

THE GENERAL SOFT DRINKS COMPANY LIMITED

Annual Report and Consolidated Financial Statements
31 December 2010

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2010.

Principal activities

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

Review of the business

The group's level of business has decreased during the current financial year and accordingly its financial results have been adversely affected. The group's financial position remains satisfactory. The directors expect that the present level of activity will be enhanced for the foreseeable future and that operating results will improve.

Results and dividends

The consolidated financial results are set out on page 7. The directors have proposed and paid a final net dividend of €470,000 (2009: €465,000).

Directors

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

Brian R. Mizzi
Maurice F. Mizzi
Ian J. Mizzi

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

Statement of directors' responsibilities for the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent company as at the end of each reporting period and of the profit or loss for that period.

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

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

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

The financial statements of The General Soft Drinks Company Limited for the year ended 31 December 2010 are included in the Annual Report and Consolidated Financial Statements 2010, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board



Brian R. Mizzi
Director



Maurice F. Mizzi
Director

Registered office
The General Soft Drinks Company Limited
Marsa Industrial Estate
Marsa MRS 3000
Malta

30 April 2011

Independent auditor's report

To the Shareholders of The General Soft Drinks Company Limited

Report on the Financial Statements

We have audited the consolidated and the stand-alone parent company financial statements of The General Soft Drinks Company Limited (together the "financial statements") on pages 5 to 40 which comprise the consolidated and parent company statements of financial position as at 31 December 2010, the consolidated and parent company statements of comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the statement of directors' responsibilities for the financial statements on pages 1 and 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 December 2010, and of their financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

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

- The information given in the directors' report is not consistent with the financial statements.
- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PRICEWATERHOUSECOOPERS 

167 Merchants Street
Valletta
Malta



Fabio Axisa
Partner

30 April 2011

Statements of financial position

		As at 31 December			
		2010	2009	2010	2009
		Group		Company	
Notes		€	€	€	€
ASSETS					
Non-current assets					
		24,918,851	26,530,712	23,843,302	25,233,277
	4	Property, plant and equipment			
	5	Investments in subsidiary	-	-	1,162
	7	Trade and other receivables	1,190,869	491,408	1,190,869
		26,109,720	27,022,120	25,035,333	25,725,847
		Total non-current assets			
Current assets					
	8	Inventories	2,551,100	2,482,562	2,335,940
	7	Trade and other receivables	10,913,871	9,901,888	10,904,222
	9	Cash and cash equivalents	240,358	325,889	240,358
		13,705,329	12,710,339	13,480,520	12,396,003
		Total current assets			
		39,815,049	39,732,459	38,515,853	38,121,850
		Total assets			

Statements of financial position - continued

		As at 31 December			
		2010	2009	2010	2009
		Group		Company	
Notes		€	€	€	€
EQUITY AND LIABILITIES					
Capital and reserves					
		116,469	116,469	116,469	116,469
	10	20,496,572	20,360,040	18,718,697	18,681,739
		20,613,041	20,476,509	18,835,166	18,798,208
Total equity					
Non-current liabilities					
	12	500,000	600,000	500,000	600,000
	13	11,618,949	12,857,821	11,618,949	12,857,821
		12,118,949	13,457,821	12,118,949	13,457,821
Total non-current liabilities					
Current liabilities					
	12	5,026,705	4,058,607	5,507,798	4,145,543
		6,724	6,724	6,724	6,724
	13	2,049,630	1,732,798	2,047,216	1,713,554
		7,083,059	5,798,129	7,561,738	5,865,821
Total current liabilities					
Total liabilities					
		19,202,008	19,255,950	19,680,687	19,323,642
Total equity and liabilities					
		39,815,049	39,732,459	38,515,853	38,121,850

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 40 were authorised for issue by the Board on 30 April 2011 and were signed on its behalf by:



Brian R. Mizzi
Director



Maurice F. Mizzi
Director

Statements of comprehensive income

		Year ended 31 December			
		2010	2009	2010	2009
		Group		Company	
Notes		€	€	€	€
	Revenue	22,019,389	23,214,981	22,019,389	23,214,981
	Cost of sales	(13,403,495)	(12,866,387)	(13,553,737)	(12,962,754)
	Gross profit	8,615,894	10,348,594	8,465,652	10,252,227
	Distribution and selling costs	(5,453,751)	(5,503,801)	(5,453,751)	(5,503,801)
	Administrative expenses	(2,182,362)	(1,983,690)	(2,133,598)	(1,960,093)
	Other operating income	164,877	85,718	164,877	85,718
	Operating profit	1,144,658	2,946,821	1,043,180	2,874,051
	Finance costs	(538,126)	(923,902)	(536,222)	(921,653)
	Profit for the year	606,532	2,022,919	506,958	1,952,398
	- total comprehensive income	606,532	2,022,919	506,958	1,952,398
	Earnings per share	12.13	40.46		

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2009		116,469	18,802,121	18,918,590
Comprehensive income				
Profit for the year				
- total comprehensive income		-	2,022,919	2,022,919
Transactions with owners				
Dividends relating to 2009	22	-	(465,000)	(465,000)
Balance at 31 December 2009		116,469	20,360,040	20,476,509
Comprehensive income				
Profit for the year				
- total comprehensive income		-	606,532	606,532
Transactions with owners				
Dividends relating to 2010	22	-	(470,000)	(470,000)
Balance at 31 December 2010		116,469	20,496,572	20,613,041

Statements of changes in equity - continued

Company

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2009		116,469	17,194,341	17,310,810
Comprehensive income				
Profit for the year				
- total comprehensive income		-	1,952,398	1,952,398
Transactions with owners				
Dividends relating to 2009	22	-	(465,000)	(465,000)
Balance at 31 December 2009		116,469	18,681,739	18,798,208
Comprehensive income				
Profit for the year				
- total comprehensive income		-	506,958	506,958
Transactions with owners				
Dividends relating to 2010	22	-	(470,000)	(470,000)
Balance at 31 December 2010		116,469	18,718,697	18,835,166

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December				
		2010	2009	2009	2009	
		Group	Company			
Notes		€	€	€	€	
Cash flows from operating activities						
	Cash generated from operations	23	2,946,892	12,751,049	2,922,871	12,735,817
	Interest paid		(538,126)	(923,902)	(536,222)	(921,653)
	Tax refunded/(paid)		4,828	(105,000)	4,828	(105,000)
	Net cash generated from operating activities		2,413,594	11,722,147	2,391,477	11,709,164
Cash flows from investing activities						
	Purchase of property, plant and equipment	4	(1,249,085)	(1,768,449)	(1,243,798)	(1,768,449)
	Proceeds from disposal of property, plant and equipment	4	142,000	46,568	142,000	46,568
	Net cash used in investing activities		(1,107,085)	(1,721,881)	(1,101,798)	(1,721,881)
Cash flows from financing activities						
	Repayments of bank borrowings	13	(374,578)	(7,585,777)	(374,578)	(7,585,777)
	Dividends paid	22	(470,000)	(465,000)	(470,000)	(465,000)
	Net cash used in financing activities		(844,578)	(8,050,777)	(844,578)	(8,050,777)
	Net movement in cash and cash equivalents		461,931	1,949,489	445,101	1,936,506
	Cash and cash equivalents at beginning of year		(882,855)	(2,832,344)	(863,611)	(2,800,117)
	Cash and cash equivalents at end of year	9	(420,924)	(882,855)	(418,510)	(863,611)

The notes on pages 11 to 40 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of The General Soft Drinks Company Limited and its subsidiary. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention.

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

Standards, interpretations and amendments to published standards effective in 2010

In 2010, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2010. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the group'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 accounting periods beginning after 1 January 2010. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

1.2 Consolidation

(a) Subsidiaries

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

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

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

(b) Associates

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

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

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

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

1. Summary of significant accounting policies - continued

1.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost and subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

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

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:

	%
Plant and machinery	10 – 25
Office furniture and equipment	10 – 33 $\frac{1}{3}$
Motor vehicles	10 – 25

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

1.5 Intangible assets - Goodwill

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

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

1.6 Financial assets

Classification

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

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets classified within the loans and receivables category are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Loans and receivables are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Financial assets are derecognised when the rights to receive cash flows from the assets have expired or have been transferred and the group has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Impairment

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

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

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

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out method. The cost of raw materials comprises the invoiced value of materials, net of government grants received (refer to accounting policy 1.17 for 'Government grants'), and, in general, includes transport and handling costs. The cost of finished goods comprises raw materials, direct labour, other direct costs and related production overheads. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In respect of container stocks, net realisable value is estimated by writing down the cost of these stocks to estimated residual values over their estimated useful life.

1. Summary of significant accounting policies - continued

1.8 Trade and other receivables

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

1.9 Cash and cash equivalents

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

1.10 Share capital

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

1.11 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

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

1. Summary of significant accounting policies - continued

1.13 Borrowings

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

1.14 Offsetting financial instruments

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

1.15 Current and deferred tax

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.16 Revenue recognition

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

(a) Sales of goods

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

(b) Sales of services

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

(c) Interest income

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

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

1.17 Government grants

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

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

Grants related to income are presented as a deduction in reporting the related expense. Accordingly, government grants or subsidies received in respect of stocks are accounted for as an adjustment to the carrying amount of the related assets and are recognised in profit or loss as a deduction in reporting 'Cost of sales' when stocks affect the cost of goods sold in profit or loss. Grants receivable in relation to interest rate subsidy schemes are recognised in profit or loss as a deduction in reporting 'Finance costs' when the related interest expense is accrued in profit or loss.

1. Summary of significant accounting policies - continued

1.18 Operating leases

(a) A group undertaking is the lessee

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

1.19 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.20 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The group's overall risk management, covering risk exposures for both group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the group's financial performance. The company's board of directors provides principles for overall group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The group did not make use of derivative financial instruments (as defined by, and falling within the scope of, IAS 39) to hedge certain risk exposures during the current and preceding financial years.

(a) Market risk

(i) *Foreign exchange risk*

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

2. Financial risk management - continued

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in US dollar and sterling to be significant since the volume of such purchases and outstanding balances at end of the reporting period are not significant in relative terms.

Balances are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since group undertakings manage the risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

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

(ii) Cash flow and fair value interest rate risk

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

(iii) Price risk

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

(b) Credit risk

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Loans and receivables category:				
Trade and other receivables (Note 7)	12,104,740	10,393,296	12,095,091	10,393,296
Cash and cash equivalents	240,358	325,889	240,358	325,889
	12,345,098	10,719,185	12,335,449	10,719,185

2. Financial risk management - continued

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

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

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

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

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

The group's and company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 7) arising from property and financing transactions that have taken place in prior years. The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group and the company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2010, trade receivables of €340,133 (2009: €382,846) and other receivables of €2,254,390 (2009: €2,025,353) were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. The group does not hold any significant collateral as security in respect of the impaired assets.

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

2. Financial risk management - continued

As at 31 December 2010, trade receivables amounting to €274,987 (2009: €345,247) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

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

	Group and Company	
	2010	2009
	€	€
Up to 30 days	146,117	155,944
30 to 150 days	119,609	180,441
Over 150 days	9,261	8,862
	274,987	345,247

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

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 13) and trade and other payables (Note 12). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

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

2. Financial risk management - continued

The group's trade and other payables are entirely repayable within one year from the end of the reporting period. The table below analyses the group's bank borrowings into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2010					
Bank borrowings	2,288,008	1,850,388	4,136,867	6,083,599	14,358,862
At 31 December 2009					
Bank borrowings	1,786,614	1,626,726	5,031,515	6,851,097	15,295,952

2.2 Capital risk management

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

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

	2010 €	2009 €
Total borrowings	69,006,323	72,552,943
Less: cash and cash equivalents	(3,115,613)	(2,458,839)
Net debt	65,890,710	70,094,104
Total equity	84,628,625	86,928,009
Total capital	150,519,335	157,022,113
Net debt/total capital	44%	45%

2. Financial risk management - continued

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

2.3 Fair values of financial instruments

At 31 December 2010 and 2009 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of non-current financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The fair value of the group's non-current floating interest rate bank borrowings at the end of the reporting period is not significantly different from the carrying amount.

3. Critical accounting estimates and judgements

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

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

4. Property, plant and equipment

Group

	Buildings and integral assets €	Plant and machinery €	Office furniture and equipment €	Motor vehicles €	Total €
At 1 January 2009					
Cost	17,073,997	25,424,725	2,577,269	3,282,964	48,358,955
Accumulated depreciation	(561,816)	(16,549,731)	(2,185,352)	(1,528,622)	(20,825,521)
)		
Net book amount	16,512,181	8,874,994	391,917	1,754,342	27,533,434
Year ended 31 December 2009					
Opening net book amount	16,512,181	8,874,994	391,917	1,754,342	27,533,434
Additions	643,491	325,720	312,481	149,009	1,430,701
Disposals	-	(210,691)	-	(613,508)	(824,199)
Depreciation charge	(549,349)	(1,352,439)	(228,161)	(302,914)	(2,432,863)
Depreciation released on disposals	-	210,131	-	613,508	823,639
Closing net book amount	16,606,323	7,847,715	476,237	1,600,437	26,530,712
At 31 December 2009					
Cost	17,717,488	25,539,754	2,889,750	2,818,465	48,965,457
Accumulated depreciation	(1,111,165)	(17,692,039)	(2,413,513)	(1,218,028)	(22,434,745)
)		
Net book amount	16,606,323	7,847,715	476,237	1,600,437	26,530,712
Year ended 31 December 2010					
Opening net book amount	16,606,323	7,847,715	476,237	1,600,437	26,530,712
Additions	291,171	345,357	182,070	28,498	847,096
Disposals	-	(6,860,064)	(882,536)	(22,205)	(7,764,805)
Depreciation charge	(582,294)	(1,361,372)	(252,767)	(262,524)	(2,458,957)
Depreciation released on disposals	-	6,860,064	882,536	22,205	7,764,805
Closing net book amount	16,315,200	6,831,700	405,540	1,366,411	24,918,851
At 31 December 2010					
Cost	18,008,659	19,025,047	2,189,284	2,824,758	42,047,748
Accumulated depreciation	(1,693,459)	(12,193,347)	(1,783,744)	(1,458,347)	(17,128,897)
)		
Net book amount	16,315,200	6,831,700	405,540	1,366,411	24,918,851

4. Property, plant and equipment - continued

Company

	Buildings and integral assets €	Plant and machinery €	Office furniture and equipment €	Motor vehicles €	Total €
At 1 January 2009					
Cost	17,073,997	22,994,340	2,577,269	3,282,964	45,928,570
Accumulated depreciation	(561,816)	(15,643,425)	(2,185,352)	(1,528,622)	(19,919,215)
Net book amount	16,512,181	7,350,915	391,917	1,754,342	26,009,355
Year ended 31 December 2009					
Opening net book amount	16,512,181	7,350,915	391,917	1,754,342	26,009,355
Additions	643,491	325,720	312,481	149,009	1,430,701
Disposals	-	(210,691)	-	(613,508)	(824,199)
Depreciation charge	(549,349)	(1,125,795)	(228,161)	(302,914)	(2,206,219)
Depreciation released on disposals	-	210,131	-	613,508	823,639
Closing net book amount	16,606,323	6,550,280	476,237	1,600,437	25,233,277
At 31 December 2009					
Cost	17,717,488	23,109,369	2,889,750	2,818,465	46,535,072
Accumulated depreciation	(1,111,165)	(16,559,089)	(2,413,513)	(1,218,028)	(21,301,795)
Net book amount	16,606,323	6,550,280	476,237	1,600,437	25,233,277
Year ended 31 December 2010					
Opening net book amount	16,606,323	6,550,280	476,237	1,600,437	25,233,277
Additions	291,171	340,070	182,070	28,498	841,809
Disposals	-	(6,860,064)	(882,536)	(22,205)	(7,764,805)
Depreciation charge	(582,294)	(1,134,199)	(252,767)	(262,524)	(2,231,784)
Depreciation released on disposals	-	6,860,064	882,536	22,205	7,764,805
Closing net book amount	16,315,200	5,756,151	405,540	1,366,411	23,843,302
At 31 December 2010					
Cost	18,008,659	16,589,375	2,189,284	2,824,758	39,612,076
Accumulated depreciation	(1,693,459)	(10,833,224)	(1,783,744)	(1,458,347)	(15,768,774)
Net book amount	16,315,200	5,756,151	405,540	1,366,411	23,843,302

5. Investments in subsidiary

Company

	2010 €	2009 €
Years ended 31 December 2010 and 2009		
Opening and closing cost and carrying amount	1,162	1,162

The subsidiary at 31 December 2010, whose results and financial position affected the figures of the group, is shown below:

	Registered office	Class of shares held	Percentage of shares held %
Bevmed Co. Limited	Marsa Industrial Estate Marsa MRS 3000 Malta	Ordinary shares	100

The company's shareholding has remained unchanged from 2009.

6. Investments in associate

Group and Company

	2010 €	2009 €
At 31 December		
Cost	62,020	62,020
Provisions for impairment	(62,020)	(62,020)
Net book amount	-	-

The associate at 31 December 2010 is shown below:

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

The company's shareholding has remained unchanged from 2009.

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

The group's share of results of the associate and its share of the assets and liabilities are not deemed material for the purposes of disclosure.

7. Trade and other receivables

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Current				
Trade receivables	3,008,448	2,782,854	3,008,448	2,782,854
Amounts owed by related parties forming part of Mizzi Organisation	4,984,879	3,919,468	4,984,879	3,919,468
Amounts owed by other related parties	54,588	23,862	54,588	23,862
Government grants receivable	78,416	71,920	78,416	71,920
Amounts recoverable in respect of capital expenditure	-	891,396	-	891,396
Other receivables	2,401,535	1,894,343	2,401,535	1,894,343
Prepayments	386,005	318,045	376,356	318,045
	10,913,871	9,901,888	10,904,222	9,901,888
Non-current				
Other receivables	1,190,869	491,408	1,190,869	491,408

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

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

	Group and Company	
	2010	2009
	€	€
Trade receivables	340,133	382,846
Other receivables: current amounts	1,784,389	1,705,326
Other receivables: non-current amounts	470,001	320,027
	2,594,523	2,408,199

Government grants receivable, disclosed in the table above, relate to state aid in respect of the interest rate subsidy scheme. These grants are recognised in profit or loss on an accrual basis to match them with the finance costs they are intended to compensate. The impact of these grants on the current and the preceding years' results is disclosed in Note 18. The impact of other Government grants received on the group's financial results is disclosed in Note 15.

Amounts recoverable in respect of capital expenditure were the subject matter of arbitration proceedings in respect of which judgement was delivered in favour of the company during the preceding year. Such amounts were settled in full during the current financial year.

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

8. Inventories

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Raw materials	1,549,757	1,665,190	1,327,351	1,351,346
Finished goods	790,780	533,842	798,026	533,350
Containers (carried at net realisable value)	138,641	214,758	138,641	214,758
Spare parts and others	71,922	68,772	71,922	68,772
	2,551,100	2,482,562	2,335,940	2,168,226

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 €121,194 (2009: €92,216). These amounts have been included in 'Cost of sales' in the profit or loss.

9. Cash and cash equivalents

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Cash at bank and in hand	240,358	325,889	240,358	325,889
Bank overdrafts (Note 13)	(661,282)	(1,208,744)	(658,868)	(1,189,500)
	(420,924)	(882,855)	(418,510)	(863,611)

10. Share capital

	Company	
	2010	2009
	€	€
Authorised, issued and fully paid 50,000 (2009: 50,000) ordinary shares of €2.329373 each	116,469	116,469

11. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2009: 35%).

At 31 December 2010 and 2009, the company had the following unrecognised unutilised tax credits and temporary differences:

	2010 €	2009 €
Unutilised tax credits arising from unabsorbed capital allowances	26,194	-
Deductible temporary differences arising on depreciation of property, plant and equipment	603,269	542,298
Deductible temporary differences arising on provisions for impairment of investments in associate and other assets	62,020	62,020
Deductible temporary differences arising on provisions for impairment of trade and other receivables	2,594,523	2,408,199
	2,594,523	2,408,199

The subsidiary also has deductible temporary differences arising on depreciation of property, plant and equipment amounting to €145,347 (2009: €159,324) at the end of the reporting period.

At 31 December 2010, the group had unutilised investment tax credits amounting to €16,149,247 (2009: €15,684,909). At the end of the reporting period, the company had unutilised investment tax credits amounting to €15,105,952 (2009: €14,625,445). Under the Business Promotion Regulations 2001, the group undertakings are entitled to investment tax credits on "qualifying" capital expenditure, the full amount of which would be available for set-off against the respective undertaking's tax liability. The balance of unutilised investment tax credits increases annually at the end of the financial year. At 31 December 2010, the balance of these credits increased by 1.45% (2009: 1.45%).

The unrecognised deferred tax assets at the end of the reporting periods have not been reflected in these financial statements due to the uncertainty of the realisation of the tax benefits. Unutilised investment tax credits are forfeited upon cessation of the trade.

12. Trade and other payables

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Current				
Trade payables	2,207,212	924,092	1,974,977	690,702
Amounts payable in respect of capital expenditure	562,935	964,924	562,935	964,924
Amounts owed to subsidiary	-	-	883,595	537,361
Amounts owed to related parties forming part of Mizzi Organisation	154,388	151,968	124,849	130,363
Amounts owed to other related parties	91,230	122,262	91,230	122,262
Other payables	228,884	235,115	228,884	235,111
Indirect taxation	576,303	510,307	498,491	445,374
Accruals and deferred income	1,205,753	1,149,939	1,142,837	1,019,446
	5,026,705	4,058,607	5,507,798	4,145,543
Non-current				
Deferred income	500,000	600,000	500,000	600,000

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

13. Borrowings

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Current				
Bank overdrafts	661,282	1,208,744	658,868	1,189,500
Bank loans	1,388,348	524,054	1,388,348	524,054
	2,049,630	1,732,798	2,047,216	1,713,554
Non-current				
Bank loans	11,618,949	12,857,821	11,618,949	12,857,821
Total borrowings	13,668,579	14,590,619	13,666,165	14,571,375

13. Borrowings - continued

The company's banking facilities as at 31 December 2010 amounted to €16,166,000 (2009: €17,657,000). These facilities are mainly secured by:

- (a) a general hypothec over the company's assets for €25,740,000 (2009: €25,740,000);
- (b) special hypothecs given by a related party for the amount of €21,663,000 (2009: €21,663,000) on property;
- (c) general hypothecary guarantees given by two related parties for the amounts of €13,976,000 (2009: €13,976,000) and €13,920,000 (2009: €13,920,000) respectively over assets, supported by special hypothecary guarantees for the same amounts over property held; and
- (d) guarantees by a related party for €25,740,000 (2009: €25,740,000), by various related parties for the amount of €11,764,000 (2009: €11,764,000), by another related party for €2,397,000 (2009: €2,397,000) and by the company's subsidiary for €11,764,000 (2009: €11,764,000).

As at 31 December 2010, the company's subsidiary had an overdraft facility amounting to €117,000 (2009: €117,000), which facility was secured by guarantees by related parties which are supported by general hypothecary guarantees over assets and special hypothecary guarantees over properties held.

The weighted average effective interest rate for bank borrowings at the end of the reporting period are as follows:

	Group and Company	
	2010	2009
	%	%
Bank overdrafts	4.6	4.6
Bank loans	4.5	4.5

Maturity of non-current bank borrowings:

	Group and Company	
	2010	2009
	€	€
Between 1 and 2 years	1,644,094	1,394,981
Between 2 and 5 years	3,894,955	4,639,988
Over 5 years	6,079,900	6,822,852
	11,618,949	12,857,821

14. Revenue

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

15. Expenses by nature

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Raw materials and other consumables used	8,543,266	8,917,172	9,766,459	9,950,830
Changes in inventories of finished goods	(256,938)	26,637	(264,676)	34,410
Employee benefit expense (Note 16)	5,129,895	4,826,419	5,016,203	4,742,109
Depreciation of property, plant and equipment (Note 4)	2,458,957	2,432,863	2,231,784	2,206,219
Operating lease rentals payable and similar charges:				
- motor vehicles	12,706	17,437	12,706	17,437
- property	93,287	93,337	93,287	93,337
Business promotion and similar service charges	2,193,235	2,369,637	2,193,235	2,369,637
Movement in provisions for impairment of trade and other receivables (included in 'Distribution and selling costs')	186,324	89,057	186,324	89,057
Other expenses	2,678,876	1,581,319	1,905,764	923,612
Total cost of sales; distribution and selling costs; and administrative expenses	21,039,608	20,353,878	21,141,086	20,426,648

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Profit on disposal of property, plant and equipment	(142,000)	(46,008)	(142,000)	(46,008)
Government grants recognised (included in 'Other operating income')	(686)	(22,311)	(686)	(22,311)
Exchange differences	1,698	(40)	1,643	(1,528)

During the financial year ended 31 December 2009, Government grants in respect of importation of raw materials were recognised in profit or loss when such inventories affected cost of goods sold reported in profit or loss. The impact of such grants on results for that year amounted to €210,330. Other Government grants recognised in profit or loss during the current and the preceding financial years are disclosed in Notes 7 and 18 to the financial statements.

15. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2010 and 2009 relate to the following:

	Group	
	2010	2009
	€	€
Annual statutory audit	33,600	33,600
Tax advisory and compliance services	920	920
Other non-audit services	3,767	7,665
	38,287	42,185

The auditor's remuneration for the company for the year ended 31 December 2010 amounted to €25,000 (2009: €25,000).

16. Employee benefit expense

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Wages and salaries	4,817,514	4,539,592	4,711,177	4,460,832
Social security costs	312,381	286,827	305,026	281,277
	5,129,895	4,826,419	5,016,203	4,742,109

Average number of persons employed during the year:

	Group		Company	
	2010	2009	2010	2009
Direct	156	153	151	147
Administration	64	56	63	56
	220	209	214	203

17. Other operating income

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

18. Finance costs

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Interest payable to related party forming part of Mizzi Organisation	460	141	-	-
Bank interest and charges	537,666	923,761	536,222	921,653
	538,126	923,902	536,222	921,653

Bank finance costs reflected in the table above, are stated net of government grants receivable in respect of the interest rate subsidy scheme amounting to €104,649 (2009: €71,920), as referred to in Note 7.

19. Taxation

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

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Profit before tax	606,532	2,022,919	506,958	1,952,398
Tax on profit at 35%	212,286	708,022	177,435	683,339
Tax effect of:				
Tax incentives in respect of investment tax credits (refer to Note below)	(32,667)	(108,049)	-	(90,979)
Movement in temporary differences arising on property, plant and equipment and provisions for impairment of trade and other receivables	(188,547)	(60,838)	(186,363)	(53,225)
Income exempt from tax	(240)	(7,810)	(240)	(7,810)
Utilisation of unabsorbed capital allowances brought forward from previous year	-	(531,325)	-	(531,325)
Unabsorbed capital allowances claimed during the year	9,168	-	9,168	-
	-	-	-	-

19. Taxation - continued

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

20. Directors’ emoluments

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Salaries and other emoluments	68,632	76,090	61,006	76,090

21. Earnings per share

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

	Group	
	2010	2009
Net profit attributable to owners of the company	€606,532	€2,022,919
Weighted average number of ordinary shares in issue	50,000	50,000
Earnings per share	€12.13	€40.46

22. Dividends

	Company	
	2010	2009
	€	€
Final dividends paid on ordinary shares: Gross and net	470,000	465,000
Dividends per share	9.40	9.30

23. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2010 €	2009 €	2010 €	2009 €
Operating profit	1,144,658	2,946,821	1,043,180	2,874,051
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	2,458,957	2,432,863	2,231,784	2,206,219
Profit on disposal of property, plant and equipment	(142,000)	(46,008)	(142,000)	(46,008)
Movement in provisions for impairment of trade and other receivables	186,324	89,057	186,324	89,057
Changes in working capital:				
Inventories	(68,538)	679,978	(167,714)	651,422
Trade and other receivables	(1,902,596)	7,725,839	(1,892,947)	7,739,551
Trade and other payables	1,270,087	(1,077,501)	1,664,244	(778,475)
Cash generated from operations	2,946,892	12,751,049	2,922,871	12,735,817

24. Commitments

Operating lease commitments – where a group undertaking is the lessee

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

	Group and Company	
	2010 €	2009 €
Not later than one year	81,335	81,335
Later than one year and not later than five years	315,577	319,127
Later than five years	4,239,283	4,317,068
	4,636,195	4,717,530

25. Contingencies

- (a) The company, together with certain other subsidiaries and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to a limit of €71,911,000 (2009: €69,647,000) together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees for the amount of €25,382,000 (2009: €24,482,000) over the company's assets.

25. Contingencies - continued

Subsidiaries, together with related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to limits of €41,584,000 (2009: €40,684,000), €34,623,000 (2009: €34,623,000) and €30,686,000 (2009: €30,686,000) respectively, together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees over assets by three undertakings for the amounts of €24,482,000, €32,192,000 and €24,482,000 respectively (2009: three undertakings for the amounts of €24,482,000, €32,192,000 and €31,191,000) and special hypothecary guarantees over property by two undertakings for the amounts of €25,484,000 and €24,482,000 respectively (2009: undertakings for the amounts of €25,484,000 and €24,482,000).

- (b) The parent company and its subsidiary, together with other related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of related parties forming part of Mizzi Organisation up to a limit of €26,630,000 (2009: €25,530,000) and €24,484,000 (2009: €24,484,000) together with interest and charges thereon. These guarantees are supported by a general hypothec over the subsidiary's assets for the amount of €24,482,000 (2009: 24,482,000).
- (c) At 31 December 2010, the group and company had contingent liabilities amounting to €60,902 (2009: €60,902) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

26. Related party transactions

The General Soft Drinks Company Limited and its subsidiary form part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the Companies Act, Cap. 386 of the laws of Malta. The Organisation is a conglomerate of companies principally comprising Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, together with all their respective subsidiaries. The Mizzi Organisation also includes Falcon Wines & Spirits Limited and Mizzi Motors Limited, which are an integral component of the Organisation's beverage and automotive business activities. Indeed, the related operations of the Organisation and the activities of these two entities are managed on a collective basis.

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

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

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

26. Related party transactions - continued

Group

In the ordinary course of its operations, group undertakings sell goods and services to other companies forming part of the Organisation for trading purposes and also purchase 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 group. The aggregate invoiced amounts in respect of a considerable number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

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

	Group		Company	
	2010	2009	2010	2009
	€	€	€	€
Sales of goods and services				
Sale of goods held for resale	363,549	354,625	363,549	354,625
Purchases of goods and services				
Purchases of goods from subsidiary	-	-	3,624,994	3,315,490
Purchases of property, plant and equipment	73,151	517,626	73,151	517,626
Servicing, advertising and similar charges	599,280	692,830	714,654	823,307
Management fees payable and similar charges	101,680	76,842	90,189	76,842
	774,111	1,287,298	4,502,988	4,733,265

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

Expenditure amounting to €882,231 (2009: €645,030) and €69,705 (2009: €44,435) has been recharged by the parent company to related parties forming part of Mizzi Organisation and other related parties respectively. The group's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €230,768 (2009: €256,275).

26. Related party transactions - continued

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

Amounts owed to related parties as at 31 December 2010 of €10,103 (2009: €7,337) are subject to interest at 7.2% (2009: 7.2%). Interest payable to related parties is disclosed in Note 18.

Company

Expenditure amounting to €527,824 (2009: €448,404) has been recharged by the company to its subsidiary. The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €213,395 (2009: €250,180).

27. Statutory information

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