# THE GENERAL SOFT DRINKS COMPANY LIMITED

## Annual Report and Consolidated Financial Statements 31 December 2014

Company Registration Number: C 1591

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## Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2014.

**Principal activities**

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

**Review of the business**

The group's level of business remains at sustained levels and its financial position remains satisfactory. The directors expect that the present level of activity will be maintained for the foreseeable future.

**Results and dividends**

The consolidated financial results are set out on page 7. The directors have proposed and paid a final net dividend of €480,000 (2013: €635,000).

**Directors**

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

Brian R. Mizzi
Maurice F. Mizzi
Kenneth C. Mizzi – appointed on 1 December 2014
Ian J. Mizzi – resigned on 1 December 2014

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 Companies Act, 1995 to prepare financial statements, which give a true and fair view of the state of affairs of the group and the parent 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 group and the parent 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 Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

## Directors' report - continued

**Statement of directors' responsibilities for the financial statements** - continued

The financial statements of The General Soft Drinks Company Limited for the year ended 31 December 2014 are included in the Annual Report and Consolidated Financial Statements 2014, 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**

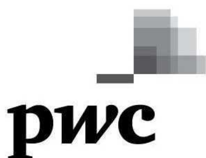
PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board

| | |
|---|---|
| Brian R. Mizzi | Maurice F. Mizzi |
| Director | Director |

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

4 May 2015



# Independent auditor's report

To the Shareholders of The General Soft Drinks Company Limited

**Report on the Financial Statements for the year ended 31 December 2014**

We have audited the consolidated and the stand-alone parent company financial statements of The General Soft Drinks Company Limited (together the "financial statements") on pages 5 to 41 which comprise the consolidated and parent company statements of financial position as at 31 December 2014, the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

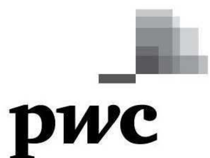
*Directors' Responsibility for the Financial Statements*
As explained more comprehensively in the statement of directors' responsibilities for the financial statements on pages 1 and 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, 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.

*Auditor's Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

*Opinion*
In our opinion the financial statements
- give a true and fair view of the financial position of the group and the parent company as at 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



## Independent auditor's report - continued

To the Shareholders of The General Soft Drinks Company Limited

**Report on Other Legal and Regulatory Requirements for the year ended 31 December 2014**

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion:

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that 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 we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

**PricewaterhouseCoopers**

78 Mill Street
Qormi
Malta

Fabio Axisa
Partner

4 May 2015

## Statements of financial position

| | | As at 31 December | | | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **Group** | | **Company** | |
| | Notes | **€** | € | **€** | € |
| **ASSETS** | | | | | |
| **Non-current assets** | | | | | |
| Property, plant and equipment | 4 | **19,129,207** | 20,105,271 | **18,631,937** | 19,479,071 |
| Investments in subsidiary | 5 | **-** | - | **1,162** | 1,162 |
| Trade and other receivables | 7 | **2,522,836** | 3,329,229 | **2,522,836** | 3,329,229 |
| Total non-current assets | | **21,652,043** | 23,434,500 | **21,155,935** | 22,809,462 |
| **Current assets** | | | | | |
| Inventories | 8 | **1,952,131** | 1,748,718 | **1,746,886** | 1,544,483 |
| Trade and other receivables | 7 | **12,090,882** | 11,085,708 | **12,062,425** | 11,056,441 |
| Cash and cash equivalents | 9 | **1,729,013** | 821,836 | **1,729,013** | 821,836 |
| Total current assets | | **15,772,026** | 13,656,262 | **15,538,324** | 13,422,760 |
| **Total assets** | | **37,424,069** | 37,090,762 | **36,694,259** | 36,232,222 |

## Statements of financial position - continued

| | | As at 31 December | | | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | Group | | Company | |
| | Notes | **€** | € | **€** | € |
| **EQUITY AND LIABILITIES** | | | | | |
| **Capital and reserves** | | | | | |
| Share capital | 10 | **116,469** | 116,469 | **116,469** | 116,469 |
| Retained earnings | | **25,016,543** | 23,148,154 | **22,007,007** | 20,710,809 |
| Total equity | | **25,133,012** | 23,264,623 | **22,123,476** | 20,827,278 |
| **Non-current liabilities** | | | | | |
| Trade and other payables | 12 | **112,494** | 213,386 | **112,494** | 213,386 |
| Borrowings | 13 | **6,080,844** | 7,003,784 | **6,080,844** | 7,003,784 |
| Total non-current liabilities | | **6,193,338** | 7,217,170 | **6,193,338** | 7,217,170 |
| **Current liabilities** | | | | | |
| Trade and other payables | 12 | **5,071,646** | 4,804,172 | **7,364,466** | 6,419,706 |
| Borrowings | 13 | **1,026,073** | 1,804,797 | **1,012,979** | 1,768,068 |
| Total current liabilities | | **6,097,719** | 6,608,969 | **8,377,445** | 8,187,774 |
| Total liabilities | | **12,291,057** | 13,826,139 | **14,570,783** | 15,404,944 |
| **Total equity and liabilities** | | **37,424,069** | 37,090,762 | **36,694,259** | 36,232,222 |

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 41 were authorised for issue by the Board on 4 May 2015 and were signed on its behalf by:

Brian R. Mizzi
Director

Maurice F. Mizzi
Director

## Statements of comprehensive income

| | | Year ended 31 December | | | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **Group** | | **Company** | |
| | Notes | **€** | € | **€** | € |
| **Revenue** | 14 | **25,901,697** | 25,196,503 | **25,901,697** | 25,196,503 |
| Cost of sales | | **(15,511,294)** | (15,349,195) | **(16,226,094)** | (15,738,185) |
| **Gross profit** | | **10,390,403** | 9,847,308 | **9,675,603** | 9,458,318 |
| Distribution and selling costs | | **(5,464,972)** | (5,634,064) | **(5,464,972)** | (5,634,064) |
| Administrative expenses | | **(2,267,749)** | (1,804,124) | **(2,127,861)** | (1,733,622) |
| Other operating income | 17 | **46,112** | 190,760 | **46,112** | 190,760 |
| **Operating profit** | | **2,703,794** | 2,599,880 | **2,128,882** | 2,281,392 |
| Finance costs | 18 | **(355,405)** | (463,601) | **(352,684)** | (458,933) |
| **Profit for the year - total comprehensive income** | | **2,348,389** | 2,136,279 | **1,776,198** | 1,822,459 |
| Earnings per share | 21 | **46.97** | 42.73 | | |

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

## Statements of changes in equity

**Group**

| | Note | Share capital € | Retained earnings € | Total € |
|---|---|---|---|---|
| Balance at 1 January 2013 | | 116,469 | 21,646,875 | 21,763,344 |
| **Comprehensive income** | | | | |
| Profit for the year | | | | |
| - total comprehensive income | | - | 2,136,279 | 2,136,279 |
| **Transactions with owners** | | | | |
| Dividends relating to 2013 | 22 | - | (635,000) | (635,000) |
| Balance at 31 December 2013 | | 116,469 | 23,148,154 | 23,264,623 |
| **Comprehensive income** | | | | |
| Profit for the year | | | | |
| - total comprehensive income | | - | 2,348,389 | 2,348,389 |
| **Transactions with owners** | | | | |
| Dividends relating to 2014 | 22 | - | (480,000) | (480,000) |
| **Balance at 31 December 2014** | | **116,469** | **25,016,543** | **25,133,012** |

## Statements of changes in equity - continued

### Company

| | Note | Share capital € | Retained earnings € | Total € |
|---|---|---|---|---|
| Balance at 1 January 2013 | | 116,469 | 19,523,350 | 19,639,819 |
| **Comprehensive income** | | | | |
| Profit for the year | | - | 1,822,459 | 1,822,459 |
| - total comprehensive income | | | | |
| **Transactions with owners** | | | | |
| Dividends relating to 2013 | 22 | - | (635,000) | (635,000) |
| Balance at 31 December 2013 | | 116,469 | 20,710,809 | 20,827,278 |
| **Comprehensive income** | | | | |
| Profit for the year | | | | |
| - total comprehensive income | | - | 1,776,198 | 1,776,198 |
| **Transactions with owners** | | | | |
| Dividends relating to 2014 | 22 | - | (480,000) | (480,000) |
| **Balance at 31 December 2014** | | **116,469** | **22,007,007** | **22,123,476** |

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

## Statements of cash flows

| | | Year ended 31 December | | | |
|---|---|---|---|---|---|
| | | **2014** | 2013 | **2014** | 2013 |
| | | **Group** | | **Company** | |
| | Notes | **€** | € | **€** | € |
| **Cash flows from operating activities** | | | | | |
| Cash generated from operations | 23 | **4,616,783** | 3,935,224 | **4,569,726** | 3,962,263 |
| Interest paid | | **(355,405)** | (463,601) | **(352,684)** | (458,933) |
| Net cash generated from operating activities | | **4,261,378** | 3,471,623 | **4,217,042** | 3,503,330 |
| **Cash flows from investing activities** | | | | | |
| Purchase of property, plant and equipment | | **(1,172,537)** | (420,005) | **(1,151,836)** | (420,005) |
| Proceeds from disposal of property, plant and equipment | | **-** | 4,400 | **-** | 4,400 |
| Net cash used in investing activities | | **(1,172,537)** | (415,605) | **(1,151,836)** | (415,605) |
| **Cash flows from financing activities** | | | | | |
| Repayments of bank borrowings | 13 | **(1,339,618)** | (1,711,048) | **(1,339,618)** | (1,711,048) |
| Dividends paid | 22 | **(480,000)** | (635,000) | **(480,000)** | (635,000) |
| Net cash used in financing activities | | **(1,819,618)** | (2,346,048) | **(1,819,618)** | (2,346,048) |
| **Net movement in cash and cash equivalents** | | **1,269,223** | 709,970 | **1,245,588** | 741,677 |
| **Cash and cash equivalents at beginning of year** | | **356,125** | (353,845) | **392,854** | (348,823) |
| **Cash and cash equivalents at end of year** | 9 | **1,625,348** | 356,125 | **1,638,442** | 392,854 |

The notes on pages 11 to 41 are an integral part of these consolidated financial statements.

# Notes to the financial statements

## 1. Summary of significant accounting policies

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

### 1.1 Basis of preparation

The consolidated financial statements include the financial statements of The General Soft Drinks Company Limited and its subsidiary. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. 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 group's accounting policies (see Note 3 – Critical accounting estimates and judgements).

*Standards, interpretations and amendments to published standards effective in 2014*

In 2014, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the group's accounting policies impacting the group's financial performance and position.

*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 accounting periods beginning after 1 January 2014. The group 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 group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only three classification categories: amortised cost, fair value through Other Comprehensive Income ('OCI') and fair value through profit or loss. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. There is now a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. Subject to the endorsement process by the EU, the standard is effective for accounting periods beginning on or after 1 January 2018, although early adoption is permitted. The group is yet to assess IFRS 9's full impact.

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted, subject to endorsement by the EU. The Group is assessing the impact of IFRS 15.

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

### 1.2 Consolidation

*(a) Subsidiaries*

Subsidiaries are all entities over which the group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are de-consolidated from the date that control ceases.

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of subsidiaries are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

*(b) Associates*

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

**1.2 Consolidation - continued**

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting, i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

**1.3 Foreign currencies**

*(a) Functional and presentation currency*

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

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

**1.4 Property, plant and equipment**

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

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

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

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

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

| | % |
|---|---|
| Buildings and integral assets | 1⅔ - 10 |
| Plant and machinery | 10 – 25 |
| Office furniture and equipment | 10 – 33⅓ |
| Motor vehicles | 10 – 25 |

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

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

**1.5 Intangible assets - Goodwill**

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

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

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

### 1.6 Financial assets

**Classification**
The group classifies its financial assets (other than derivative financial instruments and investments in associates, and investments in subsidiaries only in the company's case) as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.8 and 1.9).

**Recognition and measurement**
The group 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 classified within the loans and receivables category are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

**Impairment**
The group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The group first assesses whether objective evidence of impairment exists. The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in Note 1.8.

## 1. Summary of significant accounting policies - continued

### 1.7 Inventories

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

### 1.8 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

### 1.9 Cash and cash equivalents

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

### 1.10 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.

### 1.11 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities, other than derivative financial instruments are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. 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 group 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. Summary of significant accounting policies** - continued

### 1.12 Trade and other payables

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

### 1.13 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 group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

### 1.14 Derivative financial instruments and hedging activities

Derivative financial instruments, comprising forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of forward exchange contracts is determined using forward exchange market rates at the end of the reporting period. All derivatives are carried as assets when their fair value is positive and as liabilities when fair value is negative. Trading derivative financial instruments are classified as current assets or liabilities.

The group's derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss. The group enters into derivative financial instruments to manage the foreign exchange risk exposure from certain forecast purchases denominated in foreign currencies. Accordingly, gains or losses arising from changes in the fair value of the company's derivatives are presented in profit or loss within 'cost of sales' in the period in which they arise.

### 1.15 Offsetting financial instruments

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

### 1.16 Current and deferred tax

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

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

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

**1.16 Current and deferred tax** - continued

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

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

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

**1.17 Revenue recognition**

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

*(a) Sales of goods*

Sales of goods are recognised when the group has delivered products to the customer and there is no unfulfilled obligation that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer, and the customer has accepted the products.

*(b) Sales of services*

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

*(c) Interest income*

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

Other operating income is recognised on an accrual basis unless collectability is in doubt.

## 1. Summary of significant accounting policies - continued

### 1.18 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 group 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. Accordingly, government grants received in relation to interest rate subsidy schemes are recognised in profit or loss as a deduction in reporting ‘Finance costs’ when the related interest expense is accrued in profit or loss.

### 1.19 Operating leases

A group undertaking is the lessee

Leases of assets where a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

### 1.20 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.

### 1.21 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 group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management, covering risk exposures for both group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The company's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

*(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 group is exposed to foreign exchange risk arising from the group's purchases denominated in US dollar and sterling, which purchases are not considered material. The group's risk exposures reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant. During the preceding financial year, the group has entered into forward foreign exchange contracts to manage exposures arising from specific purchases denominated in US dollars.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. Hence, management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in US dollar and sterling to be significant since the volume of such purchases and outstanding balances at end of the reporting period are not significant in relative terms. Balances are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since group undertakings manage 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, unless it utilises forward foreign exchange contracts.

Accordingly, the group 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.

## 2. Financial risk management - continued

(ii) Cash flow interest rate risk

The group has no significant interest-bearing assets. The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 13) and amounts owed to related parties subject to floating interest rates (Note 26) which expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

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

| | **Group** | | **Company** | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Loans and receivables category: | | | | |
| Trade and other receivables (Note 7) | **14,613,718** | 14,414,937 | **14,585,261** | 14,385,670 |
| Cash and cash equivalents (Note 9) | **1,729,013** | 821,836 | **1,729,013** | 821,836 |
| | **16,342,731** | 15,236,773 | **16,314,274** | 15,207,506 |

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 group does not hold significant collateral as security in this respect.

Group undertakings bank only with local financial institutions with high quality standing or rating.

The group 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 group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, taking into account historical experience in collection of accounts receivable.

**2. Financial risk management** - continued

In view of the nature of the group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the group's trade and other receivables, particularly in respect of other debtors. 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. These customers trade frequently with the group and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The group's trade and other receivables, which are not 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.

The group's and company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 7) arising from property and financing transactions that have taken place in prior years. 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 group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group and the company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2013, trade receivables of €569,195 (2013: €495,343) and other receivables of €2,885,538 (2013: €2,981,438) were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. The group does not hold significant collateral as security in respect of the impaired assets.

The movements in provisions for impairment of trade and other receivables are disclosed in Note 15 to the financial statements.

As at 31 December 2014, trade receivables amounting to €374,071 (2013: €345,752) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

## 2. Financial risk management - continued

The ageing analysis of these past due trade receivables is as follows:

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Up to 30 days | **171,288** | 110,173 |
| 30 to 150 days | **182,631** | 211,150 |
| Over 150 days | **20,152** | 24,429 |
| | **374,071** | 345,752 |

At the end of the reporting periods, the group had no past due but not impaired receivables in respect of other debtors.

*(c) Liquidity risk*

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 13) 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 group'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 group'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 group'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 group as significant taking into account the liquidity management process referred to above.

The group's trade and other payables are predominantly repayable within one year from the end of the reporting period. The table below analyses the group's bank borrowings 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 | Total |
|---|---|---|---|---|
| | € | € | € | € |
| **At 31 December 2014** | | | | |
| Bank borrowings | **1,302,471** | **6,263,207** | **-** | **7,565,678** |
| **At 31 December 2013** | | | | |
| Bank borrowings | 2,138,759 | 1,210,520 | 6,274,250 | 9,623,529 |

As at 31 December 2013, the group also held derivative contracts, consisting of forward foreign exchange contracts, with a notional amount of €601,733, which were gross settled and accordingly give rise to inflows and outflows in respect of the notional amount.

## 2. Financial risk management - continued

### 2.2 Capital risk management

The group'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, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, together with the financial statements of GSD Marketing Limited (formerly Falcon Wines & Spirits Limited) and Mizzi Motors 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.

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

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Total borrowings | **58,088,835** | 61,481,366 |
| Less: Cash and cash equivalents | **(6,567,501)** | (4,950,636) |
| Net debt | **51,521,334** | 56,530,730 |
| Total equity | **111,315,194** | 99,170,457 |
| Total capital | **162,836,528** | 155,701,187 |
| Net debt/total capital | **32%** | 36% |

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 consolidated 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 group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors.

## 2. Financial risk management - continued

### 2.3 Fair values of financial instruments

#### 2.3.1 Financial instruments carried at fair value

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy:

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

The group's derivative contracts as at 31 December 2013, consisting of forward foreign exchange contracts (refer to Note 12), were fair valued on the basis of valuation techniques by reference to forward exchange rates at the end of the reporting period. Accordingly, these derivative financial instruments were categorised as level 2 instruments since initial recognition.

#### 2.3.2 Financial instruments not carried at fair value

At 31 December 2014 and 2013 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amount. 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

### Group

| | Buildings and integral assets | Plant and machinery | Office furniture and equipment | Motor vehicles | Assets in course of construction and payments on account | Total |
|---|---|---|---|---|---|---|
| | € | € | € | € | € | € |
| **At 1 January 2013** | | | | | | |
| Cost | 18,133,463 | 19,401,629 | 2,558,341 | 2,714,194 | - | 42,807,627 |
| Accumulated depreciation | (2,865,897) | (14,267,786) | (2,212,043) | (1,753,689) | - | (21,099,415) |
| Net book amount | 15,267,566 | 5,133,843 | 346,298 | 960,505 | - | 21,708,212 |
| **Year ended 31 December 2013** | | | | | | |
| Opening net book amount | 15,267,566 | 5,133,843 | 346,298 | 960,505 | - | 21,708,212 |
| Additions | 27,806 | 245,174 | 114,485 | 53,580 | - | 441,045 |
| Disposals | - | (64,004) | - | (12,537) | - | (76,541) |
| Depreciation charge | (589,988) | (1,097,025) | (164,878) | (192,095) | - | (2,043,986) |
| Depreciation released on disposals | - | 64,004 | - | 12,537 | - | 76,541 |
| Closing net book amount | 14,705,384 | 4,281,992 | 295,905 | 821,990 | - | 20,105,271 |
| **At 31 December 2013** | | | | | | |
| Cost | 18,161,269 | 19,582,799 | 2,672,826 | 2,755,237 | - | 43,172,131 |
| Accumulated depreciation | (3,455,885) | (15,300,807) | (2,376,921) | (1,933,247) | - | (23,066,860) |
| Net book amount | 14,705,384 | 4,281,992 | 295,905 | 821,990 | - | 20,105,271 |
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | 14,705,384 | 4,281,992 | 295,905 | 821,990 | - | 20,105,271 |
| Additions | 41,204 | 678,564 | 290,457 | 98,962 | 42,310 | 1,151,497 |
| Depreciation charge | (591,715) | (1,110,342) | (220,127) | (205,377) | - | (2,127,561) |
| Closing net book amount | **14,154,873** | **3,850,214** | **366,235** | **715,575** | **42,310** | **19,129,207** |
| **At 31 December 2014** | | | | | | |
| Cost | 18,202,473 | 20,261,363 | 2,963,283 | 2,854,199 | 42,310 | 44,323,628 |
| Accumulated depreciation | (4,047,600) | (16,411,149) | (2,597,048) | (2,138,624) | - | (25,194,421) |
| Net book amount | **14,154,873** | **3,850,214** | **366,235** | **715,575** | **42,310** | **19,129,207** |

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

### Company

| | Buildings and integral assets € | Plant and machinery € | Office Furniture And equipment € | Motor vehicles € | Assets in course of construction and payments on account € | Total € |
|---|---|---|---|---|---|---|
| **At 1 January 2013** | | | | | | |
| Cost | 18,133,463 | 16,772,545 | 2,558,341 | 2,714,194 | - | 40,178,543 |
| Accumulated depreciation | (2,865,897) | (12,410,393) | (2,212,043) | (1,753,689) | - | (19,242,022) |
| Net book amount | 15,267,566 | 4,362,152 | 346,298 | 960,505 | - | 20,936,521 |
| **Year ended 31 December 2013** | | | | | | |
| Opening net book amount | 15,267,566 | 4,362,152 | 346,298 | 960,505 | - | 20,936,521 |
| Additions | 27,806 | 245,174 | 114,485 | 53,580 | - | 441,045 |
| Disposals | - | (64,004) | - | (12,537) | - | (76,541) |
| Depreciation charge | (589,988) | (951,534) | (164,878) | (192,095) | - | (1,898,495) |
| Depreciation released on disposals | - | 64,004 | - | 12,537 | - | 76,541 |
| Closing net book amount | 14,705,384 | 3,655,792 | 295,905 | 821,990 | - | 19,479,071 |
| **At 31 December 2013** | | | | | | |
| Cost | 18,161,269 | 16,953,715 | 2,672,826 | 2,755,237 | - | 40,543,047 |
| Accumulated depreciation | (3,455,885) | (13,297,923) | (2,376,921) | (1,933,247) | - | (21,063,976) |
| Net book amount | 14,705,384 | 3,655,792 | 295,905 | 821,990 | - | 19,479,071 |
| **Year ended 31 December 2014** | | | | | | |
| Opening net book amount | 14,705,384 | 3,655,792 | 295,905 | 821,990 | - | 19,479,071 |
| Additions | 41,204 | 657,863 | 290,457 | 98,962 | 42,310 | 1,130,796 |
| Depreciation charge | (591,715) | (960,711) | (220,127) | (205,377) | - | (1,977,930) |
| Closing net book amount | **14,154,873** | **3,352,944** | **366,235** | **715,575** | **42,310** | **18,631,937** |
| **At 31 December 2014** | | | | | | |
| Cost | 18,202,473 | 17,611,578 | 2,963,283 | 2,854,199 | 42,310 | 41,673,843 |
| Accumulated depreciation | (4,047,600) | (14,258,634) | (2,597,048) | (2,138,624) | - | (23,041,906) |
| Net book amount | **14,154,873** | **3,352,944** | **366,235** | **715,575** | **42,310** | **18,631,937** |

## 5. Investments in subsidiary

**Company**

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| **Years ended 31 December 2014 and 2013** | | |
| Opening and closing cost and carrying amount | **1,162** | 1,162 |

The subsidiary at 31 December 2014, whose results and financial position affected the figures of the group, is shown below:

| | **Registered office** | **Class of shares held** | **Percentage of shares held** |
|---|---|---|---|
| | | | % |
| Bevmed Co. Limited | Marsa Industrial Estate<br>Marsa MRS 3000<br>Malta | Ordinary shares | 100 |

The company's shareholding has remained unchanged from 2013.

On 15 October 2014, documents relating to the merger of Bevmed Co. Limited into The General Soft Drinks Company Limited, the parent company, were delivered to the Registrar of Companies. The registration was then effected on 29 October 2014. The documents were drawn up by the directors of the respective companies in accordance with and for the purposes of Article 358 of the Companies Act, Cap. 386 of the Laws of Malta. The merger became effective on 3 February 2015 and Bevmed Co. Limited was struck off the Register on the same date. Under the terms of the merger, the transactions of the amalgamated company have been treated for accounting purposes as being those of the acquiring company with effect from 1 January 2015.

## 6. Investments in associate

**Group and Company**

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| **At 31 December** | | |
| Cost | 62,020 | 62,020 |
| Provisions for impairment | (62,020) | (62,020) |
| Net book amount | - | - |

The associate at 31 December 2014 is shown below:

| | **Registered office** | **Class of shares held** | **Percentage of shares held** |
|---|---|---|---|
| | | | % |
| Malta Deposit and Return System Limited (in dissolution) | Mizzi House<br>National Road<br>Blata l-Bajda<br>Malta | Ordinary shares<br>Redeemable preference shares | 35½<br>35½ |

## 6. Investments in associate - continued

The company's shareholding has remained unchanged from 2013.

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

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

## 7. Trade and other receivables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| **Current** | | | | |
| Trade receivables | **3,804,583** | 3,553,147 | **3,786,626** | 3,545,680 |
| Amounts owed by related parties forming part of Mizzi Organisation | **6,033,529** | 5,149,219 | **6,033,529** | 5,149,219 |
| Amounts owed by other related parties | **2,008** | 544 | **2,008** | 544 |
| Other receivables | **1,809,369** | 1,933,452 | **1,809,369** | 1,933,452 |
| Prepayments | **441,393** | 449,346 | **430,893** | 427,546 |
| | **12,090,882** | 11,085,708 | **12,062,425** | 11,056,441 |
| **Non-current** | | | | |
| Other receivables | **2,522,836** | 3,329,229 | **2,522,836** | 3,329,229 |

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

Receivables above are disclosed net of provisions for impairment as follows:

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Trade receivables | **569,195** | 495,343 |
| Other receivables: current amounts | **2,069,318** | 1,853,429 |
| Other receivables: non-current amounts | **816,220** | 1,128,009 |
| | **3,454,733** | 3,476,781 |

Other receivables mainly comprise amounts receivable from the group's customers in relation to contractual arrangements entered into with these parties.

## 8. Inventories

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Raw materials | **1,343,345** | 1,094,199 | **1,138,100** | 889,964 |
| Finished goods | **466,853** | 573,141 | **466,853** | 573,141 |
| Containers (carried at net realisable value) | **91,018** | 28,951 | **91,018** | 28,951 |
| Spare parts and others | **50,915** | 52,427 | **50,915** | 52,427 |
| | **1,952,131** | 1,748,718 | **1,746,886** | 1,544,483 |

The cost of inventories recognised as expense is appropriately disclosed in Note 15 to the financial statements. During the current financial year, inventory write-downs amounted to €73,451 (2013: €182,583). These amounts have been included in 'Cost of sales' in profit or loss.

## 9. Cash and cash equivalents

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Cash at bank and in hand | **1,729,013** | 821,836 | **1,729,013** | 821,836 |
| Bank overdrafts (Note 13) | **(103,665)** | (465,711) | **(90,571)** | (428,982) |
| | **1,625,348** | 356,125 | **1,638,442** | 392,854 |

## 10. Share capital

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| **Authorised, issued and fully paid** | | |
| 50,000 (2013: 50,000) ordinary shares of €2.329373 each | **116,469** | 116,469 |

## 11. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2013: 35%).

During the current financial year, a deferred tax liability amounting to €97,849 (2013: €66,580) in respect of depreciation of property, plant and equipment was reversed through profit or loss. An equivalent and offsetting deferred tax asset in respect of unutilised investment tax credit was also reversed.

The balance at 31 December represents:

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Temporary differences arising on depreciation of property, plant and equipment | **143,267** | 241,116 |
| Deferred taxation attributable to unutilised investment tax credits | **(143,267)** | (241,116) |
| | **-** | - |

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

At 31 December 2014 and 2013, the company had the following temporary differences:

| | **2014** | 2013 |
|---|---|---|
| | **€** | € |
| Taxable temporary differences in respect of which deferred tax has been recognised arising on: | | |
| Depreciation of property, plant and equipment | **409,335** | 688,903 |
| Deductible temporary differences in respect of which deferred tax has not been recognised arising on: | | |
| Provisions for impairment of trade and other receivables | **3,454,733** | 3,476,781 |
| Provisions for impairment of investments in associate | **62,020** | 62,020 |

The subsidiary also has deductible temporary differences arising on depreciation of property, plant and equipment, in respect of which deferred tax has not been recognised, amounting to €80,988 (2013: €101,276) at the end of the reporting period.

At 31 December 2014, the group had unutilised investment tax credits amounting to €16,316,458 (2013: €16,689,299). At the end of the reporting period, the company had unutilised investment tax credits amounting to €15,393,509 (2013: €15,585,100). Under the Business Promotion Regulations 2001, the group undertakings are entitled to investment tax credits on “qualifying” capital expenditure, the full amount of which would be available for set-off against the respective undertaking’s tax liability. The balance of unutilised investment tax credits increases annually at the end of the financial year. At 31 December 2014, the balance of these credits increased by 0.44% (2013: 0.56%). At 31 December 2014, the group and the company had recognised a deferred tax asset for the amount of €143,267 (2013: €241,116) in respect of these unutilised investment tax credits.

**11. Deferred taxation -** continued

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 tax benefits. Unutilised investment tax credits are forfeited upon cessation of the trade.

## 12. Trade and other payables

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| **Current** | | | | |
| Trade payables | **1,557,140** | 1,536,961 | **1,058,720** | 1,237,058 |
| Amounts payable in respect of capital Expenditure | **569,411** | 590,451 | **569,411** | 590,451 |
| Amounts owed to subsidiary | **-** | - | **2,937,590** | 2,061,262 |
| Amounts owed to related parties forming part of Mizzi Organisation | **167,164** | 223,932 | **132,173** | 181,801 |
| Amounts owed to other related parties | **94,712** | 108,269 | **94,712** | 108,270 |
| Derivative financial instruments | **-** | 13,947 | **-** | - |
| Other payables | **295,487** | 263,207 | **295,487** | 263,207 |
| Indirect taxation | **664,941** | 675,609 | **593,330** | 612,481 |
| Deferred Government grants related to assets | **892** | 892 | **892** | 892 |
| Accruals and deferred income | **1,721,899** | 1,390,904 | **1,682,151** | 1,364,284 |
| | **5,071,646** | 4,804,172 | **7,364,466** | 6,419,706 |

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| **Non-current** | | | | |
| Deferred Government grants related to assets | **12,494** | 13,386 | **12,494** | 13,386 |
| Deferred income | **100,000** | 200,000 | **100,000** | 200,000 |
| | **112,494** | 213,386 | **112,494** | 213,386 |

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 credited to profit or loss on a straight-line basis over the expected lives of the related assets. The impact of these grants on the current year's results is presented within 'Other operating income' and disclosed in Note 15.

Non-current deferred income relates to funds received in advance to compensate the group for expenditure that will be incurred until 2016. The amount of the liability is amortised to profit or loss on a straight-line basis over this period to match expenditure the funds are intended to compensate.

At 31 December 2013, the group's outstanding derivative contracts with a fair value of €13,947, consisted of forward foreign exchange contracts for the forward purchase of US dollars against euro, maturing during 2014. These contracts had a notional amount of €601,733 with a weighted average contracted forward rate of USD1.3452: €1.

## 13. Borrowings

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| **Current** | | | | |
| Bank overdrafts | **103,665** | 465,711 | **90,571** | 428,982 |
| Bank loans | **922,408** | 1,339,086 | **922,408** | 1,339,086 |
| | **1,026,073** | 1,804,797 | **1,012,979** | 1,768,068 |
| **Non-current** | | | | |
| Bank loans | **6,080,844** | 7,003,784 | **6,080,844** | 7,003,784 |
| **Total borrowings** | **7,106,917** | 8,808,581 | **7,093,823** | 8,771,852 |

The company's banking facilities as at 31 December 2014 amounted to €10,749,000 (2013: €12,018,000). These facilities are mainly secured by:

(a) a general hypothec over the company's assets for €21,040,000 (2013: €21,040,000);
(b) special hypothecs given by two related parties forming part of Mizzi Organisation for the amount of €30,940,000 (2013: €30,940,000) and €9,276,000 (2013: €9,276,000) on property respectively;
(c) general hypothecary guarantees given by two related parties for the amount of €9,276,000 (2013: €9,276,000) over assets, supported by special hypothecary guarantees for the same amounts over property held; and
(d) guarantees by a related party for €25,740,000 (2013: €25,740,000), by various related parties for the amount of €11,764,000 (2013: €11,764,000), by another related party for €2,397,000 (2013: €2,397,000) and by the company's subsidiary for €11,764,000 (2013: €11,764,000).

As at 31 December 2014, the company's subsidiary had an overdraft facility amounting to €117,000 (2013: €117,000), which facility was secured by guarantees by related parties which are supported by general hypothecary guarantees over assets and special hypothecary guarantees over properties held.

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

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| | **%** | % |
| Bank overdrafts | **4.4** | 4.4 |
| Bank loans | **4.4** | 4.4 |

## 13. Borrowings - continued

Maturity of non-current bank borrowings:

| | Group and Company | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Between 1 and 2 years | **6,080,844** | 970,745 |
| Between 2 and 5 years | **-** | 6,033,039 |
| | **6,080,844** | 7,003,784 |

## 14. Revenue

All the group's revenue is derived from activities in the local beverage sector relating to bottling of soft drinks, mineral water and other beverages.

## 15. Expenses by nature

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Raw materials and other consumables used | **9,984,023** | 10,188,961 | **11,775,611** | 11,652,583 |
| Changes in inventories of finished goods | **106,288** | 56,469 | **106,288** | 56,469 |
| Employee benefit expense (Note 16) | **5,851,385** | 5,248,191 | **5,691,538** | 5,103,473 |
| Depreciation of property, plant and equipment (Note 4) | **2,127,561** | 2,043,986 | **1,977,930** | 1,898,495 |
| Operating lease rentals payable and similar charges: | | | | |
| - motor vehicles | **9,958** | 6,650 | **9,958** | 6,650 |
| - property | **94,161** | 94,141 | **94,161** | 94,141 |
| Business promotion and similar service charges | **1,529,510** | 1,537,034 | **1,529,510** | 1,537,034 |
| Movement in provisions for impairment of trade and other receivables (included in 'Distribution and selling costs') | **(22,048)** | 566,443 | **(22,048)** | 566,443 |
| Other expenses | **3,563,177** | 3,045,508 | **2,655,979** | 2,190,583 |
| **Total cost of sales; distribution and selling costs; and administrative expenses** | **23,244,015** | 22,787,383 | **23,818,927** | 23,105,871 |

## 15. Expenses by nature - continued

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Profit on disposal of property, plant and equipment | **-** | (4,400) | **-** | (4,400) |
| Government grants recognised (included in 'Other operating income') | **(892)** | (892) | **(892)** | (892) |
| Exchange differences | **45,363** | 6,734 | **19** | (33) |

Government grants recognised in profit or loss during the current and the preceding financial years are also disclosed in Notes 12 and 18 to the financial statements.

Exchange differences disclosed above include the impact of fair value gains registered on forward foreign exchange contracts entered into by the group during the preceeding financial year (see Note 12).

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2014 and 2013 relate to the following:

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Annual statutory audit | **36,000** | 33,600 |
| Tax advisory and compliance services | **1,086** | 1,000 |
| Other non-audit services | **16,958** | 4,400 |
| | **54,044** | 39,000 |

The auditor's remuneration for the company attributable to the year ended 31 December 2014 amounted to €29,400 (2013: €25,000).

## 16. Employee benefit expense

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Wages and salaries | **5,505,172** | 4,927,053 | **5,353,242** | 4,790,147 |
| Social security costs | **346,213** | 321,138 | **338,296** | 313,326 |
| | **5,851,385** | 5,248,191 | **5,691,538** | 5,103,473 |

Average number of persons employed during the year:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| Direct | **142** | 138 | **138** | 133 |
| Administration | **77** | 79 | **76** | 78 |
| | **219** | 217 | **214** | 211 |

## 17. Other operating income

Other operating income comprises gains on disposal of specific assets, including assets which were surplus to the company's requirements.

## 18. Finance costs

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Interest payable to related party forming part of Mizzi Organisation | **1,445** | 1,665 | **-** | - |
| Bank interest and charges | **353,960** | 461,936 | **352,684** | 458,933 |
| | **355,405** | 463,601 | **352,684** | 458,933 |

Bank finance cost for the preceding financial year, reflected in the table above, are stated net of Government grants receivable in respect of the interest rate subsidy scheme amounting to €23,342.

## 19. Taxation

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

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

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Profit before tax | **2,348,389** | 2,136,279 | **1,776,198** | 1,822,459 |
| Tax on profit at 35% | **821,936** | 747,698 | **621,669** | 637,861 |
| Tax effect of: | | | | |
| Movement in temporary differences arising on property, plant and equipment and provisions for impairment of trade and other receivables | **88,028** | 291,632 | **94,722** | 294,032 |
| Income derived from Government grants not subject to tax | **-** | (16,785) | **-** | (16,785) |
| Tax incentives in respect of investment tax credits (refer to Note below) | **(918,118)** | (1,030,110) | **(724,545)** | (922,673) |
| Expenses not deductible for tax purposes | **8,154** | 7,565 | **8,154** | 7,565 |
| **Tax charge in the accounts** | **-** | - | **-** | - |

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

## 20. Director's emoluments

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Salaries and other emoluments | **90,299** | 69,075 | **63,652** | 60,980 |

## 21. Earnings per share

Earnings per share is calculated by dividing the result attributable to owners of the company by the weighted average number of ordinary shares of The General Soft Drinks Company Limited in issue during the year.

| | Group | |
|---|---|---|
| | **2014** | 2013 |
| Net profit attributable to owners of the company | **€2,348,389** | €2,136,279 |
| Weighted average number of ordinary shares in issue | **50,000** | 50,000 |
| Earnings per share | **€46.97** | €42.73 |

## 22. Dividends

| | Company | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Final dividends paid on ordinary shares: | | |
| Gross and net | **480,000** | 635,000 |
| Dividends per share | **9.60** | 12.70 |

## 23. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| Operating profit | **2,703,794** | 2,599,880 | **2,128,882** | 2,281,392 |
| Adjustments for: | | | | |
| Depreciation of property, plant and equipment (Note 4) | **2,127,561** | 2,043,986 | **1,977,930** | 1,898,495 |
| Profit on disposal of property, plant and equipment | **-** | (4,400) | **-** | (4,400) |
| Movement in provisions for impairment of trade and other receivables | **(22,048)** | 566,443 | **(22,048)** | 566,443 |
| Changes in working capital: | | | | |
| Inventories | **(203,413)** | 431,635 | **(202,403)** | 390,335 |
| Trade and other receivables | **(176,733)** | (964,988) | **(177,543)** | (936,223) |
| Trade and other payables | **187,622** | (737,332) | **864,908** | (233,779) |
| Cash generated from operations | **4,616,783** | 3,935,224 | **4,569,726** | 3,962,263 |

## 24. Commitments

*Operating lease commitments – where a group undertaking is the lessee*

The future minimum lease payments payable under non-cancellable property and motor vehicle operating leases are as follows:

| | **Group and Company** | |
|---|---|---|
| | **2014** | 2013 |
| | **€** | € |
| Not later than one year | **77,785** | 77,785 |
| Later than one year and not later than five years | **311,139** | 311,139 |
| Later than five years | **3,938,324** | 4,005,915 |
| | **4,327,248** | 4,394,839 |

## 25. Contingencies

(a) The company, Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited are, jointly and severally with Mizzi Organisation Finance p.l.c. (a related party forming part of the Mizzi Organisation) and between themselves, guaranteeing the repayment of the nominal value of the bonds issued by the latter related party, for subscription by the general public, on the redemption date and the interest amounts payable in respect of the bonds on each interest payment date. The nominal value of bonds outstanding at 31 December 2014 and 2013 amounts to €30,000,000. These bonds are due for redemption on 30 November 2019 but are redeemable in whole or in part at the issuer's sole discretion on any date falling between 30 November 2016 and 30 November 2019. The bonds are subject to interest at the rate of 6.2% payable in six monthly in arrears on 31 May and 30 November in each year. The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer under the terms and conditions of the bond issue.

Bond issue proceeds had been advanced to Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited. These advances are repayable on 30 November 2019 and bear interest at the fixed rate of 6.95% per annum. Interest is payable six monthly in arrears on 31 May and 30 November of each year. Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors in respect of the bond issue, have jointly and severally, between themselves and with the respective borrower, undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the advances from Mizzi Organisation Finance p.l.c.

(b) The company and its subsidiary, together with other related parties forming part of Mizzi Organisation, are 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 €29,895,00 (2013: €29,795,000) and €37,721,000 (2013: €37,721,000) respectively, together with interest and charges thereon. These guarantees are supported by a general hypothec over the subsidiary's assets for the amount of €24,482,000 (2013: €24,482,000).

(c) At 31 December 2014, the company had contingent liabilities amounting to €68,066 (2013: €67,711) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

## 26. Related party transactions

The General Soft Drinks Company Limited and its subsidiary form 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 Companies Act, Cap. 386 of the laws of Malta. The Organisation is a conglomerate of companies principally comprising Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, together with all their respective subsidiaries. The Mizzi Organisation also includes GSD Marketing Limited (formerly Falcon Wines & Spirits Limited) and Mizzi Motors Limited, which are an integral component of the Organisation's beverage and automotive business activities. Indeed, the related operations of the Organisation and the activities of these two entities are managed on a collective basis.

The entities constituting the Mizzi Organisation are ultimately fully owned by Daragon Limited, Demoncada Holdings Limited, Demoncada Limited, Maurice Mizzi Investments 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.

In the ordinary course of its operations, the company sells goods and services to other companies forming part of the Organisation for trading purposes and also purchases goods and services from these companies and from its subsidiary.

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 group. 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.

## 26. 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 group:

| | Group | | Company | |
|---|---|---|---|---|
| | **2014** | 2013 | **2014** | 2013 |
| | **€** | € | **€** | € |
| **Sales of goods and services** | | | | |
| Sales of goods held for resale | **580,590** | 569,344 | **580,590** | 569,344 |
| **Purchases of goods and services** | | | | |
| Purchases of goods from subsidiary | **-** | - | **4,313,860** | 4,084,382 |
| Purchases of property, plant and equipment | **98,463** | 67,449 | **98,463** | 67,449 |
| Servicing, advertising and similar charges | **843,249** | 802,396 | **843,249** | 802,396 |
| Management fees payable and similar charges | **286,101** | 243,839 | **233,639** | 205,555 |
| | **1,227,813** | 1,113,684 | **5,489,211** | 5,159,782 |

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 7 and 12 to these financial statements.

**Group**

Expenditure amounting to €1,305,209 (2013: €1,563,542) has been recharged by the company to related parties forming part of Mizzi Organisation. The group's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €187,042 (2013: €183,127).

Key management personnel compensation, consisting of director's remuneration as disclosed in Note 20, has been recharged by a related party forming part of Mizzi Organisation.

Amounts owed to related parties as at 31 December 2014 of €13,680 (2013: €20,820) are subject to interest at 7.2% (2013: 7.2%). Interest payable to related parties is disclosed in Note 18.

**Company**

Expenditure amounting to €608,758 (2013: €578,027) has been recharged by the company to its subsidiary. The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €98,575 (2013: €102,533).

## 27. Statutory information

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