GSD MARKETING LIMITED

Annual Report and Financial Statements
31 December 2022

Company Registration Number: C 3774

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Directors' report

The directors present their report and the audited financial statements for the year ended 31 December 2022.

Principal activities

The company's principal activity, which is unchanged since last year, is to act as the sale point of focus for all customers of the Mizzi Organisation's beverage activities. It is accordingly involved in the sale of soft drinks and mineral water, together with the importation and sale of beer, non-alcoholic beverages in cans and consumables, the sale of products through vending machines, the provision of servicing and other ancillary activities.

Review of the business

During the year under review, the company recorded an increase in revenue to €53,691,449 from €42,259,713 in 2021, while gross profit increased from €2,688,512 in 2021 to €5,685,450 in 2022. An increase in distribution and selling costs as well as administrative expenses was registered in 2022, due to increased trading activity. This resulted in an operating profit of €1,779,377 in 2022 compared to an operating loss of €59,704 in 2021.

The company registered a profit for the financial year of €1,090,876 (2021: loss of €72,928).

Outlook for 2023

The company is in a much better situation following the impact in FY2020 and FY2021 due to the COVID-19 pandemic. In fact in FY2022 the company has performed ahead of FY2019 levels.

The projections for FY2023 are that the company will continue growing further in line with positive economic indicators and continued recovery of inbound tourism.

The Boards of Directors of GSD Marketing Limited and of the companies constituting the Mizzi Organisation are very comfortable with the state and performance of each company forming part of the Group. The refinancing exercises made in 2016 and 2021 have given the Group a fixed exposure when it comes to borrowing costs. This has created a hedge which will last for the next five years, thus overcoming the threats of a rising interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of corporate governance and financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Ltd has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors adopted an approach of carrying out only essential capital expenditure and even though the pandemic is over, the Board kept on exercising these cautious principles. The directors consider the Organisation and all Mizzi Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

Financial risk management

In 2022, there has been no change in the company's financial risk management objectives and policies, details of which, together with further information on the company's risk exposures can be found in Note 2 to the financial statements.

Directors' report - continued

Results and dividends

The financial results are set out in the income statement. The directors have proposed and paid a final net dividend of €500,000 (2021: €500,000).

The directors propose that the balance of retained earnings amounting to €1,888,069 (2021: €1,297,193) be carried forward to the next financial year.

Directors

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

Maurice F. Mizzi
Brian R. 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 Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

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

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

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

The financial statements of GSD Marketing Limited for the year ended 31 December 2022 are included in the Annual Report 2022, which is published in hard-copy printed form and may be made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

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:
Marsa Industrial Estate
Marsa
Malta

30 April 2023

Independent auditor's report

To the Shareholders of GSD Marketing Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of GSD Marketing Limited (the Company) as at 31 December 2022, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

GSD Marketing Limited's financial statements, set out on pages 9 to 45, comprise:

- the statement of financial position as at 31 December 2022;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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

Independent auditor's report *- continued*

To the Shareholders of GSD Marketing Limited

Other information

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

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - continued

To the Shareholders of GSD Marketing Limited

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

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

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

pwc

Independent auditor's report *- continued*

To the Shareholders of GSD Marketing Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2022* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 3) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report *- continued*

To the Shareholders of GSD Marketing Limited

Area of the *Annual Report and Financial Statements 2022* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

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

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

F Axisa

Fabio Axisa
Partner

30 April 2023

Statement of financial position

	Notes	As at 31 December	
		2022	2021
		€	€
ASSETS			
Non-current assets			
Property, plant and equipment	4	**2,974,124**	1,284,467
Right-of-use asset	5	**121,178**	167,145
Trade and other receivables	7	**3,168,088**	4,352,451
Total non-current assets		**6,263,390**	5,804,063
Current assets			
Inventories	6	**3,325,837**	2,651,843
Trade and other receivables	7	**16,428,464**	14,478,312
Cash and cash equivalents	8	**3,338,570**	4,916,633
Total current assets		**23,092,871**	22,046,788
Total assets		**29,356,261**	27,850,851

Statement of financial position - continued

	Notes	As at 31 December 2022 €	2021 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	9	**2,334**	2,334
Revaluation reserve	10	**1,629,966**	-
Retained earnings		**1,888,069**	1,297,193
Total equity		**3,520,369**	1,299,527
Non-current liabilities			
Lease liabilities	11	**83,891**	127,797
Deferred tax liabilities	12	**220,000**	-
Total non-current liabilities		**303,891**	127,797
Current liabilities			
Trade and other payables	13	**24,886,973**	26,374,438
Lease liabilities	11	**43,906**	45,486
Current tax liabilities		**601,122**	3,603
Total current liabilities		**25,532,001**	26,423,527
Total liabilities		**25,835,892**	26,551,324
Total equity and liabilities		**29,356,261**	27,850,851

The notes on pages 15 to 45 are an integral part of these financial statements.

The financial statements on pages 9 to 45 were authorised for issue by the Board on 30 April 2023 and were signed on its behalf by:

Brian R. Mizzi
Director

Maurice F. Mizzi
Director

Income statement

	Notes	Year ended 31 December 2022 €	2021 €
Revenue	14	**53,691,449**	42,259,713
Cost of sales	15	**(48,005,999)**	(39,571,201)
Gross profit		**5,685,450**	2,688,512
Distribution and selling costs	15	**(2,161,689)**	(1,851,371)
Administrative expenses	15	**(1,746,482)**	(869,773)
Other operating income/(expenses)		**2,098**	(27,072)
Operating profit/(loss)		**1,779,377**	(59,704)
Finance income	17	**2,548**	4,768
Finance costs	18	**(22,115)**	(11,027)
Profit/(loss) before tax		**1,759,810**	(65,963)
Tax expense	19	**(668,934)**	(6,965)
Profit/(loss) for the year - total comprehensive income		**1,090,876**	(72,928)

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of comprehensive income

	Note	Year ended 31 December	
		2022	2021
		€	€
Profit/(loss) for the year		**1,090,876**	(72,928)
Other comprehensive income:			
Revaluation surplus on land and buildings arising during the year, net of deferred tax	10	**1,629,966**	-
Total comprehensive income/(loss) for the year		**2,720,842**	(72,928)

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2021		2,334	-	1,870,121	1,872,455
Comprehensive income					
Loss for the year					
- total comprehensive income		-	-	(72,928)	(72,928)
Transactions with owners					
Dividends relating to 2021	21	-	-	(500,000)	(500,000)
Balance at 31 December 2021		2,334	-	1,297,193	1,299,527
Comprehensive income					
Profit for the year					
- total comprehensive income		-		1,090,876	1,090,876
Other comprehensive income:					
Revaluation surplus on land and buildings arising during the year, net of deferred tax		-	1,629,966	-	1,629,966
Total comprehensive income		-	1,629,996	1,090,876	2,720,842
Transactions with owners					
Dividends relating to 2022	21	-	-	(500,000)	(500,000)
Balance at 31 December 2022		**2,334**	**1,629,966**	**1,888,069**	**3,520,369**

The notes on pages 15 to 45 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2022 €	2021 €
Cash flows from operating activities			
Cash (used in)/generated from operations	22	**(771,729)**	4,157,021
Interest received	17	**2,548**	4,768
Interest paid	18	**(17,313)**	(4,905)
Tax (paid)/refunded		**(71,415)**	11,797
Net cash (used in)/generated from operating activities		**(857,909)**	4,168,681
Cash flows from investing activities			
Purchase of property, plant and equipment	4	**(169,866)**	(67,784)
Net cash used in investing activities		**(169,866)**	(67,784)
Cash flows from financing activities			
Dividends paid	21	**(500,000)**	(500,000)
Principal elements of lease payments		**(50,288)**	(50,288)
Net cash used in financing activities		**(550,288)**	(550,288)
Net movement in cash and cash equivalents		**(1,578,063)**	3,550,609
Cash and cash equivalents at beginning of year		**4,916,633**	1,366,024
Cash and cash equivalents at end of year	8	**3,338,570**	4,916,633

The notes on pages 15 to 45 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

These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention as modified by the fair valuation of the land category of property, plant and equipment.

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

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

As at 31 December 2022, the company's current liabilities exceeded current assets by €2,439,130 (2021: €4,376,739). The directors take cognisance of the significant part of the company's purchases that are made through a related party forming part of Mizzi Organisation, with the objective that the company acts as the sole customer facing entity for the Organisation's beverage activities. As a result of this arrangement, the company's trade and other payables as at 31 December 2022 include significant amounts due from this related party forming part of Mizzi Organisation (Note 13). This related party has undertaken not to request repayments of amounts due until alternative financing is available. On the basis of these considerations, the directors have a reasonable expectation, at the time of approving these financial statements, that the company has adequate financial resources to continue in operational existence for the foreseeable future and that the company will continue to manage its net current liability position effectively within the context of a normalised liquidity management stance.

Furthermore, the Boards of Directors of the companies constituting the Mizzi Organisation are comfortable with the state and performance of each company forming part of the Organisation. The refinancing exercises made in 2016 and 2021 have given the Organisation a fixed exposure when it comes to borrowing costs. This has created a hedge which will last for the next five years, thus overcoming the threats of a rising interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of corporate governance and financial discipline which adds a layer of comfort on the Organisation's servicing obligations. Over the years, Mizzi Organisation Limited has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors adopted an approach of carrying out only essential capital expenditure and even though the pandemic is over, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business lines in assessing the projected viability of the business model of the companies within the Organisation. The directors consider the Organisation and all Mizzi Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

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

1.1 **Basis of preparation** – continued

Standards, interpretations and amendments to published standards effective in 2022

In 2022, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2022. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.3 Property, plant and equipment

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

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

1. Summary of significant accounting policies - continued

1.3 Property, plant and equipment – continued

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

	%
Vending and other equipment	15 - 20
Motor vehicles	10 - 25

Freehold land is not depreciated as it is deemed to have an indefinite life.

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 included in profit or loss.

1.4 Financial assets

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.4 Financial assets – continued

Measurement

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

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

(a) *Debt instruments*

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

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

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

(b) Equity instruments

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

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

Impairment

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

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

1. Summary of significant accounting policies - continued

1.5 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average cost method.

The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.
holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.6 Trade and other receivables

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

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

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company

1.7 Cash and cash equivalents

Cash and cash equivalents include cash in hand and deposits held at call with banks.

1.8 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.

1.9 Financial liabilities

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

1.10 Trade and other payables

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

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

1. Summary of significant accounting policies - continued

1.11 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.

1.12 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.

1.13 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 provided 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, the 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 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.

1.14 Revenue recognition

Revenues include all revenues from the ordinary business activities of the company. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The company's business includes various activities as disclosed in Note 15 'Revenue'.

(a) Sale of goods and services

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

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

1. Summary of significant accounting policies - continued

1.14 Revenue recognition - continued

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

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

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

Sales of beverages - wholesale

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

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

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

Contracts - where revenue is recognised over time

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

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

1. Summary of significant accounting policies - continued

1.14 Revenue recognition - continued

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

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

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

Financing

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

(b) Interest income

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

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

1.15 Customer contract assets and liabilities

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

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

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

1. Summary of significant accounting policies - continued

1.16 Government grants

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

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

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

1.17 Operating leases

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

The company is the lessee

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.17 Operating leases – continued

To determine the incremental borrowing rate, the company:

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

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

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

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

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

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

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

1.18 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale 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 the company’s interest-bearing borrowings.

1.19 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, fair value interest rate risk and cash flow interest rate 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 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 entity's functional currency. The company's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro. Accordingly, the company is not significantly exposed to foreign exchange risk and a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The company has no significant interest-bearing instruments other than other receivables (see Note 7) and lease liabilities, which are subject to fixed interest rates. These instruments potentially expose the company to fair value interest rate risk, but are measured at amortised cost. Balances subject to variable interest rates expose the company to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end at the reporting period to be immaterial. The level of interest rate risk is contained and the company's operating cash flows are substantially independent of changes in market interest rates.

(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:

	2022	2021
	€	€
Financial assets measured at amortised cost:		
Trade and other receivables (Note 7)	**18,691,094**	18,377,315
Cash and cash equivalents (Note 8)	**3,338,570**	4,916,633
	22,029,664	23,293,948

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 any collateral as security in this respect. The figures disclosed above in respect of trade and other receivables exclude prepayments.

2. Financial risk management - continued

Cash and cash equivalents

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

Trade and other receivables (including contract assets)

A significant amount of the company's goods for resale are purchased from a related party forming part of Mizzi Organisation (Note 22). In turn the company sells the goods to third parties with the objective that the company acts as the sole customer facing entity for the Organisation's beverage activities. In this respect both the company and the related party reflect expected credit loss allowances, involving provisions for credit impaired receivables, as further explained below.

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 and services are effected to customers with an appropriate credit history. The company monitors the performance of its trade and other receivables on a regular basis to identify incurred and expected collection losses, which are inherent in the company's debtors, taking into account historical experience in collection of accounts receivable.

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

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

Impairment of trade receivables (including contract assets)

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

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

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The company uses judgement in making these assumptions and selecting the inputs to the impairment calculation and adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

2. **Financial risk management** - continued

On that basis, the loss allowance for trade receivables, for both the company and the related party referred to previously, as at 31 December 2022 and 2021 was determined as follows:

31 December 2022	Up to 60 days past due	61 to 120 days past due	121 to 272 days past due	273 to 365 days past due	+365 days past due	Total
Expected loss rate	**0.5%-3.8%**	**1.9%-7.9%**	**4.3%-13%**	**8.4%-25.1%**	**100%**	
Gross carrying amount (€)	**7,981,416**	**712,318**	**406,660**	**60,403**	**2,073,171**	**11,233,968**
Loss allowance (€)	**95,333**	**33,294**	**38,388**	**10,389**	**2,073,171**	**2,250,575**

31 December 2021	Up to 60 days past due	61 to 120 days past due	121 to 272 days past due	273 to 365 days past due	+365 days past due	Total
Expected loss rate	0.5%-3.8%	1.9%-7.9%	4.3%-13%	8.4%-25.1%	100%	
Gross carrying amount (€)	6,885,202	659,419	198,179	134,181	2,154,019	10,031,000
Loss allowance (€)	80,263	32,196	19,115	22,801	2,154,019	2,308,394

The loss allowance for trade receivables amounting to €596,593 (2021: €614,747) is recognised by the company (refer to Note 7) and the remaining amounts are reflected by the related party referred to previously. The movements in credit loss allowances recognised by the company are disclosed in Note 15.

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

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

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than a year past due.

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

2. **Financial risk management** - continued

Ageing analysis of trade receivables

Categorisation of receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 December 2022 and 2021, the company's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the company's trade receivables figures.

Impairment of other receivables

The arrangement between the company and the related party referred to previously also includes receivables from customers in relation to contractual arrangements with such debtors. These financial assets are deemed other contractual receivables within this note, for the purposes of credit risk management disclosures, even though they are presented as amounts receivable from related parties forming part of Mizzi Organisation. In this respect, management assesses on a forward-looking basis the expected credit losses ('ECL') on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition as summarised below:

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

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

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

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

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

2. Financial risk management - continued

Impairment of other receivables: Explanation of inputs

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

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

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

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

The loss allowance for other receivables from customers in relation to contractual arrangements as at 31 December 2022 and 2021 was determined as follows:

As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	**7.5%**	**20%**	**100%**	
Loss given default (LGD)	**100%**	**100%**	**100%**	
Gross carrying amount (EAD) - €	**2,871,320**	**827,730**	**1,503,496**	**5,202,546**
Loss allowance (€)	**215,349**	**165,546**	**1,503,496**	**1,884,391**

As at 31 December 2021	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	7.5%	20%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	3,042,970	2,197,228	1,530,785	6,770,983
Loss allowance (€)	228,685	439,446	1,530,785	2,198,916

The loss allowance for other receivables from customers in relation to contractual arrangements is recognised in full by the related party referred to previously.

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

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

2. **Financial risk management** - continued

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the company, and a failure to make contractual payments for a period of greater than a year past due. Credit losses are presented as net expected credit losses and other impairment charges within administrative expenses under operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

As at 31 December 2022 other receivables from customers in relation to contractual arrangements of €662,184 (2021: €1,970,231) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of other receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

Amounts owed by related parties

The company's debtors include significant amounts due from related parties, primarily from related parties forming part of the Mizzi Organisation and other related parties (see Note 7). The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group 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. Since these balances owed by related parties are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities (Note 11) and trade and other payables (Note 13). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the company's obligations.

A significant part of the company's purchases are made through a related party forming part of Mizzi Organisation, with the objective that the company acts as the sole customer facing entity for the Organisation's beverage activities. As a result of this arrangement, the company's trade and other payables as at 31 December 2022 include significant amounts due from this related party forming part of Mizzi Organisation (Note 13). This related party has undertaken not to request repayments of amounts due until alternative financing is available.

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 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 financing arrangements with the related party referred to above, committed bank borrowing facilities and other intra-Organisation financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the company as significant taking into account the liquidity management process referred to above.

2. Financial risk management - continued

The table below analyses the company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balance due within twelve months equal their carrying balances, as the impact of the 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 2022					
Lease liabilities	**47,237**	**46,220**	**39,827**	**-**	**133,284**
Trade and other payables	**24,886,973**	**-**	**-**	**-**	**24,886,973**

	Less than 1 year €	**Between 1 and 2 years** €	**Between 2 and 5 years** €	**Over 5 years** €	**Total** €
At 31 December 2021					
Lease liabilities	50,292	47,241	86,045	-	183,578
Trade and other payables	25,094,296	-	-	-	25,094,296

2.2 Capital risk management

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

2. Financial risk management - continued

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

	2022	2021
	€	€
Total borrowings	**105,632,457**	108,947,257
Less: Cash and cash equivalents	**(18,087,552)**	(28,574,456)
Net debt	**87,544,905**	80,372,801
Total equity	**179,931,028**	162,886,016
Total capital	**267,475,933**	243,258,817
Net debt/total capital	**33%**	33%

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of GSD Marketing 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, taking cognisance of the Organisation's capital management programme.

2.3 Fair values of financial instruments

At 31 December 2022 and 2021 the carrying amounts of cash at bank, receivables, payables and accrued expenses reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the company for similar financial instruments. The carrying amount of the company's non-current receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The carrying amounts of the other financial liabilities as at 31 December, comprising lease liabilities, are reasonable estimates of their fair value. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 7, *'Financial Instruments: Disclosure'*.

3. Critical accounting estimates and judgements

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

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

4. Property, plant and equipment

	Land €	Vending and other equipment €	Motor vehicles €	Total €
At 1 January 2021				
Cost	350,034	3,615,345	52,876	4,018,255
Accumulated depreciation	-	(2,436,773)	(16,426)	(2,453,199)
Net book amount	350,034	1,178,572	36,450	1,565,056
Year ended 31 December 2021				
Opening net book amount	350,034	1,178,572	36,450	1,565,056
Additions	-	38,784	29,000	67,784
Depreciation charge	-	(341,423)	(6,950)	(348,373)
Closing net book amount	350,034	875,933	58,500	1,284,467
At 31 December 2021				
Cost	350,034	3,654,129	81,876	4,086,039
Accumulated depreciation	-	(2,778,196)	(23,376)	(2,801,572)
Net book amount	350,034	875,933	58,500	1,284,467
Year ended 31 December 2022				
Opening net book amount	350,034	875,933	58,500	1,284,467
Additions	-	169,866	-	169,866
Revaluation surplus arising during the year (note 10)	1,849,966	-	-	1,849,966
Depreciation charge	-	(323,225)	(6,950)	(330,175)
Closing net book amount	**2,200,000**	**722,574**	**51,550**	**2,974,124**
At 31 December 2022				
Cost or valuation	2,200,000	3,823,995	81,876	6,105,871
Accumulated depreciation	-	(3,101,421)	(30,326)	(3,131,747)
Net book amount	**2,200,000**	**722,574**	**51,550**	**2,974,124**

Fair valuation of property

The company's land, within property, plant and equipment, was revalued on 31 December 2022 by an independent professionally qualified valuer. The book value of the property was adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, was credited to the revaluation reserve in shareholders' equity (Note 10).

The valuation was made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

4. Property, plant and equipment - continued

The company is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

The land is owned by the company and is earmarked for future development relating to the company's existing operations. The recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The company's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current financial year, is reflected in the table above.

V*aluation processes*

The valuation of the property is performed regularly on the basis of valuation reports prepared by third party qualified valuers and other valuation assessments prepared by management. These reports are based on both:

- information provided by the company which is derived from the undertaking's financial systems and is subject to the entity's overall control environment; and

- assumptions and valuation models used by the valuers/management; with assumptions being typically market related and based on professional judgement and market observation.

The information provided to the valuers/management, together with the assumptions and the valuation models used by the valuers/management, are reviewed by designated officers within the Mizzi Organisation. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report on assessment is appropriate, the report is recommended to the company's Board of directors. The Board then considers the report as part of its overall responsibilities.

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last valuation report on assessment. This analysis is usually supported by an assessment performed by the third party property valuers or management depending on the complexity of the property being valued. The officers report to the Board on the outcome of this assessment.

4. Property, plant and equipment - continued

Valuation technique

At 31 December 2022, the valuation assessment was performed using an adjusted sales comparison approach.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs to the approach used are generally those described below:

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.

Information about fair value measurements using significant unobservable inputs (Level 3):

Description by class based on highest and best use	Valuation technique	Significant unobservable input	Range of unobservable inputs
	As at 31 December 2022		
Developable land for commercial use	Adjusted sales comparison approach	Commercial: sales price factor per square metre (€)	445

With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the higher the resultant fair valuation.

At 31 December 2022, the directors considered the current use of the property to be equivalent to the highest and best use.

If the land was stated on the historical cost basis, the amount would be €350,034 (2021: €350,034).

5. Right-of-use assets

The company's leasing activities

The company leases various motor vehicles from a related party forming part of Mizzi Organisation. Rental contracts are typically made for fixed periods of 6 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants. Leased assets may not be used as security for borrowing purposes.

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

	2022	2021
	€	€
Motor vehicles – Total right-of-use assets	**121,178**	167,145

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

	2022	2021
	€	€
As at 1 January	**167,145**	213,112
Depreciation	**(45,967)**	(45,967)
As at 31 December	**121,178**	167,145

The income statement reflects the following amounts relating to leases:

	2022	2021
	€	€
Depreciation charge of right-of-use assets		
Motor vehicles	**45,967**	45,967
Interest expense (included in finance costs)	**4,802**	6,122

6. Inventories

	2022	2021
	€	€
Goods held for resale	**3,056,041**	2,413,297
Spares and consumables	**269,796**	238,546
	3,325,837	2,651,843

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 €401,152 (2021: €348,782). These amounts have been included in 'Cost of sales' in profit or loss.

7. Trade and other receivables

	2022 €	2021 €
Current		
Trade receivables - gross	**11,233,968**	10,031,000
Less: Credit loss allowances in respect of trade receivables	**(596,593)**	(614,747)
Trade receivables - net	**10,637,375**	9,416,253
Amounts owed by related parties forming part of Mizzi Organisation	**1,850,402**	1,173,469
Amounts owed by other related parties	**8,083**	5,914
Advance payment to suppliers	**258,434**	79,199
Indirect taxation	**150,019**	-
Other receivables	**3,027,146**	3,429,228
Prepayments	**497,005**	374,249
	16,428,464	14,478,312
Non-current		
Other receivables	**3,168,088**	4,352,451

Expected credit loss allowances of €1,853,982 (2021: €1,693,647) in respect of trade receivables, of €1,647,103 (2021: €1,729,703) attributable to current other receivables and €237,288 (2021: €469,213) to non-current other receivables, are reflected in the related party's financial statements, in accordance with the nature of the arrangement between the company and the related party.

Other receivables mainly comprise amounts due from third party customers in relation to contractual arrangements entered into with these parties. The related non-current amounts are receivable within five years from the end of the reporting period.

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

	2022 €	2021 €
Within 1 year	**24,357**	-
Between 1 and 2 years	**49,124**	24,357
Between 2 and 5 years	**155,803**	167,216
Over 5 years	**87,549**	125,260
	316,833	316,833

8. Cash and cash equivalents

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

	2022 €	2021 €
Cash at bank and in hand	**3,338,570**	4,916,633

9. Share capital

	2022 €	2021 €
Authorised		
10,000 ordinary shares of €2.329373 each	**23,294**	23,294
Issued and fully paid		
1,002 ordinary shares of €2.329373 each	**2,334**	2,334

10. Revaluation reserve

	2022 €	2021 €
Surplus arising on fair valuation of land	**1,629,966**	-

The movements are analysed as follows:

	2022 €	2021 €
Land		
At beginning of year	**-**	-
Revaluation surplus arising during the year (Note 4)	**1,849,966**	-
Deferred income taxes on revaluation surplus arising during the year (Note 12)	**(220,000)**	-
At end of year	**1,629,966**	-

The tax impact included in the revaluation reserve as at 31 December 2022, relates to deferred taxation arising on the surplus on fair valuation of the company's land for an amount of €220,000. The movement in the tax impact relating to this component of other comprehensive income during the current financial year is presented in the table above.

The revaluation reserve is non-distributable.

11. Lease liabilities

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

	2022	2021
	€	€
Non-current		
Motor vehicles	**83,891**	127,797
Current		
Motor vehicles	**43,906**	45,486
Total lease liabilities	**127,797**	173,283

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

	2022	2021
	€	€
As at 1 January	**173,283**	217,449
Payments	**(50,288)**	(50,288)
Interest charge	**4,802**	6,122
As at 31 December	**127,797**	173,283

The lease liabilities are entirely attributable to arrangements with a related party forming part of Mizzi Organisation.

The total cash outflows for leases in 2022 were €50,288 (2021: €50,288). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2(c). The weighted average incremental borrowing rate applied to the lease liabilities by the company was 3%.

12. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35%, with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 10% of the transfer value.

The movement on the deferred tax account is as follows:

	2022	2021
	€	€
At beginning of year	**-**	-
Deferred income taxes on revaluation surplus on land arising during the year	**220,000**	-
At end of year	**220,000**	-

12. **Deferred taxation** - continued

The balance at 31 December represents:

	2022 **€**	2021 €
Temporary differences arising on fair valuation of land	**220,000**	-

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

13. Trade and other payables

	2022 **€**	2021 €
Current		
Trade payables	**3,351,772**	2,996,578
Amounts owed to related parties forming part of Mizzi Organisation	**19,675,631**	20,888,852
Other payables	**728,328**	363,528
Indirect taxation	**-**	1,280,142
Accruals	**1,131,242**	845,338
	24,886,973	26,374,438

14. Revenue

All the company's revenue is derived from activities in the local beverage sector in the selling of soft drinks, mineral water, beer and non-alcoholic other beverages. The company acts as the sole point of focus for all customers of the Organisation's beverage activities. The company's revenues are entirely recognised at a point in time and the company had no unfulfilled performance obligations as at 31 December 2022 and 2021.

15. Expenses by nature

	2022 **€**	2021 €
Cost of goods sold	**48,005,999**	39,549,976
Employee benefit expense (Note 16)	**1,857,745**	1,642,592
Depreciation of property, plant and equipment (Note 4)	**330,175**	348,373
Depreciation of right-of-use assets (Note 5)	**45,967**	45,967
Expense relating to short-term leases	**134,891**	57,533
Management fees and similar service charges	**942,623**	262,593
Marketing, business promotion and related expenses	**421,313**	135,208
Bad debts written off	**133,086**	49,047
Other expenses	**42,371**	201,056
Total cost of sales; distribution and selling costs; and administrative expenses	**51,914,170**	42,292,345

15. Expenses by nature - continued

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

	2022	2021
	€	€
Movement in credit loss allowances in respect of trade receivables (included in 'Administrative expenses') – refer to Note 2.1 (b)	**(18,154)**	34,540
Exchange differences	**(14,368)**	2,195

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2022 and 2021 relate to the following:

	2022	2021
	€	€
Annual statutory audit	**5,000**	5,000
Other assurance services	**-**	1,200
Tax advisory and compliance services	**460**	460
	5,460	6,660

16. Employee benefit expense

	2022	2021
	€	€
Wages and salaries	**1,763,093**	1,557,002
Social security costs	**94,652**	85,590
	1,857,745	1,642,592

Average number of persons employed by the company during the year:

	2022	2021
Direct	**46**	34
Administration	**6**	7
	52	41

Wages and salaries for the preceding financial year are presented net of a payroll grant receivable from the Government, under the COVID-19 wage supplement scheme, amounting to €254,122 in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

17. Finance income

	2022	2021
	€	€
Interest receivable from related party forming part of Mizzi Organisation	**2,548**	4,768

18. Finance costs

	2022	2021
	€	€
Bank interest and charges	**17,313**	4,905
Interest charges on lease liabilities	**4,802**	6,122
	22,115	11,027

19. Tax expense

	2022	2021
	€	€
Current taxation:		
Current tax expense	**663,763**	3,603
Adjustment recognised in financial period for current tax of prior periods	**5,171**	3,362
	668,934	6,965

The tax on the company's profit/(loss) before tax differs from the theoretical amount that would arise using the basic tax rate applicable as follows:

	2022	2021
	€	€
Profit/(loss) before tax	**1,759,810**	(65,963)
Tax on profit/(loss) at 35%	**615,934**	(23,087)
Tax effect of:		
Movement in temporary differences arising on property, plant and equipment and credit loss allowances in respect of trade receivables	**46,149**	26,433
Under provision of tax in prior year	**5,171**	3,362
Expenses not allowable for tax purposes	**1,680**	257
Tax charge in the accounts	**668,934**	6,965

At 31 December 2022, the company had deductible temporary differences, arising on property, plant and equipment and provisions for impairment of trade receivables, amounting to €1,168,330 (2021: €1,143,774). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

20. Director's emoluments

	2022	2021
	€	€
Salaries and other emoluments	**53,043**	53,043

21. Dividends

	2022	2021
	€	€
Final dividends paid on ordinary shares:		
Net dividends	**500,000**	500,000
Dividends per share	**499**	499

22. Cash (used in)/ generated from operations

Reconciliation of operating profit/(loss) to cash (used in)/generated from operations:

	2022	2021
	€	€
Operating profit/(loss)	**1,779,377**	(59,704)
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**330,175**	348,373
Depreciation of right-of-use assets (Note 5)	**45,967**	45,967
Movement in credit loss allowances in respect of trade receivables (Note 15)	**(18,154)**	34,540
Changes in working capital:		
Inventories	**(673,994)**	(831,968)
Trade and other receivables	**(747,635)**	2,486,661
Trade and other payables	**(1,487,465)**	2,133,152
Cash (used in)/generated from operations	**(771,729)**	4,157,021

Net debt reconciliation

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

23. Contingent liabilities

(a) The company, together with certain other related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of various related parties forming part of Mizzi Organisation up to a limit of €86,412,000 (2021: €103,649,000) together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by the company on its assets for the amount of €24,482,000 (2021: €24,482,000).

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

24. Related party transactions

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

The entities constituting Mizzi Organisation are ultimately fully owned by Daragon Limited, Demoncada Holdings Limited, Demoncada Limited, Investors One Limited (formerly Investors Limited which has been struck-off following division) 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 Mizzi Organisation.

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

Taking cognisance of the arrangement referred to in Note 2.1(b) to the financial statements, in the ordinary course of its operations, the company purchases significant amounts of its goods for resale from another company forming part of the Organisation. The Organisation's objective is to earmark the company as the sole customer facing entity for the beverage activities of the Organisation. Furthermore, in the ordinary course of its operations, the company sells goods to companies forming part of the Organisation for trading purposes and also purchases goods and services from these companies.

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.

24. 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:

	2022 **€**	2021 €
Sales of goods and services		
Revenue from servicing, advertising and similar service charges	**490,468**	490,134
Sale of goods held for resale	**611,794**	726,558
	1,102,262	1,216,692
Purchases of goods and services		
Purchases of goods held for resale and services	**35,690,608**	28,954,903
Purchases of property, plant and equipment	**-**	18,656
Management fees payable	**12,156**	12,156
	35,702,764	30,500,990

Upon adoption of IFRS 16, the Group recognised lease liabilities in respect of lease arrangements with related parties (refer to Note 11)

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 11 to these financial statements. Such balances are unsecured, interest free and repayable on demand, unless otherwise stated in these financial statements.

The company's expenditure reflected in profit or loss comprises amounts recharged from related parties forming part of Mizzi Organisation of €2,573,407 (2021: €1,718,234).

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

25. Statutory information

GSD Marketing Limited is a limited liability company and is incorporated in Malta.