M&Z p.l.c.

Annual Report and Financial Statements
31 December 2024

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General information

Directors:	Mr. Charles J. Farrugia Dr. Emma Pullicino Mrs. Erika Pace Bonello Mrs. Frances Fenech Ms. Greta Camilleri Avallone Mr. Kevin Rapinett Mr. Matthew A. Camilleri Mr. Paul S. Camilleri Mr. Thomas Agius Vadala
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 2024.

Principal activities

M&Z p.l.c. is a leading Company dealing in importation and distribution of a wide range of renowned fast-moving consumer goods ("**FMCG**"). The M&Z portfolio is comprised of over 100 brands, across 11 product categories comprising: ambient, chilled, frozen, fresh, ice-cream, baby and kids, home and personal care, beverages, tobacco, pet care and confectionary.

Review of the business

Trading performance

As of 31 December 2024, the Company generated total revenue of €29,917,084 (2023: €29,808,594), indicating a stable year-on-year performance. No acquisitions or new categories were introduced in 2024, but the Company focused on enhancing organic growth of its portfolio. In 2024, cost of sales amounted to €23,471,008 (2023: €23,212,063). This increase is primarily due to higher prices from suppliers driven by inflation and the increased cost of raw materials. Additionally, as detailed in the Company's risk and uncertainties below, the Company was also subject to an increase in wages and salaries.

Administrative expenses for 2024 amounted to €3,002,803 (2023: €3,736,488). This improvement is attributed to the increase in the loss allowance in relation to trade receivables recognised in 2023. Despite these isolated factors the Company remains committed to effective cost management, even in the face of rising prices and ongoing margin compression within the industry. The Company will keep focusing on enhancing its revenue through organic growth while maintaining a streamlined cost structure to ensure steady and sustainable development.

After taking into consideration administrative costs, the Company registered an EBITDA of €4,400,541 (2023: €3,855,824). Despite the favourable EBITDA performance, we refer to the risks and pressures disclosed below, which have impacted and will continue to impact our financial performance.

Net finance costs in 2024 amounted to €288,449 (2023: €360,067) which represents a decrease of 20% when compared to 2023. This reduction is a result of the Company's efforts to generate strong operational cash flows and reduce dependency on bank borrowings.

Despite encountering market challenges, the Company's profit before tax for the year reached €3,185,814 (2023: €2,500,404). Profit after tax rose by approximately 15%, totalling €2,023,776 (2023: €1,765,292), and earnings per share increased to €0.05 (2023: €0.04).

Cash flows

Cash flows from operating activities for the full year 2024 amounted to €4,090,262 (2023: €1,819,779), after paying income tax amounting to €1,003,613 (2023: €635,684).

Cash flows used in investing activities amounted to €237,776 (2023: €330,777). This includes mainly ongoing investments in capital expenditure.

Directors' report - continued

Review of the business - continued

Cash flows used in financing activities during 2024 amounted to €2,644,046 (2023: €1,993,083), which consisted of a share-buyback conducted in 2024 of €303,000 (2023: NIL), inclusive of transaction costs, , the redemption of preference share capital amounting to €250,000 (2023: NIL), dividends paid to shareholders, payments on lease liabilities and movement in the Company's trade factoring facility.

Equity

Equity decreased to €8,582,592 as of 31 December 2024, down from €9,650,889 on 31 December 2023. This movement is due to profits for the year 2024 being offset by dividends distributed to shareholders and the reclassification of preference shares from equity to borrowings.

On 5 November 2024 the Company announced that it had repurchased 500,000 of its own ordinary shares (representing 1.14% of the entire ordinary shares of the Company) for an aggregate consideration of €300,000. The repurchase was undertaken under the buy-back programme authorised by shareholders at the last annual general meeting of the Company held on 11 June 2024, in terms of which the Company was empowered to buy-back up to 500,000 shares of the Company at a fixed price of €0.60c, during the period commencing from the granting of approval by the AGM until the date of the Company's annual general meeting to be held in 2025. The share buy-back programme served to provide the Company with a tool to manage its capital more efficiently, including an alternative means of distributing capital to Shareholders from time to time and by transferring and/or otherwise using any shares bought back (and held in treasury) for future acquisitions of assets or for any other purpose deemed appropriate by the Board.

Balance sheet

The Company's total asset base stands at €16,863,938 (2023: €19,440,563). Non-current assets comprise intangible assets amounting to €1,167,329 (2023: €1,297,129), which have decreased due to amortisation for the year, right-of-use assets of €1,257,742 (2023: €1,535,668), also reduced by amortisation and property, plant and equipment of €674,087 (2023: €923,873) which have decreased due to depreciation for the year netted off by additions for the year. At 31 December 2024, the Company's current assets amount to €13,404,862 (2023: €15,157,868) primarily comprising trade and other receivables of €7,490,185 (2023: €8,935,233), which have decreased as a result of the Company's efforts to collect its receivables and inventories of €5,392,283 (2023: €5,415,965) which have remained stable compared to the prior year.

Non-current liabilities total €1,810,758 (2023: €1,367,829), including lease liabilities of €1,060,758 (2023: €1,367,829) and preference shares reclassified to borrowings in 2024 amounting to €750,000 (2023: NIL). The Company's current liabilities amount to €6,470,588 (2023: €8,421,845) mainly consisting of borrowings of €2,707,554 (2023: €4,635,401), preference shares payable within the next twelve months amounting to €500,000 (2023: NIL) and trade and other payables of €2,638,981 (2023: €3,167,208).

Risks and uncertainties

Trade credit exposure risk

The Company faces trade credit risk due to the advantageous payment terms extended to its customers. Future disruptions in financial markets or stricter credit conditions could negatively impact the liquidity and profitability of certain customers, raising the chances of non-payment and non-performance. A substantial deterioration in a customer's financial situation may compel the Company to take on greater credit risk and could hinder its ability to collect outstanding receivables.

Directors' report - continued

Risks and uncertainties - continued

Labour market conditions

The acute shortage of human resources has led to significant wage inflation and difficulty in meeting demand. The Company is also experiencing challenges due to the tight labour market conditions that are weighing on the sector, particularly in the distribution sector.

Hard discounters

The company continues to face competition from foreign and local hard discounters, which import and sell their own products. These competitors offer diversified product ranges, lower prices and improved shopping experience, appealing to increasingly price-sensitive shoppers.

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.

Supply chain disruptions

Global supply chain issues can affect the availability of products. Disruptions in transportation, manufacturing delays, or geopolitical events can lead to shortages and impact the timely delivery of goods. These disruptions can significantly affect the Company's performance, leading to potential revenue losses.

Cybersecurity threats

The Company's reliance on digital systems exposes it to cyber-attacks. These threats can compromise sensitive consumer information and disrupt production and distribution channels, leading to operational inefficiencies and revenue losses.

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 the Managing Director, Chief Financial Officer and Chief Operating Officer who with support from sustainability experts and industry leaders are responsible for setting the 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 help 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 2025

As we look ahead to the current financial year, we anticipate modest growth in revenues, despite the uncertainties in the market landscape. This projection is supported by our strategic positioning and our commitment to ongoing organic growth and the further development of our brands.

M&Z p.l.c. is dedicated to optimising operational efficiency and enhancing customer satisfaction, as well as maximising shareholder value. In this regard, we are actively implementing rigorous cost-saving initiatives to improve our overall efficiency and deliver greater value across all sectors of the business.

Furthermore, the Board of Directors remains committed to a policy of sustaining stable and secure dividend distributions, commensurate to market conditions, reflecting our confidence in the Company's performance and our dedication to continue rewarding our shareholders.

In addition to continuously actively sourcing key suppliers, another growth strategy identified by the Company's Board of Directors has been the extension of the brand portfolio through several successful mergers and acquisitions.

This activity has been key in driving the Company into new product segments, allowing it to increase and diversify its product range. The Board continues to regard this strategy as a key growth driver to penetrate new market segments and to continue to strengthen the Company's position within existing segments.

We firmly believe that a balanced approach to growth, efficiency, and shareholder returns will underpin our success in navigating the upcoming challenges and opportunities in the market.

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 €712,800 equivalent to €0.0162 per share. This is over and above the interim net dividend of €396,000 equivalent to €0.009 per share paid to shareholders in September 2024. The total dividend amount paid for the year will amount to €1,108,800 or €0.0252 per share which represents a net dividend yield of 3.5% on the issue price of €0.72 or 4.3% on the market price of €0.585 as at the reporting date.

The Directors have also confirmed the payment of a gross dividend of €44,056 on preference shares for the year ended 31 December 2024.

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.

Directors' report - continued

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.

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 1,250,000 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. On the 28 August 2024 the Company Announced that, following a request from its Preference Shareholders, it would over period of three years be redeeming the entirety of the Preference Shares. It was agreed that redemptions would take place on a quarterly basis in tranches of 125,000 Preference Shares (*pro rata* to the relative shareholding of each Preference Shareholder), with dividends continuing to be due also on a *pro rata* basis on the unredeemed Preference Shares, and with a cumulative value of €125,000 per quarterly redemption of Preference Shares.

Directors' report - continued

The only registered shareholders holding 5% or more of the equity share capital as at 31 December 2024 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	5%
Rizzo Farrugia & Co (stk) Ltd obo Clients	5%

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 2024.

Directors & Company Secretary

The Directors of the Company who held office during the year were:

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

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 2024 are included in the Annual Report 2024 which is published on the Company's website (https://mz.com.mt/investors/) 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 11 April 2025 by Charles J. Farrugia (Chairman) and Greta Camilleri Avallone (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

11 April 2025

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 Board's 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 compliant 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 2024.

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

<u>Principle 1 – The Board</u>
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".

<u>Appointment and Removal of Directors</u>

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

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*
- *Dr Emma Pullicino - Executive Director*
- *Mrs Erika Pace Bonello - Executive Director*
- *Mrs Frances Fenech - Executive Director*
- *Ms Greta Camilleri Avallone - Managing Director*
- *Mr Kevin J. Rapinett - Independent Non-Executive Director*
- *Mr Matthew Camilleri - Non-Executive Director*
- *Mr Paul Camilleri - Executive Director*
- *Mr Thomas Agius Vadala' - Non-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 just over a third of the Board being non-executive directors, has the required diversity of knowledge, judgement and experience to complete its tasks.

Mr Charles Farrugia and Mr Kevin J. Rapinett are the 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.*

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

Principle 3 – Composition of the Board - continued

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.*

Principle 4 – The Responsibilities of the Board

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 consider 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.

Executive Committee

The Executive Committee comprises 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, the Chief Commercial Officer and senior representatives from the following segments within the Company: finance, operations, cost control, human resources, marketing, brand management and sales management.

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, Ms Tricia Vella, Mr George Zammit, Ms Natasha Saliba and Ms Charmaine Sciberras. During the financial year ended 31 December 2024 the Executive Committee met 4 times (2023: 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.

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

Principle 4 – The Responsibilities of the Board - continued

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 nine times (2023: 8 meetings were held) and one of these meetings was held jointly with the Board. 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 endeavors 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.

During the financial year ended 31 December 2024 the Board met ten times and one of these meetings was held jointly with the Audit Committee, attendance at these meetings was as follows:

Board Member	Meetings Attended
Mr Charles Farrugia	10
Mr Kevin J. Rapinett	10
Mr Matthew Camilleri	10
Ms Greta Camilleri Avallone	10
Mr Paul Camilleri	10
Mr Thomas Agius Vadala'	9
Mrs Erika Pace Bonello	10
Dr Emma Pullicino	10
Mrs Frances Fenech	10

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.

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

Principle 6 – Information and Professional Development - continued

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.

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 (https://mz.com.mt/investors/).

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 2024: 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.

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

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.

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 February 2024, 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 endeavor 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 2025 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 11 April 2025.

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 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 Non-Executive Directors ("**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 meetings. 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 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 senior Executive Directors and the Director responsible for human resources. On 11th June 2024 Thomas Agius Vadala resigned his position as a senior Executive Director and has continued to serve the Company in a Non-Executive Director capacity thereafter. This split shall be reflected in the aggregate emolument tables below, the total aggregate emoluments for Thomas Agius Vadala for 2024 were €49,505.

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 general meeting.

	Fixed (€)	**Variable (€)**	**Other* (€)**	**Aggregate 2024 (€)**	**Aggregate 2023 (€)**
Charles J. Farrugia	16,800	N.A.	14,700	31,500	30,000
Kevin Rapinett	15,750	N.A.	9,450	25,200	24,000
Matthew Camilleri	15,750	N.A.	15,039	30,789	29,000
Thomas Agius Vadala**	14,203	N.A.	N.A.	14,203	N.A.

** remuneration for forming part of a Board committee.*
*** covering the period between 11 June and 31 December 2024.*

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 as 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.

Remuneration Report – continued

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.

	Fixed (€)	Variable (€)	Other (€)	Aggregate 2024 (€)	Aggregate 2023 (€)
Greta Camilleri Avallone	79,168	29,434	0	108,601	105,818
Paul Camilleri	107,262	0	0	107,262	108,846
Erika Pace Bonello	82,169	0	0	82,169	80,776
Emma Pullicino*	60,763	25,138	0	85,901	77,806
Frances Fenech	68,636	24,237	0	92,873	86,183
Thomas Agius Vadala**	35,302	0	0	35,302	81,433

** following the change in status to a foreign director the emoluments indicated for Dr. Emma Pullicino are gross of tax.*
*** covering the period between 1 January and 10 June 2024.*

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

As required by bullet (c) 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.

	2024	2023	2022	2021
Directors Emoluments	(1.61%)	(0.83%)	16.51%	48.11%
Average Employee Remuneration	2.34%	(0.97%)	7.73%	10.56%
Performance of the Company – EBITDA	14.13%	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 11 April 2025.

Statement of financial position

	Notes	As at 31 December 2024 €	2023 €
ASSETS			
Non-current assets			
Intangible assets	3.3	**1,167,329**	1,297,129
Property, plant and equipment	3.4	**674,087**	923,873
Right-of-use assets	3.5(b)	**1,257,742**	1,535,668
Deferred tax assets	5.5(c)	**359,868**	525,975
Equity instruments at fair value through other comprehensive income	4.1.1	**50**	50
Total non-current assets		**3,459,076**	4,282,695
Current assets			
Inventories	3.2	**5,392,283**	5,415,965
Trade and other receivables	4.1.2	**7,490,185**	8,935,233
Cash and cash equivalents	4.1.3	**522,394**	806,670
Total current assets		**13,404,862**	15,157,868
Total assets		**16,863,938**	19,440,563

Statement of financial position – continued

	Notes	As at 31 December 2024 €	2023 €
EQUITY AND LIABILITIES			
Equity			
Ordinary share capital	6.1	**5,500,000**	5,500,000
Preference share capital	6.1	**-**	1,500,000
Capital redemption reserve	6.2	**250,000**	-
Treasury share reserve	6.2	**(303,000)**	-
Retained earnings		**3,135,592**	2,650,889
Total equity		**8,582,592**	9,650,889
LIABILITIES			
Non-current liabilities			
Lease liabilities	4.2.1	**1,060,758**	1,367,829
Borrowings	4.2.2	**750,000**	-
Total non-current liabilities		**1,810,758**	1,367,829
Current liabilities			
Lease liabilities	4.2.1	**307,067**	294,568
Borrowings	4.2.2	**3,207,554**	4,635,401
Trade and other payables	4.2.3	**2,638,981**	3,167,208
Current tax liabilities		**316,986**	324,668
Total current liabilities		**6,470,588**	8,421,845
Total liabilities		**8,281,346**	9,789,674
Total equity and liabilities		**16,863,938**	19,440,563

The accompanying notes in pages 26 to 56 are an integral part of these financial statements.

The financial statements were approved and authorised for issue by the Board of Directors on 11 April 2025. The financial statements were signed on behalf of the Board of Directors by Charles J. Farrugia (Chairman) and Greta Camilleri Avallone (Director) as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

Statement of comprehensive income

	Notes	Year ended 31 December **2024** €	2023 €
Revenue	2.1	**29,917,084**	29,808,594
Cost of sales	2.2	**(23,471,008)**	(23,212,063)
Gross profit		**6,446,076**	6,596,531
Administrative expenses	2.2	**(3,002,803)**	(3,736,488)
Other operating income	5.3	**30,990**	428
Operating profit		**3,474,263**	2,860,471
Finance costs	5.4	**(288,449)**	(360,067)
Profit before tax		**3,185,814**	2,500,404
Tax expense	5.5	**(1,162,038)**	(735,112)
Profit for the year – total comprehensive income		**2,023,776**	1,765,292
Earnings per share for the year attributable to ordinary shareholders	6.5	**0.05**	0.04

The accompanying notes in pages 26 to 56 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Ordinary share capital €	Preference share capital €	Capital redemption reserve €	Treasure share reserve €	Retained earnings €	Total €
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	6.4	-	-	-	-	(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**
Balance at 1 January 2024		5,500,000	1,500,000	-	-	2,650,889	9,650,889
Profit for the year - total comprehensive income		-	-	-	-	2,023,776	2,023,776
Transactions with owners:							
Share buy-back	6.2	-	-	-	(303,000)	-	(303,000)
Dividends	6.4	-	-	-	-	(1,289,073)	(1,289,073)
Reclassification of preference shares to borrowings	6.1	-	(1,500,000)	-	-	-	(1,500,000)
Redemption of preference shares	6.2	-	-	250,000	-	(250,000)	-
Total transactions with owners		-	(1,500,000)	250,000	(303,000)	(1,539,073)	(3,092,073)
Balance at 31 December 2024		**5,500,000**	**-**	**250,000**	**(303,000)**	**3,135,592**	**8,582,592**

The accompanying notes in pages 26 to 56 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2024 €	2023 €
Cash flows from operating activities			
Cash generated from operations	7	**5,310,054**	2,741,191
Interest paid	5.4	**(216,179)**	(285,728)
Income tax paid		**(1,003,613)**	(635,684)
Net cash generated from operating activities		**4,090,262**	1,819,779
Cash flows from investing activities			
Purchases of property, plant and equipment	3.4	**(269,516)**	(333,926)
Proceeds from disposal of property, plant and equipment		**11,500**	3,149
Dividends received	5.3	**20,240**	-
Net cash used in investing activities		**(237,776)**	(330,777)
Cash flows from financing activities			
Principal and interest payments of lease liabilities	4.2.1	**(357,439)**	(358,211)
Movement in factoring facility	4.2.2	**(435,131)**	(365,033)
Dividends paid	6.4	**(1,298,476)**	(1,269,839)
Share buy-back	6.2	**(303,000)**	-
Redemption of preference shares	6.2	**(250,000)**	-
Net cash used in financing activities		**(2,644,046)**	(1,993,083)
Net movement in cash and cash equivalents		**1,208,440**	(504,081)
Cash and cash equivalents at beginning of year		**(2,267,656)**	(1,763,575)
Cash and cash equivalents at end of year	4.1.3	**(1,059,216)**	(2,267,656)

The accompanying notes in pages 26 to 56 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 2024

In 2024, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 January 2024. 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, 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 2024. 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

1.2 Basis of preparation - 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.

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 confectionery 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.

	2024	2023
	€	€
Sale of goods	**29,917,084**	29,808,594

2.2 Expenses by nature

	2024	2023
	€	€
Purchases (including movement in inventory)	**19,295,658**	18,986,353
Selling and distribution expenses	**701,349**	864,888
Employee benefit expense (note 5.1)	**4,888,299**	4,766,854
Amortisation of intangible assets (note 3.3)	**129,800**	129,800
Depreciation on property, plant and equipment (note 3.4)	**518,552**	586,213
Depreciation on right-of-use assets (note 3.5)	**277,926**	279,340
Professional fees	**136,286**	109,379
Repairs and maintenance	**177,915**	85,961
Insurance and licenses	**210,515**	182,430
Utilities	**96,100**	114,986
Impairment (gains)/losses on financial and contract assets	**(50,754)**	792,600
Other expenses	**92,165**	49,747
Total cost of sales and administrative expenses	**26,473,811**	26,948,551

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.

	2024	2023
	€	€
Finished goods and goods for resale	**5,392,283**	5,415,965

Inventory write-downs during the year amounted to €183,993 (2023: €308,767).

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 2023				
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 amortisation	(259,598)	-	(700,000)	(959,598)
Net book amount	1,038,402	258,727	-	1,297,129
Year ended 31 December 2024				
Opening net book amount	1,038,402	258,727	-	1,297,129
Amortisation	(129,800)	-	-	(129,800)
Closing net book amount	**908,602**	**258,727**	**-**	**1,167,329**
At 31 December 2024				
Cost	1,298,000	258,727	700,000	2,256,727
Accumulated amortization	(389,398)	-	(700,000)	(1,089,398)
Net book amount	**908,602**	**258,727**	**-**	**1,167,329**

3. Inventory and non-current assets – continued

3.3 Intangible assets - continued

(c) 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 2023					
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
Year ended 31 December 2024					
Opening net book amount	82,935	168,603	255,676	416,659	923,873
Additions	85,043	1,673	70,827	111,973	269,516
Disposals	-	-	(79,222)	(13,500)	(92,722)
Depreciation charge	(59,728)	(28,955)	(224,044)	(205,825)	(518,552)
Depreciation released on disposal	-	-	79,222	12,750	91,972
Closing net book amount	**108,250**	**141,321**	**102,459**	**322,057**	**674,087**
At 31 December 2024					
Cost	555,315	309,632	2,498,737	2,603,702	5,967,386
Accumulated depreciation	(447,065)	(168,311)	(2,396,278)	(2,281,645)	(5,293,299)
Net book amount	**108,250**	**141,321**	**102,459**	**322,057**	**674,087**

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 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
Year ended 31 December 2024		
Opening net book amount	1,535,668	1,535,668
Depreciation charge	(277,926)	(277,926)
Closing net book amount	**1,257,742**	**1,257,742**

Lease liabilities

	2024 **€**	2023 €
Non-current	**1,060,758**	1,367,829
Current	**307,067**	294,568
	1,367,825	1,662,397

The incremental borrowing rate used for the discounting of the lease payments is 4% (2023: 4%).

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

	2024 **€**	2023 €
Depreciation charge on right-of-use assets	**277,926**	279,340
Interest expense (included in finance cost) (Note 5.4)	**62,867**	74,339
	340,793	353,679

The total cash outflows for leases in 2024 was €357,439 (2023: €358,211). 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

	2024	2023
	€	€
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.

	2024	2023
	€	€
Current		
Trade receivables – gross	**7,494,253**	7,956,813
Less: loss allowance	**(801,808)**	(839,748)
Trade receivables – net	**6,692,445**	7,117,065
Other receivables	**434,427**	1,144,105
Indirect taxation	**28,897**	47,404
Advance payments to suppliers	**115,959**	343,089
Prepayments and contract assets	**218,457**	283,570
Total trade and other receivables	**7,490,185**	8,935,233

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 €434,427 (2023: €1,144,105). Other receivables are net of provisions for impairment amounting to €369,046 (2023: €398,222).

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 4.4.2(a).

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:

	2024	2023
	€	€
Cash at bank and in hand	**522,394**	806,670
Bank overdraft (Note 4.2.2)	**(1,581,610)**	(3,074,326)
	(1,059,216)	(2,267,656)

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:

	2024	2023
	€	€
Trade and other receivables (note 4.1.2)	**7,271,728**	8,651,663
Cash and cash equivalents (note 4.1.3)	**522,394**	806,670
	7,794,122	9,458,333

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 2024						
Expected loss rate (weighted average)	8%	5%	9%	24%	100%	
Gross carrying amount	6,022,669	499,550	332,202	470,110	169,722	7,494,253
Loss allowance – provision	(468,442)	(23,277)	(29,198)	(111,169)	(169,722)	(801,808)
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)

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% (2023: 3%) on all other receivables classified under stage 1 (other receivables where management has no concern of recoverability) resulting in a loss allowance of €17,068 (2023: €40,936).
- An expected loss rate averaging 50% (2023: 50%) on all other receivables classified under stage 2 (other receivables where management has some concern of recoverability) resulting in a loss allowance of €7,400 (2023: €16,241).
- An expected loss rate of 100% (2023: 100%) on all outstanding other receivables classified under stage 3 (other receivables where management has serious concerns about recoverability) resulting in a loss allowance of €344,578 (2023: €341,045).

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:

	2024	2023
	€	€
Trade receivables		
Balance at 1 January	**839,748**	445,075
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(37,940)**	394,673
Balance at 31 December	**801,808**	839,748
Other receivables		
Balance at 1 January	**398,222**	-
(Decrease)/increase in loss allowance recognised in profit or loss during the year	**(29,176)**	398,222
Balance at 31 December	**369,046**	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.

<u>Cash and cash equivalents</u>

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 3.5.

4.2.2 Borrowings

	2024	2023
	€	€
Non-current		
Preference shares	**750,000**	-
Current		
Bank overdraft	**1,581,610**	3,074,326
Factoring facility (Note 4.1.2)	**1,125,944**	1,561,075
Preference shares	**500,000**	-
	3,207,554	4,635,401

The Company's bank overdraft and factoring facility are subject to floating rates of interest.

The Company's preference shares are subject to a fixed rate of interest of 3%. More information on preference shares is included in note 6.1.

The Company's banking facilities as at 31 December amounted to €8,750,000 (2023: €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% (2023: 5%).

In accordance with the Company's factoring facility agreement, the Company has retained the late payment and credit risk (Note 4.1.2) and 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. Financial assets and liabilities – continued

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.

	2024	2023
	€	€
Current		
Trade payables	**1,358,013**	1,195,896
Amounts due to related parties	**-**	6,000
Indirect taxation	**125,888**	100,377
Accruals	**1,155,080**	1,864,935
Total trade and other payables	**2,638,981**	3,167,208

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

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.

4. Financial assets and liabilities – continued

4.2.5 Liquidity risk – continued

	Carrying amount €	Contractual cash flows €	Within one year €	Two to five years €	Over five years €
At 31 December 2024					
Lease liabilities	1,367,825	1,509,638	358,133	1,039,228	112,277
Borrowings	3,957,554	4,147,180	3,377,557	769,623	-
Trade and other payables	2,638,981	2,638,981	2,638,981	-	-
	7,964,360	**8,295,799**	**6,374,671**	**1,808,851**	**112,277**

	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	4,869,489	4,869,489	-	-
Trade and other payables	3,167,208	3,167,208	3,167,208	-	-
	9,465,006	9,903,771	8,394,133	1,247,660	261,978

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.

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 2024 and 2023 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 origination of the instruments and the expected realisation.

As at 31 December 2024, the Company did not have any other financial instruments categorised in level 2 of the hierarchy. Information about the fair values of derivative financial instruments is disclosed in note 4.4.2(a).

4. Financial assets and liabilities - continued

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.

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

	2024	2023
	€	€
USD		
Trade and other receivables	**21,254**	62,104
Bank balances	**(25,065)**	244,247
GBP		
Trade and other receivables	**208,176**	404,955
Trade payables	**(633,252)**	(163,211)
Bank balances	**111,904**	480,223

4. Financial assets and liabilities - continued

4.4 Financial risk management - continued

4.4.2 Market risk - continued

(b) Hedging activities and derivatives

During the financial year ended 31 December 2024, GBP purchases amounted to approximately 32% (2023: 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 2024 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 2024, the Company entered into forward contracts to buy GBP which will be settled in 2025 amounting to €2,063,688 (2023: GBP2,024,167). The Company also entered into forward contracts to sell GBP which will be settled in 2025 amounting to €2,108,966, further enhancing its foreign exchange risk strategy. As at the reporting date, the Company made a gain of approximately €45,278 (2023: €47,060) 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. 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.

(c) 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

	2024	2023
	€	€
Wages and salaries	**4,647,948**	4,538,729
Social security costs	**240,351**	228,125
	4,888,299	4,766,854

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:

	2024	2023
	€	€
Cost of sales	**2,929,124**	2,889,515
Administrative expenses	**1,959,175**	1,877,339
	4,888,299	4,766,854

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

	2024	2023
Direct	**109**	109
Administration	**44**	44
	153	153

5.2 Directors' emoluments

	2024	2023
	€	€
Salaries and other emoluments	**613,800**	623,863

5.3 Other operating income

	2024	2023
	€	€
Gain on disposal of property, plant and equipment	**10,750**	428
Dividends received	**20,240**	-
	30,990	428

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

5.4 Finance costs

	2024	2023
	€	€
Interest on lease liabilities	**62,867**	74,339
Bank interest and charges	**216,179**	285,728
Interest on preference shares (reclassified to borrowings)	**9,403**	-
	288,449	360,067

5.5 Income tax

(a) Amounts recognised in profit or loss

	2024	2023
	€	€
Current tax expense	**1,146,644**	1,079,705
Over provision of current tax in prior year	**(150,713)**	(39,136)
Deferred tax charge /(credit) (note 5.5(c))	**166,107**	(305,457)
	1,162,038	735,112

(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:

	2024	2023
	€	€
Profit before tax	**3,185,814**	2,500,404
Tax on profit at 35%	**1,115,035**	875,141
Tax effect of:		
Disallowed expenses for tax purpose	**(14,624)**	(3,818)
Unrecognised deferred tax in prior year	**211,885**	(96,874)
Over provision of current tax in prior year	**(150,713)**	(39,136)
Other differences	**455**	(201)
Tax expense	**1,162,038**	735,112

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

5.5 Income tax - continued

(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% (2023: 35%).

The movement on the deferred tax account is as follows:

	2024	2023
	€	€
At beginning of year	**525,975**	220,518
Recognised directly in profit or loss		
Deferred tax (charge)/credit	**(166,107)**	305,457
At end of year	**359,868**	525,975

The balance of deferred tax assets at 31 December represents:

	2024	2023
	€	€
Temporary differences arising on property, plant and equipment	**229,552**	199,889
Temporary differences on intellectual property	**(318,011)**	(212,007)
Temporary differences arising on provisions for impairment of trade receivables	**409,799**	433,289
Temporary differences on leases	**38,528**	104,804
	359,868	525,975

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

5.6 Other items of expense

(a) Items included in profit or loss

	2024 €	2023 €
Costs of inventories recognised as an expense, and included within cost of sales	**19,295,658**	18,986,353
Net foreign exchange differences	**(170,536)**	(212,818)

(b) Auditor's fees

Fees charged by the auditor and/or its connected undertakings for services rendered during the financial years ended 31 December 2024 and 2023 relate to the following:

	2024 €	2023 €
Annual statutory audit	**36,750**	35,000
Other assurance services	**1,575**	3,075
Other non-audit services	**3,680**	7,900
	42,005	45,975

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

	2024 €	2023 €
Assurance services related to the half yearly report	**-**	1,575

During the current year fees amounting to €3,680 (2023: €7,900) 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.

6. **Equity** - continued

6.1 Share capital - continued

On 28 August 2024, the Company initiated the redemption of 1,500,000 Preference Shares over a three-year period. The redemption is being executed on a quarterly basis, with 125,000 Preference Shares being redeemed pro rata to each shareholder's relative shareholding. As at 31 December 2024, €250,000 preference shares have been redeemed with €125,000 redeemed in Quarter 3 and Quarter 4 respectively. As of this date, the Preference Shares have been reclassified from Equity to Borrowings, in line with applicable financial reporting standards. As a result, the Preference Shares are now presented as borrowings in the Statement of Financial Position and the related dividends on these shares are now recognised as an interest expense in the Statement of Profit and Loss.

Until 28 August 2024, the Company's other equity instruments were redeemable by holders through decisions of the board of directors, and bore entitlement to coupons at the sole discretion of the board of directors. Accordingly, they were presented within equity. Distributions thereon were recognised in equity. Based on the Company's assessment of the terms of the instruments, the coupon payments met the definition of dividends. Therefore, the related tax impacts were 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.

	2024	2023
	€	€
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
	5,500,000	7,000,000

6.2 Reserves

In 2024, the following Reserves were created in accordance with the Companies Act (Chapter 386 of the Laws of Malta), following the capital transactions listed below:

i. **Share buy-back -** During 2024, the Company repurchased 500,000 shares of its issued share capital at €0.60 per share. As required by Maltese law, an amount equivalent to the nominal value of the shares repurchased, inclusive of any transaction costs incurred, has been accounted for in a treasury share reserve.

6. Equity – continued

6.2 Reserves - continued

ii. **Preference share redemption** – During 2024, the Company completed the redemption of 250,000 preference shares of €1 each. In accordance with the relevant legal provisions, an amount equal to the nominal value of the redeemed preference shares has been transferred to the capital redemption reserve.

The reserves are classified as a non-distributable reserves and serve to maintain the Company's capital structure following the reduction in share capital. The reserves may be utilised only in accordance with applicable legal provisions.

6.3 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:

	2024	2023
	€	€
Total borrowings and lease liabilities (notes 4.2.2 and 4.2.1)	**5,325,379**	6,297,798
Less: Cash at bank and in hand (note 4.1.3)	**(522,394)**	(806,670)
Net borrowings and lease liabilities	**4,802,985**	5,491,128
Total equity	**8,582,592**	9,650,889
Total capital	**13,385,577**	15,142,017
Gearing	**36.0%**	36.3%

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

6.4 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.

	2024	2023
	€	€
Gross dividends paid or declared on ordinary shares	**1,953,598**	1,953,598
Tax at source	**(683,759)**	(683,759)
Net dividend	**1,269,839**	1,269,839
Dividends per ordinary share	**0.23**	0.23

	2024	2023
	€	€
Gross dividends paid or declared on preference shares	**44,056**	20,766
Tax at source	**(15,419)**	(7,268)
Net dividend	**28,637**	13,498

Results for the year are stated in the Statement of Comprehensive Income. The Directors are recommending the payment of a final net dividend of €712,800 equivalent to €0.0162 per share. This is over and above the interim net dividend of €396,000 equivalent to €0.009 per share paid to shareholders in September 2024. The total dividend amount paid for the year will amount to €1,108,800 or €0.0252 per share which represents a net dividend yield of 3.5% on the issue price of €0.72 or 4.3% on the market price of €0.585 as at the reporting date.

In 2024, a gross dividend of €44,056 was paid on preference shares which was split into €29,590 distributed from retained earnings and €14,466 recognised as an expense.

6.5 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.

6. **Equity** - continued

6.5 Earnings per share - continued

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.

	2024	2023
Profit for the year (€)	**2,023,776**	1,765,292
Less dividends on preference shares (€)	**(28,637)**	(13,498)
Profit attributable to ordinary equity holders of the Company (€)	**1,995,139**	1,751,794
Weighted average number of ordinary shares in issue	**43,923,288**	44,000,000
Basic and diluted earnings per share for the year attributable to shareholders	**€0.05**	€0.04

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:

	2024 **€**	2023 €
Operating profit	**3,474,263**	2,860,471
Adjustments for:		
Movement in impairment of financial and contract assets	**(50,754)**	792,600
Depreciation of property, plant and equipment (note 3.4)	**518,552**	586,213
Depreciation on right-of-use assets (note 3.5)	**277,926**	279,340
Amortisation of intangible assets (note 3.3)	**129,800**	129,800
Gain on disposal of property, plant and equipment	**(10,750)**	(428)
Bad debts recovered/(written off)	**16,361**	(293)
Dividends received	**(20,240)**	-
Changes in working capital:		
Inventories	**23,682**	(727,637)
Trade and other receivables	**1,479,441**	(1,070,232)
Trade and other payables	**(528,227)**	(108,643)
Cash generated from operations	**5,310,054**	2,741,191

7. Cash flow information - continued

(b) 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 €	Preference shares €	Total €
Balance at 1 January 2024	4,635,401	1,662,397	-	6,297,798
Payment of lease liabilities	-	(357,439)	-	(357,439)
Reclassification from equity to borrowings	-	-	1,500,000	1,500,000
Redemption of preference shares	-	-	(250,000)	(250,000)
Interest expense and other charges	216,179	62,867	-	279,046
Movement in bank overdraft	(2,144,026)	-	-	(2,144,026)
Balance at 31 December 2024	**2,707,554**	**1,367,825**	**1,250,000**	**5,325,379**
Balance at 1 January 2023	4,643,521	1,946,266	-	6,589,787
Payment of lease liabilities	-	(358,208)	-	(358,208)
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**

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:

	2024 **€**	2023 €
Purchases and services:		
- Other related parties	**24,000**	24,000
Dividends paid to shareholders	**924,667**	909,529

8. Other disclosure items - continued

8.1 Related party transactions and balances - continued

Year-end balances owed to 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.

8.2 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.

Independent auditor's report

To the Shareholders of M&Z p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of M&Z p.l.c. (the Company) as at 31 December 2024, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

M&Z p.l.c.'s financial statements comprise:

- the statement of financial position as at 31 December 2024;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, comprising material accounting policy information and other explanatory information.

Basis for opinion

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

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company, in the period from 1 January 2024 to 31 December 2024, are disclosed in note 5.6 to the financial statements.

Our audit approach

Overview

Materiality	Overall materiality: €159,290, which represents 5% of profit before tax.
Key audit matters	• Valuation and existence of inventory • Expected credit loss allowance in relation to trade receivables

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€159,290
How we determined it	5% of profit before tax
Rationale for the materiality benchmark applied	We chose profit before tax as the benchmark because, in our view, it is the benchmark against which the performance of the company is most commonly measured by users, and is a generally accepted benchmark. We chose 5% which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €15,929 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Valuation and existence of inventory	
Inventory of the Company as at 31 December 2024 amounted to €5.4 million and represented 40% of total current assets. This inventory mainly consists of stocks held in the Company's warehouses (refer to note 3.1). Inventory is valued at the lower of cost and net realisable value. The valuation of inventory at cost is based on the first-in, first-out cost per unit of inventory (the FIFO-principle). Due to the nature of the Company's operations, the number of transactions recorded through the inventory cycle during the year is very significant and dependant on the reliability of the Company's operating systems. We focused on this area because of the materiality of this balance and the related impact on working capital as well as on the cost of items sold.	We tested the existence of inventory by attending the year-end count held at the Company's warehouses and performing test counts on a sample basis. We compared the quantities of the items counted by us, and the respective expiry date, with the entity's records, also assessing whether any discrepancies were duly adjusted as appropriate. As part of our testing of the valuation of inventory, we evaluated the basis of management's impairment assessment which considered, inter alia, the impact of expired products, and the proportion of stock holdings to expected turnover. We also compared cost and net realisable value for all inventory products, besides testing the cost of a sample of inventory items. Our audit procedures on inventory cut-off consisted of substantive procedures to test the transfer of rights and obligations over inventory to supporting documentation. Based on the procedures performed, we conclude that inventories as at year end are reasonably stated in the financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected credit loss allowance in relation to trade receivables As at 31 December 2024, trade receivables amounted to €6.7 million, net of a loss allowance of €802 thousand, as disclosed in note 4.1.2. The Company applies the IFRS 9 simplified approach to measuring the expected credit loss allowance for trade receivables. The Company establishes the risk of default using historical expected credit losses, as adjusted for qualitative factors based on management's assessment of current economic conditions. Further information is provided in notes 4.1.2 and 4.1.5 to the financial statements. The inherent uncertainty in the judgements required, as well as the magnitude of the Company's trade receivables, resulted in this matter being identified as an area of audit focus.	We evaluated the suitability and appropriateness of the methodology applied by management in establishing the loss allowance. As part of this process, using audit knowledge gained from testing settlements for a sample of debtors and the analysis of overdue receivables, we challenged management on the judgements made as part of the impairment allowance. The calculations underlying the loss impairment assessment were also tested for accuracy. The appropriateness of disclosures made in relation to the loss allowance assessment for trade receivables was also considered. Based on the work performed, we found the recorded loss allowance to be consistent with the explanations and evidence obtained.

Other information

The directors are responsible for the other information. The other information comprises the General information, the Directors' report, the Statement by the Directors on compliance by M&Z p.l.c. (the "Company") with the Code of principles for Good Corporate Governance and the Remuneration Report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

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

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive ("the ESEF Directive 6") on the Annual Financial Report of M&Z p.l.c. for the year ended 31 December 2024, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Financial Report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the financial statements, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Financial Report in XHTML format.
- Examining whether the Annual Financial Report has been prepared in XHTML format.

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

Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2024 has been prepared in XHTML format in all material respects.

Other reporting requirements

The *Annual Report and Financial Statements 2024* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the ***Annual Report and Financial Statements 2024*** **and the related Directors' responsibilities**	Our responsibilities	Our reporting
Directors' report The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Statement by the Directors on compliance by M&Z p.l.c. with the Code of principles for Good Corporate Governance The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare and include in the Annual Financial Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Capital Markets Rules. The Statement's required minimum contents are determined by reference to Capital Markets Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Capital Markets Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.
Remuneration report The Capital Markets Rules issued by the Malta Financial Services Authority require the directors to prepare a Remuneration report, including the contents listed in Appendix 12.1 to Chapter 12 of the Capital Markets Rules.	We are required to consider whether the information that should be provided within the Remuneration report, as required in terms of Appendix 12.1 to Chapter 12 of the Capital Markets Rules, has been included.	In our opinion, the Remuneration report has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the Malta Financial Services Authority.

Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities under the Capital Markets Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

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

Appointment

We were first appointed as auditors of the Company for the period ended 31 December 2006. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 19 years. The Company became listed on a regulated market on 11 March 2022.

Romina Soler
Principal

For and on behalf of
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

11 April 2025