,338
Depreciation on right-of-use assets (note 3.4(b)(b))	**279,340**	274,513
Amortisation of intangible assets (note 3.3)	**129,800**	129,798
Gain on disposal of property, plant and equipment	**(427)**	(5,175)
Bad debts (written off)/recovered	**(294)**	17,120
Changes in working capital:		
Inventories	**(727,637)**	(1,141,634)
Trade and other receivables	**(1,070,232)**	(1,930,803)
Trade and other payables	**(108,643)**	1,311,212
Cash generated from operations	**2,741,191**	1,794,253

(b) Non-cash transactions

During 2022, the Company entered into a lease agreement for an additional warehouse and store. A right-of-use asset and lease liability were recorded accordingly.

7. Cash flow information - continued

(c) Reconciliation of liabilities from financing activities

The table below presents the year's change in the Company's liabilities associated with financing of the business. The table includes current and non-current liabilities. The opening and closing balances include the liability for accrued interest.

	Bank overdrafts €	Lease liabilities €	Total €
Balance at 1 January 2023	4,643,521	1,946,266	6,589,787
Payment of lease liabilities	-	(358,208)	(358,211)
Interest expense and other charges	285,728	74,339	360,067
Movement in bank overdraft	(293,848)	-	(293,848)
Balance at 31 December 2023	**4,635,401**	**1,662,397**	**6,297,798**
Balance at 1 January 2022	2,051,653	2,022,759	4,074,412
Payment of lease liabilities	-	(341,549)	(341,549)
New lease	-	181,530	181,530
Interest expense and other charges	173,535	83,526	257,061
Movement in bank overdraft	2,418,333	-	2,418,333
Balance at 31 December 2022	4,643,521	1,946,266	6,589,787

8. Other disclosure items

8.1 Related party transactions and balances

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

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

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

	2023 €	2022 €
Purchases and services:		
- Other related parties	**24,000**	24,000
Dividends paid to shareholders	**1,283,337**	441,000

Year-end balances owed to fellow subsidiaries and other related parties, arising principally from purchases transactions, are disclosed in note 4.2.3 to these financial statements.

Senior management compensation, consisting of directors' remuneration, has been disclosed in note 5.2.

8. Other disclosure items - continued

8.2 Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.