THE GENERAL SOFT DRINKS COMPANY LIMITED

Annual Report and Financial Statements
31 December 2015

Company Registration Number: C 1591

Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2015.

Principal activities

The company'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 company'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 financial results are set out on page 7. The directors have proposed and paid a final net dividend of €1,530,000 (2014: €480,000).

Directors

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

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

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

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 company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Directors' report - continued

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 2015 are included in the Annual Report and Financial Statements 2015, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

Brian R. Mizzi
Director

Maurice F. Mizzi
Director

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

5 May 2016

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 2015

We have audited the financial statements of The General Soft Drinks Company Limited on pages 5 to 37 which comprise the statement of financial position as at 31 December 2015, the 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 company as at 31 December 2015, 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 2015

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

F Axisa

Fabio Axisa
Partner

5 May 2016

Statement of financial position

	Notes	As at 31 December 2015 €	2014 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**19,030,817**	19,129,207
Trade and other receivables	6	**1,984,720**	2,522,836
Total non-current assets		**21,015,537**	21,652,043
Current assets			
Inventories	7	**2,456,874**	1,952,131
Trade and other receivables	6	**12,219,851**	12,090,882
Cash and cash equivalents	8	**2,950,301**	1,729,013
Total current assets		**17,627,026**	15,772,026
Total assets		**38,642,563**	37,424,069

Statement of financial position - continued

	Notes	As at 31 December 2015 €	2014 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**116,469**	116,469
Retained earnings		**26,061,089**	25,016,543
Total equity		**26,177,558**	25,133,012
Non-current liabilities			
Trade and other payables	11	**11,602**	112,494
Borrowings	12	**5,212,071**	6,080,844
Total non-current liabilities		**5,223,673**	6,193,338
Current liabilities			
Trade and other payables	11	**6,294,346**	5,071,646
Borrowings	12	**946,986**	1,026,073
Total current liabilities		**7,241,332**	6,097,719
Total liabilities		**12,465,005**	12,291,057
Total equity and liabilities		**38,642,563**	37,424,069

The notes on pages 10 to 37 are an integral part of these financial statements.

The financial statements on pages 5 to 37 were authorised for issue by the Board on 5 May 2016 and were signed on its behalf by:

Brian R. Mizzi
Director

Maurice F. Mizzi
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2015 €	2014 €
Revenue	13	**27,872,645**	25,901,697
Cost of sales		**(16,135,253)**	(15,511,294)
Gross profit		**11,737,392**	10,390,403
Distribution and selling costs		**(6,456,644)**	(5,464,972)
Administrative expenses		**(2,551,244)**	(2,267,749)
Other operating income	16	**37,631**	46,112
Operating profit		**2,767,135**	2,703,794
Finance costs	17	**(192,589)**	(355,405)
Profit for the year - total comprehensive income		**2,574,546**	2,348,389
Earnings per share	20	**51.49**	46.97

The notes on pages 10 to 37 are an integral part of these financial statements.

Statement of changes in equity

	Note	**Share capital** €	**Retained earnings** €	**Total** €
Balance at 1 January 2014		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	21	-	(480,000)	(480,000)
Balance at 31 December 2014		116,469	25,016,543	25,133,012
Comprehensive income				
Profit for the year - total comprehensive income		-	2,574,546	2,574,546
Transactions with owners				
Dividends relating to 2015	21	-	(1,530,000)	(1,530,000)
Balance at 31 December 2015		**116,469**	**26,061,089**	**26,177,558**

The notes on pages 10 to 37 are an integral part of these financial statements.

Statement of cash flows

		Year ended 31 December	
	Notes	**2015** **€**	2014 €
Cash flows from operating activities			
Cash generated from operations	22	**5,897,976**	4,616,783
Interest paid	17	**(192,589)**	(355,405)
Net cash generated from operating activities		**5,705,387**	4,261,378
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(2,006,239)**	(1,172,537)
Cash flows from financing activities			
Repayments of bank borrowings	12	**(928,979)**	(1,339,618)
Dividends paid	21	**(1,530,000)**	(480,000)
Net cash used in financing activities		**(2,458,979)**	(1,819,618)
Net movement in cash and cash equivalents		**1,240,169**	1,269,223
Cash and cash equivalents at beginning of year		**1,625,348**	356,125
Cash and cash equivalents at end of year	8	**2,865,517**	1,625,348

The notes on pages 10 to 37 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

Merger of subsidiary undertaking

During the current financial year, Bevmed Co. Limited, which as at 31 December 2014 was the only wholly owned subsidiary undertaking of The General Soft Drinks Company Limited, has been merged into its parent company. On 29 October 2014, documents relating to this merger were registered with the Registrar of Companies. 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.

This merger has been accounted for in the stand-alone financial statements of The General Soft Drinks Company Limited as if it had taken place prior to the beginning of the earliest period presented i.e. 1 January 2014 reflecting the assets and liabilities of the amalgamated company using predecessor book values from the financial statements of Bevmed Co. Limited. In view of this accounting treatment, and since as at 31 December 2014 the group was only composed of these two entities, the consolidated financial information for the year ended 31 December 2014 is now equivalent to stand-alone financial information of the company subsequent to the accounting adjustments referred to below. Accordingly, the comparative stand-alone financial information in the current year's financial statements of the company has been restated and is equivalent to the consolidated financial information reported by the group for the year ended 31 December 2014. The presentation of consolidated financial information is hence not necessary and all financial information presented in these financial statements reflects the stand-alone position adjusted for the accounting treatment above.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The impacts of the accounting treatment highlighted above on the company's financial position are reflected below:

Bevmed Co. Limited	31 December 2014 €	1 January 2014 €
Property, plant and equipment	497,270	626,200
Inventories	205,245	204,235
Amounts owed by parent company	2,937,591	2,061,263
Other receivables	28,457	29,267
Trade and other payables	(644,770)	(445,728)
Bank borrowings	(13,094)	(36,729)
Net assets	3,010,699	2,438,508

The impacts of this merger on the financial position of the The General Soft Drinks Company Limited as reflected above is not significant, excluding the effects on intra-group balances, and accordingly the presentation of the restated statement of financial position as at 1 January 2014 was not deemed necessary.

The amounts owed by parent company included within the financial information of Bevmed Co. Limited, as disclosed above, and the equivalent liability within the financial information of The General Soft Drinks Company Limited, have been eliminated upon reflecting the accounting impacts of the merger.

The effects on the stand-alone financial results of the company for the year ended 31 December 2014, taking cognisance of the accounting treatment of the merger, reflect an increase in the profit for the year of €572,191; primarily arising from a reduction in the company's cost of sales upon the elimination intra-group transactions comprising sale transactions of Bevmed Co. Limited to The General Soft Drinks Company Limited.

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the company's accounting policies impacting the company'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 2015. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 company 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 company is assessing the impact of IFRS 15.

1.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment

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

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

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.

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment - continued

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

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

1.4 Intangible assets - Goodwill

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

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

1.5 Financial assets

Classification

The company classifies its financial assets (other than derivative financial instruments and investments in associates 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 company 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 company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.7 and 1.8).

1. Summary of significant accounting policies - continued

1.5 Financial assets - continued

Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets 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 company. 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 company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Impairment

The company 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 company first assesses whether objective evidence of impairment exists. The criteria that the company 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 1.7.

1.6 Inventories

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

1. Summary of significant accounting policies - continued

1.7 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 company 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.

1.8 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.

1.9 Share capital

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

1.10 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities, other than derivative financial instruments are classified as financial liabilities 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 company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.11 Trade and other payables

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

1.12 Borrowings

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

1. Summary of significant accounting policies - continued

1.13 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 company's derivative transactions, while providing effective economic hedges under the company'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 company 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.

1.14 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.

1.15 Current and deferred tax

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.16 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 company's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The company 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 company's activities as described below.

(a) Sales of goods

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

(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.

1.17 Government grants

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

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

Grants related to income are presented as a deduction in reporting the related expense. 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. Summary of significant accounting policies - continued

1.18 Operating leases

A company 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.

1.19 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.

1.20 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

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

2. Financial risk management - continued

The company'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 the company manages the risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

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

(ii) Cash flow interest rate risk

The company has no significant interest-bearing assets. The company's interest rate risk principally arises from bank borrowings issued at variable rates (Note 12) and amounts owed to related parties subject to floating interest rates (Note 25) which expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on borrowing costs in respect of these liabilities. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The company's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

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

(b) Credit risk

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

	Company	
	2015	2014
	€	€
Loans and receivables category:		
Trade and other receivables (Note 6)	**14,204,571**	14,613,718
Cash and cash equivalents (Note 8)	**2,950,301**	1,729,013
	17,154,872	16,342,731

2. Financial risk management - continued

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

The company banks only with local financial institutions with high quality standing or rating.

The company assesses the credit quality of its trade customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products are effected to customers with an appropriate credit history. The company monitors the performance of its receivables on a regular basis to identify incurred collection losses, which are inherent in the company's debtors, taking into account historical experience in collection of accounts receivable.

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

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

With effect from 1 January 2015, the company's entire sales of products are invoiced to a related party forming part of Mizzi Organisation, with the objective that the related party acts as the sole customer facing entity for the Organisation's beverage activities from that date. The company also transferred to this entity the trade receivables and other receivables as at 31 December 2014, at carrying amounts, to achieve the above mentioned objective, amounting to €3,804,583 and €3,720,568 respectively.

Accordingly, the company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 6), arising also 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 company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2014, trade receivables of €569,195 and other receivables of €2,885,538 were impaired. Provisions for impairment in this respect were equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which were in unexpectedly difficult economic situations. The company did not hold significant collateral as security in respect of the impaired assets.

As at 31 December 2014, trade receivables amounting to €374,071 were past due but not impaired. These mainly related to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers accounted for a certain percentage of the company'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 company 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 was as follows:

	2015	2014
	€	€
Up to 30 days	**-**	171,288
30 to 150 days	**-**	182,631
Over 150 days	**-**	20,152
	-	374,071

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

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 12) and trade and other payables (Note 11). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of the Mizzi Organisation within certain parameters. The company's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the company's committed bank borrowing facilities and other intra-Organisation financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the company as significant taking into account the liquidity management process referred to above.

The company's trade and other payables are predominantly repayable within one year from the end of the reporting period. The table below analyses the company's 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**	**Over 5 years**	**Total**
	€	€	€	€	€
At 31 December 2015					
Bank borrowings	**1,061,921**	**621,542**	**1,801,672**	**3,396,766**	**6,881,901**
At 31 December 2014					
Bank borrowings	1,302,471	1,104,533	2,119,863	4,339,023	8,865,890

2. Financial risk management - continued

2.2 Capital risk management

The company's capital is managed at the level of Mizzi Organisation by reference to the aggregate level of equity and borrowings or debt as disclosed in the respective consolidated financial statements of Consolidated Holdings Limited and Mizzi Holdings Limited, together with the financial statements of the The General Soft Drinks Company Limited and GSD Marketing Limited. The capital of the entities forming part of the Mizzi Organisation, which have been mentioned above, is managed on an aggregate basis by the Organisation as if they were organised as one entity. The Organisation's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

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:

	2015	2014
	€	€
Total borrowings	**60,395,442**	58,088,835
Less: Cash and cash equivalents	**(9,357,331)**	(6,570,602)
Net debt	**51,038,111**	51,518,233
Total equity	**124,448,369**	116,297,805
Total capital	**175,486,480**	167,816,038
Net debt/total capital	**29%**	31%

Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of The General Soft Drinks Company Limited, as reflected in the statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the company's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the financial statements is deemed adequate by the directors.

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2015 and 2014 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The fair value of the company's non-current floating interest rate 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

	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 2014						
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
Year ended 31 December 2015						
Opening net book amount	14,154,873	3,850,214	366,235	715,575	42,310	19,129,207
Additions	270,473	439,193	90,803	116,725	1,157,304	2,074,498
Disposals	-	-	-	(42,768)	-	(42,768)
Depreciation charge	(605,238)	(1,145,467)	(204,452)	(217,731)	-	(2,172,888)
Depreciation released on disposals	-	-	-	42,768	-	42,768
Closing net book amount	**13,820,108**	**3,143,940**	**252,586**	**614,569**	**1,199,614**	**19,030,817**
At 31 December 2015						
Cost	18,472,946	20,700,556	3,054,086	2,928,156	1,199,614	46,355,358
Accumulated depreciation	(4,652,838)	(17,556,616)	(2,801,500)	(2,313,587)	-	(27,324,541)
Net book amount	**13,820,108**	**3,143,940**	**252,586**	**614,569**	**1,199,614**	**19,030,817**

5. Investments in associate

	2015	2014
	€	€
At 31 December		
Cost	**62,020**	62,020
Provisions for impairment	**(62,020)**	(62,020)
Net book amount	**-**	-

The associate at 31 December 2015 is shown below:

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

The company's shareholding has remained unchanged from 2014.

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

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

6. Trade and other receivables

	2015	2014
	€	€
Current		
Trade receivables	**-**	3,804,583
Amounts owed by related parties forming part of Mizzi Organisation	**11,120,244**	6,033,529
Amounts owed by other related parties	**-**	2,008
Other receivables	**687,093**	1,809,369
Prepayments	**412,514**	441,393
	12,219,851	12,090,882
Non-current		
Amounts owed by related parties forming part of Mizzi Organisation	**1,984,720**	-
Other receivables	**-**	2,522,836
	1,984,720	2,522,836

6. Trade and other receivables - continued

On 1 January 2015, the company transferred to a related party forming part of Mizzi Organisation the trade receivables and other receivables as at 31 December 2014, at carrying amounts, to achieve the above mentioned objective, amounting to €3,804,583 and €3,720,568 respectively reflected in the tables above. This occurred in view of the arrangement referred to in Note 13 to the financial statements.

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:

	2015	2014
	€	€
Trade receivables	**-**	569,195
Other receivables: current amounts	**-**	2,069,318
Other receivables: non-current amounts	**-**	816,220
	-	3,454,733

As at 31 December 2014, other receivables mainly comprised amounts receivable from the company's customers in relation to contractual arrangements entered into with these parties.

7. Inventories

	2015	2014
	€	€
Raw materials	**1,553,222**	1,343,345
Finished goods	**685,883**	466,853
Containers (carried at net realisable value)	**151,130**	91,018
Spare parts and others	**66,639**	50,915
	2,456,874	1,952,131

The cost of inventories recognised as expense is appropriately disclosed in Note 14 to the financial statements. During the current financial year, inventory write-downs amounted to €312,459 (2014: €54,754). These amounts have been included in 'Cost of sales' in profit or loss.

8. Cash and cash equivalents

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

	2015	2014
	€	€
Cash at bank and in hand	**2,950,301**	1,729,013
Bank overdrafts (Note 12)	**(84,784)**	(103,665)
	2,865,517	1,625,348

9. Share capital

	2015	2014
	€	€
Authorised, issued and fully paid		
50,000 (2014: 50,000) ordinary shares of €2.329373 each	**116,469**	116,469

10. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2014: 35%).

During the current financial year, a deferred tax liability amounting to €143,267 (2014: €97,849) 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:

	2015	2014
	€	€
Temporary differences arising on depreciation of property, plant and equipment	**-**	143,267
Deferred taxation attributable to unutilised investment tax credits	**-**	(143,267)
	-	-

At 31 December 2015 and 2014, the company had the following temporary differences:

	2015	2014
	€	€
Taxable temporary differences in respect of which deferred tax has been recognised arising on:		
Depreciation of property, plant and equipment	**-**	409,335
Deductible temporary differences in respect of which deferred tax has not been recognised arising on:		
Depreciation of property, plant and equipment	**103,058**	-
Provisions for impairment of trade and other receivables	**-**	3,454,733
Provisions in respect of contractual arrangements with customers	**3,978,169**	-
Provisions for impairment of investments in associate	**62,020**	62,020

10. Deferred taxation - continued

At 31 December 2015, the company had unutilised investment tax credits amounting to €15,596,364 (2014: €16,316,458). Under the Business Promotion Regulations 2001, the company is entitled to investment tax credits on "qualifying" capital expenditure, the full amount of which would be available for set-off against the company's tax liability. The balance of unutilised investment tax credits increases annually at the end of the financial year. At 31 December 2015, the balance of these credits increased by 0.17% (2014: 0.44%). At 31 December 2014, the company had recognised a deferred tax asset for the amount of €143,267 in respect of these unutilised investment tax credits, which asset was reversed during the current financial year.

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.

11. Trade and other payables

	2015	2014
	€	€
Current		
Trade payables	**2,448,981**	1,557,140
Amounts payable in respect of capital expenditure	**637,670**	569,411
Amounts owed to related parties forming part of Mizzi Organisation	**161,389**	167,164
Amounts owed to other related parties	**104,089**	94,712
Other payables	**295,487**	295,487
Indirect taxation	**685,699**	664,941
Deferred Government grants related to assets	**892**	892
Accruals and deferred income	**1,960,140**	1,721,899
	6,294,347	5,071,646
Non-current		
Deferred Government grants related to assets	**11,602**	12,494
Deferred income	**-**	100,000
	11,602	112,494

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 14.

Non-current deferred income relates to funds received in advance to compensate the company 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.

12. Borrowings

	2015 €	2014 €
Current		
Bank overdrafts	**84,784**	103,665
Bank loans	**862,202**	922,408
	946,986	1,026,073
Non-current		
Bank loans	**5,212,071**	6,080,844
Total borrowings	**6,159,057**	7,106,917

The company's banking facilities as at 31 December 2015 amounted to €9,750,000 (2014: €10,749,000). These facilities are mainly secured by:

(a) a general hypothec over the company's assets for €11,551,000 (2014: €21,040,000);
(b) general hypothecary guarantees given by two related parties forming part of Mizzi Organisation Limited for the amount of €7,940,000 (2014: €9,276,000) over assets, supported by special hypothecary guarantees for the amounts of €13,298,000 (2014: €30,940,000) and €7,940,000 (2014: €9,276,000) respectively over property held; and
(c) guarantees by a related party for €25,740,000 (2014: €25,740,000), by various related parties for the amount of €11,764,000 (2014: €11,764,000), and by another related party for €2,397,000 (2014: €2,397,000).

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

	2015 %	2014 %
Bank overdrafts	**3.3**	4.4
Bank loans	**2.0**	4.4

Maturity of non-current bank borrowings:

	2015 €	2014 €
Between 1 and 2 years	**520,000**	868,772
Between 2 and 5 years	**1,560,000**	1,560,000
Over 5 years	**3,132,071**	3,652,072
	5,212,071	6,080,844

13. Revenue

All the company's revenue is derived from activities in the local beverage sector relating to bottling of soft drinks, mineral water and other beverages. With effect from 1 January 2015, all the company's revenues are attributable to sales to a related party forming part of Mizzi Organisation, which acts as the sole point of focus for all customers of the Organisation's beverage activities as of that date.

14. Expenses by nature

	2015	2014
	€	€
Raw materials and other consumables used	**10,827,717**	9,984,023
Changes in inventories of finished goods	**(219,030)**	106,288
Employee benefit expense (Note 15)	**6,487,890**	5,851,385
Depreciation of property, plant and equipment (Note 4)	**2,172,888**	2,127,561
Operating lease rentals payable and similar charges:		
- motor vehicles	**13,687**	9,958
- property	**95,194**	94,161
Business promotion and similar service charges	**1,476,142**	1,529,510
Other expenses	**4,288,653**	3,541,129
Total cost of sales; distribution and selling costs; and administrative expenses	**25,143,141**	23,244,015

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

	2015	2014
	€	€
Government grants recognised (included in 'Other operating income')	**(892)**	(892)
Exchange differences	**39,338**	45,363

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2015 and 2014 relate to the following:

	2015	2014
	€	€
Annual statutory audit	**36,000**	36,000
Tax advisory and compliance services	**715**	1,086
Other non-audit services	**-**	16,958
	36,715	54,044

15. Employee benefit expense

	2015	2014
	€	€
Wages and salaries	**6,117,081**	5,505,172
Social security costs	**370,809**	346,213
	6,487,890	5,851,385

Average number of persons employed during the year:

	2015	2014
Direct	**150**	142
Administration	**82**	77
	232	219

16. Other operating income

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

17. Finance costs

	2015	2014
	€	€
Interest payable to related party forming part of Mizzi Organisation	**-**	1,445
Bank interest and charges	**192,589**	353,960
	192,589	355,405

18. Taxation

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

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

	2015	2014
	€	€
Profit before tax	**2,574,546**	2,348,389
Tax on profit at 35%	**901,091**	821,936
Tax effect of:		
Movement in temporary differences arising on property, plant and equipment, provisions for impairment of trade and other receivables and other provisions	**252,031**	88,028
Tax incentives in respect of investment tax credits (refer to Note below)	**(1,163,827)**	(918,118)
Expenses not deductible for tax purposes	**10,705**	8,154
Tax charge in the accounts	**-**	-

The company is eligible to qualify for tax incentives under the Business Promotion Regulations 2001. Accordingly, the company is entitled to investment tax credits on 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 10).

19. Director's emoluments

	2015	2014
	€	€
Salaries and other emoluments	**76,877**	90,299

20. 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.

	2015	2014
Net profit attributable to owners of the company	**€2,574,546**	€2,348,389
Weighted average number of ordinary shares in issue	**50,000**	50,000
Earnings per share	**€51.49**	€46.97

21. Dividends

	2015	2014
	€	€
Final dividends paid on ordinary shares:		
Gross and net	**1,530,000**	480,000
Dividends per share	**30.60**	9.60

22. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2015	2014
	€	€
Operating profit	**2,767,135**	2,703,794
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**2,172,888**	2,127,561
Movement in provisions for impairment of trade and other receivables	**-**	(22,048)
Movement in provisions in respect of contractual arrangements with customers	**523,436**	-
Changes in working capital:		
Inventories	**(504,743)**	(203,413)
Trade and other receivables	**(114,289)**	(176,733)
Trade and other payables	**1,053,549**	187,622
Cash generated from operations	**5,897,976**	4,616,783

23. Commitments

Operating lease commitments – where the company is the lessee

The future minimum lease payments payable under non-cancellable property operating leases, reflecting the terms of the 65 year emphyteutical grant the company entered into, are as follows:

	2015	2014
	€	€
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	**3,860,540**	3,938,324
	4,249,464	4,327,248

24. 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 2015 and 2014 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 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, together with other related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of related parties forming part of Mizzi Organisation up to a limit of €29,347,000 (2014: €29,895,000) respectively, together with interest and charges thereon.

(c) At 31 December 2015, the company had contingent liabilities amounting to €71,869 (2014: €68,066) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

25. Related party transactions

The General Soft Drinks Company Limited forms part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the 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, together with all their respective subsidiaries, and The General Soft Drinks Company Limited. The Mizzi Organisation also includes GSD Marketing Limited which is an integral component of the Organisation's beverage business activity. Indeed, the related operations of the Organisation and the activities of this entity 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.

Taking cognisance of the arrangement referred to in Note 13 to the financial statements, in the ordinary course of its operations, the company invoices all its revenue in respect of sales of goods and services to another company forming part of the Organisation. The Organisation's objective is to earmark the latter company as the sole customer facing entity for the beverage activities of the Organisation. The company also purchases goods and services from these companies for trading purchase.

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

25. **Related party transactions** - continued

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

	2015	2014
	€	€
Sales of goods and services		
Sales of goods held for resale	**27,872,645**	580,590
Purchases of goods and services		
Purchases of property, plant and equipment	**-**	98,463
Servicing, advertising and similar charges	**853,214**	843,249
Management fees payable and similar charges	**265,167**	286,101
	1,118,381	1,227,813

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 6 and 11 to these financial statements.

Expenditure amounting to €1,601,155 (2014: €1,305,209) has been recharged by the company to related parties forming part of Mizzi Organisation. The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €93,117 (2014: €187,042).

Key management personnel compensation, consisting of director's remuneration as disclosed in Note 19, 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 were subject to interest at 7.2%. Interest payable to related parties is disclosed in Note 17.

26. **Statutory information**

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