

GSD MARKETING LIMITED

Annual Report and Financial Statements
31 December 2023

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Directors' report

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

Principal activities

The company's principal activity, which is unchanged since last year, is 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 €58,925,995 from €53,691,449 in 2022, while gross profit increased from €5,685,450 in 2022 to €6,322,586 in 2023. An increase in distribution and selling costs was registered in 2023, due to increased trading activity. This resulted in an operating profit of €1,711,094 in 2023 compared to €1,779,377 in 2022.

The company registered a profit for the financial year of €1,099,894 (2022: €1,090,876).

The directors believe that the company's financial position remains satisfactory, in the context of the matters described in Note 1.1 of the financial statements.

Outlook for 2024

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

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

Financial risk management

In 2023, there has been no change in the company's financial risk management objectives and policies, details of which, together with further information on the company's risk exposures can be found in Note 2 to the financial statements.

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 (2022: €500,000).

The directors propose that the balance of retained earnings amounting to €2,478,297 (2022: €1,888,069) be carried forward to the next financial year.

Directors

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

Maurice F. Mizzi (resigned on 1 January 2024)
Brian R. Mizzi
Kenneth C. Mizzi (resigned on 1 January 2024)
Elisa Hanna Krantz (appointed on 22 March 2023)
Simon Mizzi (appointed on 22 March 2023)
Taryn Camilleri De Marco (appointed 22 March 2023)
Maria Micallef (appointed on 22 March 2023)
Andrew Muscat (appointed on 30 June 2023)
Kevin Rapinett (appointed on 18 September 2023)
Andrew Manduca (appointed on 22 March 2023 and resigned on 30 June 2023)

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements 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 2023 are included in the Annual Report 2023, 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



Kevin Rapinett
Director

Registered office:
Marsa Industrial Estate
Marsa
Malta

30 April 2024



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 2023, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

GSD Marketing Limited's financial statements, set out on pages 9 to 44, comprise:

- the statement of financial position as at 31 December 2023;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include material accounting policies and other explanatory information.

Basis for opinion

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

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

Independence

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



Independent auditor's report - continued

To the Shareholders of 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.



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 2023* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

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

Area of the <i>Annual Report and Financial Statements 2023</i> and the related Directors’ responsibilities	Our responsibilities	Our reporting
<p>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.</p>	<p>We are required to consider whether the information given in the Directors’ report for the financial year for which the financial statements are prepared is consistent with the financial statements.</p> <p>We are also required to express an opinion as to whether the Directors’ report has been prepared in accordance with the applicable legal requirements.</p> <p>In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors’ report, and if so to give an indication of the nature of any such misstatements.</p>	<p>In our opinion:</p> <ul style="list-style-type: none"> 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). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of GSD Marketing Limited

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

Other matter – use of this report

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

Fabio Axisa
Principal

For and on behalf of:
PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

30 April 2024

Statement of financial position

		As at 31 December	
		2023	2022
		€	€
	Notes		
ASSETS			
Non-current assets			
Property, plant and equipment	4	2,905,507	2,974,124
Right-of-use assets	5	78,071	121,178
Trade and other receivables	7	4,477,027	3,168,088
		7,460,605	6,263,390
Current assets			
Inventories	6	4,133,551	3,325,837
Trade and other receivables	7	17,742,273	16,428,464
Cash and cash equivalents	8	1,295,380	3,338,570
		23,171,204	23,092,871
Total assets		30,631,809	29,356,261

Statement of financial position - continued

		As at 31 December	
		2023	2022
		€	€
EQUITY AND LIABILITIES	Notes		
Capital and reserves			
Share capital	9	12,000	2,334
Revaluation reserve	10	1,629,966	1,629,966
Retained earnings		2,478,297	1,888,069
Total equity		4,120,263	3,520,369
Non-current liabilities			
Lease liabilities	11	39,387	83,891
Deferred tax liabilities	12	220,000	220,000
Total non-current liabilities		259,387	303,891
Current liabilities			
Trade and other payables	13	25,608,502	24,886,973
Lease liabilities	11	44,504	43,906
Current tax liabilities		599,153	601,122
Total current liabilities		26,252,159	25,532,001
Total liabilities		26,511,546	25,835,892
Total equity and liabilities		30,631,809	29,356,261

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 2024 and were signed on its behalf by:


Brian R. Mizzi
Director


Kevin Rapinett
Director

Income statement

		Year ended 31 December	
		2023	2022
		€	€
	Notes		
Revenue	14	58,925,995	53,691,449
Cost of sales	15	(52,603,409)	(48,005,999)
		6,322,586	5,685,450
Gross profit			
Distribution and selling costs	15	(3,044,559)	(2,161,689)
Administrative expenses	15	(1,600,802)	(1,746,482)
Other operating income		33,869	2,098
		1,711,094	1,779,377
Operating profit			
Finance income	17	-	2,548
Finance costs	18	(7,848)	(22,115)
		1,703,246	1,759,810
Profit before tax			
Tax expense	19	(603,352)	(668,934)
		1,099,894	1,090,876
Profit for the year			

The notes on pages 15 to 44 are an integral part of these financial statements.

Statement of comprehensive income

		Year ended 31 December	
		2023	2022
		€	€
	Note		
Profit for the year		1,099,894	1,090,876
Other comprehensive income:			
Revaluation surplus on land and buildings arising during the year, net of deferred tax	10	-	1,629,966
Total comprehensive income for the year		1,099,894	2,720,842

The notes on pages 15 to 44 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Revaluation reserve €	Retained earnings €	Total €
Balance at 1 January 2022		2,334	-	1,297,193	1,299,527
Comprehensive income					
Profit for the year		-	-	1,090,876	1,090,876
Other comprehensive income:					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	10	-	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
Comprehensive income					
Profit for the year		-	-	1,099,894	1,099,894
- total comprehensive income		-	-	1,099,894	1,099,894
Transactions with owners					
Issue of share capital through capitalisation of retained earnings	9	9,666	-	(9,666)	-
Dividends relating to 2023	21	-	-	(500,000)	(500,000)
Total transactions with owners		9,666	-	(509,666)	(500,000)
Balance at 31 December 2023		12,000	1,629,966	2,478,297	4,120,263

The notes on pages 15 to 44 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December	
		2023 €	2022 €
Cash flows from operating activities			
Cash used in operations	22	(630,301)	(771,729)
Interest received	17	-	2,548
Interest paid	18	(4,468)	(17,313)
Tax paid		(605,321)	(71,415)
Net cash used in operating activities		(1,240,090)	(857,909)
Cash flows from investing activities			
Payments for property, plant and equipment	4	(255,814)	(169,866)
Net cash used in investing activities		(255,814)	(169,866)
Cash flows from financing activities			
Dividends paid	21	(500,000)	(500,000)
Principal elements of lease payments		(47,286)	(50,288)
Net cash used in financing activities		(547,286)	(550,288)
Net movement in cash and cash equivalents		(2,043,190)	(1,578,063)
Cash and cash equivalents at beginning of year		3,338,570	4,916,633
Cash and cash equivalents at end of year	8	1,295,380	3,338,570

The notes on pages 15 to 44 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of material accounting policies

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

1.1 Basis of preparation

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 2023, the company's current liabilities exceeded current assets by €3,080,955 (2022: €2,439,130). The directors take cognisance of the significant part of the company's purchases that are effected 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 2023 include significant amounts due to 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 GSD Marketing Limited and of the companies constituting the Mizzi Organisation are comfortable with the financial position and performance of the companies forming part of the Group. The refinancing exercises effected in prior years have given the Group a fixed exposure when it comes to a significant portion of borrowing costs. This has created a hedge which will last for a number of years, thus limiting the effects of the high interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Limited (a related party) has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors had adopted an approach of carrying out only essential capital expenditure and post-pandemic, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business model of the companies within the Organisation. The directors consider the Organisation and all Mizzi Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

1. Summary of material accounting policies - continued

1.1 Basis of preparation – continued

Standards, interpretations and amendments to published standards effective in 2023

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

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2023. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1.2 Functional and presentation currency

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

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.

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

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

	%
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.

1. Summary of material accounting policies - continued

1.3 Property, plant and equipment – continued

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are 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 (through other comprehensive income); and
- those to be measured at amortised cost.

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

The company reclassifies financial assets, comprising debt instruments, when and only when its business model for managing those assets changes.

Recognition and derecognition

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

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

Measurement

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

Debt instruments

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

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

1. Summary of material accounting policies - continued

1.4 Financial assets – continued

Impairment

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

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

1.4.1 Trade and other receivables

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

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

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

1.4.2 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks.

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.

1.6 Share capital

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

1.7 Financial liabilities

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

1. Summary of material accounting policies - continued

1.7.1 Trade and other payables

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

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

1.8 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.

1.9 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.

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.

1.10 Revenue recognition

Revenues include all sales from the ordinary business activities of the company. Ordinary activities do not only refer to the core businesses 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 14 '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 promise create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

1. Summary of material accounting policies - continued

1.10 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.

Sales of beverages - wholesale

The company 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.

Financing

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

1.11 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 purposes. The recoverability of contract assets is also assessed, especially to address 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 material accounting policies - continued

1.12 Operating leases

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

The company is the lessee

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

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

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

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

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

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

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

To determine the incremental borrowing rate, the company:

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

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

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

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

1. Summary of material accounting policies - continued

1.12 Operating leases - continued

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

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

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.

1.13 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), 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. 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 of 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:

	2023	2022
	€	€
Financial assets measured at amortised cost:		
Trade and other receivables (Note 7)	21,881,077	18,691,094
Cash and cash equivalents (Note 8)	1,295,280	3,338,570
	23,176,357	22,029,664

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, indirect taxation and advance payments to suppliers.

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 24). 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, including 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 macro-economic 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 2023 and 2022 was determined as follows:

31 December 2023	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 (€)	9,515,932	610,393	191,566	211,163	2,125,498	12,654,552
Loss allowance (€)	117,943	28,992	18,229	30,280	2,125,498	2,320,942
<hr/>						
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

The loss allowance for trade receivables amounting to €619,537 (2022: €596,593) 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 cognisance of the projected impact on the repayment ability of the Company's customers, the repayment pattern actually experienced, and the estimated life of trade receivables. As at 31 December 2023, the Company retained the same expected credit loss rates as those applied as at 31 December 2022.

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

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

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within 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 2023 and 2022, the company's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the company's trade receivables figures.

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 2023 and 2022 was determined as follows:

As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	7.5%	20%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	3,995,357	941,259	1,383,355	6,319,971
Loss allowance (€)	299,652	188,251	1,383,355	1,871,258
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As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	7.5%	20%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	2,871,320	827,730	1,503,496	5,202,546
Loss allowance (€)	215,349	165,546	1,503,496	1,884,391

The loss allowance for other receivables from customers in relation to contractual arrangements is recognised in full by the 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 2023 other receivables from customers in relation to contractual arrangements of €753,007 (2022: €662,184) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of other receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 December 2023 and 2022, the carrying amount of other receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the company's other receivables figures.

Amounts owed by related parties

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 effected 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 2023 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 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 2023					
Lease liabilities	46,220	35,975	3,852	-	86,047
Trade and other payables	25,608,502	-	-	-	25,608,502
<hr/>					
	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

2.2 Capital risk management

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

2. Financial risk management - continued

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

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

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of 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 2023 and 2022 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 2022				
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
Year ended 31 December 2023				
Opening net book amount	2,200,000	722,574	51,550	2,974,124
Additions	-	255,814	-	255,814
Depreciation charge	-	(317,481)	(6,950)	(324,431)
Closing net book amount	2,200,000	660,907	44,600	2,905,507
At 31 December 2023				
Cost or valuation	2,200,000	4,079,809	81,876	6,361,685
Accumulated depreciation	-	(3,418,902)	(37,276)	(3,456,178)
Net book amount	2,200,000	660,907	44,600	2,905,507

Fair valuation of property

The company's land, within property, plant and equipment, was last 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.

Valuation 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 utilised by 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 or 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 or 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, which might indicate the requirement of a valuation report by third party valuers.

4. Property, plant and equipment - continued

Valuation technique

At 31 December 2023 and 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 concept of sales price factor per 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) at 31 December 2023 and 2022:

Description by class based on highest and best use	Valuation technique	Significant unobservable input	
Developable land for commercial use	Adjusted sales comparison approach	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 2023 and 2022, the directors considered the current intended 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 (2022: €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.

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

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

	2023	2022
	€	€
Motor vehicles – Total right-of-use assets	78,071	121,178

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

	2023	2022
	€	€
As at 1 January	121,178	167,145
Depreciation	(43,107)	(45,967)
As at 31 December	78,071	121,178

The income statement reflects the following amounts relating to leases:

	2023	2022
	€	€
<i>Depreciation charge of right-of-use assets</i>		
Motor vehicles	43,107	45,967
<i>Interest expense (included in finance costs)</i>	3,380	4,802

6. Inventories

	2023	2022
	€	€
Goods held for resale	3,759,220	3,056,041
Spares and consumables	374,331	269,796
	4,133,551	3,325,837

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 €252,060 (2022: €401,152). These amounts have been included in 'Cost of sales' in profit or loss.

7. Trade and other receivables

	2023 €	2022 €
Current		
Trade receivables - gross	12,654,552	11,233,968
Less: Credit loss allowances in respect of trade receivables	(619,537)	(596,593)
Trade receivables - net	12,035,015	10,637,375
Amounts owed by related parties forming part of Mizzi Organisation	2,161,184	1,850,402
Amounts owed by other related parties	10,540	8,083
Advance payments to suppliers	24,765	258,434
Indirect taxation	53,198	150,019
Other receivables	3,197,311	3,027,146
Prepayments	260,260	497,005
	17,742,273	16,428,464
Non-current		
Other receivables	4,477,027	3,168,088

Expected credit loss allowances of €1,701,405 (2022: €1,653,982) in respect of trade 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. Similarly, expected credit loss allowances of €1,510,158 (2022: €1,647,103) attributable to current other receivables and €361,100 (2022: €237,288) to non-current other receivables are also reflected in the related party's financial statements.

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:

	2023 €	2022 €
Within 1 year	-	24,357
Between 1 and 2 years	48,581	49,124
Between 2 and 5 years	153,999	155,803
Over 5 years	109,956	83,252
	312,536	312,536

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

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

8. Cash and cash equivalents

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

	2023 €	2022 €
Cash at bank and in hand	1,295,380	3,338,570

9. Share capital

	2023 €	2022 €
Authorised		
16,666 'A' ordinary shares of €1 each	16,666	-
16,666 'B' ordinary shares of €1 each	16,666	-
16,666 'C' ordinary shares of €1 each	16,666	-
10,000 ordinary shares of €2.329373 each	-	23,294
	49,998	23,294
Issued and fully paid		
4,000 'A' ordinary shares of €1 each	4,000	-
4,000 'B' ordinary shares of €1 each	4,000	-
4,000 'C' ordinary shares of €1 each	4,000	-
1,002 ordinary shares of €2.329373 each	-	2,334
	12,000	2,334

Redesignation of share capital

By virtue of an extraordinary resolution dated 22 March 2023, the shareholders resolved that the company's authorised share capital is redesignated from 10,000 ordinary shares of a nominal value of €2.329373 per share into 23,292 ordinary shares of a nominal value of €1 per share split as follows: 7,764 Ordinary 'A' shares, 7,764 Ordinary 'B' shares and 7,764 Ordinary 'C' shares. Subsequently, on the same date, also the issued and fully paid share capital was also redesignated from 1,002 ordinary shares of a nominal value of €2.329373 per share into 2,334 ordinary shares of a nominal value of €1 per share split as follows: 778 Ordinary 'A' shares, 778 Ordinary 'B' shares and 778 Ordinary 'C' shares.

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

Increase in share capital

On 22 March 2023, the shareholders further resolved to increase the authorised share capital of the company to 49,998 ordinary shares of €1 each. Thereafter, it was resolved to increase the issued and fully paid share capital of the company through the issue and allotment of 9,666 fully paid ordinary shares of €1 each. The consideration amounting to €9,666 comprised the capitalisation of retained earnings.

10. Revaluation reserve

	2023	2022
	€	€
Surplus arising on fair valuation of land	1,629,966	1,629,966

The movements are analysed as follows:

	2023	2022
	€	€
Land		
At beginning of year	1,629,966	-
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	1,629,966

The tax impact included in the revaluation reserve as at 31 December 2023, 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 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:

	2023	2022
	€	€
Non-current		
Motor vehicles	39,387	83,891
Current		
Motor vehicles	44,504	43,906
Total lease liabilities	83,891	127,797

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

	2023	2022
	€	€
As at 1 January	127,797	173,283
Payments	(47,286)	(50,288)
Interest charge	3,380	4,802
As at 31 December	83,891	127,797

11. Lease liabilities - continued

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

The total cash outflows for leases in 2023 were €182,188 (2022: €185,179). 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 in the deferred tax account is as follows:

	2023 €	2022 €
At beginning of year	220,000	-
Deferred income taxes on revaluation surplus on land arising during the year	-	220,000
At end of year	220,000	220,000

The balance at 31 December represents:

	2023 €	2022 €
Temporary differences arising on fair valuation of land	220,000	220,000

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

13. Trade and other payables

	2023 €	2022 €
Current		
Trade payables	3,717,383	3,351,772
Amounts owed to related parties forming part of Mizzi Organisation	20,824,138	19,675,631
Other payables	289,371	728,328
Accruals	777,610	1,131,242
	25,608,502	24,886,973

14. Revenue

All the company's revenue is derived from activities in the local beverage sector comprising 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 2023 and 2022.

15. Expenses by nature

	2023	2022
	€	€
Cost of goods sold	52,117,266	47,381,302
Employee benefit expense (Note 16)	2,757,326	1,887,546
Depreciation of property, plant and equipment (Note 4)	324,431	330,175
Depreciation of right-of-use assets (Note 5)	43,107	45,967
Expense relating to short-term leases	134,902	134,891
Management fees and similar service charges	953,329	942,623
Marketing, business promotion and related expenses	620,539	369,750
Bad debts written off	-	133,086
Other expenses	297,870	688,830
Total cost of sales; distribution and selling costs; and administrative expenses	57,248,770	51,914,170

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

	2023	2022
	€	€
Movement in credit loss allowances in respect of trade receivables (included in 'Administrative expenses')	22,944	(18,154)
Exchange differences	8,214	(14,368)

Auditor's fees

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

	2023	2022
	€	€
Annual statutory audit	5,100	5,000
Tax advisory and compliance services	-	460
	5,100	5,460

During the current year fees in relation to non-assurance services amounting to €745 (2022: nil) have been charged by connected undertakings of the company's auditor, in respect of tax advisory and compliance services.

16. Employee benefit expense

	2023	2022
	€	€
Wages and salaries	2,627,862	1,792,894
Social security costs	129,464	94,652
	2,757,326	1,887,546

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

	2023	2022
Direct	64	46
Administration	6	6
	70	52

17. Finance income

	2023	2022
	€	€
Interest receivable from related party forming part of Mizzi Organisation	-	2,548
	-	2,548

18. Finance costs

	2023	2022
	€	€
Bank interest and charges	4,468	17,313
Interest charges on lease liabilities	3,380	4,802
	7,848	22,115

19. Tax expense

	2023	2022
	€	€
Current taxation:		
Current tax expense	603,352	663,763
Adjustment recognised in financial period for current tax of prior periods	-	5,171
	603,352	668,934

19. Tax expense - continued

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

	2023	2022
	€	€
Profit before tax	1,703,246	1,759,810
Tax on profit at 35%	596,136	615,934
Tax effect of:		
Movement in temporary differences arising on property, plant and equipment and credit loss allowances in respect of trade receivables	6,034	46,149
Under provision of tax in prior year	-	5,171
Expenses not allowable for tax purposes	1,182	1,680
Tax charge in the accounts	603,352	668,934

At 31 December 2023, the company had deductible temporary differences, arising on property, plant and equipment and credit loss allowances in respect of trade receivables, amounting to €1,189,697 (2022: €1,168,330). 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. Directors' emoluments

	2023	2022
	€	€
Salaries and other emoluments:		
Non-executive directors (included in 'Other expenses' - Note 15)	23,242	23,242
Executive director (included in 'Employee benefit expense' - Note 16)	32,453	29,801

21. Dividends

	2023	2022
	€	€
Final dividends paid on ordinary shares:		
Net dividends	500,000	500,000
Dividends per share	41.7	499

Subsequent to the redesignation of, and increase in, the share capital of the company during the current financial year (refer to Note 9), the denominator utilised in the table above was the number of ordinary shares in issue at the point in time when dividends were paid amounting to 12,000 shares (2022: 1,002).

22. Cash used in operations

Reconciliation of operating profit to cash used in operations:

	2023	2022
	€	€
Operating profit	1,711,094	1,779,377
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	324,431	330,175
Depreciation of right-of-use assets (Note 5)	43,107	45,967
Movement in credit loss allowances in respect of trade receivables	22,944	(18,154)
Changes in working capital:		
Inventories	(807,714)	(673,994)
Trade and other receivables	(2,645,692)	(747,635)
Trade and other payables	721,529	(1,487,465)
Cash used in operations	(630,301)	(771,729)

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 €72,448,000 (2022: €86,412,000) 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 (2022: €24,482,000).
- (b) In 2021, a garnishee order was issued against the company for an amount of €1 million on a dispute with a third party, relating to importation rights of certain products. Until the date of authorisation for issue of these financial statements, the matter is still deemed to be in its early stages. The company, after having sought legal advice, vigorously believes that there is no valid claim and has accordingly filed its defence reply in court, in this respect. Hence, a material outflow is not deemed probable and no provision has been recognised. Certain information about the claim is not being disclosed on the grounds that such disclosure would seriously prejudice the outcome of the litigation, in line with the guidance within IAS 37 in this respect.

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

24. Related party transactions - continued

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

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

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

	2023	2022
	€	€
Sales of goods and services		
Sale of goods held for resale	817,044	611,794
Revenue from servicing, advertising and similar service charges	440,869	490,468
	1,257,913	1,102,262
Purchases of goods and services		
Purchases of goods held for resale and services	38,685,265	35,690,608
Management fees payable	12,756	12,156
	38,698,021	35,702,764

24. Related party transactions - continued

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 13 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 €3,169,701 (2022: €2,573,407).

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.