

THE GENERAL SOFT DRINKS
COMPANY LIMITED

Annual Report and Financial Statements
31 December 2023

THE GENERAL SOFT DRINKS COMPANY LIMITED
Annual Report and Financial Statements - 31 December 2023

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Directors' report

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

Principal activities

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

Review of the business

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 2023 the company saw an increase in revenue to €38,685,265 from €35,690,608 in 2022. Gross profit increased from €14,299,949 in 2022 to €14,756,688 in 2023. After deducting distribution and selling costs as well as administrative expenses, the company closed the year with an operating profit of €4,497,163 compared to €4,024,284 in 2022. Finance costs increased from €351,774 in 2022 to €390,963 in 2023.

The company registered a profit for the financial year of €4,106,200 (2022: €3,670,252).

During 2023, the company repaid €3,349,322 (2022: €3,816,958) in loan repayments. The total borrowings as at 31 December 2023 decreased to €4,237,446 from €6,826,934 as at 31 December 2022.

One of the main priority areas for the Public Affairs and Communications (PAC) Office in 2023 was to continue to support the Beverage Container Refund Scheme (BCRS). Through the Malta Beverage Producers Association our Company is actively represented on the Board of Directors and on the Technical Committee of BCRS Malta Limited. Our Company also sits on the Advisory Board which holds regular meetings with Circular Economy Malta (Government agency that regulates the deposit scheme in Malta). BCRS Malta Limited was launched in November 2022 and collected over 214 million beverage containers in 2023 achieving a collection rate of 80% (+10% over target for 2023) of the single-use beverage containers placed on the market. The collected containers were forwarded to approved operators for effective recycling, achieving a 72% recycling rate (+7% over target for 2023) of total market placement or over 9.5 tonnes of packaging material that was recycled.

Another focus area was the implementation of the first phase Zero Waste HoReCa program. This program is spearheaded by our Company, AKTI research Centre in collaboration with local environmental NGOs Zibel, Nature Trust and funded by The Coca-Cola Foundation. This innovative program engaged the local hospitality industry and provides guidance on how to reduce carbon emissions, water usage and waste through a practical three step approach of Calculate, Mitigate, Compensate. In its first year of implementation this program won the best waste reduction strategy award at the Malta Business Awards organised by the Chamber of SME's. This program was also renewed for the year 2023-2024.

Phase 4 of the Alter Aqua water stewardship program was also launched in 2023 and will continue in 2024. The program primarily focuses on the restoration of reservoirs. Three reservoirs were identified (2 in Birgu and 1 in Pieta) and are in the process of being fully restored. The estimated water saved will be that of 1.4 million liters. To date the Program contributes back to the community over 19 million liters of water on an annual basis. A reservoir trail route mobile app is under development by the University Of Malta and will be launched in 2024. This app will contain all the information, photos and videos pertaining to restored reservoirs in Birgu.

During 2023 Malta hosted its first EuroPride. Through a global partnership between The Coca-Cola Company and EuroPride we partnered with local EuroPride organisers NGO Allied Rainbow Communities. The partnership included a full activation of various venues across Malta, a group of Company and Coca-Cola employees volunteering during Pride Week, as well as a monetary sponsorship.

Directors' report – continued

Malta also hosted the 10th edition of the Games of the Small States of Europe (GSSE) in June of 2023. These games attracted over 1,000 athletes coming from 8 countries who competed in 10 sporting disciplines. Our Company was the official beverage partner of these Games and provided hydration to the athletes, officials and spectators. We also took a sustainable approach and provided recycling bins in every venue which targeted plastic and food waste. During these games we collected and properly recycled 73.9 tonnes in plastic waste and 29.5 tonnes of food waste which is equivalent to 19 tonnes of CO₂.

Following the launch in 2022 of Kristal 0.5ltr rPET (recycled PET) the Company continued its journey towards its circular packaging vision by launching 50% rPET in 0.5ltr Soft Drinks beverage containers. In 2023 the Company also launched tethered caps for its Table water PET bottle range. The caps are non-detachable for easier collection and recycling.

The Company also engaged with various stakeholders, including local MEPs, Government Officials and various entities to provide the beverage industry's input to the Packaging and Packaging Waste Regulation that was being drafted and which is envisaged to be approved by the EU in 2024.

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 2024

The company is now in a much better situation following the impact of the COVID-19 pandemic in FY2020 and FY2021. In fact, in FY2023 the company has performed ahead of FY2019 levels.

The projections for FY2024 are that the company will continue growing further in line with positive economic indicators and continued recovery of inbound tourism.

The Company's Franchise Agreement with The Coca Cola Company has been extended by three years, until 31 December 2023. The legal agreements are in the process of being formalized over the next months, however the Board of Directors has received written communication to confirm this renewal.

The Company continued to deliver good financial and operational results in the course of 2023 and in the first quarter of 2024 and from the continued interaction with the franchisor, the Directors believe that the Company has a robust business plan on all fronts, to ensure full alignment with the vision and goals of the Franchisor.

The Boards of Directors of The General Soft Drinks Co. Limited and of the companies constituting the Mizzi Organisation are comfortable with the state and performance of the companies forming part of the Group. The refinancing exercises made in prior years have given the Group a fixed exposure when it comes to borrowing costs. This has created a hedge which will last for a number of years, thus limiting the effects of the high interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of corporate governance and financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Limited (a related party) has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors had adopted an approach of carrying out only essential capital expenditure and post-pandemic, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business model of the companies within the Organisation. The directors consider the Organisation 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.

Directors' report – continued

Financial risk management

In 2023, 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 in the income statement. The directors have proposed and paid a final net dividend of €2,000,000 (2022: €1,800,000).

The directors propose that the balance of retained earnings amounting to €35,658,296 (2022: €33,552,096) 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 (resigned on 1 January 2024)
Kenneth C. Mizzi (resigned on 1 January 2024)
Taryn Camilleri de Marco
Elisa H. Krantz
Maria Micallef
Simon Mizzi
Andrew Muscat (appointed on 30 June 2023)
Kevin Rapinett (appointed on 18 September 2023)
Andrew Manduca (resigned on 30 June 2023)

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

Statement of directors' responsibilities for the financial statements

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

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

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

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

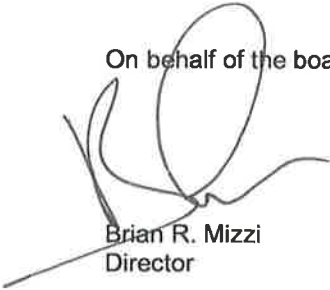
Directors' report - continued

The financial statements of The General Soft Drinks Company Limited for the year ended 31 December 2023 are included in the Annual Report and Financial Statements 2023, which is published in hard-copy printed form and made available on the Mizzi Organisation website (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



Kevin Rapinett
Director

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

30 April 2024



Independent auditor's report

To the Shareholders of The General Soft Drinks Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of The General Soft Drinks Company Limited (the Company) as at 31 December 2023, 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 2023;
- 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 material accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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



Independent auditor's report - continued

To the Shareholders of The General Soft Drinks Company Limited

Other information

The directors are responsible for the other information. The other information comprises the *Directors' report* (but does not include the financial statements and our auditor's report thereon).

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

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

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

Responsibilities of the directors 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.

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, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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



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 2023* 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 <i>Annual Report and Financial Statements 2023</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
Directors' report (on pages 1 to 4) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	<p>We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of The General Soft Drinks Company Limited

Area of the Annual Report and Financial Statements 2023 and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us.the financial statements are not in agreement with the accounting records and returns.we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	<p>We have nothing to report to you in respect of these responsibilities.</p>

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.

Fabio Axisa
Principal

For and behalf of:

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

30 April 2024

Statement of financial position


		As at 31 December	
		2023	2022
		€	€
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	21,344,073	21,339,502
Right-of-use assets	5	2,448,127	1,875,330
Trade and other receivables	6	6,247,285	4,926,855
Total non-current assets		30,039,485	28,141,687
Current assets			
Inventories	7	6,119,216	5,045,529
Trade and other receivables	6	19,182,582	19,594,684
Cash and cash equivalents	8	5,422	219,344
Total current assets		25,307,220	24,859,557
Total assets		55,346,705	53,001,244

Statement of financial position - continued

	Notes	As at 31 December	
		2023 €	2022 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	500,000	500,000
Retained earnings		35,658,296	33,552,096
Total equity		36,158,296	34,052,096
Non-current liabilities			
Trade and other payables	12	4,466	5,358
Borrowings	14	2,499,720	5,135,279
Lease liabilities	11	2,416,349	1,913,923
Employee benefit obligations	13	873,000	812,000
Total non-current liabilities		5,793,535	7,866,560
Current liabilities			
Trade and other payables	12	11,529,074	9,370,549
Current tax liabilities		-	2,256
Borrowings	14	1,737,726	1,691,655
Lease liabilities	11	128,074	18,128
Total current liabilities		13,394,874	11,082,588
Total liabilities		19,188,409	18,949,148
Total equity and liabilities		55,346,705	53,001,244

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 30 April 2024 and were signed on its behalf by:


Brian R. Mizzi
Director


Kevin Rapinett
Director

Statement of comprehensive income

		Year ended 31 December	
		2023	2022
		€	€
	Notes		
Revenue	15	38,685,265	35,690,608
Cost of sales	16	(23,928,577)	(21,390,659)
		14,756,688	14,299,949
Gross profit			
Distribution and selling costs	16	(7,112,291)	(6,995,389)
		(3,184,884)	
Administrative expenses	16		(3,293,621)
Other operating income	18	37,650	13,343
		4,497,163	4,024,282
Operating profit			
Finance costs	19	(390,963)	(351,774)
		4,106,200	3,672,508
Profit before tax			
Tax expense	20	-	(2,256)
		4,106,200	3,670,252
Profit for the year - total comprehensive income		4,106,200	3,670,252

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

Statement of changes in equity

	Notes	Share capital €	Retained earnings €	Total €
Balance at 1 January 2022		116,469	32,065,375	32,181,844
Comprehensive income				
Profit for the year				
- total comprehensive income		-	3,670,252	3,670,252
Transactions with owners				
Issue of share capital through capitalisation of retained earnings	9	383,531	(383,531)	-
Dividends relating to 2022	22	-	(1,800,000)	(1,800,000)
Total transactions with owners		383,531	(2,183,531)	(1,800,000)
Balance at 31 December 2022		500,000	33,552,096	34,052,096
Comprehensive income				
Profit for the year				
- total comprehensive income		-	4,106,200	4,106,200
Transactions with owners				
Dividends relating to 2023	22	-	(2,000,000)	(2,000,000)
Balance at 31 December 2023		500,000	35,658,296	36,158,296

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

Statement of cash flows

	Notes	Year ended 31 December	
		2023 €	2022 €
Cash flows from operating activities			
Cash generated from operations	23	6,708,029	4,128,743
Interest paid	19	(321,560)	(316,367)
Tax paid		(2,256)	-
Net cash generated from operating activities		6,384,213	3,812,376
Cash flows from investing activities			
Payments for property, plant and equipment	4	(2,020,151)	(1,340,009)
Proceeds from disposal of property, plant and equipment		140,600	277
Net cash used in investing activities		(1,879,551)	(1,339,732)
Cash flows from financing activities			
Repayments of bank borrowings	14	(2,405,754)	(750,124)
Repayments of borrowings from related party forming part of Mizzi Organisation	14	(943,568)	(3,066,834)
Dividends paid	22	(2,000,000)	(1,800,000)
Principal elements of lease payments	11	(129,096)	(101,199)
Net cash used in financing activities		(5,478,418)	(5,718,157)
Net movement in cash and cash equivalents		(973,756)	(3,245,513)
Cash and cash equivalents at beginning of year		219,344	3,464,857
Cash and cash equivalents at end of year	8	(754,412)	219,344

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

Notes to the financial statements

1. Summary of material accounting policies

The material 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).

Assessment of appropriateness of the going concern assumption in the preparation of the financial statements

The Company's Franchise Agreement with The Coca Cola Company has been extended by three years, until 31 December 2026. The legal agreements are in the process of being formalised and this process is expected to be finalised over the next months. However, the Board of Directors has received written formal communication that confirms this renewal.

The Company continued to deliver good financial and operational results in the course of 2023 and in the first quarter of 2024 and from the continued interaction with the franchisor, the Directors believe that the Company has a robust business plan on all fronts, to ensure full alignment with the vision and goals of the franchisor.

The Boards of Directors of The General Soft Drinks Co. Limited and of the companies constituting the Mizzi Organisation are comfortable with the financial position and performance of the companies forming part of the Group. The refinancing exercises effected in prior years have given the Group a fixed exposure when it comes to a significant portion of borrowing costs. This has created a hedge which will last for a number of years, thus limiting the effects of the high interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Limited (a related party) has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors had adopted an approach of carrying out only essential capital expenditure and post-pandemic, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business model of the companies within the Organisation. The directors consider the Organisation 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.

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

1. Summary of material 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 2023. 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 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.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost and subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items, including borrowing costs as specified in Note 1.17.

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.

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.

1. Summary of material accounting policies - continued

1.3 Property, plant and equipment - continued

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 Financial assets

Classification

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

- those to be measured subsequently at fair value (through other comprehensive income); 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 be recorded in other comprehensive income (OCI). For investments in equity instruments that are not held for trading, the company is allowed to make 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 financial assets, comprising debt instruments, 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.

Debt instruments

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently 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 material accounting policies - continued

1.4 Financial assets - continued

Accordingly the company subsequently measures its financial assets comprising of loans and advances, trade and other receivables and cash and cash equivalent at amortised cost.

Impairment

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

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).

1.4.1 Trade and other receivables

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

Trade 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.

1.4.2 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.

1.5 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, spare parts and other consumables 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.

1.6 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. Summary of material accounting policies - continued

1.7 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 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.

1.7.1 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 payables 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.

1.7.2 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.

1.8 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. Summary of material accounting policies – continued

1.9 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.

1.10 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.

1.11 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.

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. Summary of material accounting policies – continued

1.12 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 15 '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 fulfilment 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.

Sales of beverages - wholesale

The company manufactures and sells a range of beverage products in the wholesale market. 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.

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.

1. Summary of material accounting policies - continued

1.12 Revenue recognition - continued

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.

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.

1.13 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).

1.14 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. Summary of material accounting policies - continued

1.15 Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or a series of payment, 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.

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.

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.

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.

1. Summary of material accounting policies - continued

1.15 Operating leases - continued

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

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

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

- if there are significant penalties to terminate (or not extend), the company is typically reasonably certain to extend (or not terminate); and
- if any leasehold improvements are expected to have a significant remaining value, the company is typically reasonably certain to extend (or not terminate).

Otherwise, the 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.

1.16 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.

1.17 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 years.

(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 sterling and US dollar, 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 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 other than other receivables (see Note 6), which are subject to fixed interest rates. These instruments potentially expose the company to fair value interest rate risk, but are measured at amortised cost. The company's bank borrowings and borrowings from a related party are subject to floating rates of interest. Balances subject to variable interest rates expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in this respect. 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 at the reporting period to be immaterial. The level of interest rate risk is contained and the company's cash flows are substantially independent of changes in market interest rates.

2. Financial risk management - continued

(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 on profit or loss of a defined shift in commodity prices that is reasonably possible at the end of the reporting period to be significant, particularly in view of the weighting of purchases of such raw materials in relation to the company's total purchases.

(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:

	2023	2022
	€	€
Financial assets measured at amortised cost:		
Trade and other receivables (Note 6)	24,632,664	23,841,743
Cash and cash equivalents (Note 8)	5,422	219,344
	24,638,086	24,061,087

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 and advance payments to suppliers.

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's entire goods for resale are sold to a related party forming part of Mizzi Organisation (Note 25). In turn the related party sells the goods to third parties 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 reflect expected credit loss allowances, involving provisions for credit impaired receivables, as further explained below. These financial assets are considered as trade receivables within this note, for the purpose of credit risk management disclosures, even though they are presented as amounts receivable from related parties forming part of Mizzi Organisation.

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 and expected collection losses, which are inherent in the company's debtors, taking into account historical experience in collection of accounts receivable.

2. Financial risk management - continued

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 group 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.

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, for both the company and the related party referred to previously, as at 31 December 2023 and 2022 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
31 December 2023						
Expected loss rate	0.5 – 3.8%	1.9 – 7.9%	4.3 – 13%	8.4 – 25.1%	100%	
Gross carrying amount (€)	9,515,932	610,393	191,566	211,163	2,125,498	12,654,552
Loss allowance (€)	117,943	28,992	18,229	30,280	2,125,498	2,320,942
31 December 2022						
Expected loss rate	0.5 – 3.8%	1.9 – 7.9%	4.3 – 13%	8.4 – 25.1%	100%	
Gross carrying amount (€)	7,981,416	712,318	406,660	60,403	2,073,171	11,233,968
Loss allowance (€)	95,333	33,294	38,388	10,389	2,073,171	2,250,575

2. Financial risk management - continued

The loss allowance for trade receivables for an amount of €1,701,405 (2022: €1,653,982) is recognised by the company and the remaining amounts by the related party referred to previously. The movements in credit loss allowances recognised by the company are disclosed in Note 16.

The company engages in routine monitoring of the account activity and repayment patterns of its trade receivables. Customers are segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to certain higher risk segments are subjected to more rigorous monitoring. The Company also engages in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the respective actual and projected repayment ability of the customers serviced by the company. The Company determines expected credit loss rates by 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 2023, the Company retained the same expected credit loss rates as those applied as at 31 December 2022.

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.

Ageing analysis of trade receivables

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 2023 and 2022, 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

Impairment of other receivables

The arrangement between the company and the related party referred to previously also includes receivables from customers in relation to contractual arrangements with such debtors. These financial assets are deemed other contractual receivables within this note, for the purposes of credit risk management disclosures, even though they are presented as amounts receivable from related parties forming part of Mizzi Organisation. 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 entity determines 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 overdue status) and quantitative factors where appropriate.

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.

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.

Impairment of other receivables: 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.

2. Financial risk management - continued

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 2023 and 2022 was determined as follows:

As at 31 December 2023	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) - €	3,995,357	941,259	1,383,355	6,319,971
Loss allowance (€)	299,652	188,251	1,383,355	1,871,258
<hr/>				
As at 31 December 2022	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) - €	2,871,320	827,730	1,503,496	5,202,546
Loss allowance (€)	215,349	165,546	1,503,496	1,884,391

The loss allowance for other receivables from customers in relation to contractual arrangements is recognised in full by the company. The movement in these credit loss allowances is disclosed in Note 16.

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.

Management 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.

2. Financial risk management - continued

As at 31 December 2023 other receivables from customers in relation to contractual arrangements of €753,007 (2022: €662,184) 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. At 31 December 2023 and 2022, the carrying amount of other 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 other receivables figures.

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. Accordingly, the company's debtors include significant amounts due from this related party (see Note 6). In this respect, the company has also undertaken not to request repayment of amounts due by this related party, until alternative financing is available, to enable the latter to continue to manage its net current liability position effectively within the context of a normalised liquidity management stance.

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. The expected credit loss allowance attributable to related party 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 11), borrowings (Note 14) and trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

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

2. Financial risk management - continued

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 €
At 31 December 2023					
Lease liabilities	212,880	212,880	568,755	3,379,150	4,373,665
Bank borrowings	759,834	-	-	-	759,834
Loan from related party forming part of Mizzi Organisation	1,092,556	1,092,556	1,536,946	-	3,722,058
Trade and other payables	10,691,330	-	-	-	10,691,330
At 31 December 2022					
Lease liabilities	77,784	77,784	233,352	3,305,820	3,694,740
Bank borrowings	842,724	842,724	915,666	-	2,601,114
Loan from related party forming part of Mizzi Organisation	1,092,556	1,092,556	2,630,757	-	4,815,869
Trade and other payables	8,474,993	-	-	-	8,474,993

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, GSD Marketing Limited and Mizzi EV 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

The Organisation 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 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:

	2023	2022
	€	€
Total borrowings	105,522,882	105,632,457
Less: Cash and cash equivalents	(7,891,663)	(18,087,552)
Net debt	97,631,219	87,544,905
Total equity	182,488,183	179,931,028
Total capital	280,119,402	267,475,933
Net debt/total capital	35%	33%

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 2023 and 2022 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 instruments 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 carrying amount of the company's non-current receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the company's non-current floating interest rate bank borrowings and 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, comprising lease liabilities, are reasonable estimates of their fair value. 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 €	Total €
At 1 January 2022					
Cost	25,630,700	25,353,687	6,675,584	3,719,287	61,379,258
Accumulated depreciation	(8,805,983)	(22,567,728)	(6,172,794)	(2,983,204)	(40,529,709)
Net book amount	16,824,717	2,785,959	502,790	736,083	20,849,549
Year ended 31 December 2022					
Opening net book amount	16,824,717	2,785,959	502,790	736,083	20,849,549
Additions	1,946,001	537,582	243,831	87,821	2,815,235
Disposals	-	-	-	(36,612)	(36,612)
Depreciation charge	(1,175,292)	(654,626)	(321,743)	(173,621)	(2,325,282)
Depreciation released on disposals	-	-	-	36,612	36,612
Closing net book amount	17,595,426	2,668,915	424,878	650,283	21,339,502
At 31 December 2022					
Cost	27,576,701	25,891,269	6,919,415	3,770,496	64,157,881
Accumulated depreciation	(9,981,275)	(23,222,354)	(6,494,537)	(3,120,213)	(42,818,379)
Net book amount	17,595,426	2,668,915	424,878	650,283	21,339,502

4. Property, plant and equipment - continued

	Buildings and integral assets €	Plant and machinery €	Office furniture and equipment €	Motor vehicles €	Others €	Total €
Year ended 31 December 2023						
Opening net book amount	17,595,426	2,668,915	424,878	650,283	-	21,339,502
Additions	635,015	1,096,372	311,719	129,905	126,255	2,299,266
Disposals	-	(388,170)	-	(20,266)	-	(408,436)
Depreciation charge	(922,406)	(715,634)	(351,608)	(168,445)	-	(2,158,093)
Depreciation released on disposals	-	251,568	-	20,266	-	271,834
Closing net book amount	17,308,035	2,913,051	384,989	611,743	126,255	21,344,073
At 31 December 2023						
Cost	28,211,716	26,599,471	7,231,134	3,880,135	126,255	66,048,711
Accumulated depreciation	(10,903,681)	(23,686,420)	(6,846,145)	(3,268,392)	-	(44,704,638)
Net book amount	17,308,035	2,913,051	384,989	611,743	126,255	21,344,073

5. Right-of-use assets

The company's leasing activities

The company mainly has a 65 year emphyteutical grant for land in Marsa entered into in 2005. The company also has a number of leases for certain warehouse equipment. Such rental contracts are typically made for fixed periods but may have extension options as described below. 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.

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

	2023 €	2022 €
Properties	1,823,023	1,875,330
Warehouse equipment	625,104	-
Total right-of-use assets	2,448,127	1,875,330

5. Right-of-use assets - continued

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

	2023	2022
	€	€
As at 1 January	1,875,330	1,960,415
Additions	672,065	-
Depreciation	(99,268)	(85,085)
As at 31 December	2,448,127	1,875,330

The income statement reflects the following amounts relating to leases:

	2023	2022
	€	€
<i>Depreciation charge of right-of-use assets</i>		
Warehouse equipment	46,961	-
Properties	52,307	85,085
	99,268	85,085
<i>Interest expense (included in finance costs)</i>	69,403	35,407

6. Trade and other receivables

	2023	2022
	€	€
Current		
Amounts owed by related parties forming part of Mizzi Organisation	17,244,241	17,418,637
Amounts owed by other related parties	13,679	11,225
Advance payments to suppliers	565,279	404,359
Other receivables	1,127,459	1,485,026
Prepayments	231,924	275,437
	19,182,582	19,594,684
Non-current		
Amounts owed by related party forming part of Mizzi Organisation	3,803,105	2,638,246
Other receivables	2,444,180	2,288,609
	6,247,285	4,926,855

6. Trade and other receivables - continued

Current and non-current amounts owed from related parties forming part of Mizzi Organisation, principally represent amounts which are ultimately due from third party customers (in relation to sale of goods and 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.

Current amounts owed by related parties forming part of Mizzi Organisation are presented net of expected credit loss allowances in respect of trade receivables of €1,701,405 (2022: €1,653,981), and in respect of other receivables of €1,510,158 (2022: €1,647,103). Non-current amounts owed by related party forming part of Mizzi Organisation are receivable within five years from the end of the reporting period and are net of credit loss allowances attributable to other receivables amounting to €361,100 (2022: €237,288).

Current other receivables include the amounts deposited in court with respect to the matters disclosed in Note 24(b) to the financial statements, together with other amounts receivable in the ordinary course of business.

Other receivables further include amounts owed by a third party under the Maltese beverage container refund scheme. These amounts are unsecured, subject to interest at 2.75% per annum and repayable as follows:

	2023	2022
	€	€
Within 1 year	-	156,480
Between 1 and 2 years	379,841	437,826
Between 2 and 5 years	1,204,085	1,311,331
Over 5 years	860,254	538,543
	2,444,180	2,444,180

During the current financial year, the repayment terms of these receivables have been modified such that repayments will now commence during the financial year ending 31 December 2025. These modifications are not related to any financial difficulties attributable to the borrower but merely for better liquidity management at borrower level.

These financial assets are categorised as Stage 1 for credit risk management purposes in terms of IFRS 9 requirements and the estimated allowance for losses in this respect is insignificant.

7. Inventories

	2023 €	2022 €
Raw materials	2,705,726	3,182,230
Finished goods	1,342,459	1,290,816
Containers (carried at net realisable value)	277,599	335,412
Spare parts and consumables	571,802	61,038
Goods in transit	1,221,630	176,033
	6,119,216	5,045,529

The cost of inventories recognised as expense is appropriately disclosed in Note 16 to the financial statements. During the current financial year, inventory write-downs amounted to €89,326 (2022: €104,958). These amounts have been included in 'Cost of sales' in profit or loss.

8. Cash and cash equivalents

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

	2023 €	2022 €
Cash at bank and in hand	5,422	219,344
Bank overdraft	(759,834)	-
	(754,412)	219,344

9. Share capital

	2023 €	2022 €
Authorised, issued and fully paid		
166,665 'A' ordinary shares of €1 each	166,665	166,665
166,665 'B' ordinary shares of €1 each	166,665	166,665
166,665 'C' ordinary shares of €1 each	166,665	166,665
5 'D' ordinary shares of €1 each	5	5
	500,000	500,000

9. Share capital - continued

Redesignation of share capital

In the preceding financial year, by virtue of an extraordinary resolution dated 24 November 2022, the shareholders resolved that the company's authorised and issued share capital is redesignated from 50,000 ordinary shares of a nominal value of €2.329373 per share into 116,469 ordinary shares of a nominal value of €1 per share split as follows: 38,821 Ordinary 'A' shares, 38,821 Ordinary 'B' shares, 38,821 Ordinary 'C' shares, and 5 Ordinary 'D' shares.

All ordinary shares are ranked pari passu in all respects and there are no shares having special control rights in the company.

Increase in share capital

Subsequently, on the same date, the shareholders further resolved to increase the authorised and issued share capital of the company through the issue and allotment of 383,531 fully paid ordinary shares of €1 each. The consideration amounting to €383,531 comprised the capitalisation of retained earnings.

10. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2022: 35%).

The movement in the deferred tax account is as follows:

	2023	2022
	€	€
At beginning of year	-	-
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 20)	-	(144,383)
Deferred income taxes attributable to investment tax credits (Note 20)	-	144,383
At end of year	-	-

All the amounts disclosed in the table above, which have been referenced to Note 20, are recognised in profit or loss.

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

	Unrecognised	
	2023	2022
	€	€
Unutilised tax credits arising from investment tax credits	11,398,372	12,737,358
Deductible temporary differences arising on:		
Depreciation of property, plant and equipment	861,423	205,341
Credit loss allowances in respect of trade and other receivables	3,572,664	3,501,085
	15,832,459	16,443,784

10. Deferred taxation - continued

The gross effects of the deferred taxes attributable to right-of-use assets and lease liabilities are not presented separately in the tables above in view of the immaterial deferred tax asset that would result from recognition of the net impacts.

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 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.

11. Lease liabilities

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

	2023 €	2022 €
Non-current		
Properties	1,895,390	1,913,923
Warehouse equipment	520,959	-
	2,416,349	1,913,923
Current		
Properties	18,533	18,128
Warehouse equipment	109,541	-
	128,074	18,128
Total lease liabilities	2,544,423	1,932,051

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

	2023 €	2022 €
As at 1 January	1,932,051	1,997,843
Additions	672,065	-
Payments	(129,096)	(101,199)
Interest charge	69,403	35,407
As at 31 December	2,544,423	1,932,051

The total cash outflows for leases in 2023 were €179,759 (2022: €104,612). 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 3%.

12. Trade and other payables

	2023	2022
	€	€
Current		
Trade payables	5,446,261	3,778,883
Amounts payable in respect of capital expenditure	2,495,225	2,216,110
Amounts owed to related parties forming part of Mizzi Organisation	111,062	141,560
Other payables	122,224	431,928
Indirect taxation	836,852	894,664
Deferred Government grants related to assets	892	892
Accruals	2,516,558	1,906,512
	11,529,074	9,370,549
Non-current		
Deferred Government grants related to assets	4,466	5,358

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 and preceding year's results is presented within 'Other operating income' as disclosed in Note 18.

13. Employee benefit obligations

	Post-employment benefits	
	2023	2022
	€	€
Non-current		
At 1 January	812,000	754,000
Charged to profit or loss:		
- Current service cost	61,000	58,000
At 31 December	873,000	812,000

In prior years, 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. As at 31 December 2023, the sole beneficiary of this plan is an executive director of the company.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions during the current and the preceding financial periods are not deemed to be material. The impact of discounting the estimated cash outflows in respect of these post-employment benefits is insignificant for measurement and disclosure purposes.

14. Borrowings

	2023 €	2022 €
Current		
Bank overdraft	759,834	-
Bank loan	-	748,570
Loan from related party forming part of Mizzi Organisation	977,892	943,085
	1,737,726	1,691,655
	2023 €	2022 €
Non-current		
Bank loan	-	1,657,184
Loan from related party forming part of Mizzi Organisation	2,499,720	3,478,095
	2,499,720	5,135,279
Total borrowings	4,237,446	6,826,934

The company's banking facilities as at 31 December 2023 amounted to €3,375,230 (2022: €5,780,984). These facilities are mainly secured by:

- (a) a general hypothec over the company's assets for €11,429,000 (2022: €14,929,000);
- (b) general hypothecary guarantees given by two related parties forming part of Mizzi Organisation for the amount of €1,164,700 (2022: €1,164,700) over assets, supported by special hypothecary guarantees for the amounts of €6,522,000 (2022: €6,522,000) and €1,165,000 (2022: €1,165,000) respectively over property held; and
- (c) guarantees by related parties forming part of Mizzi Organisation for amounts ranging from €2,397,000 to €13,976,000 (2022: €2,397,000 to €13,976,000).

The bank loan as at 31 December 2022, represented fully utilised banking facilities granted under the Malta Development Bank COVID-19 Guarantee Scheme for the purposes of covering the shortfall in operating cash flow arising from the COVID-19 outbreak. This loan was fully repaid during the current financial year. This facility was subject to interest at prevailing market rates and was secured by a guarantee issued by the Government of Malta to the Malta Development Bank together with guarantees by related parties forming part of Mizzi Organisation.

14. 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:

	2023	2022
	%	%
Bank overdraft	6.4	-
Bank loan	3.5	3.5

Maturity of non-current bank borrowings:

	2023	2022
	€	€
Between 1 and 2 years	-	769,637
Between 2 and 5 years	-	887,547
	-	1,657,184

The company's loan from related party forming part of Mizzi Organisation is subject to a floating rate of interest and the effective interest rate at the end of the reporting period was 3.6% (2022: 3.6%). The maturity of the non-current portion of this loan is disclosed below:

	2023	2022
	€	€
Between 1 and 2 years	1,014,690	977,852
Between 2 and 5 years	1,485,030	2,500,243
	2,499,720	3,478,095

15. Revenue

All the company's revenue is derived from activities in the local beverage sector relating to the bottling of soft drinks and mineral water. All 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's revenues are entirely recognised at a point in time and the company had no unfulfilled performance obligations as at 31 December 2023 and 2022.

16. Expenses by nature

	2023 €	2022 €
Raw materials and other consumables used	16,631,802	15,327,801
Changes in inventories of finished goods	(51,643)	(401,326)
Employee benefit expense (Note 17)	8,182,610	7,609,828
Depreciation of property, plant and equipment (Note 4)	2,158,093	2,325,282
Depreciation of right-of-use assets (Note 5)	99,268	85,085
Expense relating to the use of property and motor vehicles	50,663	3,413
Business promotion and similar service charges	1,336,851	2,126,000
Other expenses	5,815,148	4,603,586
Total cost of sales; distribution and selling costs; and administrative expenses	34,222,792	31,679,669

Operating profit is stated after charging/(crediting) the following:

	2023 €	2022 €
Movement in provisions for expected credit losses in respect of receivables (included in 'Distribution and selling costs')	34,291	(354,190)
Government grants recognised (included in 'Other operating income')	(892)	(892)
Exchange differences	575	356

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2023 and 2022 relate to the following:

	2023 €	2022 €
Annual statutory audit	51,100	46,000
Tax advisory and compliance services	-	740
Other non-audit services	1,000	58,755
	52,100	105,495

During the current year, fees in relation to non-assurance services have been charged by connected undertakings of the company's auditor as follows:

	2023 €	2022 €
Tax advisory and compliance services	5,970	-
Other non-audit services	55,000	7,500
	60,970	7,500

17. Employee benefit expense

	2023	2022
	€	€
Wages and salaries	7,663,358	7,132,733
Social security costs	458,252	419,095
	8,121,610	7,551,828
Post-employment benefits (Note 13)	61,000	58,000
	8,182,610	7,609,828

Average number of persons employed during the year:

	2023	2022
Direct	157	137
Administration	77	88
	234	225

18. 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.

19. Finance costs

	2023	2022
	€	€
Interest payable on loan from related party forming part of Mizzi Organisation	147,956	247,496
Bank interest and charges	173,604	68,871
Interest charges on lease liabilities	69,403	35,407
	390,963	351,774

20. Tax expense

	2023	2022
	€	€
Current tax expense	-	2,256

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

	2023	2022
	€	€
Profit before tax	4,106,200	3,672,508
Tax on profit at 35%	1,437,170	1,285,378
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	276,372	165,444
Tax incentives in respect of investment tax credits (refer to note below)	(1,739,315)	(1,473,816)
Income not subject to tax	(17)	(1,230)
Expenses not deductible for tax purposes	25,790	26,480
Tax expense in the accounts	-	2,256

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 10). During the preceding financial year, the company has benefitted from a conversion into cash of unutilised investment tax credits that were granted to the company in prior years through the provisions of the Business Promotion Regulations 2001.

21. Directors’ emoluments

	2023	2022
	€	€
Salaries and other emoluments:		
Non-executive directors (included in ‘Other expenses’ - Note 16)	101,163	43,663
Executive directors (included in ‘Employee benefit expense’ - Note 17)	511,556	470,469

22. Dividends

	2023	2022
	€	€
Final dividends paid on ordinary shares:		
Gross and net dividends	2,000,000	1,800,000
Dividends per share	4.0	3.6

23. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2023	2022
	€	€
Operating profit	4,497,163	4,024,282
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	2,158,093	2,325,282
Depreciation of right-of-use assets (Note 5)	99,268	85,085
Profit on disposal of property, plant and equipment	(3,998)	(277)
Movement in provisions for expected credit losses in respect of receivables (refer to Note 2.1(b))	34,291	(354,190)
Movement in provisions for post-employment benefits	61,000	58,000
Changes in working capital:		
Inventories	(1,073,687)	(1,375,159)
Trade and other receivables	(942,619)	1,625,170
Trade and other payables	1,878,518	(2,259,450)
Cash generated from operations	6,708,029	4,128,743

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.

24. Contingent liabilities

- (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 €85,304,000 (2022: €87,504,000) 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 (2022: €24,482,000).
- (b) In 2021, a garnishee order was issued against the company for an amount of €1 million on a dispute with a third party, relating to importation rights of certain products. Until the date of authorisation for issue of these financial statements, the matter is still deemed to be in its early stages. The company, after having sought legal advice, vigorously believes that there is no valid claim and has accordingly filed its defence reply in court, in this respect. Hence, a material outflow is not deemed probable and no provision has been recognised. Certain information about the claim is not being disclosed on the grounds that such disclosure would seriously prejudice the outcome of the litigation, in line with the guidance within IAS 37 in this respect.

25. 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, The General Soft Drinks Company Limited, GSD Marketing Limited and Mizzi EV Limited.

The entities constituting the Mizzi Organisation are ultimately fully owned by Daragon Limited, Demoncada Holdings Limited, Demoncada Limited, Investors One 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 2.1(b) 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 purposes.

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.

25. Related party transactions - continued

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:

	2023 €	2022 €
Sales of goods and services		
Sales of goods held for resale	38,685,265	35,690,608
Purchases of goods and services		
Purchases of property, plant and equipment	58,015	45,162
Servicing, advertising and similar charges	730,779	862,124
Management fees payable and similar charges	175,039	166,703
	963,833	1,073,989

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 6 and 12 to these financial statements. Other balances with related parties are disclosed in Note 14. These balances are unsecured, interest free and repayable on demand, unless otherwise stated in these financial statements.

Expenditure amounting to €3,248,318 (2022: €2,615,071) 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 €141,920 (2022: €204,014).

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 21, amounted to €11,013 (2022: €60,145). All amounts have been recharged to the company by a related party forming part of Mizzi Organisation.

26. Statutory information

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