

THE GENERAL SOFT DRINKS  
COMPANY LIMITED

Annual Report and  
Financial Statements  
31 December 2020

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## Directors' report

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

### Principal activities

The company's principal activity, which is unchanged since last year, is the bottling and sale of soft drinks, mineral water and other beverages.

### Review of the business

With effect from March 2020 onwards, the outbreak of COVID-19 pandemic impacted negatively the operations of the company. Being heavily reliant on the tourism and hospitality industry, this resulted in a significant downturn in the revenue of the company and ultimately on its profitability. Immediately the company acted swiftly by analysing various scenarios highlighting the impact of the drop in revenue on the business operation and profitability. These scenarios included different assumptions as to when HoReCa businesses would re-open together with the recovery of the economy. Based on these scenarios the company introduced and implemented various measures to counteract this impact by introducing a number of cost-cutting measures (payroll cost reduction and freeze on certain operating expenditure). The company also implemented cash conservation measures such as stricter credit management and a closing monitoring of inventory levels. The company also availed itself from Government aids such as the *Wage Supplement Scheme*, *Quarantine Leave Assistance* and *Deferral of tax payments*. Due to the impact on the Company's cashflow and in order to sustain the operation during this difficult period the company also secured a bank loan.

All the company's revenues derive from sales to a fellow related party forming part of Mizzi Organisation, which acts as the sole point of focus for all customers of the Organisation's beverage activities. During 2020 the company saw a decrease in revenue to €27,986,420 from €32,600,157 in 2019. Gross profit decreased from €14,421,826 in 2019 to €11,272,101 in 2020. After deducting distribution and selling costs as well as administrative expenses, which increased when compared to previous year, the company closed the year with an operating profit of €600,624 compared to €3,613,184 in 2019. Finance costs increased from €368,334 in 2019 to €395,871 in 2020.

The company registered a profit for the financial year of €712,808 (2019: €3,244,850).

During 2020, the company acquired a loan of €1,400,000 from Mizzi Organisation Limited and repaid €270,917 (2019: €1,321,771) in loan repayments. The total borrowings as at 31 December 2020 decreased to €9,379,369 from €10,271,800 as at 31 December 2019.

The main priority areas for the Public Affairs and Communications (PAC) Office in 2020 were the Beverage Container Refund Scheme (BCRS), the Zero Waste Program, the Water Stewardship and the reduction of Sugar and Calories within beverages. In this regard our Company has worked with Government, various communities and organisations in Malta to support the development and introduction of BCRS; address packaging waste disposal through Zero Waste Program (funded through The Coca-Cola Foundation); promote and safeguard the sustainability of water through the Alter Aqua program (funded through The Coca-Cola Foundation), whilst also committing to help its consumers manage their sugar intake and to make the right decisions for them and their families.

## **Directors' report** - continued

In the beginning of 2018 Government initiated a consultation process on the introduction of a national BCRS that would entail the compulsory introduction of deposits on single use PET, Glass and Metal beverage containers. GSD took a leading role in bringing all the stakeholders together to submit a proposal to Government and which resulted in the signing of an MOU with Government in December 2018. The MOU envisages the setup of a Non-for-profit Company that will be owned by three associations representing Beverage Producers, Importers and Retailers. This Company will manage BCRS and work together with Government Agencies to reach ambitious Recovery and Recycling targets whilst keeping to a minimum the cost impact to consumers. During 2019 the regulations governing this deposit system were drafted between the Resource, Recovery and Recycling Agency with the input of Industry and successfully passed through the European Approval cycle at the end of 2019. These regulations were eventually published and a license agreement was signed with Government in 2020.

The Zero Waste Future two year program was launched in 2019 with the goal of creating a framework for Zero Waste Cities and Zero Waste Campuses in Malta and to address the serious issue of land and marine litter. This project forms part of the global Coca-Cola project – World Without Waste. The programme, led by Cypriot NGO ATKI Project & Research Centre and funded by the Coca-Cola Foundation with a grant of \$150,000, conducted a waste characterisation study, the instalment of 15 on-the-go recycling bins in Birgu and 5 at the MCAST Campus Paola, educational campaigns in schools, 7 beach clean ups and the setting up of a mobile zero-waste stall that engaged citizens through an information campaign about the importance of responsible waste disposal and recycling.

GSD has continued working in line with the Maltese Soft Drink Producer pledge to reduce added sugars by 10% by 2020 in the beverages we provide, which target has been achieved. To reach its ambitious target the Company has reformulated existing products including the use of low calorie sweeteners; introduced new products with no or reduced sugar and low-calorie sweeteners; increased the availability of smaller pack sizes to allow portion control and moderation; invested in the promotion of drinks with reduced or no sugar to educate and actively encourage consumer choice towards low and no calorie products.

In 2020, the Alter Aqua program celebrated nine years of achievements and saw the continuation of phase 3 of the program covering years 2019 to 2020. This program has made a significant impact throughout 2011-2020 in the Maltese Islands, in promoting the use of non-conventional water resources. The program was initiated by the regional organisation Global Water Partnership - Mediterranean (GWP-Med) and was implemented in partnership with the Ministry for Energy and Water Management, the Sustainable Energy & Water Conservation Unit, the Ministry for Gozo, the Eco-Gozo Project and The Coca-Cola Foundation with the support of our Company.

Our Company also has a long-standing commitment to support the various activities held by the Malta Community Chest Fund Foundation under the patronage of the President of Malta.

### **Outlook for 2021**

In Q1 2021, following an increase in COVID-19 cases, Malta introduced new measures and partial lockdowns, which were not expected. However in Q2, most of these measures have been lifted with tourism opening in June 2021. The outlook for Q2 and Q3 is very positive, however the immediate situation remains uncertain as this is dependent on the speed at which the economy will recover.

The company is in a much better situation compared to FY2020, firstly due to the economic growth and relaxing of measures and also due to the fact that the measures introduced by the company during 2020 (such as cost saving and cash conservation measures) remained in effect during 2021.

The forecast for FY2021 contemplates that the company will grow compared FY2020 whilst remaining behind the pre-COVID level, however the company is striving to minimise the gap.

## **Directors' report** - continued

The Board of Directors and Management continue to follow closely the situation and reacting swiftly to safeguard the company, its operations and ensuring that the company delivers the highest standards to its customers. Furthermore, the Mizzi Organisation is also constantly monitoring the situation from an Organisation wide perspective and has assessed various financial projections including different scenarios in respect the recovery from Covid-19 pandemic. In this respect detailed financial and cash flow projections covering all business lines for years 2021 till 2030 have been prepared. These projections are based on historical financial information registered to date, and compiled as part of the preparation of a revised business plan. The projected 2021 financial results for the core businesses within the Organisation were cautiously projected to be significantly lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with severe business conditions prevailing throughout 2021 and with a number of years for recovery.

Following this assessment, the Boards of Directors of The General Soft Drinks Company Limited and of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the refinancing arrangements and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by this pandemic, which have now been around for over 18 months. The directors consider the Company and all Mizzi Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

### *Financial risk management*

In 2020 there has been no change in the company's financial risk management objectives and policies, details of which, together with further information on the company's risk exposures can be found in Note 2 to the financial statements.

### **Results and dividends**

The financial results are set out on page 12. The directors do not recommend the payment of a dividend (2019: €1,800,000).

The directors propose that the balance of retained earnings amounting to €31,522,474 (2019: €30,809,666) be carried forward to the next financial year.

### **Directors**

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

Brian R. Mizzi  
Maurice F. Mizzi  
Kenneth C. Mizzi

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

## Directors' report - continued

### Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements, which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

In preparing the financial statements, the directors are responsible for:

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

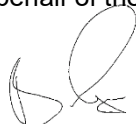
The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies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

The financial statements of The General Soft Drinks Company Limited for the year ended 31 December 2020 are included in the Annual Report and Financial Statements 2020, which is published in hard-copy printed form and made available on the Mizzi Organisation website ([www.mizziorganisation.com](http://www.mizziorganisation.com)). The directors of the entities constituting the Mizzi Organisation 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 Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

### Auditors

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

On behalf of the board



Brian R. Mizzi  
Director



Maurice F. Mizzi  
Director

Registered office:  
The General Soft Drinks Company Limited  
Marsa Industrial Estate  
Marsa  
Malta

6 September 2021



## *Independent auditor's report*

To the Shareholders of The General Soft Drinks Company Limited

### *Report on the audit of the financial statements*

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#### *Our opinion*

In our opinion:

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

#### **What we have audited**

The General Soft Drinks Company Limited's financial statements, set out on pages 10 to 49, comprise:

- the statement of financial position as at 31 December 2020;
- 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, which include significant accounting policies and other explanatory information.

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#### *Basis for opinion*

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

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

#### **Independence**

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



## *Independent auditor's report - continued*

To the Shareholders of The General Soft Drinks Company Limited

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### *Other information*

The directors are responsible for the other information. The other information comprises (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.

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### *Responsibilities of the directors for the financial statements*

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with 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.

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### *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.





## *Independent auditor's report - continued*

To the Shareholders of The General Soft Drinks Company Limited

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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have on the company's trade, customers, suppliers and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



## Independent auditor's report - continued

To the Shareholders of The General Soft Drinks Company Limited

### Report on other legal and regulatory requirements

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

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

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

## *Independent auditor's report - continued*

To the Shareholders of The General Soft Drinks Company Limited

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

### *Other matter – use of this report*

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

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



Fabio Axisa  
 Partner

6 September 2021

## Statement of financial position

		As at 31 December	
		2020	2019
		€	€
	Notes		
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	4	<b>22,036,350</b>	18,619,701
Right-of-use assets	5	<b>2,118,146</b>	2,232,140
Trade and other receivables	7	<b>6,043,626</b>	5,049,127
Total non-current assets		<b>30,198,122</b>	25,900,968
<b>Current assets</b>			
Inventories	8	<b>3,783,786</b>	4,252,819
Trade and other receivables	7	<b>17,012,976</b>	21,966,870
Cash and cash equivalents	9	<b>128,093</b>	2,247
Total current assets		<b>20,924,855</b>	26,221,936
<b>Total assets</b>		<b>51,122,977</b>	52,122,904

**Statement of financial position - continued**

		<b>As at 31 December</b>	
		<b>2020</b>	2019
		€	€
	Notes		
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	10	<b>116,469</b>	116,469
Retained earnings		<b>31,014,419</b>	30,809,666
<b>Total equity</b>		<b>31,130,888</b>	30,926,135
<b>Non-current liabilities</b>			
Trade and other payables	13	<b>7,142</b>	8,034
Borrowings	15	<b>7,503,776</b>	6,441,999
Lease liabilities	12	<b>2,005,427</b>	2,095,719
Employee benefit obligations	14	<b>700,000</b>	-
<b>Total non-current liabilities</b>		<b>10,216,345</b>	8,545,752
<b>Current liabilities</b>			
Trade and other payables	13	<b>7,744,774</b>	8,690,959
Borrowings	15	<b>1,875,593</b>	3,829,801
Lease liabilities	12	<b>155,377</b>	130,257
<b>Total current liabilities</b>		<b>9,775,744</b>	12,651,017
<b>Total liabilities</b>		<b>19,992,089</b>	21,196,769
<b>Total equity and liabilities</b>		<b>51,122,977</b>	52,122,904

The notes on pages 15 to 49 are an integral part of these financial statements.

The financial statements on pages 10 to 49 were authorised for issue by the Board on 6 September 2021 and were signed on its behalf by:



Brian R. Mizzi  
Director



Maurice F. Mizzi  
Director

## Statement of comprehensive income

	Notes	Year ended 31 December	
		2020 €	2019 €
<b>Revenue</b>	16	<b>27,986,420</b>	32,600,157
Cost of sales	17	<b>(16,714,319)</b>	(18,178,331)
		<b>11,272,101</b>	14,421,826
<b>Gross profit</b>			
Distribution and selling costs	17	<b>(7,519,703)</b>	(7,720,367)
Administrative expenses	17	<b>(3,203,923)</b>	(3,131,140)
Other operating income	19	<b>52,149</b>	42,865
		<b>600,624</b>	3,613,184
<b>Operating profit</b>			
Finance costs	20	<b>(395,871)</b>	(368,334)
		<b>204,753</b>	3,244,850
<b>Profit for the year - total comprehensive income</b>		<b>204,753</b>	3,244,850

The notes on pages 15 to 49 are an integral part of these financial statements.

**Statement of changes in equity**

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2019		116,469	29,364,816	29,481,285
<b>Comprehensive income</b>				
Profit for the year				
- total comprehensive income		-	3,244,850	3,244,850
<b>Transactions with owners</b>				
Dividends relating to 2019	23	-	(1,800,000)	(1,800,000)
Balance at 31 December 2019		116,469	30,809,666	30,926,135
<b>Comprehensive income</b>				
Profit for the year				
- total comprehensive income		-	204,753	204,753
<b>Balance at 31 December 2020</b>		<b>116,469</b>	<b>31,014,419</b>	<b>31,130,888</b>

The notes on pages 15 to 49 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 December	
		2020 €	2019 €
<b>Cash flows from operating activities</b>			
Cash generated from operations	24	7,513,137	3,887,868
Interest paid	20	(328,714)	(297,612)
Net cash generated from operating activities		<b>7,184,423</b>	3,590,256
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(5,988,521)	(2,358,842)
Proceeds from disposal of property, plant and equipment		8,201	68,989
Net cash used in investing activities		<b>(5,980,320)</b>	(2,289,853)
<b>Cash flows from financing activities</b>			
Proceeds from borrowings from related parties forming part of Mizzi Organisation	15	1,400,000	2,200,000
Repayments of borrowings from related party forming part of Mizzi Organisation	15	(270,917)	(1,321,771)
Dividends paid	23	-	(1,800,000)
Principal elements of lease payments	12	(185,826)	(331,659)
Net cash generated from/(used in) financing activities		<b>943,257</b>	(1,253,430)
<b>Net movement in cash and cash equivalents</b>		<b>2,147,360</b>	46,973
<b>Cash and cash equivalents at beginning of year</b>		<b>(2,434,850)</b>	(2,481,823)
<b>Cash and cash equivalents at end of year</b>	9	<b>(287,490)</b>	(2,434,850)

The notes on pages 15 to 49 are an integral part of these financial statements.



## Notes to the financial statements

### 1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

#### 1.1 Basis of preparation

The financial statements include the financial statements of The General Soft Drinks Company Limited. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the directors to exercise their judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

#### *Appropriateness of the going concern assumption in the preparation of the financial statements*

In view of the current situation brought about by the COVID-19 pandemic, the Mizzi Organisation is constantly monitoring the situation and has assessed various financial projections including different scenarios in respect of the recovery from Covid-19 pandemic. In this respect detailed financial and cash flow projections covering all business lines for years 2021 till 2030 have been prepared. These projections are based on historical financial information registered to date, and compiled as part of the preparation of a revised business plan. The projected 2021 financial results for the core businesses within the Organisation were cautiously projected to be significantly lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with severe business conditions prevailing throughout 2021 and with a number of years for recovery.

In fact, even though nowhere near 2019 levels, the financial results achieved in the first part of 2021 already demonstrate an overall significant improvement when compared to 2020 levels. Business is picking up gradually. Assuming that no further full or partial lockdowns take place, whilst at the same time the country remains focused on the manner in which it handles the pandemic, the 3 year recovery envisaged by the Group is on the right track. The Group is also experiencing cash generation and also considering investment options. The Group's estimated funding requirements are mainly already in place and the projected actions in respect of securing other funding are proceeding according to plan.

The Boards of Directors of The General Soft Drinks Limited and of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the current and future refinancing arrangements and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by this pandemic, which have now been around for over 18 months. The directors consider the Organisation and its separate components to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

#### *Standards, interpretations and amendments to published standards effective in 2020*

In 2020, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2020. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

**1.1 Basis of preparation - continued**

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

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

**1.2 Foreign currencies**

*(a) Functional and presentation currency*

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro, which is the company's functional currency and the presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. 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.

**1.3 Property, plant and equipment**

All property, plant and equipment is initially recorded at historical cost. Buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

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

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

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

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

	%
Buildings and integral assets	1 $\frac{2}{3}$ - 10
Plant and machinery	10 - 25
Office furniture and equipment	10 - 33 $\frac{1}{3}$
Motor vehicles	10 - 25

Assets in the course of construction and payments on account are not depreciated. Buildings and integral assets are depreciated over the term of the lease arrangement or over the estimated useful life of the assets if shorter than the lease term. The estimated useful life of the integral assets ranges from ten to twenty years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. 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). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss.

**1.4 Intangible assets - Goodwill**

Goodwill represents the excess of the cost of an acquisition over the fair value of the company's share of the net identifiable assets of the acquired associate at the date of acquisition. Goodwill on acquisitions of associates is included in 'Investments in associates'. Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

## 1. Summary of significant accounting policies - continued

### 1.5 Financial assets

#### Classification

The company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

The company reclassifies debt investments when and only when its business model for managing those assets changes.

#### Recognition and derecognition

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the company. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

#### Measurement

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.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

#### (a) Debt instruments

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

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in the statement of profit or loss.

## 1. Summary of significant accounting policies - continued

### 1.5 Financial assets - continued

#### Measurement - continued

##### (a) Debt instruments - continued

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented in the statement of profit or loss.
- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

##### (b) Equity instruments

The company subsequently measures all equity investments at fair value. Where the company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the company's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

#### Impairment

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 2 for further details).

### 1.6 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of raw materials comprises the invoiced value of materials, and, in general, includes transport and handling costs. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In respect of container stocks, net realisable value is estimated by writing down the cost of these stocks to estimated residual values over their estimated useful life.

### 1.7 Trade and other receivables

Trade receivables comprise amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

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

**1.7 Trade and other receivables - continued**

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

**1.8 Cash and cash equivalents**

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

**1.9 Share capital**

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

**1.10 Financial liabilities**

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities, other than derivative financial instruments are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

**1.11 Trade and other payables**

Trade payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

**1.12 Borrowings**

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

## 1. Summary of significant accounting policies - continued

### 1.13 Provisions

Provisions are recognised when the company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost.

### 1.14 Employee benefits

The company has set up a post-employment scheme in the form of a defined benefit plan. A defined benefit plan defines an amount of post-employment benefit that an employee will receive on retirement. In the case of the company, this amount is dependent on an employee's final compensation upon resignation/end of contract, as well as completed months/years of service. The liability recognised in the statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. A defined benefit obligation is calculated annually using the projected unit credit method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related post-employment benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

### 1.15 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

### 1.16 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from the depreciation on property, plant and equipment and provisions for impairment of trade and other receivables.

## 1. Summary of significant accounting policies - continued

### 1.16 Current and deferred tax - continued

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 1.17 Revenue recognition

Revenues include all revenues from the ordinary business activities of the company. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The company's business includes various activities as disclosed in Note 16 'Revenue'.

#### (a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if an entity forming part of the company recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before - irrespective of when payment is due - the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the company fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative - possibly estimated - standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

#### *Sales of beverages - wholesale*

The company manufactures and sells a range of beverage products in the wholesale market (including imported finished goods). Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the company has objective evidence that all criteria for acceptance have been satisfied.



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

**1.17 Revenue recognition - continued**

*Sales of beverages – wholesale - continued*

The beverage goods are also sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (within trade and other payables) would be recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present.

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

*Contracts - where revenue is recognised over time*

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The company uses the 'percentage of completion method' to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed up to the end of the reporting period in relation to the estimated total costs for the contract. Costs incurred during the year that relate to future activity on a contract are excluded from contract costs in determining the stage of completion and are shown as contract work in progress within inventories.

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the end of the reporting period. The company presents as a contract asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, within trade and other receivables. The company presents as a contract liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses), within trade and other payables.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

*Financing*

The company does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

## 1. Summary of significant accounting policies - continued

### 1.17 Revenue recognition - continued

#### (b) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

(c) Dividend income is recognised when the right to receive payment is established.

(d) Other operating income is recognised on an accrual basis unless collectibility is in doubt.

### 1.18 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet (previously recognised in deferred income).

### 1.19 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented under 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

### 1.20 Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or a series of payments, the right to use an asset for an agreed period of time.

*The company is the lessee*

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

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company.

## 1. Summary of significant accounting policies - continued

### 1.20 Operating leases - continued

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

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

Where property leases contain variable payment terms that are linked to sales generated from respective outlets, the related variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

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

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

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

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

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

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

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

Payments associated with short-term leases of equipment and vehicles and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

## 1. Summary of significant accounting policies - continued

### 1.20 Operating leases - continued

For leases of properties, the following factors are normally the most relevant in considering to extend (or not terminate):

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

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

### 1.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

### 1.22 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders.

## 2. Financial risk management

### 2.1 Financial risk factors

The company's activities potentially expose it to a variety of financial risks: market risk (including foreign exchange risk, cash flow and fair value interest rate risk and price risk), credit risk and liquidity risk. The company's overall risk management, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company's board of directors provides principles for overall company risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial year.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Market risk

##### (i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, which are denominated in a currency that is not the respective entity's functional currency. The company is exposed to foreign exchange risk arising from the company's purchases denominated in US dollar and sterling, which purchases are not considered material. The company's risk exposures reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant.

The company's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. As outlined previously, management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in US dollar and sterling to be significant since the volume of such purchases and outstanding balances at end of the reporting period are not significant in relative terms. Balances are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the company manages the risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

Accordingly, the company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

##### (ii) Cash flow and fair value interest rate risk

The company has no significant interest-bearing assets. The company's interest rate risk principally arises from bank borrowings issued at variable rates (Note 15) and the loan from related party forming part of Mizzi Organisation subject to floating interest rates (Note 15) which expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The company's operating cash flows are substantially independent of changes in market interest rates.

##### (iii) Price risk

The company is exposed to commodity price risk in relation to purchases of certain raw materials. The company enters into contractual arrangements for the procurement of these raw materials at variable market prices but at the end of the reporting period there were no outstanding contractual commitments in this respect. Management does not consider the potential impact of a defined shift in commodity prices on profit or loss to be significant, particularly in view of the weighting of purchases of such raw materials in relation to the company's total purchases.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (b) Credit risk

Credit risk arises from cash and cash equivalents and credit exposures to customers, including outstanding debtors and committed transactions. The company's exposures to credit risk at the end of the reporting period are analysed as follows:

	<b>2020</b>	2019
	€	€
Financial assets measured at amortised cost:		
Trade and other receivables (Note 7)	<b>22,706,787</b>	26,202,041
Cash and cash equivalents (Note 9)	<b>128,093</b>	2,247
	<b>22,834,880</b>	26,204,288

The maximum exposure to credit risk at the end of the reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements. The company does not hold significant collateral as security in this respect. The figures disclosed above in respect of trade and other receivables exclude prepayments.

#### Cash and cash equivalents

The company principally banks with local financial institutions with high-quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss is insignificant.

#### Trade and other receivables (including contract assets)

The company assesses the credit quality of its trade customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products are effected to customers with an appropriate credit history. 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.

In view of the nature of the company's activities and the market in which it operates, a limited number of customers account for a certain percentage of the company's trade and other receivables. Whilst no individual customer or company of dependent customers is considered by management as a significant concentration of credit risk with respect to contractual debts, these exposures are monitored and reported more frequently and rigorously. Generally, these customers trade frequently with the company and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The company manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The company's trade and other receivables, which are not credit impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

The company's entire sales of products are invoiced to a related party forming part of Mizzi Organisation, with the objective that the related party acts as the sole customer facing entity for the Organisation's beverage activities. In this respect both the company and the related party make provisions for credit impaired receivables as further explained below.

#### *Impairment of trade receivables (including contract assets)*

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

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The company has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation and adjusts the historical loss rates based on expected changes in these factors. 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.

On that basis, the loss allowance for trade receivables as at 31 December 2020 and 2019 was determined as follows:

	Up to 60 days past due	61 to 120 days past due	121 to 272 days past due	273 to 365 days past due	+365 days past due	Total
<b>31 December 2020</b>						
Expected loss rate	0.5-3.8%	1.9-7.9%	4.3-13%	8.4-25.1%	100%	
Gross carrying amount (€)	6,417,895	701,753	518,665	491,865	1,919,138	10,049,316
<b>Loss allowance (€)</b>	<b>64,331</b>	<b>32,485</b>	<b>57,584</b>	<b>105,701</b>	<b>1,919,138</b>	<b>2,179,239</b>
	Up to 60 days past due	61 to 120 days past due	121 to 272 days past due	273 to 365 days past due	+365 days past due	Total
<b>31 December 2019</b>						
Expected loss rate	0.5% - 1.3%	1.9% - 2.6%	4.3%	8.4%	100%	
Gross carrying amount (€)	9,234,909	1,392,563	943,449	251,460	1,510,731	13,333,112
Loss allowance (€)	54,932	37,282	47,432	21,066	1,560,843	1,721,555

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

As a result of the outbreak of COVID-19, the company engaged in routine monitoring of the account activity and repayment patterns of its trade receivables. For this purpose, customers were segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to those segments which have been impacted by COVID-19 were subjected to more rigorous monitoring. With respect to customers in particular economic sectors, the company has experienced significant shifts in repayment patterns post the COVID-19 outbreak and accordingly a significant deterioration in collection rates was experienced. The company also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the company and accordingly on their repayment ability. As a result of these assessments and taking cognisance of the projected impact on the repayment ability of the company's customers, the repayment pattern actually experienced, and the estimated life of trade receivables, as at 31 December 2020, the company changed the level of certain expected credit loss rates from prior year in view of changes in the relative weighting of specific asset categories within the respective buckets.

The company established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The company does not hold any significant collateral as security in respect of the credit impaired assets.

Trade receivables and contract assets 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, and a failure to make contractual payments for a period of greater than a year past due.

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Categorisation of receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 December 2020 and 2019, the company's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the company's trade receivables figures.



## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### *Impairment of other receivables*

The arrangement between the company and related party referred to previously also includes receivables from customers in relation to contractual arrangements. In this respect, management assesses on a forward-looking basis the expected credit losses ('ECL') on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition as summarised below:

- Other receivables that are not credit impaired on initial recognition are classified in 'Stage 1' and their credit risk is continuously monitored by the company. Their ECL is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the receivables are moved to 'Stage 2' but are not yet deemed to be credit impaired.
- If the receivables are credit impaired, they are then moved to 'Stage 3'.
- Instruments in 'Stage 2' or 'Stage 3' have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs and assumptions used in measuring the ECL are outlined below.

The assessment of SICR incorporates forward-looking information and is reviewed on a periodic basis. As required by IFRS 9, management presumptively considers that a SICR generally occurs when an asset is more than 30 days past due. The entities determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. The probability of default (PD) is also derived from internally compiled statistics and other historical data, adjusted to reflect forward-looking information.

The assessment to determine the extent of increase in credit risk attributable to other receivables since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the receivable. As a result, the definition of default is important and considers qualitative (such as non-adherence to terms and conditions of agreement) and quantitative (such as overdue status) factors where appropriate.

As a result of the outbreak of COVID-19, the company engaged in routine monitoring of the account activity and repayment patterns of its hire purchase debtors and other receivables. For this purpose, customers were segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to those segments which have been impacted by COVID-19 were subjected to more rigorous monitoring. The company has experienced significant shifts in repayment patterns post the COVID-19 outbreak and accordingly a significant deterioration in collection rates was experienced. The company also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the company and accordingly on their repayment ability. As a result of these assessments and taking cognisance of the projected impact on the repayment ability of the company's hire purchase debtors and other receivables, the repayment pattern actually experienced, and the estimated life of these receivables, as at 31 December 2020, the company changed the level of the probability of default rates from prior year.

Management determines that a receivable is in default (or credit impaired and accordingly stage 3 for IFRS 9 purposes) by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 60 days for any material credit obligations and there are other indicators that the debtor is unlikely to pay.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and Loss Given Default (LGD) throughout the company's expected loss calculations. The LGD represents an entity's expectation of the extent of loss on a defaulted exposure.

#### *Explanation of inputs*

The ECL is measured on either a 12-month or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the product of the PD, EAD and LGD.

The PD represents the likelihood of a customer defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the receivable, respectively.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is the gross carrying amount at default. The 12-month and lifetime EADs are determined based on the expected payment profiles.

LGD represents management's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of any collateral value at the time it is expected to be realised and the time value of money.

The loss allowance for other receivables from customers in relation to contractual arrangements as at 31 December 2020 and 2019 was determined as follows:

<b>As at 31 December 2020</b>	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	7.5%	20%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	3,323,693	3,505,145	1,794,118	8,622,956
<b>Loss allowance (€)</b>	<b>249,277</b>	<b>701,029</b>	<b>1,794,118</b>	<b>2,744,424</b>
<hr/>				
<b>As at 31 December 2019</b>	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	6.3%	12.6%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	4,692,215	1,943,715	1,428,437	8,064,367
Loss allowance (€)	295,610	244,908	1,428,437	1,968,955

The loss allowance for other receivables from customers in relation to contractual arrangements is recorded in the books of the company.

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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

The company established an allowance for impairment that represented its estimate of expected credit losses in respect of other receivables. The individually credit impaired receivables mainly relate to a number of independent debtors which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The company does not hold any significant collateral as security in respect of the credit impaired assets.

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, and a failure to make contractual payments for a period of greater than a year past due. Credit losses are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

As at 31 December 2020 other receivables from customers in relation to contractual arrangements of €2,804,116 (2019: €1,685,201) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of other receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

#### Amounts owed by related parties

As noted earlier, the company's entire sales of products are invoiced to a related party forming part of Mizzi Organisation, with the objective that the related party acts as the sole customer facing entity for the Organisation's beverage activities from that date. Accordingly, the company's debtors include significant amounts due from this related party (see Note 7). The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company assesses the credit quality of related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default. Other than the sales arrangement with the related party referred to previously, all other balances owed by related parties are repayable on demand. Accordingly, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

#### (c) *Liquidity risk*

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities (Note 12), borrowings (Note 15) and trade and other payables (Note 13). 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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

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. This is also performed at a central treasury function which controls the overall liquidity requirements of the Mizzi Organisation within certain parameters. The company's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the company's committed bank borrowing facilities and other intra-Organisation financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the company as significant taking into account the liquidity management process referred to above.

The company's trade and other payables are predominantly repayable within one year from the end of the reporting period. The table below analyses the company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period 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.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>At 31 December 2020</b>					
Lease liabilities	204,498	126,486	233,352	3,461,388	4,025,724
Loan from related party forming part of Mizzi Organisation	1,756,773	1,813,412	4,860,758	1,331,440	9,762,383
Bank borrowings	415,583	-	-	-	415,583
Trade and other payables	5,730,155	-	-	-	5,730,155
<b>At 31 December 2019</b>					
Lease liabilities	196,911	183,534	258,640	3,539,172	4,178,257
Loan from related party forming part of Mizzi Organisation	1,630,483	1,630,483	4,482,388	920,450	8,663,804
Bank borrowings	2,437,097	-	-	-	2,437,097
Trade and other payables	8,178,893	-	-	-	8,178,893

### 2.2 Capital risk management

The company's capital is managed at the level of Mizzi Organisation by reference to the aggregate level of equity and borrowings or debt as disclosed in the respective consolidated financial statements of Consolidated Holdings Limited and Mizzi Organisation Limited, together with the financial statements of the The General Soft Drinks Company Limited and GSD Marketing Limited. The capital of the entities forming part of the Mizzi Organisation, which have been mentioned above, is managed on an aggregate basis by the Organisation as if they were organised as one entity. The Organisation'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.

**2. Financial risk management - continued**

**2.2 Capital risk management - continued**

The Organisation also 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 (as shown in the respective consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Total borrowings	<b>99,754,334</b>	96,867,144
Less: Cash and cash equivalents	<b>(9,702,799)</b>	(12,482,058)
Net debt	<b>90,051,535</b>	84,385,086
Total equity	<b>156,839,203</b>	162,555,885
Total capital	<b>246,890,738</b>	246,940,971
Net debt/total capital	<b>36%</b>	34%

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of The General Soft Drinks Company Limited, 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 determined by reference to the financial statements is deemed adequate by the directors.

**2.3 Fair values of financial instruments**

At 31 December 2020 and 2019 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The fair value of the company's non-current floating interest rate loan from related party forming part of Mizzi Organisation at the end of the reporting period is not significantly different from the carrying amount. The carrying amounts of the other financial liabilities as at 31 December 2020, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the company's internal borrowing rate since the date of transition to IFRS 16. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 7, '*Financial Instruments: Disclosure*'.

### 3. Critical accounting estimates and judgements

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

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

### 4. Property, plant and equipment

	Buildings and integral assets €	Plant and machinery €	Office furniture and equipment €	Motor vehicles €	Assets in course of construction and payments on account €	Total €
<b>At 1 January 2019</b>						
Cost	18,913,909	23,605,524	5,706,810	3,726,135	-	51,952,378
Accumulated depreciation	(6,507,317)	(20,608,763)	(4,453,520)	(2,654,746)	-	(34,224,346)
Net book amount	12,406,592	2,996,761	1,253,290	1,071,389	-	17,728,032
<b>Year ended 31 December 2019</b>						
Opening net book amount	12,406,592	2,996,761	1,253,290	1,071,389	-	17,728,032
Additions	303,222	649,937	498,443	134,892	1,495,979	3,082,473
Disposals	-	-	-	(158,652)	-	(158,652)
Depreciation charge	(633,782)	(635,559)	(680,231)	(179,669)	-	(2,129,241)
Depreciation released on disposals	-	-	-	97,089	-	97,089
Closing net book amount	12,076,032	3,011,139	1,071,502	965,049	1,495,979	18,619,701
<b>At 31 December 2019</b>						
Cost	19,217,131	24,255,461	6,205,253	3,702,375	1,495,979	54,876,199
Accumulated depreciation	(7,141,099)	(21,244,322)	(5,133,751)	(2,737,326)	-	(36,256,498)
Net book amount	12,076,032	3,011,139	1,071,502	965,049	1,495,979	18,619,701

#### 4. Property, plant and equipment - continued

	Buildings and integral assets €	Plant and machinery €	Office furniture and equipment €	Motor vehicles €	Assets in course of construction and payments on account €	Total €
<b>Year ended 31 December 2020</b>						
Opening net book amount	12,076,032	3,011,139	1,071,502	965,049	1,495,979	18,619,701
Additions	196,697	829,830	265,221	21,186	4,476,319	5,789,253
Reclassifications	5,922,331	49,967	-	-	(5,972,298)	-
Disposals	-	-	-	(49,576)	-	(49,576)
Depreciation charge	(825,292)	(680,490)	(688,406)	(171,849)	-	(2,366,037)
Depreciation released on disposals	-	-	-	43,009	-	43,009
<b>Closing net book amount</b>	<b>17,369,768</b>	<b>3,210,446</b>	<b>648,317</b>	<b>807,819</b>	<b>-</b>	<b>22,036,350</b>
<b>At 31 December 2020</b>						
Cost	25,336,159	25,135,258	6,470,474	3,673,985	-	60,615,876
Accumulated depreciation	(7,966,391)	(21,924,812)	(5,822,157)	(2,866,166)	-	(38,579,526)
<b>Net book amount</b>	<b>17,369,768</b>	<b>3,210,446</b>	<b>648,317</b>	<b>807,819</b>	<b>-</b>	<b>22,036,350</b>

#### 5. Right-of-use assets

##### *The company's leasing activities*

The company leases various properties and motor vehicles. Rental contracts are typically made for fixed periods but may have extension options as described below. The company mainly has a 65 year emphyteutical grant for land in Marsa entered into in 2005. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

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

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

	2020 €	2019 €
Properties	2,115,456	2,219,021
Motor vehicles	2,690	13,119
<b>Total right-of-use assets</b>	<b>2,118,146</b>	<b>2,232,140</b>

**5. Right-of-use assets - continued**

The movement in the carrying amount of these assets is analysed in the following table:

	2020 €	2019 €
As at 1 January	2,232,140	2,234,908
Additions	68,086	271,450
Impact of derecognition of leased assets upon termination of leases	(4,712)	-
Depreciation	(177,368)	(274,218)
As at 31 December	<b>2,118,146</b>	2,232,140

The income statement reflects the following amounts relating to leases:

	2020 €	2019 €
<i>Depreciation charge of right-of-use assets</i>		
Motor vehicles	5,717	8,073
Properties	171,651	266,145
	<b>177,368</b>	274,218
<i>Interest expense (included in finance costs)</i>	<b>67,157</b>	70,723

**6. Investments in associate**

	2020 €	2019 €
<b>At 31 December</b>		
Cost	-	62,020
Provisions for impairment	-	(62,020)
Net book amount	-	-

The associate at 31 December 2019 is shown below:

	Registered office	Class of shares held	Percentage of shares held %
Malta Deposit and Return System Limited (struck-off)	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	35.5
		Redeemable preference shares	35.5

By virtue of a resolution dated 17 December 2008, the shareholders of Malta Deposit and Return System Limited had approved the voluntary dissolution and consequential winding up of the company.

The company's share of results of the associate and its share of the assets and liabilities, together with disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities', are not deemed material for disclosure purposes taking cognisance of the insignificance of the company's investment in relation to its financial position.



**7. Trade and other receivables**

	<b>2020</b>	2019
	€	€
<b>Current</b>		
Amounts owed by related parties forming part of Mizzi Organisation	<b>15,514,993</b>	20,406,920
Amounts owed by other related parties	<b>7,180</b>	3,086
Advance payment to suppliers	<b>272,732</b>	324,247
Other receivables	<b>868,256</b>	418,661
Prepayments	<b>349,815</b>	813,956
	<b>17,012,976</b>	21,966,870
<b>Non-current</b>		
Amounts owed by related parties forming part of Mizzi Organisation	<b>6,043,626</b>	5,049,127

Non-current amounts owed from related parties forming part of Mizzi Organisation, represent amounts which are ultimately due from third party customers (in relation to contractual arrangements entered into with these parties), in accordance with the arrangement in place between the company and the related party as referred to previously in Note 2.

Non-current amounts are receivable within five years from the end of the reporting period.

**8. Inventories**

	<b>2020</b>	2019
	€	€
Raw materials	<b>1,964,093</b>	1,937,210
Raw materials and spare parts in transit	<b>719,668</b>	810,762
Finished goods	<b>677,044</b>	1,055,890
Containers (carried at net realisable value)	<b>336,420</b>	346,410
Spare parts and others	<b>86,561</b>	102,547
	<b>3,783,786</b>	4,252,819

The cost of inventories recognised as expense is appropriately disclosed in Note 17 to the financial statements. During the current financial year, inventory write-downs amounted to €209,647 (2019: €225,625). These amounts have been included in 'Cost of sales' in profit or loss.

**9. Cash and cash equivalents**

For the purposes of the statements of cash flows, the year-end cash and cash equivalents comprise the following:

	<b>2020</b>	<b>2019</b>
	€	€
Cash at bank and in hand	<b>128,093</b>	2,247
Bank overdrafts (Note 15)	<b>(415,583)</b>	(2,437,097)
	<b>(287,490)</b>	(2,434,850)

**10. Share capital**

	<b>2020</b>	<b>2019</b>
	€	€
<b>Authorised, issued and fully paid</b>		
50,000 ordinary shares of €2.329373 each	<b>116,469</b>	116,469
	<b>116,469</b>	116,469

**11. Deferred taxation**

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2019: 35%).

The movement on the deferred tax account is as follows:

	<b>2020</b>	<b>2019</b>
	€	€
At beginning of year	-	-
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 34)	<b>(3,523)</b>	98,292
Deferred income taxes attributable to investment tax credits (Note 34)	<b>3,523</b>	(98,292)
	-	-
At end of year	-	-

All the amounts disclosed in the table above, which have been referenced to Note 34, are recognised in profit or loss.

The balance at 31 December represents:

	<b>2020</b>	<b>2019</b>
	€	€
Temporary differences arising on depreciation of property, plant and equipment	<b>94,769</b>	98,292
Unutilised investment tax credits	<b>(94,769)</b>	(98,292)
	-	-
	-	-

**11. Deferred taxation - continued**

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

At 31 December, the company had the following temporary differences:

	<b>Unrecognised</b>		<b>Recognised</b>	
	<b>2020</b>	2019	<b>2020</b>	2019
	€	€	€	€
Unutilised tax credits arising from investment tax credits	<b>12,104,798</b>	12,529,169	<b>270,769</b>	280,835
Taxable temporary differences in respect of depreciation of property, plant and equipment	-	-	<b>(270,769)</b>	(280,835)
Deductible temporary differences in respect of:				
Provisions in respect of contractual arrangements with customers	<b>4,343,455</b>	3,264,214	-	-

Under the Business Promotion Regulations 2001, the company is entitled to investment tax credits on “qualifying” capital expenditure, the full amount of which would be available for set-off against the company’s tax liability.

The unrecognised net deferred tax assets at the end of the reporting periods have not been reflected in these financial statements due to the uncertainty of the realisation of the related tax benefits. Unutilised investment tax credits are forfeited upon cessation of the trade.

**12. Lease liabilities**

The lease liabilities associated with the recognised right-of-use assets are analysed below:

	<b>2020</b>	2019
	€	€
<b>Non-current</b>		
Properties	<b>2,005,427</b>	2,090,467
Motor vehicles	-	5,252
	<b>2,005,427</b>	2,095,719
<b>Current</b>		
Properties	<b>152,579</b>	122,162
Motor vehicles	<b>2,798</b>	8,095
	<b>155,377</b>	130,257
<b>Total lease liabilities</b>	<b>2,160,804</b>	2,225,976

**12. Lease liabilities - continued**

The movement in the carrying amount of these liabilities is analysed in the following table:

	<b>2020</b>	2019
	€	€
As at 1 January	<b>2,225,976</b>	2,215,462
Additions	<b>58,331</b>	271,450
Payments	<b>(185,826)</b>	(331,659)
Impact of derecognition of leased assets	<b>(4,834)</b>	-
Interest charge	<b>67,157</b>	70,723
As at 31 December	<b>2,160,804</b>	2,225,976

Included in the lease liabilities for motor vehicles are amounts of €2,798 (2019: €13,346) which are attributable arrangements with a related party.

The total cash outflows for leases in 2020 was €185,826 (2019: €331,659). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c). The weighted average incremental borrowing rate applied to the lease liabilities by the company was consistent with prior years at 3.15%.

**13. Trade and other payables**

	<b>2020</b>	2019
	€	€
<b>Current</b>		
Trade payables	<b>2,601,230</b>	4,205,363
Amounts payable in respect of capital expenditure	<b>1,296,213</b>	1,495,481
Amounts owed to related parties forming part of Mizzi Organisation	<b>401,486</b>	310,097
Other payables	<b>276,060</b>	397,659
Indirect taxation	<b>2,013,727</b>	511,174
Deferred Government grants related to assets	<b>892</b>	892
Accruals	<b>1,155,166</b>	1,770,293
	<b>7,744,774</b>	8,690,959
<b>Non-current</b>		
Deferred Government grants related to assets	<b>7,142</b>	8,034

Deferred Government grants included above represent state aid in respect of the energy grant scheme. This grant relates to assets and the amount of the liability is reflected in profit or loss on a straight-line basis over the expected lives of the related assets. The impact of these grants on the current year's results is presented within 'Other operating income' and disclosed in Note 19.

**14. Employee benefit obligations**

	Post-employment benefits	
	2020 €	2019 €
<b>Non-current</b>		
Charged to profit or loss:		
- Current service cost	50,000	-
- Past service cost	650,000	-
	700,000	-
<b>At 31 December</b>	700,000	-

The company has set up a post-employment scheme in the form of a defined benefit plan. The provision disclosed above represents the present value of post employment benefits for one or more employees under the category of a defined benefit plan within the scope of IAS 19, 'Employee Benefits'. Accordingly, the company has measured such obligations using the accounting rules applicable to defined benefit plans. A defined benefit plan defines an amount of benefit that an employee will receive on retirement, which in the case of the company is dependent on an employee's final compensation upon retirement, as well as completed years of service. For the purposes of IAS 19, the current financial year is deemed to be the accounting period in which the introduction of the defined benefit plan occurred.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions during the current financial period are not deemed to be material for the purpose of disclosure.

**15. Borrowings**

	2020 €	2019 €
<b>Current</b>		
Bank overdrafts	415,583	2,437,097
Loan from related party forming part of Mizzi Organisation	1,460,010	1,392,704
	1,875,593	3,829,801
<b>Non-current</b>		
Loan from related party forming part of Mizzi Organisation	7,503,776	6,441,999
	9,379,369	10,271,800
<b>Total borrowings</b>	9,379,369	10,271,800

The company's banking facilities as at 31 December 2020 amounted to €6,875,230 (2019: €3,375,230). These facilities are mainly secured by:

- (a) a general hypothec over the company's assets for €7,110,500 (2019: €3,610,500);
- (b) general hypothecary guarantees given by two related parties forming part of Mizzi Organisation for the amount of €1,164,700 (2019: €1,164,700) over assets, supported by special hypothecary guarantees for the amounts of €2,912,000 (2019: €3,610,529) and €1,165,000 (2019: €1,747,000) respectively over property held; and
- (c) guarantees by related parties forming part of Mizzi Organisation for amounts ranging from €2,397,000 to €12,928,000.

**15. Borrowings - continued**

The company's bank borrowings are entirely subject to variable rates of interest linked to euribor. The weighted average effective interest rates for bank borrowings at the end of the reporting period are as follows:

	<b>2020</b>	2019
	%	%
Bank overdrafts	<b>2.5</b>	2.25

The company's loan from related party forming part of Mizzi Organisation, is subject to a floating rate of interest and the weighted average effective interest rate at the end of the reporting period was 3.4% (2019: 3.15%). The maturity of the non-current portion of this loan is disclosed below:

	<b>2020</b>	2019
	€	€
Between 1 and 2 years	<b>1,556,592</b>	1,410,184
Between 2 and 5 years	<b>4,442,751</b>	4,135,031
Over 5 years	<b>1,504,433</b>	896,784
	<b>7,503,776</b>	6,441,999

**16. Revenue**

All the company's revenue consists of revenue recognised at a point in time and is derived from activities in the local beverage sector. It primarily includes revenue from the activities relating to bottling of soft drinks, mineral water and other beverages. All the company's revenues are attributable to sales to a related party forming part of Mizzi Organisation, which acts as the sole point of focus for all customers of the Organisation's beverage activities. The company had no unfulfilled performance obligations as at 31 December 2020.

**17. Expenses by nature**

	<b>2020</b>	2019
	€	€
Raw materials and other consumables used	<b>10,922,302</b>	12,581,694
Changes in inventories of finished goods	<b>378,846</b>	89,431
Employee benefit expense (Note 18)	<b>6,727,750</b>	7,295,243
Depreciation of property, plant and equipment (Note 4)	<b>2,366,037</b>	2,129,241
Depreciation of right-of-use assets (Note 5)	<b>177,368</b>	274,218
Expense relating to the use of property and motor vehicles	<b>15,701</b>	34,453
Business promotion and similar service charges	<b>1,919,943</b>	2,280,340
Movement in provisions in respect of contractual arrangements with customers	<b>1,079,240</b>	(66,159)
Other expenses	<b>3,850,758</b>	4,411,377
<b>Total cost of sales; distribution and selling costs; and administrative expenses</b>	<b>27,437,945</b>	29,029,838

**17. Expenses by nature - continued**

Operating profit is stated after crediting the following:

	<b>2020</b>	2019
	€	€
Government grants recognised (included in 'Other operating income')	<b>(892)</b>	(892)
Exchange differences	<b>(2,527)</b>	(4,029)

**Auditor's fees**

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

	<b>2020</b>	2019
	€	€
Annual statutory audit	<b>36,000</b>	36,000
Tax advisory and compliance services	<b>1,565</b>	680
Other non-audit services	<b>1,350</b>	3,400
	<b>38,915</b>	40,080

**18. Employee benefit expense**

	<b>2020</b>	2019
	€	€
Wages and salaries	<b>5,649,060</b>	6,887,320
Social security costs	<b>378,690</b>	407,923
	<b>6,027,750</b>	7,295,243
Post-employment benefits (Note 14)	<b>700,000</b>	-
	<b>6,727,750</b>	7,295,243

Wages and salaries for 2020 are presented net of a payroll grants receivable from Government, under the COVID-19 wage supplement scheme, amounting to €281,282 (2019: nil) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expenses.

Average number of persons employed during the year:

	<b>2020</b>	2019
Direct	<b>127</b>	149
Administration	<b>90</b>	93
	<b>217</b>	242

**19. Other operating income**

Other operating income comprises income that is ancillary to the company's operating activities and also includes any gains on disposal of specific assets, including assets which were surplus to the company's requirements.

**20. Finance costs**

	2020 €	2019 €
Interest payable loan from related party forming part of Mizzi Organisation	286,149	245,639
Bank interest and charges	42,566	51,973
Interest charges on lease liabilities	67,157	70,723
	395,872	368,335

**21. Taxation**

No provision for current taxation has been made in the financial statements principally in view of the utilisation of investment tax credits.

The tax on the profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2020 €	2019 €
Profit before tax	204,753	3,244,850
Tax on profit at 35%	71,664	1,135,698
Tax effect of:		
Movement in temporary differences arising on property, plant and equipment, credit loss allowances in respect of trade and other receivables and other provisions	317,021	14,655
Tax incentives in respect of investment tax credits (refer to Note below)	(440,745)	(1,159,461)
Income not subject to tax	(7,785)	(2,020)
Expenses not deductible for tax purposes	59,845	11,127
	-	-

The company is eligible to qualify for tax incentives under the Business Promotion Regulations 2001. Accordingly, the company is entitled to investment tax credits on "qualifying" capital expenditure, the full amount of which would be available for set-off against the respective company's tax liability (also refer to Note 11).



**22. Director's emoluments**

	2020 €	2019 €
Salaries and other emoluments	<b>107,223</b>	101,154

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**23. Dividends**

	2020 €	2019 €
Final dividends paid on ordinary shares: Gross and net dividends	-	1,800,000
Dividends per share	-	36

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**24. Cash generated from operations**

Reconciliation of operating profit to cash generated from operations:

	2020 €	2019 €
Operating profit	<b>600,624</b>	3,613,185
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	<b>2,366,037</b>	2,129,241
Depreciation of right-of-use assets (Note 5)	<b>177,368</b>	274,218
Profit on disposal of property, plant and equipment	<b>(1,634)</b>	(7,426)
Movement in provisions in respect of contractual arrangements with customers	<b>1,079,241</b>	(66,160)
Movement in provisions for post-employment benefits	<b>700,000</b>	-
Changes in working capital:		
Inventories	<b>469,033</b>	(527,538)
Trade and other receivables	<b>2,870,277</b>	(775,994)
Trade and other payables	<b>(747,809)</b>	(751,658)
Cash generated from operations	<b>7,513,137</b>	3,887,868

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*Net debt reconciliation*

The principal movements in the company's net debt relate to cash inflows and outflows presented as part of financing activities within the statement of cash flows.

## 25. Commitments

### *Capital commitments*

Commitments for capital expenditure in relation to property development (Note 4) not provided for in these financial statements are as follows:

	<b>2020</b>	<b>2019</b>
	<b>€</b>	<b>€</b>
Authorised but not contracted	-	1,289,565
Contracted but nor provided for	-	2,474,913
	-	3,764,478

## 26. Contingencies

- (a) The company, together with other related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of related parties forming part of Mizzi Organisation up to a limit of €82,504,000 (2019: €70,304,000) respectively, together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees on the company's assets for the amount of €24,482,000 (2019: €29,257,000).

## 27. Related party transactions

The General Soft Drinks Company Limited forms part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the Maltese Companies Act (Cap. 386) of the laws of Malta. The Organisation is a conglomerate of companies principally comprising Consolidated Holdings Limited and Mizzi Organisation Limited, together with all their respective subsidiaries, Mizzi EV Limited, The General Soft Drinks Company Limited and GSD Marketing Limited.

The entities constituting the Mizzi Organisation are ultimately fully owned by Daragon Limited, Demoncada Holdings Limited, Demoncada Limited, Investors Limited and Maurice Mizzi. Members of the Mizzi family in turn ultimately own and control the above mentioned companies.

Accordingly, the members of the Mizzi family, the shareholder companies mentioned above, all entities owned or controlled by the members of the Mizzi family and the shareholder companies, the associates of entities comprising the Organisation and the Organisation entities' key management personnel are the principal related parties of the entities forming part of the Mizzi Organisation.

Trading transactions with these related parties would typically include interest charges, management fees, service charges and other such items which are normally encountered in a group context.

Taking cognisance of the arrangement referred to in Note 15 to the financial statements, in the ordinary course of its operations, the company invoices all its revenue in respect of sales of goods and services to another company forming part of the Organisation. The Organisation's objective is to earmark the latter company as the sole customer facing entity for the beverage activities of the Organisation. The company also purchases goods and services from related parties for trading purchase.

**27. Related party transactions - continued**

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the company. The aggregate invoiced amounts in respect of a considerable number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

Except for transactions disclosed or referred to previously, the following significant operating transactions, which were carried out principally with related parties forming part of Mizzi Organisation, have a material effect on the operating results and financial position of the company:

	<b>2020</b>	<b>2019</b>
	€	€
<b>Sales of goods and services</b>		
Sales of goods held for resale	<b>27,916,287</b>	32,166,434
<b>Purchases of goods and services</b>		
Purchases of property, plant and equipment	<b>631,503</b>	65,000
Servicing, advertising and similar charges	<b>698,931</b>	846,006
Management fees payable and similar charges	<b>166,703</b>	322,771
	<b>1,497,137</b>	1,233,777

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 7 and 13 to these financial statements. Other balances with related parties are disclosed in Note 15. Such balances are unsecured, interest free and repayable on demand, unless otherwise stated in these financial statements.

Expenditure amounting to €1,872,520 (2019: €2,730,999) has been recharged by the company to related parties forming part of Mizzi Organisation. The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €85,616 (2019: €103,148).

Key management personnel comprise the directors of the company and of other related parties forming part of Mizzi Organisation. Key management personnel compensation in addition to director's remuneration as disclosed in Note 22, amounted to €60,145 (2019: €56,740). All amounts have been recharged by a related party forming part of Mizzi Organisation.

**28. Statutory information**

The General Soft Drinks Company Limited is a limited liability company and is incorporated in Malta.

**29. Events after the reporting period**

In late August 2021, the company received a garnishee order for an amount of €1 million on a potential dispute with a third party, relating to importation rights of certain products. The matter is still in its early stages and the company vigorously believes that there is no valid claim and is currently in the process of compiling its reply which will be filed in the short-term.