KASTELL LIMITED

Annual Report and Consolidated Financial Statements 31 December 2013

Company Registration Number: C 2596

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2013.

Principal activities

The group's principal activities, which are unchanged since last year, are mainly the importation and sale of motor vehicles, domestic appliances and related spare parts; the contracting and servicing of air conditioners and related supplies; the management and leasing of a shopping and commercial centre and retailing activities, principally the sale of foodstore goods, clothing and similar goods, from rented premises.

The company's principal activities, which are unchanged since last year, are the holding of investments and the provision of services to other companies within the Mizzi Organisation.

Review of the business

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

The group's net current liability situation remains tenable given that €17,458,987 (2012: €17,854,724) of total current operating liabilities are payable to other companies within the Mizzi Organisation, which have agreed not to withdraw their support. Also, current operating liabilities of the company amounting to €520,628 (2012: €520,628) are payable to other companies within the Mizzi Organisation.

Results and dividends

The consolidated financial results are set out on page 7. The directors have proposed and paid a final net dividend of €245,000 (2012: €180,000).

Directors

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

Maurice F. Mizzi
Brian R. Mizzi
Kenneth C. Mizzi
Veronique Mizzi – appointed on 1 January 2013
Angele Calleja – resigned on 1 January 2013
Ian J. Mizzi – appointed on 1 July 2013
Christopher Mizzi – resigned on 1 July 2013

On 1 January 2014, Veronique Mizzi resigned from office and Angele Calleja was appointed as director in her stead.

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

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

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors 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 Kastell Limited for the year ended 31 December 2013 are included in the Annual Report and Consolidated Financial Statements 2013, 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.

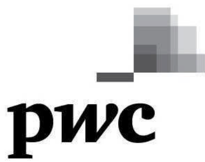
On behalf of the board

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

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

4 May 2014



Independent auditor’s report

To the Shareholders of Kastell Limited

Report on the Financial Statements for the year ended 31 December 2013

We have audited the consolidated and the stand-alone parent company financial statements of Kastell Limited (together the “financial statements”) on pages 5 to 67 which comprise the consolidated and parent company statements of financial position as at 31 December 2013, the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors’ Responsibility for the Financial Statements
As explained more comprehensively in the statement of directors’ responsibilities for the financial statements on page 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.

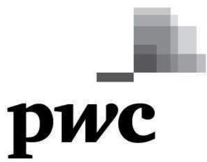
Auditor’s Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain 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 2013, and of their financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

Fabio Axisa
Partner

4 May 2014

Statements of financial position

	Notes	As at 31 December			
		2013	2012	**2013**	2012
		Group		**Company**	
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**13,310,085**	13,738,698	**-**	-
Investment property	5	**9,650,350**	7,826,354	**-**	-
Investments in subsidiaries	7	**-**	-	**4,930,073**	4,930,073
Investments in associates	8	**1,558,481**	1,456,729	**291**	43,981
Loans and advances	9	**575,938**	575,938	**575,938**	575,938
Available-for-sale financial assets	10	**238**	238	**233**	233
Trade and other receivables	11	**735,193**	499,482	**-**	-
Total non-current assets		**25,830,285**	24,097,439	**5,506,535**	5,550,225
Current assets					
Inventories	12	**10,228,146**	10,918,225	**-**	-
Trade and other receivables	11	**15,728,216**	16,711,497	**2,901,722**	2,949,642
Loans and advances	13	**-**	-	**2,364,267**	2,364,267
Current tax assets		**199,627**	114,092	**7,462**	10,126
Cash and cash equivalents	14	**1,532,521**	1,017,971	**-**	479
		27,688,510	28,761,785	**5,273,451**	5,324,514
Assets classified as held for sale	15	**5,161**	5,161	**-**	-
Total current assets		**27,693,671**	28,766,946	**5,273,451**	5,324,514
Total assets		**53,523,956**	52,864,385	**10,779,986**	10,874,739

Statements of financial position - continued

	Notes	As at 31 December			
		2013	2012	**2013**	2012
		Group		**Company**	
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**4,654**	4,654	**4,654**	4,654
Revaluation reserve	17	**4,273,066**	4,274,354	**-**	-
Fair value gains and other reserves	18	**4,340,245**	2,910,454	**-**	-
Retained earnings		**5,572,306**	4,866,800	**2,895,362**	2,949,521
Total equity		**14,190,271**	12,056,262	**2,900,016**	2,954,175
Non-current liabilities					
Trade and other payables	19	**-**	33,346	**-**	-
Borrowings	20	**3,533,734**	3,813,212	**1,793,618**	1,793,618
Deferred tax liabilities	21	**2,172,902**	1,788,394	**-**	-
Total non-current liabilities		**5,706,636**	5,634,952	**1,793,618**	1,793,618
Current liabilities					
Trade and other payables	19	**28,750,072**	29,347,074	**4,440,178**	4,439,745
Current tax liabilities		**156,518**	320,388	**-**	-
Borrowings	20	**4,705,319**	5,490,569	**1,631,034**	1,672,061
Provisions for other liabilities and charges	22	**15,140**	15,140	**15,140**	15,140
Total current liabilities		**33,627,049**	35,173,171	**6,086,352**	6,126,946
Total liabilities		**39,333,685**	40,808,123	**7,879,970**	7,920,564
Total equity and liabilities		**53,523,956**	52,864,385	**10,779,986**	10,874,739

The notes on pages 12 to 67 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 67 were authorised for issue by the board on 4 May 2014 and were signed on its behalf by:

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

Income statements

		Year ended 31 December			
	Notes	**2013**	2012	**2013**	2012
		Group		**Company**	
		€	€	**€**	€
Revenue	23	**67,370,268**	65,436,020	**-**	-
Cost of sales		**(52,813,273)**	(51,560,060)	**-**	-
Gross profit		**14,556,995**	13,875,960	**-**	-
Selling and other direct expenses		**(8,088,545)**	(8,269,628)	**-**	-
Administrative expenses		**(4,548,907)**	(4,126,088)	**(7,399)**	(7,439)
Net gains from changes in fair value of investment property	5	**1,823,996**	213,202	**-**	-
Other operating income		**238,543**	266,498	**-**	-
Operating profit/(loss)		**3,982,082**	1,959,944	**(7,399)**	(7,439)
Investment and other related income	26	**-**	-	**286,821**	276,900
Finance income	27	**52,319**	33,971	**167,715**	167,715
Finance costs	28	**(1,059,008)**	(1,070,679)	**(165,697)**	(167,649)
Share of profit of associates and related items	8	**234,187**	408,305	**(1,254)**	-
Profit before tax		**3,209,580**	1,331,541	**280,186**	269,527
Tax expense	29	**(837,024)**	(344,122)	**(89,345)**	(94,971)
Profit for the year		**2,372,556**	987,419	**190,841**	174,556
Earnings per share	31	**1,187.47**	494.20		

The notes on pages 12 to 67 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year ended 31 December			
	Notes	**2013**	2012	**2013**	2012
		Group		**Company**	
		€	€	**€**	€
Profit for the year		**2,372,556**	987,419	**190,841**	174,556
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	17	**-**	546,227	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	17	**(1,288)**	(1,891)	**-**	-
Items that may be subsequently reclassified to profit or loss					
Currency translation differences	18	**7,741**	(12,311)	**-**	-
Other comprehensive income for the year, net of tax		**6,453**	532,025	**-**	-
Total comprehensive income for the year		**2,379,009**	1,519,444	**190,841**	174,556

The notes on pages 12 to 67 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserve €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2012		4,654	3,730,018	2,579,858	4,402,288	10,716,818
Comprehensive income						
Profit for the year		-	-	-	987,419	987,419
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	17	-	546,227	-	-	546,227
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	17	-	(1,891)	-	-	(1,891)
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	18	-	-	342,907	(342,907)	-
Currency translation differences	18	-	-	(12,311)	-	(12,311)
Total other comprehensive income		-	544,336	330,596	(342,907)	532,025
Total comprehensive income		-	544,336	330,596	644,512	1,519,444
Transactions with owners						
Dividends relating to 2012	32	-	-	-	(180,000)	(180,000)
Balance at 31 December 2012		4,654	4,274,354	2,910,454	4,866,800	12,056,262
Comprehensive income						
Profit for the year		-	-	-	2,372,556	2,372,556
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	17	-	(1,288)	-	-	(1,288)
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	18	-	-	1,422,050	(1,422,050)	-
Currency translation differences	18	-	-	7,741	-	7,741
Total other comprehensive income		-	(1,288)	1,429,791	(1,422,050)	6,453
Total comprehensive income		-	(1,288)	1,429,791	950,506	2,379,009
Transactions with owners						
Dividends relating to 2013	32	-	-	-	(245,000)	(245,000)
Balance at 31 December 2013		**4,654**	**4,273,066**	**4,340,245**	**5,572,306**	**14,190,271**

Statements of changes in equity - continued

Company

	Note	**Share capital** €	**Retained earnings** €	**Total** €
Balance at 1 January 2012		4,654	2,954,965	2,959,619
Comprehensive income				
Profit for the year - total comprehensive income		-	174,556	174,556
Transactions with owners				
Dividends relating to 2012	32	-	(180,000)	(180,000)
Balance at 31 December 2012		4,654	2,949,521	2,954,175
Comprehensive income				
Profit for the year - total comprehensive income		-	190,841	190,841
Transactions with owners				
Dividends relating to 2013	32	-	(245,000)	(245,000)
Balance at 31 December 2013		**4,654**	**2,895,362**	**2,900,016**

The notes on pages 12 to 67 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	2013	2012	2013	2012
		Year ended 31 December			
		Group		Company	
		€	€	€	€
Cash flows from operating activities					
Cash generated from/(used in) operations	33	**3,913,365**	1,405,876	**40,954**	(74,346)
Dividends received		**89,999**	-	**286,821**	276,900
Interest received		**52,319**	33,971	**167,715**	167,715
Interest paid		**(1,059,008)**	(1,070,679)	**(165,697)**	(167,649)
Tax paid		**(703,209)**	(580,776)	**(86,681)**	(97,039)
Net cash generated from/(used in) operating activities		**2,293,466**	(211,608)	**243,112**	105,581
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(748,204)**	(1,076,320)	**-**	-
Proceeds from disposal of property, plant and equipment	4	**228,839**	152,950	**-**	-
Capital expenditure on investment property	5	**-**	(6,000)	**-**	-
Recovery of expenditure incurred in prior years on investment property	5	**-**	184,722	**-**	-
Proceeds from disposal of assets classified as held for sale	15	**-**	4,174	**-**	-
Net proceeds received upon liquidation of associate	8	**42,436**	-	**42,436**	-
Net cash (used in)/generated from investing activities		**(476,929)**	(740,474)	**42,436**	-
Cash flows from financing activities					
Repayments of bank borrowings	20	**(267,360)**	(247,591)	**-**	-
Proceeds from borrowings from related parties forming part of Mizzi Organisation	20	**231,826**	-	**-**	-
Repayments of borrowings from other related parties	20	**(35,639)**	(35,639)	**-**	-
Proceeds from borrowings from associate	20	**-**	21,340		21,340
Repayments of borrowings from associate	20	**(41,500)**	-	**(41,500)**	-
Dividends paid	32	**(245,000)**	(180,000)	**(245,000)**	(180,000)
Net cash used in financing activities		**(357,673)**	(441,890)	**(286,500)**	(158,660)
Net movements in cash and cash equivalents		**1,458,864**	(1,393,972)	**(952)**	(53,079)
Effect of exchange rate fluctuations on the translation of cash flows of foreign operations		**7,741**	(12,311)	**-**	-
Cash and cash equivalents at beginning of year		**(1,816,429)**	(410,146)	**479**	53,558
Cash and cash equivalents at end of year	14	**(349,824)**	(1,816,429)	**(473)**	479

The notes on pages 12 to 67 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 Kastell 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).

As at 31 December 2013, the company's current liabilities exceeded its current assets by €812,901 (2012: €802,432). In this respect, subsidiaries and related parties have undertaken not to request repayment of amounts due to them until alternative financing is available. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to enable the company to meet any obligations in full and to enable the company to provide financial support to certain subsidiaries having net liabilities or net current liabilities (see Note 35h). At 31 December 2013, the group's current liabilities exceeded its current assets by €5,933,378 (2012: €6,406,225). This is attributable to the fact that the group has significant amounts payable to related parties in respect of property and financing transactions that have taken place in prior years.

Standards, interpretations and amendments to published standards effective in 2013

In 2013, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2013. 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.

The group adopted the amendment to IAS 1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities to group items presented in 'other comprehensive income' on the basis of whether they are potentially re-classifiable to profit or loss subsequently (reclassification adjustments).

The group also adopted IFRS 13, 'Fair value measurement', which aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards within IFRSs. The standard requires extensive disclosure about fair value measurements and this has a significant impact on the disclosures in the group's financial statements with respect to fair valuation of non-financial assets.

1. Summary of significant accounting policies – continued

1.1 Basis of preparation - continued

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 2013. 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.

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 two classification categories: amortised cost and fair value. 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. 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. The company is considering the implications of the standard and its impact on the company's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when completed.

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.

1.3 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 and the group's presentation currency.

1. Summary of significant accounting policies - continued

1.3 Foreign currencies - continued

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange 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.

(c) Group companies

The results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
(ii) income and expenses for each performance statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

1.4 Business combinations involving entities under common control

Business combinations involving entities under common control are transactions in which all of the combining entities are controlled by the same party or parties before and after the transaction and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate control of the combining entities as a result of the transaction. Control could be exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the entity.

The company has chosen to apply the pooling of interests method to account for transactions involving entities under common control. The company accounts for business combinations involving entities under common control by recording:

a) the transaction as if it had taken place at the beginning of the earliest period presented;
b) the assets and liabilities of the acquired entity using predecessor book values from the consolidated financial statements of the controlling party, and
c) the difference between the consideration given and the aggregate book value of the assets and liabilities of the acquired entity as an adjustment to equity.

When the controlling party does not prepare financial statements, the book values from the financial statements of the acquired entity are used.

1. Summary of significant accounting policies - continued

1.5 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.

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	1 – 2
Improvements to premises	2 – 33⅓
Operational equipment	8⅓ – 25
Furniture, fittings and office equipment	10 – 33⅓
Motor vehicles	25 – 33⅓

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

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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

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

1.6 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.

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.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

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 changes 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

1.7 Intangible assets

(a) 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.

(b) Franchise rights

Franchise rights are measured initially at historical cost. Franchise rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives (5 - 10 years).

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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.

1.8 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, trade and other receivables and cash and cash equivalents in the statement of financial position (notes 1.9, 1.11 and 1.12).

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

(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.

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.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

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.

(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 receivables is described in accounting policy 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.

1.9 Loans and advances

Under the requirements of IAS 39, the group's loans and advances, consisting in the main of advances to a subsidiary, only in the company's case, and an associate, 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. Summary of significant accounting policies - continued

1.10 Inventories

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

- inventories of motor vehicles are valued by specifically identifying their individual costs;
- inventories of spare parts and other stocks are valued on the weighted average cost method.

The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.11 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.

1.12 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 and bank overdrafts. The bank overdrafts 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. Mandatorily redeemable preference shares are classified as liabilities (see accounting policy 1.16 Borrowings).

1. Summary of significant accounting policies - continued

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.

1.16 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.

Preference shares which are mandatorily redeemable on or by a specific date, are classified as liabilities. The dividend on these preference shares is recognised in profit or loss as interest expense.

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. Summary of significant accounting policies - continued

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 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 and 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.

1.19 Provisions

Provisions are recognised when the group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

Costs related to the ongoing activities of the group are not provided in advance. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1. Summary of significant accounting policies - continued

1.20 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 – see accounting policy 1.22 for 'Operating leases'.

Sales relating to long-term contracts – see accounting policy 1.21 for 'Long-term contracts'.

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

(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.

1.21 Long-term contracts

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

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

1. Summary of significant accounting policies - continued

1.21 Long-term contracts - continued

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

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

1.22 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.

(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 1.5. 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.

1.23 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 the interest-bearing borrowings.

1.24 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 and cash flow interest rate 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.

(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. A significant part of the group's purchases are denominated in sterling and US dollar, and accordingly the group is exposed to foreign exchange risk arising from such purchases. A subsidiary domiciled overseas (see Note 7) has a functional currency which is different from the euro and is subject to currency risk in respect of intra-group balances denominated in euro amounting to €463,558 (2012: €505,507). The exposures from these instruments and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the group figures.

The group's risk exposures reflecting the carrying amount of recognised payables denominated in foreign currencies at the end of the reporting period were not significant.

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

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in sterling and US dollar to be significant. Accordingly, 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.

2. Financial risk management - continued

(ii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise trade receivables (Note 11), loans from related parties (Note 20) and non-cumulative redeemable preference shares (Note 20). The company's fixed interest instruments also comprise loans to a subsidiary (Note 13). In this respect, 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 issued at variable rates (Note 20) and balances with related parties subject to floating interest rates (Note 36) 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.

(b) Credit risk

Credit risk arises from cash and cash equivalents, loans and 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 periods are analysed as follows:

	Group		**Company**	
	2013	2012	**2013**	2012
	€	€	**€**	€
Loans and receivables category:				
Loans and advances (Notes 9 and 13)	**575,938**	575,938	**2,940,205**	2,940,205
Trade and other receivables (Note 11)	**16,463,409**	17,210,979	**2,901,722**	2,949,642
Cash and cash equivalents (Note 14)	**1,532,521**	1,017,971	**-**	479
	18,571,868	18,804,888	**5,841,927**	5,890,326

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 principally bank with local financial institutions with high quality standing or rating.

2. Financial risk management - continued

The group assesses the credit quality of its trade customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. Moreover, a significant amount of the group undertakings' debts from sales transactions are financed by United Acceptances Finance Limited, a related party which serves as a finance house to all companies forming part of the Mizzi Organisation. The group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, taking into account historical experience in collection of accounts receivable.

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

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

The group's and the company's loans referred to in the table above consist of advances to related parties, including entities forming part of the Mizzi Organisation (see Note 36). The group's and the company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 11) arising from property and financing transactions that have taken place in the current and prior years. The Organisation's treasury monitors related party and 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, except as disclosed below.

As at 31 December 2013, trade and other receivables of €1,328,283 (2012: €1,096,697) for the group and €523,803 (2012: €523,803) for the company were impaired (Note 11). The latter amounts relate to balances with subsidiaries. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. Provisions for impairment in respect of balances with subsidiaries relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment in relation to amounts receivable from subsidiaries arise in those situations where group entities recover from unfavourable circumstances. The group and company do not hold any collateral as security in respect of the impaired assets.

The movements in the group's and the company's provisions for impairment of trade and other receivables are disclosed in Note 24 to the financial statements.

2. Financial risk management - continued

As at 31 December 2013, trade receivables of €1,979,853 (2012: €1,842,869) were past due but not impaired. These relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

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

	2013	2012
	€	€
Up to 3 months	**1,392,580**	1,467,080
Over 3 months	**587,273**	375,789
	1,979,853	1,842,869

(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 20) and trade and other payables (Note 19). 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 level which controls the overall liquidity requirements of Mizzi Organisation within certain parameters. The monitoring process considers the fact that the group has significant amounts payable to related parties in respect of property and financing transactions that have taken place in the current and prior years. In view of these balances the group's and company's current liabilities exceed current assets; but alternative financing at Mizzi Organisation level is utilised to manage this matter. 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 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 tables 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 2013					
Bank borrowings	2,211,385	329,040	576,273	99,912	3,216,610
Loans from related parties	2,667,042	124,656	374,311	1,907,686	5,073,695
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	28,750,072	-	-	-	28,750,072
At 31 December 2012					
Bank borrowings	3,163,530	329,130	787,123	216,865	4,496,648
Loans from associate	41,500	-	-	-	41,500
Loans from related parties	2,470,855	124,656	374,311	2,032,343	5,002,165
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	29,347,074	11,438	21,908	-	29,380,420

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
Company					
At 31 December 2013					
Loans from related parties	1,755,217	124,656	374,311	1,907,686	4,161,870
Trade and other payables	4,440,178	-	-		4,440,178
At 31 December 2012					
Loans from associate	41,550	-	-	-	41,550
Loans from related parties	1,755,217	124,656	374,311	2,032,343	4,286,527
Trade and other payables	4,439,745	-	-	-	4,439,745

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 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:

	2013	2012
	€	€
Total borrowings	**61,481,366**	67,304,979
Less: cash and cash equivalents	**(4,950,636)**	(3,186,908)
Net debt	**56,530,730**	64,118,071
Total equity	**99,170,457**	88,734,450
Total capital	**155,701,187**	152,852,521
Net debt/total capital	**36%**	42%

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 Kastell 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 2013 and 2012 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 short-term or 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 advances to related parties 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 utilized 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 categorized as Level 2 within the fair value measurement hierarchy required by IFRS 7, 'Financial Instruments: Disclosures'.

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 €	Improvements to premises €	Operational equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2012						
Cost or valuation	10,127,757	73,836	4,687,119	7,890,446	1,928,602	24,707,760
Accumulated depreciation and impairment losses	(769,268)	(50,159)	(3,813,905)	(5,521,910)	(1,529,560)	(11,684,802)
Net book amount	9,358,489	23,677	873,214	2,368,536	399,042	13,022,958
Year ended 31 December 2012						
Opening net book amount	9,358,489	23,677	873,214	2,368,536	399,042	13,022,958
Revaluation surplus arising during the year (Note 17)	737,779	-	-	-	-	737,779
Additions	190,511	-	174,402	432,271	279,136	1,076,320
Disposals	-	-	-	-	(237,835)	(237,835)
Depreciation charge	(34,785)	(891)	(219,113)	(547,528)	(195,162)	(997,479)
Depreciation released on disposals	-	-	-	-	136,955	136,955
Closing net book amount	10,251,994	22,786	828,503	2,253,279	382,136	13,738,698
At 31 December 2012						
Cost or valuation	11,056,047	73,836	4,861,521	8,322,717	1,969,903	26,284,024
Accumulated depreciation and impairment losses	(804,053)	(51,050)	(4,033,018)	(6,069,438)	(1,587,767)	(12,545,326)
Net book amount	10,251,994	22,786	828,503	2,253,279	382,136	13,738,698
Year ended 31 December 2013						
Opening net book amount	10,251,994	22,786	828,503	2,253,279	382,136	13,738,698
Additions	-	-	126,894	403,061	218,249	748,204
Disposals	-	-	-	-	(373,472)	(373,472)
Depreciation charge	(52,653)	(467)	(230,470)	(559,782)	(169,098)	(1,012,470)
Depreciation released on disposals	-	-	-	-	209,125	209,125
Closing net book amount	**10,199,341**	**22,319**	**724,927**	**2,096,558**	**266,940**	**13,310,085**
At 31 December 2013						
Cost or valuation	11,056,047	73,836	4,988,415	8,725,778	1,814,680	26,658,756
Accumulated depreciation and impairment losses	(856,706)	(51,517)	(4,263,488)	(6,629,220)	(1,547,740)	(13,348,671)
Net book amount	**10,199,341**	**22,319**	**724,927**	**2,096,558**	**266,940**	**13,310,085**

4. Property, plant and equipment - continued

Fair valuation of property

The group's land and buildings, within property, plant and equipment, were last revalued on 31 December 2012 by a professionally qualified valuer. The book value of the property had been adjusted to the revaluation in prior years and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 17).

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 directors have reviewed the carrying amount of the property as at 31 December 2013, on the basis of an assessment by the property valuer, and no adjustments to the carrying amount were deemed necessary as at that date taking cognisance of developments that occurred during the current financial year.

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 2013 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 year ended 31 December 2013.

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

A group undertaking's property with a carrying amount of €816,000 has not been revalued since initial recognition. The directors have assessed the fair values of these properties at 31 December 2013 and 2012, which fair values were determined to fairly approximate the carrying amounts.

4. Property, plant and equipment - continued

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.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by a designated officer within the Mizzi Organisation. This includes a review of fair value movements over the period. When the designated officer considers 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 officer assesses 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 officer reports to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property have been performed using an adjusted sales comparison approach. In view of a limited number of similar sales in the local market, the valuations have been performed using unobservable inputs. The significant input to this approach is generally 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.

4. Property, plant and equipment - continued

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

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) €
Current use as commercial premises	**10,200**	Adjusted sales comparison approach	Sales price per square metre	2,000
Redevelopment into residential units	**4,300**	Adjusted sales comparison approach	Airspace sales price per square metre	210 - 1,100 (650)
Developable land for residential use	**4,200**	Adjusted sales comparison approach	Airspace sales price per square metre	850
Development for commercial use	**330**	Adjusted sales comparison approach	Sales price per square metre	935 – 1,300 (1,200)

The higher the sales price per square metre the higher the resultant fair valuation.

The group's land and buildings within property, plant and equipment amounting to €10,200,000 are categorised as *Current use as commercial premises.* In relation to the latter three property classes presented in the table above, the highest and best use of the related properties 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:

	2013	2012
	€	€
Cost	**4,337,768**	4,337,768
Accumulated depreciation	**(471,272)**	(418,619)
Net book amount	**3,866,496**	3,919,149

4. Property, plant and equipment - continued

Bank and other borrowings in the name of group undertakings and a related party forming part of Mizzi Organisation are secured on the group's land and buildings (see Note 20 and 35[a]).

Company	Office equipment €
At 31 December 2013, 2012 and 2011	
Cost	7,498
Accumulated depreciation	(7,498)
Net book amount	-

5. Investment property

Group	**2013 €**	2012 €
Year ended 31 December		
Opening carrying amount	**7,826,354**	7,791,874
Additions resulting from acquisitions	**-**	5,500
Additions resulting from subsequent expenditure	**-**	500
Recovery of expenditure incurred in prior years	**-**	(184,722)
Net gains from changes in fair value	**1,823,996**	213,202
Closing carrying amount	**9,650,350**	7,826,354
At 31 December		
Cost	**4,624,849**	4,624,849
Fair value gains	**5,025,501**	3,201,505
Carrying amount	**9,650,350**	7,826,354

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 latter three classes presented in the table in Note 4.

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

	2013 €	2012 €
Cost and carrying amount	**4,624,849**	4,624,849

5. **Investment property** - continued

At 31 December 2013, bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's investment property with a fair value of €4,801,000 (2012: €4,801,000) - see Notes 20 and 35(a).

In prior years a subsidiary was a recipient company of the division of a fully-owned subsidiary of an associate of a related party forming part of the Mizzi Organisation. As a result of the division, the subsidiary acquired investment property in exchange for the issue of redeemable preference shares (see Note 20).

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

	2013	2012
	€	€
Year ended 31 December		
Opening carrying amount	**1,835,547**	1,835,547
Net gains from changes in fair value	**1,015,432**	-
Closing carrying amount	**2,850,979**	1,835,547

	2013	2012
	€	€
At 31 December		
Cost	**1,835,547**	1,835,547
Fair value gains	**1,015,432**	-
Carrying amount	**2,850,979**	1,835,547

6. **Intangible assets**

Group	Franchise rights €
At 31 December 2013, 2012 and 2011	
Cost	46,587
Accumulated amortisation	(46,587)
Net book amount	-

7. Investments in subsidiaries

Company

	2013	2012
	€	€
Year ended 31 December		
Opening and closing net book amount	**4,930,073**	4,930,073
At 31 December		
Cost	**4,930,306**	4,930,306
Provisions for impairment	**(233)**	(233)
Net book amount	**4,930,073**	4,930,073

The subsidiaries at 31 December 2013 and 2012, whose results and financial position affected the figures of the group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2013	2012
			%	%
St. Paul's Court Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Titan International Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Continental Cars Limited	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	**100**	100
Malta Farmhouses Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2013	2012
			%	%
Russian Motors Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Nissan Motor Sales Limited	Antonio Bosio Street Msida Malta	Ordinary shares	**100**	100
Arkadia Marketing Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	**100** **100**	100 100
Festa Limited	Industrial House National Road Blata l-Bajda Malta	Ordinary shares	**100**	100
Hubbalit Developments Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Limited	The Lyric Antonio Bosio Street Msida Malta	Ordinary shares	**100**	100
Mizzi Automotive Services Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**66⅔**	66⅔
Continental Car (Imports) Limited	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2013 %	2012 %
Arkadia Retail s.r.o.	Rohacova 188/37 Prague 3 130 00 Czech Republic	Ordinary shares	**100**	100
Mizzi Organisation International s.r.o.	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	**100**	100

All shareholdings are held directly by Kastell Limited, except for the holdings in Malta Farmhouses Limited and Mizzi Automotive Services Limited. The shareholding in Malta Farmhouses Limited is held by Festa Limited whilst the shareholding in Mizzi Automotive Services Limited is held through Continental Cars Limited and Nissan Motor Sales Limited.

During the year ended 31 December 2012, Advanced Logistics Limited, a former wholly owned subsidiary of Kastell Limited, was merged into Arkadia Marketing Limited, which amalgamation became effective on 3 February 2012. This merger had no impact on the company's stand-alone and consolidated financial statements.

8. Investments in associates

Group

	2013 €	2012 €
Year ended 31 December		
Opening carrying amount	**1,456,729**	1,048,424
Share of profit	**235,441**	408,305
Dividends received	**(89,999)**	-
Derecognistion of carrying amount upon liquidation of associate	**(43,690)**	-
Closing carrying amount	**1,558,481**	1,456,729

	2013 €	2012 €
At 31 December		
Cost	**70,172**	113,862
Share of profits and reserves	**1,488,309**	1,342,867
Carrying amount	**1,558,481**	1,456,729

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

8. Investments in associates - continued

The shareholders of Lada Motors Limited, a former associate of Kastell Limited, had approved the voluntary dissolution and consequential winding up of the company. During the current financial year, the carrying amount of the investment in this associate has been derecognised from the group's financial statements upon liquidation of the company. The resultant loss of €1,254, taking into account proceeds upon liquidation of €42,436 has been recognised in profit or loss and presented with 'Share of profir of associates' is disclosed in Note 26.

The associates at 31 December 2013 and 2012, whose results and financial position affected the figures of the group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2013 %	2012 %
Lada Motors Limited (dissolved during the current year)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	**-**	36
Institute of English Language Studies Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**50**	50
The Players Group Limited	8/1, Magazines Junction Floriana Malta	Ordinary shares	**25**	25

The shareholding in Institute of English Language Studies Limited is held through Festa Limited, a subsidiary. All other shareholdings are held directly by Kastell Limited.

8. Investments in associates - continued

The group's share of the results of the associates and its share of the assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Profit €
2013				
Institute of English Language Studies Limited	4,016,277	2,951,431	2,549,744	164,716
The Players Group Limited	1,050,292	573,026	-	70,725
	5,066,569	**3,524,457**	**2,549,744**	**235,441**
2012				
Institute of English Language Studies Limited	3,530,688	2,630,559	2,620,035	227,644
The Players Group Limited	1,070,537	573,026	-	180,661
Lada Motors Limited	42,792	1,292	-	-
	4,644,017	3,204,877	2,620,035	408,305

Company

	2013 €	2012 €
Year ended 31 December		
Opening carrying amount	**43,981**	43,981
Derecognition of carrying amount upon liquidation of associate	**(43,690)**	-
Closing carrying amount	**291**	43,981
At 31 December		
Cost and carrying amount	**291**	43,981

9. Loans and advances: non-current amounts

The company had advanced an amount of €575,938 (2012: €575,938) by way of shareholder's loan to an associate. These advances do not bear interest and do not have any fixed date of repayment. The purpose of these advances is to fund the associate's financial commitments in respect of a business venture. In accordance with the formal terms of the financing arrangement, the amounts advanced as shareholder's loans are earmarked for capitalisation i.e. conversion into ordinary share capital. At the end of the reporting period, in the opinion of the directors, the fair value of this asset approximates its carrying amount.

10. Available-for-sale financial assets

Group

	2013	2012
	€	€
Year ended 31 December		
Opening and closing net book amount	**238**	238

	2013	2012
	€	€
At 31 December		
Cost	**704**	704
Provisions for impairment	**(466)**	(466)
Net book amount	**238**	238

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

	2013	2012
	€	€
Year ended 31 December		
Opening and closing cost and carrying amount	**233**	233

11. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Current				
Trade receivables	**3,810,986**	4,078,170	**-**	-
Gross amounts due from customers for contract work	**354,912**	1,473,893	**-**	-
Amounts owed by subsidiaries	**-**	-	**2,365,127**	2,197,412
Amounts owed by associates	**288,880**	293,656	**-**	-
Amounts owed by related parties forming part of Mizzi Organisation	**7,690,756**	7,773,675	**529,948**	745,589
Amounts owed by other related parties	**160,785**	195,697	**-**	-
Advance payments to suppliers	**19,990**	40,841	**-**	-
Finance lease receivables (net of unearned finance income)	**-**	10,015	**-**	-
Other receivables	**131,285**	219,421	**-**	-
Indirect taxation and social security	**469,028**	449,026	**6,647**	6,641
Prepayments and accrued income	**2,801,594**	2,177,103	**-**	-
	15,728,216	16,711,497	**2,901,722**	2,949,642
Non-current				
Finance lease receivables (net of unearned finance income)	**-**	33,327	**-**	-
Prepayments and accrued income	**735,193**	466,155	**-**	-
	735,193	499,482	**-**	-

Current trade receivables and accrued income at 31 December 2013 disclosed above include an amount of €49,990 and €405,923 (2012: Nil) respectively that are subject to a fixed interest rate of 6% (2012: Nil).

Accrued income reflected in the tables above, consisting of a non-current amount of €317,591 and a current amount of €188,673, are effectively subject to a fixed interest rate of 5%.

Non-current amounts, other than finance lease receivables and amounts referred to above, principally relate to advance payments which are expected to be realised over the term of the related agreements up to ten years after the end of the reporting period.

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

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Trade receivables	**1,331,458**	1,069,432	**3,175**	3,175
Amounts owed by subsidiaries	**-**	-	**520,628**	520,628
Amounts owed by other related parties	**-**	27,265	**-**	-
	1,331,458	1,096,697	**523,803**	523,803

11. Trade and other receivables - continued

Prepayments and accrued income include amounts, presented within current assets, which are owed by related parties forming part of Mizzi Organisation of €16,020 (2012: €14,718). As at 31 December 2013 gross amounts due from customers for contract work include amounts owed by associated undertakings of €79,203. As at 31 December 2012, gross amounts due from customers for contract work include amounts owed by related parties forming part of Mizzi Organisation of €115,974.

The aggregate amount of costs incurred and recognised profits (less recognised losses) to date for contracts in progress at the end of the reporting period amounts to €1,570,908 (2012: €3,574,545). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above and in Note 19 respectively.

Subsidiaries transfer receivables arising from their activities to United Acceptances Finance Limited, a related party which serves as a finance house to all companies forming part of the Mizzi Organisation by granting and administering hire purchase agreements. The receivables are transferred at their face value with no rights of recourse. During the financial year under review, subsidiaries have transferred receivables with a face value amounting to €1,637,379 (2012: €1,220,578). The group derecognises these debts from its statement of financial position since it would have transferred substantially all the risks and rewards of ownership of the receivables.

In prior years, a subsidiary entered into motor vehicle finance lease arrangements with a third party, whereby the contractual terms essentially transferred all risks and rewards incidental to ownership of the motor vehicles these arrangements have been terminated during the current year. These arrangements did not include significant unguaranteed residual values accruing to the benefit of the lessor. Gross receivables from finance leases as at 31 December 2012 were analysed as follows:

	2012
	€
Gross finance lease receivables:	
Not later than one year	15,224
Later than one year and not later than five years	39,712
	54,936
Unearned future finance income	(11,594)
Net investment in finance leases	43,342

The net investment in finance leases was analysed as follows:

	2012
	€
Not later than one year	10,015
Later than one year and not later than five years	33,327
	43,342

Amounts receivable from finance lease debtors are subject to an effective interest rate of 8%

12. Inventories

	Group	
	2013	2012
	€	€
Motor vehicles and spare parts	**5,011,557**	4,810,152
Other goods held for resale	**4,131,989**	4,464,516
Payments on account in respect of motor vehicles and spare parts	**90,732**	602,363
Goods in transit	**777,131**	885,328
Contract work in progress	**106,409**	42,530
Other work in progress	**110,328**	113,336
	10,228,146	10,918,225

The cost of inventories recognised as expense is appropriately disclosed in Note 24 to the financial statements. During the current financial year, inventory write-downs amounted to €318,904 (2012: €197,910). These amounts have been included in 'Cost of sales' in profit or loss.

13. Loans and advances: current amounts

The company's loans to a subsidiary are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% per annum.

14. 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	
	2013	2012	**2013**	2012
	€	€	**€**	€
Cash at bank and in hand	**1,532,521**	1,017,971	**-**	479
Bank overdrafts (Note 20)	**(1,882,345)**	(2,834,400)	**(473)**	-
	(349,824)	(1,816,429)	**(473)**	479

15. Assets classified as held for sale

	Group	
	2013	2012
	€	€
Property classified as held for sale		
Opening carrying amount	**5,161**	5,483
Disposals	**-**	(322)
Closing carrying amount	**5,161**	5,161

16. Share capital

	Company	
	2013	2012
	€	€
Authorised, issued and fully paid		
1,998 (2012: 1,998) ordinary shares of €2.329373 each	**4,654**	4,654

17. Revaluation reserve

Group

	2013	2012
	€	€
Surplus arising on fair valuation of:		
Land and buildings of subsidiaries	**4,273,066**	4,274,354

The movements are analysed as follows:

	2013	2012
	€	€
Land and buildings of subsidiaries		
At beginning of year	**4,274,354**	3,730,018
Revaluation surplus arising during the year (Note 4)	**-**	737,779
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 21)	**(1,288)**	(1,891)
Deferred income taxes on revaluation surplus arising during the year (Note 21)	**-**	(191,552)
At end of year	**4,273,066**	4,274,354

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

The revaluation reserve is non-distributable.

18. Fair value gains and other reserves

Group

	2013	2012
	€	€
Fair value gains reserve in respect of investment property	**4,291,844**	2,869,794
Capital reserve	**80,408**	80,408
Translation reserve	**(32,007)**	(39,748)
	4,340,245	2,910,454

The movements in each category are analysed as follows:

	2013	2012
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	**2,869,794**	2,526,887
Fair value gains arising during the year	**1,823,996**	366,057
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 21)	**-**	20,777
Deferred income taxes on fair value gains arising during the year (Note 21)	**(401,946)**	(43,927)
At end of year	**4,291,844**	2,869,794

	2013	2012
	€	€
Capital reserve		
At beginning and end of year	**80,408**	80,408

	2013	2012
	€	€
Translation reserve		
At beginning of year	**(39,748)**	(27,437)
Currency translation differences arising during the year	**7,741**	(12,311)
At end of year	**(32,007)**	(39,748)

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

18. Fair value gains and other reserves - continued

Gains from changes in fair value of investment property, net of deferred tax movements, which are unrealised at the end of the 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.

The capital reserve is not considered by the directors to be available for distribution.

The amounts recognised in the translation reserve relate to exchange differences resulting from translating the results and financial position of a subsidiary that has a functional currency which is different from the group's presentation currency, in accordance with the group's accounting policy.

19. Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Current				
Trade payables	**5,368,832**	6,490,659	**-**	-
Payments received on account	**1,056,936**	983,646	**-**	-
Amounts owed to customers for contract work	**103,579**	110,431	**-**	-
Advances from customers for contract work	**275,229**	126,399	**-**	-
Amounts owed to subsidiaries	**-**	-	**3,881,120**	3,881,120
Amounts owed to related parties forming part of Mizzi Organisation	**17,458,987**	17,841,404	**520,628**	520,628
Amounts owed to other related parties	**292,858**	197,441	**-**	-
Amounts payable to related party forming part of Mizzi Organisation under hire purchase agreements	**-**	13,320	**-**	-
Other payables	**25,864**	25,870	**21,197**	21,197
Indirect taxation and social security	**791,405**	554,915	**-**	-
Accruals and deferred income	**3,376,382**	3,002,989	**17,233**	16,800
	28,750,072	29,347,074	**4,440,178**	4,439,745
Non-current				
Amounts payable to related party forming part of Mizzi Organisation under hire purchase agreements	**-**	33,346	**-**	-

At 31 December 2012, amounts owed to customers for contract work included amounts due to related parties forming part of Mizzi Organisation of €3,587.

19. **Trade and other payables** - continued

Amounts payable to a related party forming part of Mizzi Organisation under hire purchase agreements were unsecured and subject to interest at 8%. These agreements have been terminated during the current year. The contracted maturity of the non-current amounts at 31 December 2012 were as follows:

	Group
	2012
	€
Between 1 and 2 years	11,438
Between 2 and 5 years	21,908
	33,346

20. Borrowings

	Group		**Company**	
	2013	2012	**2013**	2012
	€	€	**€**	€
Current				
Bank overdrafts	**1,882,345**	2,834,400	**473**	-
Bank loans	**280,588**	268,470	**-**	-
Loans from related parties forming part of Mizzi Organisation	**2,399,537**	2,167,711	**1,630,561**	1,630,561
Loans from other related parties	**142,849**	178,488	**-**	-
Advances from associate	**-**	41,500	**-**	41,500
	4,705,319	5,490,569	**1,631,034**	1,672,061
Non-current				
Bank loans	**924,835**	1,204,313	**-**	-
Loans from related party forming part of Mizzi Organisation	**1,793,618**	1,793,618	**1,793,618**	1,793,618
Redeemable preference shares	**815,281**	815,281	**-**	-
	3,533,734	3,813,212	**1,793,618**	1,793,618
Total borrowings	**8,239,053**	9,303,781	**3,424,652**	3,465,679

20. Borrowings - continued

Group

The group's banking facilities as at 31 December 2013 amounted to €6,763,000 (2012: €7,411,000). The banking facilities are mainly secured as follows:

(a) facilities amounting to €4,072,000 (2012: €4,221,000) are 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 property;
(b) facilities of €2,690,000 (2012: €3,190,000) in the name of a subsidiary undertaking are secured by a general hypothec over the undertaking's assets, which is supported by a special hypothec over the undertaking's property, and by guarantees by the parent company.

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:

	2013	2012
	%	%
Bank overdrafts	**4.5**	4.8
Bank loans	**4.4**	4.5

Maturity of group's non-current bank borrowings:

	2013	2012
	€	€
Between 1 and 2 years	**293,305**	280,638
Between 2 and 5 years	**534,421**	716,194
Over 5 years	**97,109**	207,481
	924,835	1,204,313

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 Kastell 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. The advances are repayable in full on 30 November 2019. 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. Kastell Limited, Consolidated Holdings 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.

20. Borrowings - continued

The company's short-term loans from a related party forming part of Mizzi Organisation amounting to €1,630,561 (2012: €1,630,561) are repayable on demand, unsecured and interest free.

A subsidiary has been granted advances of €548,650 (2012: €537,150) from a related party forming part of Mizzi Organisation, which are repayable on demand, unsecured and subject to a fixed interest rate of 7.2%. During the current financial year, another subsidiary has been granted advances of €220,326 from a related party forming part of Mizzi Organisation, which are unsecured, repayable within one year from the end of the reporting period and subject to a fixed interest rate of 7.5% per annum. Another subsidiary has been granted other short-term advances of €142,849 (2012: €178,488) from a related party, which are repayable on demand, interest free and secured by the subsidiary's property for the amount of €431,000 (2012: €431,000).

As at 31 December 2012, the company's short-term advances from an associate amounting to €41,500 were repayable on demand, unsecured and interest free.

In prior years, a subsidiary was a recipient company in respect of the division of a fully owned subsidiary of an associate of another company forming part of the Mizzi Organisation. As a result of this division, the subsidiary acquired investment property in exchange for the issue of redeemable preference shares for the amount of €815,281. These redeemable preference shares are mandatorily redeemable on or before 31 December 2064, which redemption date is to be determined by the issuer, and pay dividends at 3% annually on a non-cumulative basis. These liabilities will not be settled within twelve months after the end of the reporting period in accordance with the terms of the arrangement in place. In the opinion of the directors, these redeemable preference shares meet the criteria established by IAS 32, 'Financial Instruments: Presentation', for classification as financial liabilities rather than equity.

Company

The company's banking facilities as at 31 December 2013 amounted to €23,000 (2012: €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.

The company's banking facility is subject to floating rates of interest. The weighted average effective interest rate as at 31 December 2013 was 5% (2012: 5%).

21. 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% (2012: 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.

21. Deferred taxation - continued

The movement on the deferred tax account is as follows:

	2013 €	2012 €
At beginning of year	**1,788,394**	1,588,559
Movement in deferred tax liability determined on the basis applicable to property disposals:		
Property, plant and equipment and other assets - recognised in other comprehensive income (Note 17)	**1,288**	1,891
Investment property - recognised in profit or loss (Note 29)	**-**	(20,777)
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 17)	**-**	191,552
Deferred income taxes on fair value gains on investment property arising during the year (Note 29)	**401,946**	43,927
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 29)	**(18,726)**	(16,758)
At end of year	**2,172,902**	1,788,394

All the amounts disclosed in the table above which have been referenced to Note 29 are recognised in profit or loss. The other amounts, referenced to Note 17, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2013 €	2012 €
Temporary differences arising on fair valuation of property	**2,117,088**	1,713,854
Deferred taxation arising on transfer of property from related parties	**104,329**	104,329
Temporary differences arising on depreciation of property, plant and equipment	**(48,515)**	(29,789)
	2,172,902	1,788,394

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

The deferred income tax provision arising on transfer of property from related parties has been raised in the preceding financial years in view of the transfer of properties from other companies forming part of the Mizzi Organisation.

21. Deferred taxation - continued

At 31 December 2013 and 2012, the group had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2013	2012	**2013**	2012
	€	€	**€**	€
Unutilised tax credits arising from:				
Unabsorbed capital losses	**720,001**	720,001	**-**	-
Unabsorbed capital allowances	**1,379,787**	1,429,495	**-**	-
Deductible temporary differences arising on:				
Depreciation of property, plant and equipment	**211,037**	177,062	**138,614**	85,111
Provisions for impairment of trade and other receivables	**1,331,458**	1,096,748	**-**	-
Provisions for impairment of available-for-sale financial assets	**466**	466	**-**	-

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. Capital losses have no expiry date but may be utilised solely to offset future capital gains. Unabsorbed capital allowances are forfeited upon cessation of the trade.

Company

At 31 December 2013, the company had unutilised tax credits arising from unabsorbed capital losses amounting to €646,053 (2012: €646,053). Capital losses have no expiry date but may be utilised solely to offset future capital gains. At the end of the reporting period the company also had deductible temporary differences, arising on provisions for impairment of investments in subsidiaries and provisions for impairment of receivables from subsidiaries, amounting to €524,036 (2012: €524,036). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

22. Provisions for other liabilities and charges

Group and Company

	Provisions for legal claims	
	2013	2012
	€	€
Year ended 31 December		
At beginning and end of year	**15,140**	15,140

The amounts shown above comprise gross provisions in respect of legal claims brought against the group. In the opinion of the directors, after taking appropriate legal advice, the outcome of the outstanding legal claims will not give rise to any significant loss beyond the amounts provided at the end of the reporting period. The amount of the provisions at 31 December 2013 is expected to be fully utilised during the financial year ending 31 December 2014.

23. Revenue

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

	Group	
	2013	2012
	€	€
By category of business		
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	**28,514,280**	26,827,486
Sale of motor vehicles	**21,349,377**	21,564,762
Sale of motor vehicle parts and provision of ancillary services	**5,087,216**	5,382,314
Sale of domestic appliances, spare parts and ancillary services	**789,830**	751,409
Activities in the power, heating and ventilation equipment sectors	**11,587,852**	10,644,175
Property operating lease rental income	**40,754**	259,427
Other revenues	**959**	6,447
	67,370,268	65,436,020

Revenue from activities in the power, heating and ventilation equipment sectors includes contract revenue amounting to €7,952,022 (2012: €7,247,406).

24. Expenses by nature

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Cost of goods sold and materials consumed	**50,344,313**	49,170,437	**-**	-
Employee benefit expense (Note 25)	**7,725,531**	7,486,002	**-**	-
Depreciation of property, plant and equipment (Note 4)	**1,012,470**	997,479	**-**	-
Operating lease rentals payable and similar charges:				
- property	**1,417,988**	1,463,433	**-**	-
- motor vehicle	**20,622**	14,581	**-**	-
Management fees and similar service charges	**1,311,276**	1,226,258	**-**	-
Marketing, business promotion and related expenses	**1,015,424**	1,144,940	**-**	-
Other expenses	**2,603,101**	2,452,646	**7,399**	7,439
Total cost of sales; selling and other direct expenses; and administrative expenses	**65,450,725**	63,955,776	**7,399**	7,439

24. Expenses by nature - continued

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

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Exchange differences	**(2,158)**	3,307	**-**	-
Profit on disposal of property, plant and equipment	**(64,492)**	(52,070)	**-**	-
Movement in provisions for impairment of trade and other receivables (included in 'Administrative expenses')	**(16,411)**	5,928	**-**	-
Amounts written off in respect of receivables from other related parties	**27,265**	-	**-**	-

Other operating income comprises income which is incidental to the group's key operations.

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2013 and 2012 relate to the following:

	Group	
	2013	2012
	€	€
Annual statutory audit	**51,038**	45,200
Tax advisory and compliance services	**6,779**	6,716
Other non-audit services	**32,966**	13,158
	90,783	65,074

The auditor's remuneration attributable to the company for the year ended 31 December 2013 amounted to €5,310 (2012: €4,500).

25. Employee benefit expense

	Group	
	2013	2012
	€	€
Wages and salaries	**7,194,704**	6,967,833
Social security costs	**530,827**	518,169
	7,725,531	7,486,002

25. Employee benefit expense - continued

Average number of persons employed during the year:

	Group	
	2013	2012
Direct	**415**	395
Administration	**91**	88
	506	483

26. Investment and other related income

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Gross dividends receivable from investments in subsidiaries	**-**	-	**167,421**	276,900
Gross dividends receivable from investments in associates	**-**	-	**119,400**	-
	-	-	**286,821**	276,900

27. Finance income

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Interest receivable from subsidiaries	**-**	-	**167,715**	167,715
Bank and other interest receivable	**35,631**	33,971	**-**	-
Other interest receivable	**16,688**	-	**-**	-
	52,319	33,971	**167,715**	167,715

28. Finance costs

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Interest payable to related parties forming part of Mizzi Organisation	**638,841**	668,237	**165,604**	167,614
Bank interest and charges	**417,484**	395,859	**93**	35
Other interest payable and charges	**2,683**	6,583	**-**	-
	1,059,008	1,070,679	**165,697**	167,649

29. Tax expense

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Current taxation:				
Current tax expense	**450,955**	339,132	**87,444**	97,023
Adjustment recognised in financial period for current tax of prior periods	**2,849**	(1,402)	**1,901**	(2,052)
Deferred taxation (Note 21)	**383,220**	6,392	**-**	-
	837,024	344,122	**89,345**	94,971

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	
	2013	2012	**2013**	2012
	€	€	**€**	€
Profit before tax	**3,209,580**	1,331,541	**280,186**	269,527
Tax on profit at 35%	**1,123,353**	466,039	**98,065**	94,334
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment and provisions for impairment of trade and other receivables	**29,968**	17,880	**-**	-
Determination of deferred taxation on fair value gains on investment property on the basis applicable to property disposals	**(236,452)**	(104,969)	**-**	-
Utilisation of unabsorbed capital allowances brought forward from previous years	**(17,398)**	(52,616)	**-**	-
Unabsorbed capital allowances claimed during the year	**6,359**	32,858	**-**	-
Expenses not deductible for tax purposes	**21,475**	70,119	**2,946**	2,704
Share of results of associates	**(82,404)**	(142,907)	**-**	-
Application of provisions of tax legislation to Property disposals	**-**	(847)	**-**	-
Income not subject to tax or charged at reduced rates	**(10,726)**	(33)	**(13,567)**	(15)
Under/(over) provision of tax in previous year	**2,849**	(1,402)	**1,901**	(2,052)
Income attributable to discontinued foreign operations	**-**	60,000	**-**	-
Tax charge in the accounts	**837,024**	344,122	**89,345**	94,971

The tax impact relating to components of other comprehensive income is presented in the tables within Notes 17 and 18 to the financial statements.

30. Directors' emoluments

	Group	
	2013	2012
	€	€
Salaries and other emoluments	**172,027**	192,079

31. 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 Kastell Limited in issue during the year.

	Group	
	2013	2012
Net profit attributable to the owners of the company	**€2,372,556**	€987,419
Weighted average number of ordinary shares in issue	**1,998**	1,998
Earnings per share	**€1,187.47**	€494.20

32. Dividends

	Company	
	2013	2012
	€	€
Final dividends paid on ordinary shares:		
Gross	**375,113**	273,174
Tax at source	**(130,113)**	(93,174)
Net	**245,000**	180,000
Dividends per share	**122.62**	90.09

33. Cash generated from/(used in) operations

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

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Operating profit/(loss)	**3,982,082**	1,959,944	**(7,399)**	(7,439)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**1,012,470**	997,479	**-**	-
Profit on disposal of property, plant and Equipment	**(64,492)**	(52,070)	**-**	-
Gains from changes in fair value of investment property (Note 5)	**(1,823,996)**	(213,202)	**-**	-
Profit on disposal of assets classified as held for sale	**-**	(3,852)	**-**	-
Movement in provisions for impairment of trade and other receivables	**(16,411)**	5,928	**-**	-
Amounts written off in respect of receivables from other related parties	**27,265**	-	**-**	-
Changes in working capital:				
Inventories	**690,079**	(1,362,753)	**-**	-
Trade and other receivables	**736,716**	(1,021,929)	**47,920**	(604,204)
Trade and other payables	**(630,348)**	1,088,632	**433**	537,297
Cash generated from/(used in) operations	**3,913,365**	1,405,876	**40,954**	(74,346)

34. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	Group	
	2013	2012
	€	€
Authorised but not contracted for	**80,000**	248,000

34. Commitments - continued

Operating lease commitments – where a group undertaking is the lessee

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

	Group	
	2013	2012
	€	€
Not later than one year	**439,063**	564,527
Later than one year and not later than five years	**1,147,195**	1,267,467
Later than five years	**2,681,095**	2,947,173
	4,267,353	4,779,167

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 €612,000 (2012: €658,325) are payable annually for the right to use assets owned by the related party in the course of the respective company's operations.

Operating lease commitments – where a group undertaking is the lessor

The future minimum lease payments receivable under non-cancellable property operating leases are as follows:

	Group	
	2013	2012
	€	€
Not later than one year	**197,847**	195,187
Later than one year and not later than five years	**699,047**	740,267
Later than five years	**-**	156,626
	896,894	1,092,080

35. 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 €72,048,000 (2012: €72,048,000) together with interest and charges thereon.

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 ranging from €23,438,000 to €53,226,000 (2012: €23,438,000 to €53,226,000) together with interest and charges thereon. These guarantees are secured by general hypothecary guarantees by certain companies on assets for the amount of €24,482,000 (2012: €24,482,000) and special hypothecary guarantees over property for the amount of €24,482,000 (2012: €24,482,000). A subsidiary is also liable in respect of general hypothecary guarantees for €9,276,000 (2012: €10,958,000) over the company's assets and special hypothecary guarantees over its property for the amount of €9,637,000 (2012: €11,319,000) given to secure the banking facilities of related parties.

(b) The company is also liable in respect of guarantees given to secure the banking facilities of a subsidiary up to a limit of €4,889,000 (2012: €4,889,000) together with interest and charges thereon. The company has undertaken to meet the obligations in respect of these facilities, should the subsidiary fail to honour its commitments.

(c) The company, Consolidated Holdings 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 of the interest amounts payable in respect of the bonds on each interest payment date. The nominal value of bonds outstanding at 31 December 2013 and 2012 amounts to €30,000,000. These bonds are due for redemption on 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 20 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.

35. Contingencies - continued

(d) No provision has been made in these consolidated accounts for disputed income tax amounting to €93,212 (2012: €93,212) 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 €18,430 (2012: €18,430). 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.

(e) Various subsidiaries are in dispute with the Commissioner of Inland Revenue over assessments raised relating to basis years 1985 to 1994 amounting to €13,392 (2012: €18,179) in respect of which no provision has been made in these accounts.

(f) At 31 December 2013, the company had a contingent liability of €932 (2012: €932) in respect of the uncalled share capital of a subsidiary.

(g) At 31 December 2013, subsidiaries had contingent liabilities amounting to €1,630,570 (2012: €1,463,367) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

(h) The company has undertaken to provide financial support to a number of subsidiaries so as to enable these entities to meet their liabilities as they fall due. The net losses of certain of these subsidiaries for the year ended 31 December 2013 amounted to €50,624 (2012: €274,269) and as at 31 December 2013 their total liabilities exceeded their total assets by €2,541,117 (2012: €3,037,250). The net profits of other subsidiaries referred to above for the year ended 31 December 2013 amounted to €1,203,201 (2012: €352,136), but as at 31 December 2013 their current liabilities exceeded their current assets by €7,866,004 (2012: €6,247,966).

36. Related party transactions

Kastell 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 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.

36. Related party transactions - continued

Group

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

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

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

	2013	2012
	€	€
Sales of goods and services		
Sales of goods held for resale and provision of services		
- Related parties forming part of Mizzi Organisation	**1,542,337**	1,521,774
- Other related parties	**38,878**	41,011
- Associates	**214,989**	39,426
Property operating lease rental income from associate	**22,712**	37,712
	1,818,916	1,639,923

	2013	2012
	€	€
Purchases of goods and services		
Purchases of goods held for resale and services	**972,031**	736,696
Management fees payable	**1,190,492**	1,086,406
Property operating lease rentals payable	**519,670**	684,870
Purchases of property, plant and equipment	**6,034**	30,331
	2,688,227	2,538,303

36. 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 11 and 19 to these financial statements.

The group's expenditure reflected in profit or loss comprises amounts recharged from related parties forming part of Mizzi Organisation and other related parties of €426,215 (2012: €507,999) and €14,546 (2012: €34,057) respectively.

Key Management personnel comprise the directors of the company and of the other group undertakings. Key management personnel compensation, consisting of directors' remuneration as disclosed in Note 31, has been recharged by a related party forming part of the Mizzi Organisation.

Amounts owed to related parties as at 31 December 2013 of €7,828,233 (2012: €8,155,762) are subject to interest at 7.2% (2012: 7.2%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 27 and 28 respectively.

Amounts owed by related parties as at 31 December 2013 include amounts due from key management personnel of €92,296 (2012: €123,822). These amounts are unsecured, interest free and have no fixed date of repayment.

Company

The expenditure of the parent company reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €7,672 (2012: €7,672).

Amounts owed to related parties as at 31 December 2013 of €1,969,590 (2012: €1,753,949) are subject to interest at 7.2% (2012: 7.2%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 27 and 28 respectively.

37. Statutory information

Kastell Limited is a limited liability company and is incorporated in Malta.