

CONSOLIDATED HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2014

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Directors' report

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

Principal activities

The group's principal activities, which are unchanged since last year, are the importation and sale of motor vehicles, the operation of a hotel, serving as a finance house by granting and administering hire purchase agreements, and the renting out of owned property.

The company's principal activities, which are unchanged since last year, are that of holding investments in various subsidiary undertakings.

Review of the business

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

Results and dividends

The consolidated financial results are set out on page 7. The directors have proposed and paid a final net dividend of €145,000 (2013: €140,000).

Directors

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

Maurice F. Mizzi
Brian R. Mizzi
Angele Calleja - appointed on 1 January 2014
Veronique Mizzi - resigned on 1 January 2014

On 1 January 2015, Angele Calleja resigned from office and Veronique Mizzi was appointed as director in her stead.

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.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued


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

The financial statements of Consolidated Holdings Limited for the year ended 31 December 2014 are included in the Annual Report and Consolidated Financial Statements 2014, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board



Maurice F. Mizzi
Director



Brian R. Mizzi
Director

Registered office
Mizzi Organisation Corporate Office
Testaferrata Street
Ta' Xbiex
Malta

4 May 2015



Independent auditor's report

To the Shareholders of Consolidated Holdings Limited

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

We have audited the consolidated and the stand-alone parent company financial statements of Consolidated Holdings Limited (together the "financial statements") on pages 5 to 66 which comprise the consolidated and parent company statements of financial position as at 31 December 2014, the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion the financial statements

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



Independent auditor's report - continued

To the Shareholders of Consolidated Holdings Limited

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

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A handwritten signature in black ink that reads 'FAxisa'.

Fabio Axisa
Partner

4 May 2015

Statements of financial position

		As at 31 December			
Notes	2014	2013	2014	2013	
	Group		Company		
	€	€	€	€	
ASSETS					
Non-current assets					
Property, plant and equipment	4	13,028,070	9,846,839	-	
Investment property	5	6,482,862	6,655,029	-	
Investments in subsidiaries	6	-	-	6,221,616	
Investments in associate	7	20,862,975	20,362,237	1,482,751	
Available-for-sale financial assets	8	13,221	13,221	12,057	
Trade and other receivables	9	6,109,065	5,631,442	-	
		46,496,193	42,508,768	7,716,424	
Total non-current assets				7,716,424	
Current assets					
Inventories	11	1,831,750	1,200,971	-	
Trade and other receivables	9	20,390,144	21,718,449	3,921,716	
Loans and advances	12	-	220,371	5,241,090	
Current tax assets		16,914	54,721	4,628	
Cash and cash equivalents	13	1,275,145	1,537,909	384,593	
		23,513,953	24,732,421	9,292,495	
Total current assets				9,072,182	
Total assets		70,010,146	67,241,189	17,008,919	
				16,788,606	

Statements of financial position - continued

		As at 31 December			
Notes	2014	2013	2014	2013	
	Group		Company		
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	746,797	746,797	746,797	
Revaluation reserves	15	17,069,449	13,972,751	-	
Fair value gains and other reserves	16	6,161,158	6,327,724	113,592	
Retained earnings		23,461,575	23,190,795	7,534,322	
Total equity		47,438,979	44,238,067	8,660,425	
Non-current liabilities					
Trade and other payables	17	2,419,272	1,726,018	-	
Borrowings	18	2,891,333	2,991,344	2,562,313	
Deferred tax liabilities	19	1,909,512	1,469,068	-	
Total non-current liabilities		7,220,117	6,186,430	2,562,313	
Current liabilities					
Trade and other payables	17	12,365,471	13,905,696	5,186,181	
Borrowings	18	2,985,579	2,910,996	600,000	
Total current liabilities		15,351,050	16,816,692	5,786,187	
Total liabilities		22,571,167	23,003,122	8,348,494	
Total equity and liabilities		70,010,146	67,241,189	17,008,919	

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 66 were authorised for issue by the Board on 4 May 2015 and were signed on its behalf by:


Maurice F. Mizzi
Director


Brian R. Mizzi
Director

Income statements

		Year ended 31 December			
	Notes	2014	2013	2014	2013
		Group €	€	Company €	€
Revenue	20	11,930,643	10,087,151	-	-
Cost of sales		(9,122,883)	(7,542,157)	-	-
Gross profit		2,807,760	2,544,994	-	-
Selling and other direct expenses		(580,994)	(539,113)	-	-
Administrative expenses		(1,667,892)	(1,779,125)	(7,379)	(7,068)
(Losses)/gains from changes in fair value of investment property	5	(185,000)	171,460	-	-
Other operating income		19,850	34,986	-	-
Operating profit/(loss)		393,724	433,202	(7,379)	(7,068)
Investment and other related income	23	1,387	(3,680)	641,817	633,117
Finance income	24	428,352	279,768	483,795	450,283
Finance costs	25	(1,070,919)	(889,865)	(482,073)	(449,404)
Share of profit of associate	7	414,747	479,547	-	-
Profit before tax		167,291	298,972	636,160	626,928
Tax expense	26	(44,231)	(30,257)	(225,446)	(218,608)
Profit for the year		123,060	268,715	410,714	408,320
Earnings per share	28	0.38	0.84		

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Notes	Year ended 31 December			
		2014	2013	2014	2013
		€	€	€	€
Profit for the year		123,060	268,715	410,714	408,320
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	15	2,973,710	-	-	-
Movement in deferred tax liability on revalued land and buildings of subsidiaries determined on the basis applicable to property disposals	15	10,149	(1,182)	-	-
Share of other comprehensive income of associate:					
Share of revaluation surplus arising during the year on land and buildings of an associate, net of deferred tax	15	241,219	5,359,317	-	-
Redemption of ground rents capitalised in associate	16	(2,226)	(1,604)	-	-
Other comprehensive income for the year, net of tax		3,222,852	5,356,531	-	-
Total comprehensive income for the year		3,345,912	5,625,246	410,714	408,320

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2013		746,797	8,702,142	5,803,392	23,500,490	38,752,821
Comprehensive income						
Profit for the year		-	-	-	268,715	268,715
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	15	-	(1,182)	-	-	(1,182)
Depreciation transfer, net of deferred tax	15	-	(12,800)	-	12,800	-
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	16	-	-	149,734	(149,734)	-
Share of other comprehensive income of associate:						
Share of revaluation surplus arising during the year on land and buildings of an associate, net of deferred tax	15	-	5,359,317	-	-	5,359,317
Share of transfer upon realisation through asset use in respect of revalued land and buildings of an associate	15	-	(74,726)	-	74,726	-
Share of transfer to incentives and benefits reserve of an associate	16	-	-	376,202	(376,202)	-
Redemption of ground rents capitalised in associate	16	-	-	(1,604)	-	(1,604)
Total other comprehensive income		-	5,270,609	524,332	(438,410)	5,356,531
Total comprehensive income		-	5,270,609	524,332	(169,695)	5,625,246
Transactions with owners						
Dividends relating to 2013	29	-	-	-	(140,000)	(140,000)
Balance at 31 December 2013		746,797	13,972,751	6,327,724	23,190,795	44,238,067

Statements of changes in equity - continued

Group - continued

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2014		746,797	13,972,751	6,327,724	23,190,795	44,238,067
Comprehensive income						
Profit for the year		-	-	-	123,060	123,060
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	15	-	2,973,710	-	-	2,973,710
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	15	-	10,149	-	-	10,149
Depreciation transfer, net of deferred tax	15	-	(12,800)	-	12,800	-
Release upon transfer of fair value losses on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	16	-	-	(164,340)	164,340	-
Share of other comprehensive income of associate:						
Share of revaluation surplus arising during the year on land and buildings of an associate, net of deferred tax	15	-	241,219	-	-	241,219
Share of transfer upon realisation through asset use in respect of revalued land and buildings of an associate	15	-	(115,580)	-	115,580	-
Redemption of ground rents capitalised in associate	16	-	-	(2,226)	-	(2,226)
Total other comprehensive income		-	3,096,698	(166,566)	292,720	3,222,852
Total comprehensive income		-	3,096,698	(166,566)	415,780	3,345,912
Transactions with owners						
Dividends relating to 2014	29	-	-	-	(145,000)	(145,000)
Balance at 31 December 2014		746,797	17,069,449	6,161,158	23,461,575	47,438,979

Statements of changes in equity - continued

Company

	Note	Share capital €	Other reserve €	Retained earnings €	Total €
Balance at 1 January 2013		746,797	113,592	7,266,002	8,126,391
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	408,320	408,320
Transactions with owners					
Dividends relating to 2013	29	-	-	(140,000)	(140,000)
Balance at 31 December 2013		746,797	113,592	7,534,322	8,394,711
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	410,714	410,714
Transactions with owners					
Dividends relating to 2014	29	-	-	(145,000)	(145,000)
Balance at 31 December 2014		746,797	113,592	7,800,036	8,660,425

The notes on pages 13 to 66 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
Notes	2014		2013		
	Group	2014	Company	2013	
	€	€	€	€	
Cash flows from operating activities					
Cash generated from/(used in) operations	30	204,888	2,187,588	(536,038)	(624,429)
Dividends received		154,389	154,387	641,817	633,117
Interest received		200,572	202,737	483,795	450,283
Interest		(843,139)	(812,834)	(482,073)	(449,404)
Tax refunded/(paid)		38,663	(19,036)	(222,033)	(218,263)
Net cash (used in)/generated from operating Activities		(244,627)	1,712,842	(114,532)	(208,696)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(174,019)	(207,138)	-	-
Proceeds from disposal of property, plant and equipment	4	118,772	38,296	-	-
Capital expenditure on investment property	5	(12,833)	(9,588)	-	-
Loans granted to related party forming part of Mizzi Organisation	12	-	(220,371)	-	-
Repayments of loans and advances to related parties forming part of Mizzi Organisation	12	220,371	503,356	-	-
Net cash generated from investing Activities		152,291	104,555	-	-
Cash flows from financing activities					
Repayments of bank borrowings	18	(100,011)	(992,036)	-	-
Proceeds from borrowings from associate	18	-	600,000	-	600,000
Dividends paid	29	(145,000)	(140,000)	(145,000)	(140,000)
Net cash (used in)/generated from financing activities		(245,011)	(532,036)	(145,000)	460,000
Net movements in cash and cash equivalents		(337,347)	1,285,361	(259,532)	251,304
Cash and cash equivalents at beginning of year		(773,087)	(2,058,448)	384,593	133,289
Cash and cash equivalents at end of year	13	(1,110,434)	(773,087)	125,061	384,593

The notes on pages 13 to 66 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 Consolidated Holdings Limited and its subsidiaries. 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, as modified by the fair valuation of the land and buildings category of property, plant and equipment, investment property and available-for-sale financial assets.

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

Standards, interpretations and amendments to published standards effective in 2014

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

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for accounting periods beginning after 1 January 2014. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application, except for IFRS 9 'Financial instruments' and IFRS 15 'Revenue from contracts with customers'.

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

1.2 Consolidation

(a) Subsidiaries

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

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

	%
Buildings	2
Furniture, fittings and equipment	10 – 33⅓
Operational equipment	10 – 33⅓
Motor vehicles	25

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

No depreciation is charged on linen, crockery, cutlery, glassware, uniforms and hotel loose tools. Normal replacements are charged to profit or loss.

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the group, is classified as investment property. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made. Investment property principally comprises land and buildings.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property 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. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

These valuations are reviewed regularly by a professional valuer. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus within equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus; with any remaining decrease charged to profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through profit or loss.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

For a transfer from inventories to investment property, arising on change in intended use as evidenced by commencement of an operating lease arrangement rather than sale, any difference between the property's fair value at the transfer date and its previous carrying amount within inventories shall be recognised in profit or loss.

1. Summary of significant accounting policies - continued

1.6 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.

1.7 Financial assets

Classification

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

(a) Loans and receivables

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 loans and advances, amounts receivable from trade and other receivables, hire purchase debtors and cash and cash equivalents in the statement of financial position (Notes 1.8, 1.10, 1.11 and 1.12).

(b) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

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 are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

1. Summary of significant accounting policies - continued

1.7 Financial assets – continued

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss.

Available-for-sale financial assets are subsequently carried at fair value. 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.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences on monetary assets are recognised in profit or loss; translation differences on non-monetary assets are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognised in other comprehensive income in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within 'Investment and other related income'. Dividends on available-for-sale equity instruments are recognised in profit or loss within 'Investment and other related income' when the group's right to receive payment is established.

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.

1. Summary of significant accounting policies - continued

1.7 Financial assets – continued

(a) *Assets carried at amortised cost*

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, hire purchase and other receivables is described in Notes 1.10 and 1.11.

(b) *Assets classified as available-for-sale*

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.8 Loans and advances

Under the requirements of IAS 39, the group's loans and advances, consisting in the main of advances to related parties and, only in the company's case, to a subsidiary, are classified as loans and receivables, unless the group has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

1.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the following methods:

- inventories of motor vehicles and motorcycles are valued by specifically identifying their individual costs;
- inventories of spare parts and other stocks are valued on the weighted average cost method;
- inventories of food, beverages and other goods for resale are valued using the first-in, first-out 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. Summary of significant accounting policies - continued

1.10 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.

1.11 Amounts receivable from hire purchase debtors

A subsidiary acquires and finances trade receivables arising from the sale of goods and services by companies forming part of the Mizzi Organisation. These receivables are transferred to this subsidiary upon origination, once hire purchase terms are granted upon sale of goods or services, at their face value with no rights of recourse whatsoever. Accordingly, provisions for impairment of amounts receivable from hire purchase debtors are recognised in the subsidiary's profit or loss.

Amounts receivable from hire purchase debtors are covered by bills of exchange for the face value of the debts financed together with the amount of the hire purchase interest element which would be earned over the entire period of credit. The interest element of the bills of exchange is accounted for as income and as a receivable from hire purchase debtors over the credit period as interest accrues with the passage of time. Acquired receivables are initially recognised at the face value or cost of the hire purchase debts financed. Subsequent to initial recognition, amounts receivable from hire purchase debtors are carried at the face value of the debts financed adjusted for the recognition of hire purchase interest income, less provision made for the impairment of these receivables. A provision for impairment of hire purchase receivables is established when there is objective evidence that the subsidiary will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

Receivables covered by bills of exchange factored out to bankers with an option to repurchase them at face value as they fall due are not derecognised from the group's statement of financial position. The subsidiary would have retained substantially all the risks and rewards of ownership of the hire purchase receivables which it factors out to bankers. The transferee does not have the ability to obtain the benefits of the receivables and the transferor retains substantially all the risks of the assets. Essentially this factoring facility is accounted for as collateralised borrowing for an amount of the face value of the bills of exchange subject to interest charges.

1. Summary of significant accounting policies - continued

1.11 Amounts receivable from hire purchase debtors - continued

Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the subsidiary since the transferor would have transferred substantially all the risks and rewards of ownership of the hire purchase receivables. The transferee has the ability to obtain the benefits of the underlying receivables i.e. the right to receive a stream of cash flows in the form of principal and interest amounts. The banker's right of recourse under this facility is limited to 15% of the value of the bills factored in the preceding six months, which is not deemed to be a transfer of risk in view of the limited recourse period. A financial liability would be recognized in this respect at fair value.

Hire purchase receivables represented by bills of exchange transferred out to a related party forming part of Mizzi Organisation, under a financial arrangement, with full rights of recourse are not derecognised from the group's statement of financial position. The group would have retained substantially all the risks and rewards of ownership of hire purchase receivables covered by bill of exchange transferred in view of the full rights of recourse referred to above. The transferee does not have the ability to obtain the benefits of the receivables and the transferor retains substantially all the risks of the assets. A financial liability is recognised at fair value in relation to the consideration receivable and accordingly the financial arrangement would be accounted for as collateralised borrowings.

1.12 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, bank overdrafts and the current portion of the factoring facility in respect of bills of exchange factored out. The bank overdrafts and the short-term portion of the facility in respect of bills of exchange factored out are shown within borrowings in current liabilities in the statement of financial position.

1.13 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.

1.14 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.

1.15 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

1.16 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.

1.17 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.

1.18 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 tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from the fair valuation of land and buildings category of property, plant and equipment and investment property, depreciation on property, plant and equipment and provisions for impairment of trade, hire purchase and other receivables. Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

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

1.19 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.

Operating lease rental income – refer to accounting policy 1.20 for 'Operating leases'.

(c) Interest income

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

Bill commission income, received upon commencement of a hire purchase agreement, is in part refundable to the customer, in case of prepayments, on a proportional basis. Accordingly these refundable fees are recognised in profit or loss on a straight-line basis over the term of the agreements.

(d) Dividend income

Dividend income is recognised when the right to receive payment is established.

(e) Rental income from investment property

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

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

1.20 Operating leases

(a) A group undertaking is the lessee

Leases of assets in which 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. Summary of significant accounting policies - continued

1.20 Operating leases - continued

(b) A group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.21 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment or investment property 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.

1.22 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 all 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 to hedge certain risk exposures during the current and preceding financial years.

2. Financial risk management - continued

(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's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro. 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. 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's significant instruments which are subject to fixed interest rates comprise amounts receivable from hire purchase debtors (Note 10), loans and advances to a related party (Note 12), together with borrowings from an associate and another related party (Note 18). A group undertaking also earns interest income that accrues on bills of exchange transferred at fair value to a related party and incurs an equivalent amount of interest expense as a result of the obligation created by the financial arrangement described in Note 10. The company's fixed interest instruments comprise loans and advances to a subsidiary (Note 12).

With respect to the instruments mentioned above, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The group's interest rate risk principally arises from bank borrowings, including bills of exchange factored out to bank, issued at variable rates (Note 18) and balances with related parties subject to floating interest rates (Note 33) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. 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 not significantly exposed to equity price risk in view of the fact that the available-for-sale investments held by the group are not material.

2. Financial risk management – continued

(b) Credit risk

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Loans and receivables category:				
Trade and other receivables (Note 9)	26,499,209	27,349,891	3,921,716	3,438,458
Loans and advances (Note 12)	-	220,371	5,241,090	5,241,090
Cash and cash equivalents (Note 13)	1,275,145	1,537,909	125,061	384,593
	27,774,354	29,108,171	9,287,867	9,064,141

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's debtors comprise amounts receivable from hire purchase debtors in respect of financing provided by a subsidiary and trade receivables arising from other operations of group undertakings. The group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that financing transactions and sales of products and services are effected with and to customers having an appropriate credit history. The group monitors the performance of its hire purchase and other trade 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 markets 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 amounts receivable from hire purchase debtors. The company has a significant concentration of credit risk with respect to hire purchase receivables because the face value of receivables from two customers amount to €2,437,584 (2013: €2,304,278). Over the years, these customers traded frequently with the company and historically they were deemed by management to have acceptable credit standing, usually taking cognisance of the performance history in relation to defaults. These exposures are monitored and reported more frequently and rigorously. In view of the financial circumstances of these two customers, provisions for impairment covering the entire receivable in one case and covering a portion of the other receivable respectively were deemed necessary at the end of the reporting period reflecting the possibility of default and potential recoveries from these customers.

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 hire purchase and other trade 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.

2. Financial risk management – continued

The group's and company's loans referred to in the table above consist of advances to related parties forming part of Mizzi Organisation (see Note 33). The group's and company's receivables include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 9) arising from property and financing transactions that have taken place in prior years. The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group and the company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2013, hire purchase receivables with a face value of €5,509,403 (2013: €5,573,287) were impaired and the amount of the provisions in this respect are €4,980,198 (2013: €4,740,246). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. It was assessed that a significant portion of these receivables is expected to be recovered. The group does not hold any significant collateral as security in respect of the impaired assets.

The movement in provisions for impairment of hire purchase receivables is as follows:

	2014	2013
	€	€
At beginning of year	4,740,246	4,227,278
Reversals of provisions which are no longer required	(349,252)	(76,585)
Increase in provisions	589,204	589,553
At end of year	4,980,198	4,740,246

Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations including accrued interest. The movements in these provisions are mainly disclosed in Note 21 and are included in 'Administrative expenses' in profit or loss.

As at 31 December 2014, other trade receivables of €51,314 (2013: €64,070) 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 collateral as security in respect of the impaired assets. The movements in the group's provisions for impairment of trade receivables are disclosed in Note 21 and are included in 'Administrative expenses' in profit or loss.

As at 31 December 2014, amounts receivable from hire purchase debtors of €1,587,483 (2013: €1,607,955) were past due but not impaired. These mainly relate to customers for whom there is no recent history of default. Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

2. Financial risk management - continued

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

	2014	2013
	€	€
Up to 3 months	1,381,538	1,432,930
3 to 6 months	73,775	64,523
6 to 12 months	71,293	39,583
12 months and over	60,877	70,919
	1,587,483	1,607,955

At 31 December 2014 and 2013, the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is not deemed to be significant.

At the end of the reporting period, the group had no significant past due receivables in respect of other trade receivables.

(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 18) and trade and other payables (Note 17). 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 tables below analyse the group's and 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. 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 €
Group					
At 31 December 2014					
Bank borrowings	2,385,579	313,783	31,688	-	2,731,050
Loans from related parties	178,081	178,081	3,081,426	-	3,437,588
Advances from associate	600,000	-	-	-	600,000
Trade and other payables	18,383,407	916,029	806,866	-	20,106,302
At 31 December 2013					
Bank borrowings	2,336,296	452,580	20,234	-	2,809,110
Loans from related parties	178,081	178,081	534,728	2,725,265	3,616,155
Advances from associate	600,000	-	-	-	600,000
Trade and other payables	14,317,542	862,908	722,263	-	15,902,713

Trade and other payables include financial liabilities, attributable to the transfer of bills of exchange by a group undertaking (see Note 17), which are presented in the statement of financial position as non-current liabilities since bills of exchange will be replaced when they mature and accordingly the cumulative amount of the liabilities will be settled upon maturity of the bonds of Mizzi Organisation Finance p.l.c. in accordance with the arrangement referred to in Note 10. The amounts disclosed in the tables above reflect the actual maturity dates of the related bills of exchange as disclosed in Note 17.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Company					
At 31 December 2014					
Loans from related parties	178,081	178,081	3,081,426	-	3,437,588
Trade and other payables	5,186,185	-	-	-	5,186,185
At 31 December 2013					
Loans from related parties	178,081	178,081	534,728	2,725,265	3,616,155
Advances from associate	600,000	-	-	-	600,000
Trade and other payables	5,231,582	-	-	-	5,231,582

2. Financial risk management - continued

2.2 Capital risk management

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

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

	2014 €	2013 €
Total borrowings	58,088,835	61,481,366
Less: cash and cash equivalents	(6,567,501)	(4,950,636)
Net debt	51,521,334	56,530,730
Total equity	111,315,195	99,170,457
Total capital	162,836,529	155,701,187
Net debt/total capital	32%	36%

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2014 and 2013 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties which are repayable on demand is equivalent to their carrying amount.

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 group for similar financial instruments. The carrying amount of the group's non-current hire purchase receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the group's non-current floating interest rate bank borrowings and fixed interest related party borrowings at the end of the reporting period is not significantly different from the carrying amounts. 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.

As referred to in Notes 4 and 5 to the financial statements, the group's land and buildings category of property, plant and equipment and investment property are fair valued on 31 December on the basis of professional advice.

4. Property, plant and equipment

Group

	Land and buildings €	Furniture, fittings and equipment €	Operational equipment €	Motor vehicles €	Total €
At 1 January 2013					
Cost or valuation	11,019,979	2,632,419	1,797,200	228,757	15,678,355
Accumulated depreciation	(1,546,113)	(2,482,011)	(1,521,938)	(152,140)	(5,702,202)
Net book amount	9,473,866	150,408	275,262	76,617	9,976,153
Year ended 31 December 2013					
Opening net book amount	9,473,866	150,408	275,262	76,617	9,976,153
Additions	95,526	31,378	51,657	28,577	207,138
Disposals	-	-	(17,338)	(89,273)	(106,611)
Depreciation charge	(143,111)	(56,187)	(41,708)	(44,316)	(285,322)
Depreciation released on disposals	-	-	-	55,481	55,481
Closing net book amount	9,426,281	125,599	267,873	27,086	9,846,839
At 31 December 2013					
Cost or valuation	11,115,505	2,663,797	1,831,519	168,061	15,778,882
Accumulated depreciation	(1,689,224)	(2,538,198)	(1,563,646)	(140,975)	(5,932,043)
Net book amount	9,426,281	125,599	267,873	27,086	9,846,839
Year ended 31 December 2014					
Opening net book amount	9,426,281	125,599	267,873	27,086	9,846,839
Additions	1,101	65,696	61,567	45,655	174,019
Revaluation surplus arising during the year (Note 15)	3,379,216	-	-	-	3,379,216
Disposals	-	-	(101,072)	(18,803)	(119,875)
Depreciation charge	(143,134)	(54,296)	(38,257)	(20,751)	(256,438)
Depreciation released on disposals	-	-	-	4,309	4,309
Closing net book amount	12,663,464	136,999	190,111	37,496	13,028,070
At 31 December 2014					
Cost or valuation	14,495,822	2,729,493	1,792,014	194,913	19,212,242
Accumulated depreciation	(1,832,358)	(2,592,494)	(1,601,903)	(157,417)	(6,184,172)
Net book amount	12,663,464	136,999	190,111	37,496	13,028,070

4. Property, plant and equipment - continued

Fair valuation of property

The group's land and buildings, within property, plant and equipment, were revalued on 31 December 2014 by a professionally qualified valuer. The book value of the property has been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders' equity (Note 15).

Valuations were 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.

The group 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 group's land and buildings, within property, plant and equipment, consists of operational premises that is owned and managed by a group undertaking. The group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies forming part of this group (refer to Note 5). All the recurring property fair value measurements at 31 December 2014 use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The group'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 year.

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 and preceding financial years, is reflected in the table above and in Note 5 for investment property.

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the group which is derived from the respective company's financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers; with assumptions being typically market related and based on professional judgement and market observation.

4. Property, plant and equipment - continued

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, 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 is appropriate, the valuation report is recommended to the respective company's Board of directors. The Board then considers the valuation 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 external valuation. This analysis is usually supported by an assessment performed by the third party property valuers. The officers report to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 December 2014 have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property. At 31 December 2013, all valuations were performed using an adjusted sales comparison approach. In those instances where the valuation technique applied to a specific property's fair valuation has been modified, this change was effected to attain a more representative measurement of fair value. Throughout this process, the highest and best use of certain properties has been revised taking cognisance of the outcome of the valuation method applied.

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 approaches used are generally those described below:

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.
- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the hotel, but prior to depreciation and financing charges;
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Growth rate	based on management's estimated average growth of the company's EBITDA levels, mainly determined by projected growth in income streams;
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4. Property, plant and equipment - continued

Discount rate reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 December 2014

Description by class based on highest and best use	Fair value at 31 December 2014 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises (hotel operations)	12,700	DCF approach	EBITDA	€3,900,000
			Growth rate	2% per annum
			Discount rate	7.45% (post-tax)
			Perpetuity yield	6%
		Estimated capital expenditure	€7,900,000	
Developable land for commercial use	6,000	Adjusted sales comparison approach	Sales price factor per square metre	€350
Development for commercial use	350	Adjusted sales comparison approach	Sales price per square metre	€450 – €1,250 (€1,000)

With respect to the adjusted sales comparison approach, the higher the sales price per square metre, or the sales price factor per airspace/square metre, the higher the resultant fair valuation. In relation to the DCF approach, an increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

4. Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 December 2013

Description by class based on highest and best use	Fair value at 31 December 2013 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Redevelopment into residential units	9,750	Adjusted sales comparison approach	Airspace sales price per square metre	880 - 1,950 (1,200)
Developable land for commercial use	6,000	Adjusted sales comparison approach	Sales price factor per square metre	350
Development for commercial use	330	Adjusted sales comparison approach	Sales price per square metre	450 – 1,250 (1,000)

The group's land and buildings within property, plant and equipment as at 31 December 2014, amounting to €12,700,000 (2013: €9,500,000) are categorised as *Current use as commercial premises* (2013: *Redevelopment into residential units*). The highest and best use of all the group's properties, except for property vatergorised as current use as commercial premises, differs from their current use taking cognisance of the potential for development, redevelopment or further development.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2014 €	2013 €
Cost	8,763,431	8,733,330
Accumulated depreciation	(1,812,875)	(1,669,741)
Net book amount	6,950,556	7,063,589

Bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's land and buildings (see Notes 18 and 32[a]).

5. Investment property

Group

	2014 €	2013 €
Year ended 31 December		
Opening carrying amount	6,655,029	6,473,981
Additions resulting from subsequent expenditure	12,833	9,588
(Losses)/gains from changes in fair value	(185,000)	171,460
Closing carrying amount	6,482,862	6,655,029
 At 31 December		
Cost	1,044,211	1,031,378
Fair value gains	5,438,651	5,623,651
Carrying amount	6,482,862	6,655,029

The group's investment properties are valued annually on 31 December at fair value, by professionally qualified valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Valuations are determined 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.

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 4. The group's investment property is reflected within the classes termed as *Developable land for commercial use* and *Marketed as commercial developments*, presented in the table in Note 4.

If the investment property was stated on the historical cost basis, the amounts would be as follows:

	2014 €	2013 €
Cost	1,044,211	1,031,378
Accumulated depreciation	(29,651)	(26,855)
Net book amount	1,014,560	1,004,523

5. Investment property - continued

As at 31 December 2014, bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on a subsidiary's investment property with a fair value of €50,000 (2012: €235,000) - see Note 32(a).

Investment property disclosed above includes property leased out under operating leases as follows:

	At 31 December 2014	At 31 December 2013	At 1 January 2012
	€	€	€
Cost	28,209	45,398	45,398
Fair value gains	60,999	192,670	192,670
Carrying amount	89,208	238,068	238,068

The movement in the carrying amounts reflected in the above table is attributable to the cessation of operating lease arrangements in respect of certain properties.

6. Investments in subsidiaries

Company

€

Years ended 31 December 2014 and 2013

Opening and closing cost and carrying amount 6,221,616

The subsidiaries at 31 December 2014 and 2013, whose results and financial position affected the figures of the group, are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2014 %	2013 %
United Acceptances Finance Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Industrial Motors Limited	Industrial House National Road Blata I-Bajda Malta	Ordinary shares	100	100
The Waterfront Hotel Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
		5% Non-cumulative redeemable preference shares	100	100

All shareholdings are held directly by Consolidated Holdings Limited.

7. Investments in associate

Group

	2014 €	2013 €
Year ended 31 December		
Opening carrying amount	20,362,237	14,677,977
Share of profit	414,747	479,547
Share of revaluation surplus on land and buildings (Note 15)	241,219	5,359,317
Redemption of capitalised ground rents (Note 16)	(2,226)	(1,604)
Dividends received	(153,002)	(153,000)
Closing carrying amount	20,862,975	20,362,237
<hr/>		
	2014 €	2013 €
At 31 December		
Cost	1,482,751	1,482,751
Share of profits and reserves	19,380,224	18,879,486
Carrying amount	20,862,975	20,362,237

The group's share of profit of the associate, disclosed in the tables above and in profit or loss, is after tax and non-controlling interests in the associate.

The associate at 31 December 2014 and 2013, whose results and financial position affected the figures of the group, is shown below:

	Registered office	Class of shares held	Percentage of shares held %
Mizzi Associated Enterprises Limited	30 Archbishop Street Valletta Malta	Ordinary shares	51

The shareholding has remained unchanged from 2013.

The proportion of voting power held in Mizzi Associated Enterprises Limited is 50% (2013: 50%). The shareholding in Mizzi Associated Enterprises Limited is held directly by Consolidated Holdings Limited (51%) and Alf. Mizzi & Sons Limited (49%). Neither of these shareholders is in a position to exercise a dominant influence on the company as they are only entitled under the company's Memorandum and Articles of Association to elect two directors each, while the fifth independent director is appointed unanimously.

7. Investments in associate – continued

Mizzi Associated Enterprises Limited's principal activity is the ownership and operation of hotels, and the development of property for trading and rental purposes. These operations are considered a strategic partnership for the group providing economies of scale and depth within the specific business sectors. The associate's principal places of business are based in Malta.

The investment in this associate, which is an unlisted private company, is measured using the equity method in accordance with the group's accounting policy. Summarised financial information for Mizzi Associated Enterprises is set out below:

Summarised Balance Sheet

	As at 31 December	
	2014	2013
	€	€
ASSETS		
Non-current assets	40,726,759	40,337,297
Current assets		
Cash and cash equivalents	1,676,595	779,812
Other current assets	4,880,435	5,366,808
Total current assets	6,557,030	6,146,620
Total assets	47,283,789	46,483,917
LIABILITIES		
Non-current liabilities		
Trade and other payables	63,447	68,735
Other financial liabilities	-	250,000
Other liabilities	4,344,316	4,414,361
Total non-current liabilities	4,407,763	4,733,096
Current liabilities		
Trade and other payables	1,380,386	1,311,489
Other financial liabilities	315,085	315,085
Other liabilities	243,597	169,132
Total current liabilities	1,939,068	1,795,706
Total liabilities	6,346,831	6,528,802
Net assets	40,936,958	39,955,115

7. Investments in associate - continued

The group's 51% share of the net assets reflected above is in substance equivalent to the group's carrying amount of its investment in the associate.

Summarised statement of comprehensive income

	Year ended 31 December	
	2014 €	2013 €
Revenue	6,500,759	6,309,622
Depreciation	(822,413)	-
Interest income	74,353	-
Interest expense	(33,490)	-
Profit before tax	1,121,012	281,592
Tax expense	(307,783)	-
Profit for the year	813,229	940,288
Other comprehensive income	468,614	10,505,319
Total comprehensive income	1,281,843	11,445,607
Dividends received from associate	230,683	229,442

There are no significant contingent liabilities relating to the group's interest in the associate.

Company

	€
Years ended 31 December 2014 and 2013	
Opening and closing cost and carrying amount	1,482,751

8. Available-for-sale financial assets

Group

	2014 €	2013 €
Year ended 31 December		
Opening net book amount	13,221	18,288
Increase in provisions for impairment	-	(5,067)
	13,221	13,221
	2014 €	2013 €
At 31 December		
Cost	110,911	110,911
Provisions for impairment	(97,690)	(97,690)
	13,221	13,221

The group's available-for-sale investments, consisting primarily of unquoted equity instruments, are fair valued annually. Fair value is mainly estimated by reference to the net asset backing of the investee. The fair value of the group's available-for-sale investments at the end of the reporting period was deemed by the directors to approximate their carrying amount.

Company

	2014 €	2013 €
Year ended 31 December		
Opening and closing net book amount	12,057	12,057
	12,057	12,057
	2014 €	2013 €
At 31 December		
Cost	93,809	93,809
Provisions for impairment	(81,752)	(81,752)
	12,057	12,057

9. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Current				
Trade receivables	781,135	1,187,444	-	-
Amounts receivable from hire purchase debtors (Note 10)	2,588,290	3,153,289	-	-
Amounts owed by subsidiaries	-	-	3,732,918	3,249,129
Amounts owed by related parties forming part of Mizzi Organisation	16,675,588	17,042,158	188,798	189,329
Amounts owed by other related parties	42,836	22,958	-	-
Other receivables	5,046	2,680	-	-
Indirect taxation	217,388	191,406	-	-
Prepayments and accrued income	79,861	118,514	-	-
	20,390,144	21,718,449	3,921,716	3,438,458
Non-current				
Amounts receivable from hire purchase debtors (Note 10)	3,689,793	3,905,424	-	-
Other financial assets - amounts owed by related party forming part of Mizzi Organisation	2,419,272	1,726,018	-	-
	6,109,065	5,631,442	-	-

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

The non-current other financial assets are attributable to the consideration receivable in respect of the transfer of bills of exchange by a subsidiary to a related party forming part of Mizzi Organisation under a financial arrangement (refer to Note 10). These bills mature between 2015 and 2018 as reflected in Note 17 and are subject to an effective interest rate of 8%. The terms of the financial assets reflect the terms of the related bills of exchange, in view of the fact that the consideration constituting the financial assets is equivalent to the fair value of the bills. As outlined in Note 17, bills of exchange will be replaced as they mature such that the cumulative amount of the financial assets is expected to be realised upon maturity of the bonds. Accordingly these financial assets are entirely presented as non-current assets.

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

	Group	
	2014	2013
	€	€
Trade receivables	51,314	64,070

Provisions for impairment of amounts receivable from hire purchase debtors are disclosed separately in Note 10 to the financial statements.

10. Amounts receivable from hire purchase debtors

	Group	
	2014	2013
	€	€
Current		
Debtors on whom bills of exchange were drawn	7,519,171	7,651,442
Provisions for impairment	(4,930,881)	(4,498,153)
	2,588,290	3,153,289
Non-current		
Debtors on whom bills of exchange were drawn	3,739,110	4,147,517
Provisions for impairment	(49,317)	(242,093)
	3,689,793	3,905,424
Total amounts receivable from hire purchase debtors	6,278,083	7,058,713

Included in hire purchase receivables are amounts owed by related parties of €50,824 (2013: €128,560).

Amounts receivable from hire purchase debtors relate to trade receivables arising from the sale of goods and services by companies forming part of the Mizzi Organisation, which are acquired and financed by a subsidiary. These receivables are transferred to the subsidiary upon origination, once hire purchase terms are granted, at their face value with no right of recourse whatsoever. Accordingly, provisions for impairment of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in profit or loss.

During the financial year under review, the subsidiary has financed receivables with a face value amounting to €3,294,719 (2013: €4,021,238). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8% (2013: 8%).

Receivables covered by bills of exchange factored out to bankers with an option to repurchase them as they fall due are not derecognised from the group's statement of financial position. The amounts advanced under this facility are treated as collateralised borrowings (disclosed as distinct liabilities) amounting to the face value of the bills factored out (Note 18). Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the group. The subsidiary would retain credit risk in these receivables through the bank's right of recourse which would be limited to 15% of the value of the bills factored in the preceding six months. During the current and preceding financial years no receivables have been factored out in this manner.

In prior years, the subsidiary entered into a financial arrangement with Mizzi Organisation Finance p.l.c., a related party forming part of Mizzi Organisation, whereby the subsidiary transfers bills of exchange to the related party with full rights of recourse. The subsidiary's hire purchase receivables in respect of which bills of exchange are transferred are not derecognised from the group's statement of financial position. The subsidiary will service and administer the hire purchase customer accounts in relation to which bills of exchange are transferred and will remit without any delay to the related party proceeds received with respect to such transferred bills (see Note 17).

11. Inventories

	Group	
	2014	2013
	€	€
Motor vehicles and motorcycles	856,105	768,934
Spare parts	100,514	117,297
Payments on account in respect of motor vehicles and spare parts	667,782	134,567
Goods in transit	5,280	12,783
Food and beverages	149,049	98,687
Others	53,020	68,703
	1,831,750	1,200,971

The cost of inventories recognised as expense is appropriately disclosed in Note 21 to the financial statements. During the current financial year, inventory write-downs amounted to €35,104 (2013: €15,852). These amounts have been included in 'Cost of sales' in profit or loss.

12. Loans and advances

Group

As at 31 December 2013, the group's advances related to loans granted by a subsidiary to a related party forming part of Mizzi Organisation, which were repayable on demand, unsecured and subject to a fixed interest rate of 7.5% per annum.

Company

The company's advances relate to loans to a subsidiary, which are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% (2013: 7.2%) per annum.

13. Cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Cash at bank and in hand	1,275,145	1,537,909	125,061	384,593
Bank overdrafts (Note 18)	(1,981,544)	(1,805,001)	-	-
Bills of exchange factored out (Note 18)	(404,035)	(505,995)	-	-
	(1,110,434)	(773,087)	125,061	384,593

The current portion of the factoring facility in respect of bills of exchange factored out (Note 18) are treated as cash equivalents since these facilities form an integral part of the group's cash management.

14. Share capital

	Company	
	2014	2013
	€	€
Authorised		
500,000 (2013: 500,000) ordinary shares of €2.329373 each	1,164,687	1,164,687
<hr/>		
Issued and fully paid		
320,600 (2013: 320,600) ordinary shares of €2.329373 each	746,797	746,797
<hr/>		

15. Revaluation reserves

Group

	2014	2013
	€	€
Surplus arising on fair valuation of:		
Land and buildings of subsidiaries	6,060,997	3,089,938
Land and buildings of associate	11,008,452	10,882,813
<hr/>		
	17,069,449	13,972,751
<hr/>		

The movements in each category are analysed as follows:

	2014	2013
	€	€
Land and buildings of subsidiaries		
At beginning of year	3,089,938	3,103,920
Revaluation surplus arising during the year	3,379,216	-
Deferred income taxes on revaluation surplus arising during the year (Note 19)	(405,506)	-
Transfer upon realisation through asset use	(19,693)	(19,693)
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 19)	10,149	(1,182)
Deferred income taxes on realisation through asset use (Note 19)	6,893	6,893
<hr/>		
At end of year	6,060,997	3,089,938
<hr/>		

15. Revaluation reserves - continued

	2014 €	2013 €
Land and buildings of associate		
At beginning of year	10,882,813	5,598,222
Share of revaluation surplus arising during the year, net of deferred tax	241,219	5,359,317
Transfer upon realisation through asset use – share of depreciation transfer, net of deferred tax	(115,580)	(74,726)
	11,008,452	10,882,813
At end of year	11,008,452	10,882,813

The tax impact relating to components of other comprehensive income is presented in the above tables.

The revaluation reserves are non-distributable.

16. Fair value gains and other reserves

Group

	2014 €	2013 €
Fair value gains reserve in respect of investment property	4,692,533	4,856,873
Share of associate's incentives and benefits reserve	1,034,695	1,034,695
Capital reserves	241,707	241,707
Share of associate's capital reserve	192,223	194,449
	6,161,158	6,327,724
	6,161,158	6,327,724

The movements in each category are analysed as follows:

	2014 €	2013 €
Fair value gains reserve in respect of investment property		
At beginning of year	4,856,873	4,707,139
Fair value (losses)/gains arising during the year (Note 5)	(185,000)	171,460
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 19)	(1,540)	(1,151)
Deferred income taxes on fair value (losses)/gains arising during the year (Note 19)	22,200	(20,575)
	4,692,533	4,856,873
At end of year	4,692,533	4,856,873

16. Fair value gains and other reserves - continued

	2014 €	2013 €
Share of associate's incentives and benefits reserve		
At beginning of year	1,034,695	658,493
Share of transfer from retained earnings	-	376,202
	1,034,695	1,034,695
	2014 €	2013 €
Capital reserves		
At beginning and end of year	241,707	241,707
	2014 €	2013 €
Share of associate's capital reserve		
At beginning of year	194,449	196,053
Redemption of capitalised ground rents (Note 7)	(2,226)	(1,604)
	192,223	194,449

The tax impact relating to components of other comprehensive income is presented in the above tables.

Gains from changes in fair value of investment property, net of deferred tax movements, which are unrealised at the end of reporting periods, would be recognised in profit or loss in accordance with the group's accounting policy for investment property. These amounts are transferred from retained earnings to the fair value gains reserve since these gains are not considered by the directors to be available for distribution.

In accordance with Articles 24B and 36 of the Business Promotion Act, transfers are effected by an associate to an incentives and benefits reserve representing the net amount of profits subject to income tax at a reduced rate of tax. Such profits are set aside for the exclusive purpose of financing the upgrading projects within a subsidiary of the associate as approved by Malta Enterprise Corporation in accordance with Article 6 of the Business Promotion Act. The incentives and benefits reserve is not distributable and shall be retained for a period of eight years after which it can be distributed by means of a bonus issue.

The capital reserves are not considered by the directors to be available for distribution.

16. Fair value gains and other reserves - continued

Company

	2014 €	2013 €
Capital reserve		
At beginning and end of year	113,592	113,592

17. Trade and other payables

	Group		Company	
	2014 €	2013 €	2014 €	2013 €
Current				
Trade payables	250,363	794,796	-	-
Payments received on account	60,258	63,439	-	-
Amounts owed to related parties forming part of Mizzi Organisation	11,531,332	12,376,413	5,150,720	5,196,119
Amounts owed to other related parties	11,715	15,139	-	-
Other payables	35,979	47,720	-	-
Indirect taxation	4,019	21,706	-	-
Accruals and deferred income	471,805	586,483	35,461	35,463
	12,365,471	13,905,696	5,186,181	5,231,582
Non-current				
Financial liabilities arising from transfer of bills of exchange to related party forming part of Mizzi Organisation	2,419,272	1,726,018	-	-

The non-current financial liabilities arise from the transfer of bills of exchange by a group undertaking to a related party forming part of Mizzi Organisation (see Note 10). The group undertaking will service and administer the accounts in relation to which the bills of exchange are transferred. Accordingly, the transferor is obliged to remit without any delay to the transferee all proceeds received in relation to bills of exchange transferred. This obligation gives rise to the recognition of a financial liability to the group upon transfer of bills of exchange. The financial liabilities are recognised in these financial statements at the fair value of the bills of exchange transferred, which is equivalent to the consideration upon transfer. The financial liabilities mature between 2015 and 2018 in accordance with the terms of bills of exchange transferred as reflected in the table below and are subject to an effective interest rate of 8%. The financial liabilities are presented as non-current liabilities in view of the arrangement referred to in Note 9.

17. Trade and other payables - continued

	Group			
	2014		2013	
	Fair value	Face amount	Fair value	Face amount
	€	€	€	€
2014	-	-	362,453	439,728
2015	892,480	999,014	729,627	862,908
2016	813,153	916,029	633,938	722,263
2017	418,403	482,244	-	-
2018	295,236	324,622	-	-
	2,419,272	2,721,909	1,726,018	2,024,899

18. Borrowings

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Current				
Bank overdrafts	1,981,544	1,805,001	-	-
Bills of exchange factored out to bank (Note 10)	404,035	505,995	-	-
Loans from associate	600,000	600,000	600,000	600,000
	2,985,579	2,910,996	600,000	600,000
Non-current				
Bills of exchange factored out to bank (Note 10)	329,020	429,031	-	-
Loans from related party forming part of Mizzi Organisation	2,562,313	2,562,313	2,562,313	2,562,313
	2,891,333	2,991,344	2,562,313	2,562,313
Total borrowings	5,876,912	5,902,340	3,162,313	3,162,313

18. Borrowings - continued

Group

The group's banking facilities as at 31 December 2014 amounted to €3,839,000 (2013: €3,589,000). These facilities are mainly secured by:

- (a) guarantees by various group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €6,056,000 to €24,483,000 (2013: €6,056,000 to €24,483,000);
- (b) guarantees by the parent company and a related party forming part of Mizzi Organisation for the amount of €8,572,000 (2013: €8,572,000), by a group undertaking for €652,000 (2013: €652,000) and by another related party for €26,404,000 (2013: €26,404,000);
- (c) general hypothec given by a subsidiary for the amount of €652,000 (2013: €652,000) over assets; and
- (d) general hypothecary guarantee by a subsidiary for the amount of €652,000 (2013: €652,000) and by a related party forming part of Mizzi Organisation for the amount of €24,482,000 (2013: €24,482,000) over assets.

Facilities amounting to €2,540,000 (2013: €2,540,000) are also secured by other guarantees by group undertakings and related parties forming part of Mizzi Organisation, supported by general hypothecs over assets and by special hypothecs over property.

These banking facilities include an amount of €1,050,000 (2013: €1,050,000) in respect of the recourse element of 15% of the face value of bills of exchange factored out to the bank with an option to repurchase them as they fall due up to a limit of €7,000,000 (2013: €7,000,000). This facility is also secured by a pledge over bills of exchange drawn. At 31 December 2014, the total value of outstanding bills, which had been factored out under this facility, amounted to €733,055 (2013: €935,026) as disclosed above. This banking facility may also be utilised to factor out bills of exchange without an option to repurchase them as they fall due. The facility amount covers the recourse element of 15% of the value of bills factored out in this manner.

The long-term portions of the factoring facilities in respect of bills of exchange factored out provide financing for working capital on a long-term basis and accordingly have been classified as non-current liabilities.

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

	2014	2013
	%	%
Bank overdrafts	5.00	5.00
Bills of exchange factored out to bank	5.00	5.00

18. Borrowings - continued

Maturity of group's non-current bank borrowings:

	2014	2013
	€	€
Between 1 and 2 years	298,841	411,436
Between 2 and 5 years	30,179	17,595
	329,020	429,031

The loans from an associate are repayable on demand, unsecured and subject to a fixed interest rate of 4% (2013: 4%).

The non-current loans from related party consist of advances from Mizzi Organisation Finance p.l.c., a company forming part of Mizzi Organisation, out of the proceeds of the bonds issued by the same company. The proceeds of the bond issue had been advanced to Consolidated Holdings Limited and other companies within the Mizzi Organisation for the principal purposes of re-financing existing banking facilities of the respective company or of an operating subsidiary of that company, and for the general corporate funding purposes of the companies mentioned above or of operating subsidiaries of these companies. These advances are subject to interest at the fixed rate of 6.95% per annum with interest payable six monthly in arrears on 31 May and 30 November of each year. The advances are repayable in full on 30 November 2019. Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors in respect of the bond issue, have jointly and severally between themselves and with the respective borrower irrevocably undertaken under each loan agreement with the issuer to repay all interest and principal amounts that will become due and payable by the borrower to Mizzi Organisation Finance p.l.c. pursuant to these advances.

Company

The company's banking facilities as at 31 December 2014 amounted to €23,000 (2013: €23,000). These facilities are mainly secured by guarantees by group undertakings and related parties forming part of Mizzi Organisation, which are supported by general hypothecs over assets and special hypothecs over properties. These facilities are subject to floating rates of interest. The weighted average effective interest rate as at 31 December 2014 was 4.6% (2013: 5.0%).

19. Deferred taxation

Group

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% (2013: 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 12% of the transfer value.

The movement on the deferred tax account is as follows:

	2014 €	2013 €
At beginning of year	1,469,068	1,448,374
Movement in deferred tax liability determined on the basis applicable to property disposals:		
Property, plant and equipment – recognised in other comprehensive income (Note 15)	(10,149)	1,182
Investment property – recognised in profit or loss (Note 26)	1,540	1,151
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 15)	405,506	-
Deferred income taxes on fair value losses/gains on investment property arising during the year (Note 26)	(22,200)	20,575
Realisation through asset use (Note 26)	(6,893)	(6,893)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 26)	(25,798)	4,679
Deferred income taxes attributable to unabsorbed capital allowances (Note 26)	98,438	-
At end of year	1,909,512	1,469,068

All the amounts disclosed in the table above, which have been referenced to Note 26, are recognised in profit or loss. The other amounts referenced to Note 15, has been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2014 €	2013 €
Temporary differences arising on fair valuation of property	2,297,560	1,929,756
Temporary differences arising on depreciation of property, plant and equipment	185,771	211,569
Deferred taxation attributable to unabsorbed capital allowances	(573,819)	(672,257)
	1,909,512	1,469,068

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

9. Deferred taxation - continued

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An Act to implement Budget measures for the financial year 2015 and other administrative measures' was published in December 2014. With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 will be 10%. The announcement of the revised tax regime by the Minister for Finance and the subsequent publication of the Budget Bill in December 2014 do not, as at 31 December 2014, have the substantive effect of actual enactment. Accordingly, tax rates used for the measurement of deferred taxation as at 31 December 2014 are those applicable prior to the measures announced in the Budget Speech for the financial year 2015, which are disclosed above. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the group's property would be a decrease amounting to €382,927 of which €253,270 would be recognised in other comprehensive income and €129,658 would be recognised in profit or loss.

At 31 December 2014 and 2013, the group had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2014	2013	2014	2013
	€	€	€	€
Unutilised tax credits arising from:				
Unabsorbed tax losses	245,468	-	-	-
Unabsorbed capital allowances	550,075	838,903	1,639,482	1,920,734
Deductible temporary differences arising on depreciation of property, plant and equipment	(3,584)	25,408	-	-
Provisions for impairment of trade and other receivables	4,577,987	4,740,474	-	-
Provisions for impairment of available-for-sale financial assets	81,752	97,690	-	-
Taxable temporary differences arising on depreciation of property, plant and equipment	-	-	(530,775)	(604,483)

The temporary differences arising on provisions for impairment of trade and other receivables include those arising on provisions for impairment of amounts receivable from hire purchase debtors (Note 10).

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. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade.

Company

At 31 December 2014, the company had unutilised tax credits arising from unabsorbed capital allowances amounting to €200,741 (2013: €200,741). At the end of the reporting period, the company also had deductible temporary differences arising on provisions for impairment of available-for-sale financial assets, amounting to €81,752 (2013: €81,752). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

20. Revenue

The group's revenue, which is entirely derived from the local market, is analysed as follows:

	Group	
	2014	2013
	€	€
By category		
Sale of motor vehicles	4,418,521	2,593,735
Sale of spare parts and provision of ancillary services	3,248,656	3,261,675
Hotel operations	3,585,038	3,256,460
Income from hire purchase and related financing	672,444	966,842
Income from property	5,984	8,439
	11,930,643	10,087,151

Income from hire purchase and related financing includes interest amounting to €11,305 (2013: €15,855) earned on loans and advances to related parties.

21. Expenses by nature

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Cost of goods sold	6,557,609	5,092,685	-	-
Employee benefit expense (Note 22)	1,993,561	1,862,398	-	-
Hotel food and beverage costs	445,306	425,678	-	-
Hotel operating supplies, services and related expenses	866,502	709,976	-	-
Management fees and similar service charges	247,328	259,217	-	-
Depreciation of property, plant and equipment (Note 4)	256,438	285,322	-	-
Operating lease rentals payable and similar charges:				
- Property	142,280	142,298	-	-
- Motor vehicles	9,450	7,950	-	-
Movement in provisions for impairment of:				
- trade receivables (included in 'Administrative expenses')	(12,756)	8,653	-	-
- hire purchase receivables (included in 'Administrative expenses')	105,483	527,275	-	-
Interest payable and financing costs (included in 'Cost of sales')	58,695	91,665	-	-
Marketing, business promotion and related expenses	143,282	102,237	-	-
Other expenses	558,591	345,041	7,379	7,068
	11,371,769	9,860,395	7,379	7,068

21. Expenses by nature - continued

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
(Profit)/loss on disposal of property, plant and equipment	(3,206)	12,834	-	-
Property operating lease rental income (included in 'Other operating income')	(1,333)	(4,333)	-	-

Auditor's fees

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

	Group	
	2014	2013
	€	€
Annual statutory audit	22,654	22,150
Tax advisory and compliance services	2,556	2,556
Other non-audit services	9,348	6,502
	34,558	31,208

The auditor's remuneration for the company attributable to the year ended 31 December 2014 amounted to €3,650 (2013: €3,650).

22. Employee benefit expense

	Group	
	2014	2013
	€	€
Wages and salaries	1,859,374	1,733,791
Social security costs	134,187	128,607
	1,993,561	1,862,398

Average number of persons employed during the year:

	Group	
	2014	2013
Direct	83	89
Administration	25	27
	108	116

23. Investment and other related income

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Gross dividends receivable from investments in subsidiaries	-	-	438,461	430,769
Gross dividends receivable from investments in associate	-	-	201,969	200,961
Other gross dividends receivable	1,387	1,387	1,387	1,387
Increase in provision for impairment of available-for-sale financial assets	-	(5,067)	-	-
	1,387	(3,680)	641,817	633,117

24. Finance income

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Interest receivable from subsidiaries	-	-	483,795	450,283
Interest receivable from related parties forming part of Mizzi Organisation	200,572	202,737	-	-
Interest receivable on asset attributable to transferred bills of exchange (Note 9)	227,780	77,031	-	-
	428,352	279,768	483,795	450,283

25. Finance costs

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Interest payable to related parties forming part of Mizzi Organisation	718,813	676,676	481,990	449,294
Bank interest and charges	124,293	135,848	83	110
Interest payable in relation to transferred bills of exchange (Note 17)	227,780	77,031	-	-
Other interest payable	33	310	-	-
	1,070,919	889,865	482,073	449,404

26. Tax expense

	Group		Company	
	2014 €	2013 €	2014 €	2013 €
Current taxation:				
Current tax expense	3,889	4,745	225,446	218,608
Adjustment recognised in financial period for current tax of prior periods	(4,745)	6,000	-	-
Deferred taxation (Note 19)	45,087	19,512	-	-
	44,231	30,257	225,446	218,608

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

	Group		Company	
	2014 €	2013 €	2014 €	2013 €
Profit before tax	167,291	298,972	636,160	626,928
Tax on profit at 35%	58,552	104,640	222,656	219,425
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment and provisions for impairment of trade and other receivables	130,801	187,664	-	-
Determination of deferred taxation on fair value gains of investment property on the basis applicable to property disposals	44,090	(38,285)	-	-
Maintenance allowance claimed on rented property	(373)	(547)		
Expenses not deductible for tax purposes	10,707	8,057	2,790	2,431
Dividend income not taxed at 35%	-	-	-	(3,248)
Share of result of associate	(145,161)	(167,841)	-	-
(Over)/under provision of tax in previous years	(4,745)	6,000	-	-
Utilisation of unabsorbed tax losses and capital allowances brought forward from previous years	(135,881)	(79,709)	-	-
Unabsorbed tax losses incurred during the year	85,914	-	-	-
Unabsorbed capital allowances claimed during the year	327	10,278	-	-
Tax charge in the accounts	44,231	30,257	225,446	218,608

The tax impact relating to components of other comprehensive income is presented in the tables within Note 15 to the financial statements.

27. Directors' emoluments

	Group	
	2014	2013
	€	€
Salaries and other emoluments	37,219	24,284

28. 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 Consolidated Holdings Limited in issue during the year.

	Group	
	2014	2013
Net profit attributable to the owners of the company	€123,060	€268,715
Weighted average number of ordinary shares in issue	320,600	320,600
Earnings per share	€0.38	€0.84

29. Dividends

	Company	
	2014	2013
	€	€
Final dividends paid on ordinary shares:		
Gross	218,080	215,385
Tax at source	(73,080)	(75,385)
Net	145,000	140,000
Dividends per share	0.45	0.44

30. Cash generated from/(used in) operations

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Operating profit/(loss)	393,724	433,202	(7,379)	(7,068)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	256,438	285,322	-	-
(Profit)/loss on disposal of property, plant and equipment	(3,206)	12,834	-	-
Losses/(gains) from changes in fair value of investment property (Note 5)	185,000	(171,460)	-	-
Movement in provisions for impairment of trade and other receivables	(12,756)	8,653	-	-
Movement in provisions for impairment of hire purchase receivables	239,952	512,968	-	-
Changes in working capital:				
Inventories	(630,779)	283,868	-	-
Trade and other receivables	1,316,740	661,527	(483,258)	(450,290)
Trade and other payables	(1,540,225)	160,674	45,401	(167,071)
Cash generated from/(used in) operations	204,888	2,187,588	(536,038)	(624,429)

31. Commitments

Operating lease commitments – where a group undertaking is the lessee

Various subsidiaries have property leasing arrangements with a related party, which is a company forming part of the Mizzi Organisation, whereby operating lease rentals amounting to €121,951 (2013: €121,951) are payable annually for the right to use assets owned by the related party in the course of the respective company's operations.

32. 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 €74,011,000 (2013: €73,911,000) together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees for the amount of €26,382,000 (2013: €26,382,000) over the company's assets.

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 €43,157,000 (2013: €43,157,000), €36,096,000 (2013: €36,096,000) and €33,160,000 (2013: €33,160,000) respectively, together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees over assets by the undertakings for the amounts of €24,482,000 (2013: €24,482,000), €26,136,000 (2013: €26,136,000) and €25,482,000 (2013: €25,482,000) respectively, and special hypothecary guarantees over property by two undertakings for the amounts of €25,484,000 (2013: €25,484,000) and €25,482,000 (2013: €25,482,000) respectively.

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

Bond issue proceeds had been advanced to Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited. All the terms and conditions of these advances are disclosed in Note 18 to the financial statements. Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors in respect of the bond issue, have jointly and severally, between themselves and with the respective borrower, undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the advances from Mizzi Organisation Finance p.l.c.

- (c) No provision has been made in these consolidated accounts for disputed income tax amounting to €207,967 (2013: €207,967) arising from assessments raised in terms of Section 44 of the Income Tax Act, Cap. 123. The contingent liability of the company in this respect amounts to €45,795 (2013: €45,795). Objections have been filed on the said assessments. The directors are confident that no material future liability will arise beyond the amounts which are acknowledged as properly due, which amounts have been fully provided for.
- (d) Objections have been filed with the Commissioner of Inland Revenue over assessments raised relating to basis years 1987 and 1988 amounting to €2,301 (2013: €2,301), in respect of which no provision has been made in these accounts.

32. Contingencies - continued

- (e) At 31 December 2014, the company had a contingent liability of €698,812 (2013: €698,812) in respect of the uncalled share capital of a subsidiary.
- (f) At 31 December 2014, subsidiaries had contingent liabilities amounting to €26,878 (2013: €36,878) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.
- (g) The company has undertaken to provide financial support to a subsidiary so as to enable the entity to meet its liabilities as they fall due. The subsidiary's profit for the year ended 31 December 2014 amounted to €228,417 (2013: €225,962), but as at 31 December 2013 its current liabilities exceeded its current assets by €3,796,812 (2013: €4,331,751).

33. Related party transactions

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

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

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

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

Group

United Acceptances Finance Limited, a subsidiary, serves as a finance house to all companies within the Organisation. The subsidiary's activities consist principally of the granting and administering of hire purchase agreements with respect to debts sold to the company by these related parties. Companies within the Mizzi Organisation transfer receivables, arising from the sale of goods and services, to United Acceptances Finance Limited at their face value (Note 10). These receivables are acquired without rights of recourse.

In the ordinary course of their operations, group undertakings also sell goods and other services to companies forming part of the Organisation for trading purposes and also purchase goods and services from these companies.

33. Related party transactions - continued

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:

	2014	2013
	€	€
Sales of goods and services		
Sales of goods held for resale and provision of services		
- Related parties forming part of Mizzi Organisation	416,840	470,632
- Other related parties	6,265	3,126
Property operating lease rental income receivable	5,984	8,439
	429,089	482,197
	2014	2013
	€	€
Purchases of goods and services		
Purchases of goods held for resale and services		
- Related parties forming part of Mizzi Organisation	90,796	86,191
- Other related parties	11,118	17,556
Purchase of property, plant and equipment	82,885	51,409
Management fees payable	310,707	310,763
Property operating lease rentals payable	114,000	114,000
Estate management fees payable	11,800	10,620
	621,306	590,539

33. Related party transactions - continued

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 9, 10 and 17 to these financial statements.

The group's expenditure reflected in profit or loss comprises amounts recharged from related parties forming part of Mizzi Organisation of €199,796 (2013: €155,310). Expenditure amounting to €209,048 (2013: €211,434) has been recharged by the group to related parties forming part of Mizzi Organisation.

Key management personnel comprise the directors of the company and of the other group undertakings. Key management personnel compensation, recharged by a related party forming part of Mizzi Organisation, in addition to directors' remuneration disclosed in Note 27 amounted to €64,911 (2013: €51,267).

Amounts owed by related parties as at 31 December 2014 of €4,454,361 (2013: €3,993,590) are subject to interest at 5% (2013: 5%). Amounts owed to related parties as at 31 December 2014 of €6,279,588 (2013: €6,384,505) are subject to interest at 7.2% (2013: 7.2%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 24 and 25 respectively.

Company

The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €5,691 (2013: €5,913).

Amounts owed to related parties as at 31 December 2014 of €4,972,734 (2013: €4,690,984) are subject to interest at 7.2% (2013: 7.2%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 24 and 25 respectively.

34. Statutory information

Consolidated Holdings Limited is a limited liability company and is incorporated in Malta.