MIZZI HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2014

Company Registration Number: C 813

Directors' report

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

Principal activities

The group's principal activities, which are unchanged since last year, are the importation and sale of motor vehicles and spare parts together with the provision of ancillary services. A subsidiary is engaged in the activity of selling clothing and other goods from rented premises. Group undertakings also derive revenues from sale of property and operating lease income from the renting out of owned property.

The company's principal activities, which are unchanged since last year, are the holding of investments and managing the affairs of the 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 company's net liability position remains tenable given that €10,091,359 (2013: €8,341,928) of the total liabilities are payable to other companies within the Mizzi Organisation, which have agreed not to withdraw their support. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to the company to enable it to meet any obligations in full.

Results and dividends

The consolidated financial results are set out on page 7. The directors do not recommend the payment of a dividend.

Directors

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

Maurice F. Mizzi
Brian R. Mizzi
Kenneth C. Mizzi

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

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

Auditors

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

On behalf of the board

Maurice F. Mizzi Director	Brian R. Mizzi Director

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

4 May 2015

pwc

Independent auditor's report

To the Shareholders of Mizzi Holdings Limited

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

We have audited the consolidated and the stand-alone parent company financial statements of Mizzi Holdings Limited (together the "financial statements") on pages 5 to 73 which comprise the consolidated and parent company statements of financial position as at 31 December 2014, the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on 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 about 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 company as at 31 December 2014 and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

To the Shareholders of Mizzi Holdings Limited

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

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

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

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

PricewaterhouseCoopers

78 Mill Street
Qormi QRM 3101
Malta

F Axisa

Fabio Axisa
Partner

4 May 2015

Statements of financial position

	Notes	**2014** Group €	2013 Group €	**2014** Company €	2013 Company €
		As at 31 December			
ASSETS					
Non-current assets					
Property, plant and equipment	4	**18,036,616**	16,069,676	**229,063**	87,609
Investment property	5	**42,938,410**	37,448,930	**116,609**	116,609
Investments in subsidiaries	6	**-**	-	**2,304,286**	2,304,286
Investments in associates	7	**366,760**	347,139	**128,200**	128,200
Loans and advances	8	**4,355,927**	4,355,927	**-**	-
Available-for-sale financial assets	9	**637,209**	636,030	**637,209**	636,030
Other financial assets	10	**2,419,272**	1,726,018	**-**	-
Total non-current assets		**68,754,194**	60,583,720	**3,415,367**	3,272,734
Current assets					
Inventories	11	**3,969,408**	5,185,469	**-**	-
Trade and other receivables	12	**33,013,985**	33,507,436	**28,974,705**	28,912,666
Loans and advances	13	**1,630,561**	1,630,561	**3,892,463**	3,892,463
Current tax assets		**432,153**	451,324	**428,399**	447,764
Cash and cash equivalents	14	**731,835**	716,167	**4,907**	4,907
Total current assets		**39,777,942**	41,490,957	**33,300,474**	33,257,800
Total assets		**108,532,136**	102,074,677	**36,715,841**	36,530,534

Statements of financial position - continued

		As at 31 December			
	Notes	**2014**	2013	**2014**	2013
		Group		**Company**	
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**1,597,018**	1,597,018	**1,597,018**	1,597,018
Revaluation reserves	16	**8,118,704**	6,734,842	**6,393**	(27,511)
Fair value gains reserve	17	**14,616,369**	10,677,344	**-**	-
Retained earnings/(accumulated losses)		**2,449,120**	1,362,972	**(12,333,413)**	(12,016,125)
Total equity		**26,781,211**	20,372,176	**(10,730,002)**	(10,446,618)
Non-current liabilities					
Trade and other payables	18	**2,444,244**	1,761,780	**6,988**	6,988
Borrowings	19	**34,519,112**	35,032,323	**29,969,535**	29,581,304
Deferred tax liabilities	20	**7,471,402**	6,834,392	**13,993**	13,993
Total non-current liabilities		**44,434,758**	43,628,495	**29,990,516**	29,602,285
Current liabilities					
Trade and other payables	18	**29,466,665**	28,829,259	**10,936,202**	9,167,445
Borrowings	19	**7,849,502**	9,244,747	**6,519,125**	8,207,422
Total current liabilities		**37,316,167**	38,074,006	**17,455,327**	17,374,867
Total liabilities		**81,750,925**	81,702,501	**47,445,843**	46,977,152
Total equity and liabilities		**108,532,136**	102,074,677	**36,715,841**	36,530,534

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 73 were authorised for issue by the Board on 4 May 2015 and were signed on its behalf by:

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

Income statements

	Notes	**2014** Group	2013 Group	**2014** Company	2013 Company
		€	€	**€**	€
Revenue	21	**20,949,907**	15,872,800	**-**	-
Cost of sales		**(16,461,604)**	(12,188,750)	**-**	-
Gross profit		**4,488,303**	3,684,050	**-**	-
Selling and other direct expenses		**(1,258,309)**	(1,156,703)		-
Administrative expenses		**(2,526,547)**	(2,571,983)	**(1,258,692)**	(1,438,639)
Net gains from changes in fair value of investment property	5	**4,490,565**	1,574,893	**-**	-
Other operating income		**1,699,431**	1,795,920	**1,766,938**	1,961,084
Operating profit		**6,893,443**	3,326,177	**508,246**	522,445
Investment and other related income	24	**18,074**	(175,796)	**433,553**	481,255
Finance income	25	**1,509,321**	1,362,377	**1,329,216**	1,295,854
Finance costs	26	**(3,036,343)**	(3,019,163)	**(2,577,398)**	(2,607,632)
Share of profit of associates	7	**98,467**	108,605	**-**	-
Profit/(loss) before tax		**5,482,962**	1,602,200	**(306,383)**	(308,078)
Tax expense	27	**(496,307)**	(41,116)	**(10,905)**	(5,449)
Profit/(loss) for the year		**4,986,655**	1,561,084	**(317,288)**	(313,527)
Earnings per share	29	**7.27**	2.28		

Year ended 31 December.

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Group 2014 €	Group 2013 €	Company 2014 €	Company 2013 €
		Year ended 31 December			
Profit/(loss) for the year		**4,986,655**	1,561,084	**(317,288)**	(313,527)
Other comprehensive income:					
Items that will not be reclassified to profit and loss					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	**1,405,784**	-	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	16	**(17,308)**	(3,585)	**-**	-
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
- Gains from changes in fair value	16	**30,314**	93,972	**30,314**	93,972
- Reclassification adjustments for net losses included in profit or loss upon disposal	16	**3,590**	18,042	**3,590**	18,042
Other comprehensive income for the year, net of tax		**1,422,380**	108,429	**33,904**	112,014
Total comprehensive income for the year		**6,409,035**	1,669,513	**(283,384)**	(201,513)

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserves €	Fair value gains reserve €	Retained earnings €	Total €
Balance at 1 January 2013		1,597,018	6,664,931	9,091,925	1,348,789	18,702,663
Comprehensive income						
Profit for the year		-	-	-	1,561,084	1,561,084
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	16	-	(3,585)	-	-	(3,585)
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Gains from changes in fair value of available-for-sale financial assets	16	-	93,972	-	-	93,972
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	18,042	-	-	18,042
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	17	-	-	1,585,419	(1,585,419)	-
Total other comprehensive income		-	69,911	1,585,419	(1,546,901)	108,429
Total comprehensive income		-	69,911	1,585,419	14,183	1,669,513
Balance at 31 December 2013		1,597,018	6,734,842	10,677,344	1,362,972	20,372,176

Statements of changes in equity - continued

Group - continued

	Notes	**Share capital** €	**Revaluation reserves** €	**Fair value gains reserve** €	**Retained earnings** €	**Total** €
Balance at 1 January 2014		1,597,018	6,734,842	10,677,344	1,362,972	20,372,176
Comprehensive income						
Profit for the year		-	-	-	4,986,655	4,986,655
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	1,405,784	-	-	1,405,784
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	16	-	(17,308)	-	-	(17,308)
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Gains from changes in fair value of available-for-sale financial assets	16	-	30,314	-	-	30,314
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	3,590	-	-	3,590
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	17	-	-	3,939,025	(3,939,025)	-
Total other comprehensive income		-	1,383,862	3,939,025	(3,900,507)	1,422,380
Total comprehensive income		-	1,383,862	3,939,025	1,086,148	6,409,035
Balance at 31 December 2014		**1,597,018**	**8,118,704**	**14,616,369**	**2,449,120**	**26,781,211**

Statements of changes in equity - continued

Company

	Note	Share capital €	Revaluation reserve €	Accumulated Losses €	Total €
Balance at 1 January 2013		1,597,018	(139,525)	(11,702,598)	(10,245,105)
Comprehensive income					
Loss for the year		-	-	(313,527)	(313,527)
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	16	-	93,972	-	93,972
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	18,042	-	18,042
Total other comprehensive income		-	112,014	-	112,014
Total comprehensive income		-	112,014	(313,527)	(201,513)
Balance at 31 December 2013		1,597,018	(27,511)	(12,016,125)	(10,446,618)
Comprehensive income					
Loss for the year		-	-	(317,288)	(317,288)
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	16	-	30,314	-	30,314
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	3,590	-	3,590
Total other comprehensive income		-	33,904	-	33,904
Total comprehensive income		-	33,904	(317,288)	(283,384)
Balance at 31 December 2014		**1,597,018**	**6,393**	**(12,333,413)**	**(10,730,002)**

The notes on pages 13 to 73 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	2014 Group €	2013 Group €	2014 Company €	2013 Company €
		Year ended 31 December			
Cash flows from operating activities					
Cash generated from operations	30	**4,350,162**	3,605,187	**2,288,570**	737,674
Dividends received		**100,588**	166,719	**437,143**	699,297
Interest received		**1,281,541**	1,285,346	**1,329,216**	1,295,854
Interest paid		**(2,687,185)**	(2,828,364)	**(2,577,398)**	(2,607,632)
Tax (paid)/ refunded		**(49,132)**	45,463	**8,460**	(95,023)
Net cash generated from operating activities		**2,995,974**	2,274,351	**1,485,991**	30,170
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(938,191)**	(271,068)	**(221,054)**	(54,360)
Proceeds from disposal of property, plant and equipment	4	**182,493**	199,758	**5,994**	8,500
Capital expenditure on investment property	5	**(223,831)**	(444,224)	**-**	-
Purchase of investment in associate	7	**(78)**	-	**-**	-
Purchase of available-for-sale financial assets	9	**(19,570)**	(4,556)	**(19,570)**	(4,556)
Proceeds from disposal of available-for-sale financial assets	9	**48,705**	104,554	**48,705**	104,554
Net cash (used in)/generated from investing activities		**(950,472)**	(415,536)	**(185,925)**	54,138
Cash flows from financing activities					
Repayments of bank borrowings	19	**(1,597,080)**	(1,727,082)	**(773,473)**	(924,923)
Proceeds from borrowings from subsidiary	19	**-**	-	**260,000**	-
Repayments of borrowings from related party	19	**-**	(503,356)	**-**	-
Net cash used in financing activities		**(1,597,080)**	(2,230,438)	**(513,473)**	(924,923)
Net movements in cash and cash equivalents		**448,422**	(371,623)	**786,593**	(840,615)
Cash and cash equivalents at beginning of year		**(6,233,409)**	(5,861,786)	**(6,662,066)**	(5,821,451)
Cash and cash equivalents at end of year	14	**(5,784,987)**	(6,233,409)	**(5,875,473)**	(6,662,066)

The notes on pages 13 to 73 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 Mizzi Holdings Limited and its subsidiaries. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment, investment property and available-for-sale financial assets.

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

As at 31 December 2014, the company's total liabilities exceeded its total assets by €10,730,002 (2013: €10,446,618). The company's financial position, on the basis of the stand-alone figures, is attributable to corporate expenditure incurred to support the overall operations of Mizzi Organisation. In this respect, subsidiaries and related parties have undertaken not to request repayment of amounts due to them unless alternative financing is available. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to ensure that the company can continue as a going concern and to enable it to meet any obligations in full. This shareholder support will also enable the company to provide financial support to a subsidiary having net current liabilities (see Note 32g).

Standards, interpretations and amendments to published standards effective in 2014

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

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

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

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

1.2 Consolidation

(a) Subsidiaries

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

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

(b) Associates

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

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

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

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

1.3 Foreign currencies

(a) Functional and presentation currency

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

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

1.4 Property, plant and equipment

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

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

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

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

	%
Buildings	2
Furniture, fittings, airconditioning and other equipment	10 - 33⅓
Garage tools and equipment	15
Motor vehicles	25

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

1.5 Investment property

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

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

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

1.5 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.

1.6 Intangible assets - Goodwill

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

1. Summary of significant accounting policies - continued

1.6 Intangible assets - Goodwill - continued

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

1.7 Financial assets

Classification

The group classifies its financial assets (other than investments in associates and, only in the company's case, investments in subsidiaries) in the following categories: at fair value through profit or loss, 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) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) 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 1.8, 1.10 and 1.11).

(c) Available-for-sale financial assets

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

Recognition and measurement

The group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss 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.

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

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 directly in equity.

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

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

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

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

(a) Assets carried at amortised cost
For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in note 1.10.

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

1.8 Loans and advances

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

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

1.9 Inventories

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

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

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

1. Summary of significant accounting policies - continued

1.9 Inventories - continued

Property held for development and resale

When the main object of a property project is development for resale purposes, the asset is classified in the financial statements as inventories. Property is also classified as inventory, where there is a change in use of investment property evidenced by the commencement of development with a view to sale. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development, including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1.10 Trade and other receivables

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

1.11 Cash and cash equivalents

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

1.12 Non-current assets held for sale

Non-current assets are classified as assets held for sale and stated at the lower of carrying amount and fair value less costs to sell if their carrying amount is to be recovered principally through a sale transaction rather than through continuing use, and a sale is considered highly probable.

1.13 Share capital

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

1. 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.

1.17 Derivative financial instruments

Derivative financial instruments, consisting of forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Trading derivative financial instruments are classified as current assets or liabilities.

The group's derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss. The group enters into derivative financial instruments to manage the foreign exchange risk exposure certain forecast purchases denominated in foreign currencies. Accordingly, gains or losses arising from changes in the fair value of the group's derivatives are presented in profit or loss within 'cost of sales' in the period in which they arise.

1.18 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

1.19 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 or loss.

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

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

1.20 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.

1.21 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.

1. Summary of significant accounting policies - continued

1.21 Revenue recognition - continued

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

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

Operating lease rental income – refer to accounting policy 1.23 for 'Operating leases'.

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

(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.

(f) Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the Financial Statements, due to the fact that the significant risks and rewards of ownership have not been transferred to the purchaser, are treated as payments received on account and presented within trade and other payables.

Other operating income, consisting in the main of management fees, computer and other service charges receivable from companies forming part of Mizzi Organisation, is recognised on an accrual basis unless collectability is in doubt.

1.22 Government grants

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

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

1. Summary of significant accounting policies - continued

1.23 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 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.24 Borrowing costs

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

1.25 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

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

2. **Financial risk management** - continued

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the group's purchases are denominated in sterling, and accordingly the group is exposed to foreign exchange risk arising from such purchases. 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 group undertakings 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. As outlined previously management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies 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.

(ii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise advances to related parties (Notes 8 and 13) and the bonds issued to the general public (Note 19). The company's fixed interest instruments also comprise loans from a subsidiary (Note 19). A group undertaking earns interest income accruing on bills of exchange acquired and incurs an equivalent amount of interest expense on the liability attributable to the acquisition of such bills of exchange at fair value from a related party.

With respect to the instruments mentioned above, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. The group has secured a spread between the return on advances to related parties and its cost of borrowing in relation to the bonds issued. The company manages its spread between the fixed interest rate on advances to subsidiary and related parties and the fixed cost of borrowings from the subsidiary which was the issuer of the bonds.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) and balances with related parties subject to floating interest rates (Note 33) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. The group and company have significant floating rate amounts due from and to related parties, but the net exposure after taking into account bank borrowings is not significant. 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.

2. Financial risk management - continued

(iii) Price risk

The group is exposed to equity securities price risk in view of investments held by the group which have been classified in the statement of financial position as available-for-sale. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio in terms of listing status and business sectors of investees. A significant portion of the group's available-for-sale investments are quoted on the Malta Stock Exchange and are accordingly incorporated in the MSE equity index. The impact of a reasonable possible shift in the MSE equity index on the group's available-for-sale revaluation reserve is not deemed significant in the context of the group's figures reported in the statement of financial position. The analysis is based on the assumption that the equity index had increased/decreased by 5% at the end of the reporting period, with all other variables held constant, and that all the equity instruments listed on the Malta Stock Exchange moved according to the historical correlation with the index. Another portion of the group's investments are in unlisted private companies (see Note 9).

(a) Credit risk

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

	Group		**Company**	
	2014	2013	**2014**	2013
	€	€	**€**	€
Loans and receivables category:				
Loans and advances (Notes 8 and 13)	**5,986,488**	5,986,488	**3,892,463**	3,892,463
Other non-current financial assets (Note 10)	**2,419,272**	1,726,018	**-**	-
Trade and other receivables (Note 12)	**33,013,985**	33,507,436	**28,974,705**	28,912,666
Cash and cash equivalents (Note 14)	**731,835**	716,167	**4,907**	4,907
	42,151,580	41,936,109	**32,872,075**	32,810,036

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, except as disclosed below in respect of advances to related parties.

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

The group assesses the credit quality of its trade customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history. Moreover, a significant amount of a group undertaking's 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.

2. Financial risk management - continued

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 there are no significant past due amounts receivable from customers at the end of the reporting period. 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 forming part of the Mizzi Organisation (see Note 33). To the extent that the group's advances have been effected out of the bond issue proceeds, the group holds collateral as security in this respect as disclosed in Note 8 to the financial statements. The group's and the company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 12) arising from property and financing transactions that have taken place in the current and prior years. The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group and the company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2014, the group's trade receivables of €282,887 (2013: €275,698) and other receivables of €25,295 (2013: €25,295) were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. The group does not hold any collateral as security in respect of the impaired assets.

The movements in provisions for impairment of trade and other receivables are disclosed in Note 22 to the financial statements.

(b) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 19) and trade and other payables (Note 18). 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.

The group's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the group's advances to related parties effected out of the bond issue proceeds match cash outflows in respect of the group's bonds, covering principal and interest payments as reflected in the table below. In accordance with the terms and conditions stipulated in the Prospectus for the 2009 bonds, during the current financial year, the subsidiary that issued the bonds continued effecting allocations to a sinking fund and related cash reserve with the objective of channelling a regular stream of cash flows to fund bond interest and capital repayment obligations.

2. Financial risk management - continued

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of Mizzi Organisation within certain parameters. The 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. 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.

The tables below analyse the group's and the company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date on the assumption that the bonds will be redeemed at the latest optional redemption 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 2014					
Bank borrowings	**8,050,698**	**1,267,987**	**3,909,497**	**-**	**13,228,182**
Bonds	**1,860,000**	**1,860,000**	**35,580,000**	**-**	**39,300,000**
Trade and other payables	**30,465,677**	**916,029**	**806,866**	**24,972**	**32,213,544**
At 31 December 2013					
Bank borrowings	9,488,107	2,323,765	3,506,433	-	15,318,305
Bonds	1,860,000	1,860,000	5,580,000	31,860,000	41,160,000
Trade and other payables	29,258,197	862,908	722,263	6,988	30,850,356

Trade and other payables include other financial liabilities, attributable to the acquisition of bills of exchange by a group undertaking (see Note 18), which are presented in the statement of financial position as non-current liabilities since bills of exchange will be replaced when they mature and accordingly the cumulative amount of the liabilities will be settled upon maturity of the bonds of Mizzi Organisation Finance p.l.c. in accordance with the arrangement referred to in Note 10. The amounts disclosed in the tables above reflect the actual maturity dates of the related bills of exchange as disclosed in Note 10.

2. Financial risk management - continued

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Company					
At 31 December 2014					
Bank borrowings	**6,675,286**	**784,279**	**3,693,904**	**-**	**11,153,469**
Loans from subsidiary	**1,797,933**	**1,797,933**	**31,263,333**	**-**	**34,859,199**
Trade and other payables	**10,936,202**	**-**	**-**	**6,988**	**10,943,190**
At 31 December 2013					
Bank borrowings	8,393,890	1,553,513	2,759,331	-	12,706,734
Loans from subsidiary	1,779,863	1,779,863	5,339,588	27,241,076	36,140,390
Trade and other payables	9,167,449	-	-	6,988	9,174,437

2.2 Capital risk management

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

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 consolidated statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	2014 €	2013 €
Total borrowings	**58,088,835**	61,481,366
Less: cash and cash equivalents	**(6,567,501)**	(4,950,636)
Net debt	**51,521,334**	56,530,730
Total equity	**111,315,194**	99,170,457
Total capital	**162,836,528**	155,701,187
Net debt/total capital	**32%**	36%

2. Financial risk management - continued

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of Mizzi Holdings Limited, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors. The company's equity as disclosed in the stand-alone financial statements is attributable to corporate expenditure incurred to support the overall operations of the Mizzi Organisation and accordingly the stand-alone figures do not reflect the group's capital management policy.

2.3 Fair values of financial instruments

2.3.1 Financial instruments carried at fair value

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for instruments carried at fair value:

- 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 i.e. as prices, or indirectly i.e. derived from prices (level 2).

- Inputs for the asset that are not based on observable market data i.e. unobservable inputs (level 3).

The fair value of available-for-sale equity securities traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The fair value of available-for-sale equity securities that are not traded in an active market (for instance, investments in unlisted local private companies) is determined by using valuation techniques, principally discounted cash flow models. When the group uses valuation techniques, it makes assumptions that are based on market conditions existing at the end of each reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

At 31 December 2014, the group's available-for-sale financial assets with a carrying amount of €373,409 (2013: €372,230) are categorised as level 1 instruments since these investments are listed in an active market. These assets have been categorised as Level 1 since initial recognition. With respect to investments with a carrying amount of €263,800 (2013: €263,800), reflecting historical cost less impairment, fair value determined by reference to level 2 categorisation is deemed to approximate carrying amounts.

2. Financial risk management – continued

2.3.2 Financial instruments not carried at fair value

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

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 the company's fixed interest related party borrowings at the end of the reporting period is not significantly different from the carrying amounts. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 7,'Financial Instruments: Disclosures'. Information on the fair value of the bonds issued to the public is disclosed in the respective note to the financial statements. The fair value estimate in this respect is deemed Level 1 as its constitutes a quoted price in an active market.

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 term of the requirements of IAS 1.

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

4. Property, plant and equipment

Group

	Land and buildings €	Furniture, fittings, airconditioning and other equipment €	Garage tools and equipment €	Motor vehicles €	Total €
At 1 January 2013					
Cost or valuation	18,080,880	3,166,008	1,983,959	1,321,886	24,552,733
Accumulated depreciation and impairment losses	(2,479,041)	(2,990,384)	(1,844,835)	(869,097)	(8,183,357)
Net book amount	15,601,839	175,624	139,124	452,789	16,369,376
Year ended 31 December 2013					
Opening net book amount	15,601,839	175,624	139,124	452,789	16,369,376
Additions	91,790	26,841	19,194	133,243	271,068
Disposals	-	-	-	(262,616)	(262,616)
Depreciation charge	(189,087)	(53,672)	(37,529)	(143,105)	(423,393)
Depreciation released on disposals	-	-	-	115,241	115,241
Closing net book amount	15,504,542	148,793	120,789	295,552	16,069,676
At 31 December 2013					
Cost or valuation	18,172,670	3,192,849	2,003,153	1,192,513	24,561,185
Accumulated depreciation and impairment losses	(2,668,128)	(3,044,056)	(1,882,364)	(896,961)	(8,491,509)
Net book amount	15,504,542	148,793	120,789	295,552	16,069,676
Year ended 31 December 2014					
Opening net book amount	15,504,542	148,793	120,789	295,552	16,069,676
Additions	220,728	270,008	50,632	396,823	938,191
Revaluation surplus arising during the year (Note 16)	1,597,482	-	-	-	1,597,482
Disposals	-	(3,361)	-	(247,409)	(250,770)
Depreciation charge	(160,251)	(85,512)	(44,695)	(137,386)	(427,844)
Depreciation released on disposals	-	3,167	-	106,714	109,881
Closing net book amount	**17,162,501**	**333,095**	**126,726**	**414,294**	**18,036,616**
At 31 December 2014					
Cost or valuation	19,990,880	3,459,496	2,053,785	1,341,927	26,846,088
Accumulated depreciation and impairment losses	(2,828,379)	(3,126,401)	(1,927,059)	(927,633)	(8,809,472)
Net book amount	**17,162,501**	**333,095**	**126,726**	**414,294**	**18,036,616**

4. Property, plant and equipment - continued

Fair valuation of property

The group's land and buildings, within property, plant and equipment, were revalued on 31 December 2014 by a professionally qualified valuer. The book value of the property has been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders' equity (Note 16).

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

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

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

The group's land and buildings, within property, plant and equipment, consists of operational premises that is owned and managed by the group. 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 current and the preceding financial years.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in Note 5 for investment property.

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 designated officers within the Mizzi Organisation. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective company's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

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

Valuation techniques

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

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

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property.

  The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.

- Yield methodology: an annual rent rate per square metre (also related to comparable properties or transactions and adjusted as described above) together with a market capitalisation rate utilised for capitalisation of rental income streams. Where applicable, costs to completion (determined by reference to cost per square metre), which must be incurred for the property to generate the envisaged rental income streams, are also taken into account.

4. Property, plant and equipment - continued

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

Description by class based on highest and best use	Fair value at 31 December 2014 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	**600**	Adjusted sales comparison approach	Sales price per square metre (€)	700 – 2,000 (1,650)
	18,800	Yield methodology	Annual rent per square metre (€)	30 – 180 (90)
			Capitalisation rate (%)	5.0 – 9.0 (7.2)
Redevelopment into residential/commercial premises	**11,500**	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 – 350 (290)
			Residential: sales price factor per square metre (€)	120 – 1,170 (400)
			Commercial: sales price factor per square metre (€)	880 – 1,500 (950)
Developable land for residential/commercial use	**2,100**	Capitalised rental income less cost to completion	Annual rent per square metre (€)	225 – 275 (240)
			Capitalisation rate (%)	7.3 – 8.0 (7.8)
			Cost to completion per square metre (€)	1,200

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2014 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Extended commercial premises	**16,500**	Yield methodology	Annual rent per square metre (€)	110 – 1,190 (900)
			Capitalisation rate (%)	7.5
	7,000	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	205
			Commercial: sales price factor per square metre (€)	590
Marketed for residential use	**3,500**	Adjusted sales comparison approach	Sales price per residential unit (€)	96,000 - 215,000 (175,000)

With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the sales price per airspace/residential unit, or the sales price factor per airspace/square metre, the higher the resultant fair valuation. In relation to the yield methodology, the higher the rental amount per square, metre the higher the resultant fair valuation, but conversely, the lower the market capitalisation rate and the cost to completion per square metre (where applicable), the higher the resultant fair valuation.

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

Description by class based on highest and best use	Fair value at 31 December 2013 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average) €
Current use as commercial Premises	**6,600**	Adjusted sales comparison approach	Sales price per square metre	700 – 2,000 (1,650)

4. Property, plant and equipment - continued

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	**6,600**	Adjusted sales comparison approach	Sales price per square metre	700 – 2,000 (1,650)
Redevelopment into residential/commercial premises	**10,200**	Adjusted sales comparison approach	Residential: airspace sales price per square metre	150 - 1,350 (1,050)
			Residential: sales price factor per square metre	110
			Commercial: sales price factor per square metre	735
Developable land for residential/commercial use	**1,050**	Adjusted sales comparison approach	Commercial: airspace sales price per square metre	2,100
			Residential: sales price per airspace	45,000
Extended commercial premises	**33,050**	Adjusted sales comparison approach	Sales price per square metre	2,000
			Sales price factor per square metre	200 - 700 (400)
Marketed for residential use	**2,000**	Adjusted sales comparison approach	Sales price per residential unit	140,000 - 200,000 (175,000)

4. Property, plant and equipment - continued

The group's land and buildings within property, plant and equipment amounting to €17,200,000 (2013: €15,500,000) are categorised as *Extended commercial premises* as at 31 December 2014 and 2013. With the exception of the first and last classes presented in the tables above, the highest and best use of the group's 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 carrying amounts would be as follows:

	2014	2013
	€	€
Cost	**7,093,874**	6,873,146
Accumulated depreciation and impairment losses	**(1,454,710)**	(1,353,718)
Net book amount	**5,639,164**	5,519,428

Bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's land and buildings (refer to Notes 19 and 32[a]).

4. Property, plant and equipment - continued

Company

	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2013			
Cost	1,078,086	659,925	1,738,011
Accumulated depreciation	(1,032,151)	(612,463)	(1,644,614)
Net book amount	45,935	47,462	93,397
Year ended 31 December 2013			
Opening net book amount	45,935	47,462	93,397
Additions	5,860	48,500	54,360
Disposals	-	(19,575)	(19,575)
Depreciation charge	(22,648)	(37,500)	(60,148)
Depreciation released upon disposals	-	19,575	19,575
Closing net book amount	29,147	58,462	87,609
At 31 December 2013			
Cost	1,083,946	688,850	1,772,796
Accumulated depreciation	(1,054,799)	(630,388)	(1,685,187)
Net book amount	29,147	58,462	87,609
Year ended 31 December 2014			
Opening net book amount	29,147	58,462	87,609
Additions	120,908	100,146	221,054
Disposals	(3,361)	(22,213)	(25,574)
Depreciation charge	(31,194)	(48,212)	(79,406)
Depreciation released upon disposals	3,167	22,213	25,380
Closing net book amount	118,667	110,396	229,063
At 31 December 2014			
Cost	1,201,493	766,783	1,968,276
Accumulated depreciation	(1,082,826)	(656,387)	(1,739,213)
Net book amount	**118,667**	**110,396**	**229,063**

5. Investment property

Group

	2014 €	2013 €
Year ended 31 December		
Opening carrying amount	**37,448,930**	35,429,813
Reclassification from inventories	**775,084**	-
Additions resulting from subsequent expenditure	**223,831**	444,224
Net gains from changes in fair value	**4,490,565**	1,574,893
Closing carrying amount	**42,938,410**	37,448,930

	2014 €	2013 €
At 31 December		
Cost	**26,710,497**	25,711,582
Fair value gains	**16,227,913**	11,737,348
Carrying amount	**42,938,410**	37,448,930

The reclassification from inventories to investment property relates to the transfer of a property in view of management's decision to utilise the assets for the purposes of deriving rentals, as evidenced by commencement of operating lease arrangements.

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 all 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:

	2014 €	2013 €
Cost	**26,710,497**	25,711,582
Accumulated depreciation	**(3,839,841)**	(3,447,098)
Net book amount	**22,870,656**	22,264,484

5. **Investment property** - continued

As at 31 December 2014, bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's investment property with a fair value of €38,710,000 (2013: €33,253,000) - refer to Notes 19 and 32(a).

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

	2014	2013
	€	€
Year ended 31 December		
Opening carrying amount	**28,846,401**	27,152,893
Additions resulting from subsequent expenditure	**76,003**	118,615
Net gains from changes in fair value	**2,780,058**	1,574,893
Closing carrying amount	**31,702,462**	28,846,401

	As at 31 December 2014	As at 31 December 2013	As at 1 January 2012
	€	€	€
At 31 December			
Cost	**19,099,094**	19,023,091	18,904,476
Fair value gains	**12,603,368**	9,823,310	8,248,417
Carrying amount	**31,702,462**	28,846,401	27,152,893

Company

	€
Years ended 31 December 2014 and 2013	
Opening and closing carrying amount	116,609

If the investment property was stated on the historical cost basis the amounts at the end of the reporting period would be as disclosed in the table above. This property has not been revalued since initial recognition. The directors have assessed the fair value at 31 December 2014 and 2013, which fair value was determined to fairly approximate the carrying amount.

6. **Investments in subsidiaries**

Company

	€
Years ended 31 December 2014 and 2013	
Opening and closing cost and carrying amount	2,304,286

6. Investments in subsidiaries - continued

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

	Registered office	**Class of shares held**	**Percentage of shares held %**
Mizzi Brothers Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100
Muscats Motors Limited	Muscats Garage Rue D' Argens Gzira Malta	Ordinary shares	100
Mizzi Estates Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100
Mizzi Organisation Finance p.l.c.	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100

All shareholdings, which have remained unchanged from 2013, are held directly by Mizzi Holdings Limited.

7. Investments in associates

Group

	2014	2013
	€	€
Year ended 31 December		
Opening carrying amount	**347,139**	363,007
Additions	**78**	-
Share of profit	**98,467**	108,605
Dividends received	**(78,924)**	(124,473)
Closing carrying amount	**366,760**	347,139

	2014	2013
	€	€
At 31 December		
Cost	**132,937**	132,859
Share of profits and reserves	**233,823**	214,280
Carrying amount	**366,760**	347,139

7. **Investments in associates** - continued

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.

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

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2014	2013
			%	%
Mizzi Automotive Services Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**33⅓**	33⅓
All About Car Parts Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**33⅓**	-
Heritage Motor Company Limited (in dissolution)	Level 4, Suite 7 The Plaza Commercial Centre Bisazza Street Sliema Malta	Ordinary shares	**25**	25
FirstUnited Insurance Brokers Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**33⅓**	33⅓
FirstUnited Insurance Management Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**20**	20
Primax Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**50**	50
All About Car Parts Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**33⅓**	33⅓

7. Investments in associates - continued

The shareholding in Mizzi Automotive Services Limited and All About Car Parts Limited is held through Muscats Motors Limited, a subsidiary. All other shareholdings are held directly by Mizzi Holdings Limited.

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

	Assets €	Liabilities €	Revenues €	Profit €
2014				
Mizzi Automotive Services Limited	485,211	444,223	664,682	1,821
FirstUnited Insurance Brokers Limited	844,996	537,512	435,120	74,169
FirstUnited Insurance Management Limited	62,119	10,905	125,055	22,477
	1,392,326	**992,640**	**1,224,857**	**98,467**
2013				
Mizzi Automotive Services Limited	617,020	577,850	769,309	15,152
FirstUnited Insurance Brokers Limited	825,260	537,552	437,194	72,676
FirstUnited Insurance Management Limited	70,917	25,623	128,523	20,777
	1,513,197	1,141,025	1,335,026	108,605

The unrecognised share of losses of associates incurred up to 31 December 2014 amounted to €23,329 (2013: €12,465). The unrecognised share of losses of these associates incurred during the financial year ended 31 December 2014 amounted to €10,864 (2013: €616).

During the year ended 31 December 2014, an investment in All about Car Parts Limited was allocated to a subsidiary of Mizzi Holdings Limited from a related party forming part of Mizzi Organisation. This transaction did not give rise to any material impact on the stand-alone and consolidated financial statements of Mizzi Holdings Limited.

The group's associates are not deemed material, individually and in aggregate, to the group as a reporting entity taking cognisance of the group's financial position and aggregate assets. Accordingly, the disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities', were not deemed necessary for the user's understanding of the financial results and the financial position of the group.

7. Investments in associates - continued

Company

	2014	2013
	€	€
Year ended 31 December		
Opening and closing cost and carrying amount	**128,200**	128,200

8. Loans and advances

Group

	€
Non-current	
Advances outstanding as at 1 January 2013, 31 December 2013 and 31 December 2014	**4,355,927**

The proceeds of the bonds issued by Mizzi Organisation Finance p.l.c., a subsidiary, (refer to Note 19) had been advanced by the issuer to its parent company, Consolidated Holdings Limited and Kastell Limited (as reflected in the table above) 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 parent company, together with Kastell Limited, Consolidated Holdings Limited and The General Soft Drinks Company Limited, related parties forming part of the Mizzi Organisation, are the guarantors in respect of the bond issue. These companies have jointly and severally between themselves, and with the respective borrower from the issuer, 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 the loans.

All advances are subject to interest at the fixed rate of 6.95%, with interest payable six monthly in arrears on 31 May and 30 November of each year. The advances are repayable in full on 30 November 2019.

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9. Available-for-sale financial assets

Group and Company

	2014	2013
	€	€
Year ended 31 December		
Opening carrying amount	**636,030**	842,056
Additions at cost	**19,570**	4,556
Net gains from changes in fair value (Note 16)	**30,314**	93,972
Disposals	**(48,705)**	(104,554)
Increase in provisions for impairment	**-**	(200,000)
Closing carrying amount	**637,209**	636,030

	2014	2013
	€	€
At 31 December		
Cost	**1,263,752**	1,296,477
Fair value gains/(losses)	**6,392**	(27,512)
Provisions for impairment	**(632,935)**	(632,935)
Carrying amount	**637,209**	636,030

The group's available-for-sale assets consist of:

	2014	2013
	€	€
Investments listed on the Malta Stock Exchange	**373,409**	372,230
Other investments in unlisted local private companies	**263,800**	263,800
	637,209	636,030

The group's available-for-sale investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices. For other unlisted investments, fair value is mainly estimated by reference to the net asset backing of the investee and the use of valuation techniques, principally discounted cash flow models. The cost of the other unlisted investments approximates fair value and no movements have been recognised in equity. During the preceding financial year, an impairment loss was recognised in respect of an investment in an unlisted company which was in unexpected adverse trading and operating conditions. In prior years, an impairment charge had also been recorded in respect of this investment and in respect of an investment in another unlisted entity.

10. Other financial assets

In prior years, Mizzi Organisation Finance p.l.c., a subsidiary, entered into a financial arrangement with United Acceptances Finance Limited, a related party forming part of Mizzi Organisation, for the acquisition by Mizzi Organisation Finance p.l.c. of bills of exchange drawn in favour of United Acceptance Finance Limited. These bills of exchange, which would cover receivables financed by United Acceptances Finance Limited in the ordinary course of its activities as a finance house to all companies within the Mizzi Organisation, are acquired with full rights of recourse. Accordingly, these acquisitions are accounted for as collateralised advances i.e. loans or financial assets secured by bills of exchange in accordance with the requirements of IFRSs. United Acceptances Finance Limited will service and administer the accounts in relation to which bills of exchange are transferred and will remit without any delay to Mizzi Organisation Finance p.l.c. proceeds received with respect to bills acquired by the latter.

Mizzi Organisation Finance p.l.c. resolved to utilise the bills of exchange acquired in the manner outlined above to set up the sinking fund earmarked for the eventual repayment of the bonds (see Note 19). The bills of exchange are accordingly held by an authorised trustee that is independent of the issuer of the bonds and the Mizzi Organisation.

United Acceptances Finance Limited has undertaken to replace bills of exchange acquired with an equivalent amount upon their maturity and ultimately to provide the full cash proceeds designated on the face of the bills when the issuer redeems the bonds, in whole or in part, on the Redemption Dates (refer to Note 19).

The movements during the year in the fair value of the bills of exchange are analysed as follows:

	2014	2013
	€	€
At beginning of year	**1,726,018**	957,953
Interest component accrued	**227,780**	77,031
Face amount of matured bills of exchange	**(821,664)**	(327,060)
Fair value of bills of exchange acquired	**1,287,138**	1,018,094
At end of year	**2,419,272**	1,726,018

The bills of exchange have been acquired from United Acceptances Finance Limited at their fair value, which is constituted by the face value of the bills deducting therefrom the future interest element of the face amount which would not have accrued yet. The carrying amount of the financial assets resulting from the acquisitions is equivalent to their fair value and analysed as follows:

	2014	2013
	€	€
Face value of bills of exchange acquired	**1,544,543**	1,265,159
Interest component of bills of exchange	**(257,405)**	(247,065)
Fair value of assets acquired	**1,287,138**	1,018,094

10. Other financial assets - continued

These assets are subject to an effective interest rate of 8%. The bills of exchange acquired during the current and the preceding financial years, outstanding at 31 December 2014, mature between 2015 and 2018 as follows:

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

As outlined previously, bills of exchange will be replaced as they mature such that the cumulative amount of the financial assets is expected to be realised upon maturity of the bonds. Accordingly these financial assets are entirely presented as non-current assets.

In addition to the amount of €2,721,909 reflecting the face value of the bills of exchange outlined above, the issuer's parent Mizzi Organisation Finance p.l.c. committed a further amount of €300,000 by way of a bank guarantee to align the sinking fund with the targeted commitments.

As at the date of authorisation for issue of these financial statements, the issuer continued building up the sinking fund through a property portfolio owned by a related party forming part of Mizzi Organisation that has been hypothecated in favour of the bondholders, as approved by the Listing Committee of the Malta Financial Services Authority.

By the maturity date of the subsidiary's bonds, the value of the sinking fund should be equivalent to at least 50% of the amount of the bonds issued, with a view to setting up a cash reserve over the term of the bonds to fund part of the redemption proceeds on redemption date. The issuer is allocating cash inflows to the sinking fund utilising the following schedule:

	2014	2013
	€	€
Within 1 year	**2,000,000**	1,000,000
Between 1 and 2 years	**2,000,000**	2,000,000
Between 2 and 5 years	**8,000,000**	7,000,000
Over 5 years (up to 2019)	**-**	3,000,000

11. Inventories

	Group	
	2014	2013
	€	€
Property being developed with a view to sale		
At 1 January	**2,319,939**	2,688,724
Additions resulting from subsequent expenditure	**134,957**	103,427
Reclassification to investment property (Note 5)	**(775,084)**	-
Transfers to cost of sales	**(1,109,173)**	(472,212)
At 31 December	**570,639**	2,319,939
Goods held for resale		
Motor vehicles and motorcycles	**2,103,854**	1,825,769
Spare parts	**530,524**	580,749
Goods in transit	**671,002**	363,294
Payments on account in respect of motor vehicles and spare parts	**31,174**	61,883
Others	**62,215**	33,835
	3,398,769	2,865,530
Total inventories	**3,969,408**	5,185,469

The reclassification to investment property relates to transfer of property in view of management's decision to utilise the assets for the purposes of deriving rentals, as evidenced by commencement of operating lease arrangements.

During the current and previous financial years, the group completed and transferred to the purchasers, residential units constructed. The cost allocated to these apartments was recognised within cost of sales in profit or loss.

The cost of inventories recognised as expense is appropriately disclosed in Note 22 to the financial statements. During the current financial year net reversals of inventory write-downs recognised in previous financial years amounted to €11,894 (2013: inventory write downs of €55,688). These amounts have been included in 'Cost of sales' in profit or loss.

Bank borrowings in the name of group undertakings are secured on inventories with a carrying amount of €571,000 (2013: €2,320,000) - refer to Notes 19 and 32(a).

12. Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current				
Trade receivables	**347,979**	492,459	**-**	-
Amounts owed by subsidiaries	**-**	-	**2,498,205**	2,178,323
Amounts owed by associates	**288,273**	402,696	**121,147**	137,235
Amounts owed by related parties forming part of Mizzi Organisation	**27,963,280**	28,684,698	**23,220,380**	23,612,822
Amounts owed by other related parties	**2,974,051**	2,999,350	**2,933,648**	2,916,451
Government grants receivable	**-**	8,789		-
Other receivables	**345,112**	223,380	**178,722**	51,260
Indirect taxation	**975,637**	590,899		-
Prepayments and accrued income	**119,653**	105,165	**22,603**	16,575
	33,013,985	33,507,436	**28,974,705**	28,912,666

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

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade receivables	**282,887**	275,698	**-**	-
Other receivables	**25,295**	25,295	**2,103**	2,103
	308,182	300,993	**2,103**	2,103

A subsidiary transfers receivables arising from its 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, the subsidiary has transferred receivables with a face value amounting to €1,239,461 (2013: €1,286,230). 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.

Government grants receivable represented state aid in respect of the energy grant scheme. This grant related to assets and is included in liabilities as deferred government grants. The amount of the liability is credited to profit or loss on a straight-line basis over the expected lives of the related assets. The impact of these grants on the current year’s results is disclosed in Note 22.

13. Loans and advances: current amounts

Group

The group's loans and advances as at 31 December 2014 and 2013 consist of the loans effected by Mizzi Holdings Limited to a related party (refer to Note below).

Company

The company's loans and advances consist of loans to a group undertaking amounting to €2,261,902 (2013: €2,261,902) and to a related party amounting to €1,630,561 (2013: €1,630,561). These advances are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% (2013: 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**	
	2014	2013	**2014**	2013
	€	€	**€**	€
Cash at bank and in hand	**731,835**	716,167	**4,907**	4,907
Bank overdrafts (Note 19)	**(6,516,822)**	(6,949,576)	**(5,880,380)**	(6,666,973)
	(5,784,987)	(6,233,409)	**(5,875,473)**	(6,662,066)

15. Share capital

	Company	
	2014	2013
	€	€
Authorised		
1,000,000 (2013: 1,000,000) ordinary shares of €2.329373 each	**2,329,373**	2,329,373
Issued and fully paid		
685,600 (2013: 685,600) ordinary shares of €2.329373 each	**1,597,018**	1,597,018

16. Revaluation reserves

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Surplus arising on fair valuation of:				
Land and buildings of subsidiaries	**8,112,311**	6,762,353	**-**	-
Available-for-sale financial assets	**6,393**	(27,511)	**6,393**	(27,511)
	8,118,704	6,734,842	**6,393**	(27,511)

The movements in each category are analysed as follows:

	Group	
	2014	2013
	€	€
Land and buildings of subsidiaries		
At beginning of year	**6,762,353**	6,804,456
Revaluation surplus arising during the year (Note 4)	**1,597,482**	-
Transfer upon realisation through asset use	**(59,259)**	(59,259)
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 20)	**(17,308)**	(3,585)
Deferred income taxes on revaluation surplus arising during the year (Note 20)	**(191,698)**	-
Deferred income taxes on realisation through asset use (Note 20)	**20,741**	20,741
At end of year	**8,112,311**	6,762,353

	Group and Company	
	2014	2013
	€	€
Available-for-sale financial assets		
At beginning of year	**(27,511)**	(139,525)
Net gains from changes in fair value (Note 9)	**30,314**	93,972
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	**3,590**	18,042
At end of year	**6,393**	(27,511)

The tax impact relating to components of other comprehensive income is presented in the above tables. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the group's accounting policy. When the assets are disposed of, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, are reclassified to profit or loss as a reclassification adjustment and reflected as gains or losses from available-for-sale financial assets.

17. Fair value gains reserve

	Group	
	2014	2013
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	**10,677,344**	9,091,925
Fair value gains arising during the year (Note 5)	**4,490,565**	1,574,893
Movement in deferred tax liability determined on the basis applicable to property disposals	**(12,672)**	(13,313)
Deferred income taxes on fair value gains arising during the year (Note 20)	**(538,868)**	(188,987)
Other movements, net of applicable deferred tax	**-**	212,826
At end of year	**14,616,369**	10,677,344

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

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 directors to be available for distribution.

18. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current				
Trade payables	**2,414,429**	1,523,110	**-**	-
Payments received on account	**788,674**	489,162	**-**	-
Amounts owed to subsidiaries	**-**	-	**4,509,545**	3,132,744
Amounts owed to associates	**54,295**	58,481	**19,437**	25,569
Amounts owed to related parties forming part of Mizzi Organisation	**24,444,833**	24,712,043	**5,581,814**	5,209,184
Amounts owed to other related parties	**3,463**	1,667	**3,463**	1,667
Other payables	**736,717**	662,664	**396,605**	256,989
Indirect taxation and social security	**255,034**	271,415	**219,545**	242,660
Deferred Government grants related to assets (Note 12)	**10,790**	10,790	**-**	-
Accruals and deferred income	**758,430**	1,099,927	**205,793**	298,632
	29,466,665	28,829,259	**10,936,202**	9,167,445

18. Trade and other payables - continued

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Non-current				
Other payables, falling due after more than five years	**6,988**	6,988	**6,988**	6,988
Other financial liabilities - amounts owed to related party forming part of Mizzi Organisation	**2,419,272**	1,726,018	**-**	-
Deferred Government grants related to assets (Note 12)	**17,984**	28,774	**-**	-
	2,444,244	1,761,780	**6,988**	6,988

The non-current other financial liabilities are attributable to the acquisition of bills of exchange by a group undertaking (see Note 10) from a related party at fair value. The amounts are repayable in accordance with the terms of the bills of exchange acquired and are subject to an effective interest rate of 8%. The financial liabilities are presented as non-current liabilities in view of the arrangement referred to in Note 10.

19. Borrowings

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current				
Bank overdrafts	**6,516,822**	6,949,576	**5,880,380**	6,666,973
Bank loans	**1,332,680**	2,295,171	**638,745**	1,540,449
	7,849,502	9,244,747	**6,519,125**	8,207,422
Non-current				
Bank loans	**4,775,034**	5,409,623	**4,100,000**	3,971,769
300,000 6.2% bonds 2016 – 2019 issued in 2009	**29,744,078**	29,622,700	**-**	-
Loans from subsidiary	**-**	-	**25,869,535**	25,609,535
	34,519,112	35,032,323	**29,969,535**	29,581,304
Total borrowings	**42,368,614**	44,277,070	**36,488,660**	37,788,726

Group

By virtue of the Prospectus dated 29 October 2009, Mizzi Organisation Finance p.l.c. (“the Issuer”) issued for subscription by the general public 250,000 bonds for an amount of €25,000,000, with an over-allotment option of another 50,000 for a maximum amount of €5,000,000 which was exercised in full as a result of over-subscriptions. The bonds have a nominal value of €100 per bond and have been issued at par other than 18,840 bonds subscribed by Mizzi Applicants which have been issued at the Mizzi Applicants’ Bond Issue Price of €97.50 per bond. Mizzi Applicants comprise members of the Mizzi family and employees of companies within the Mizzi Organisation.

19. Borrowings - continued

The bonds are subject to a fixed interest rate of 6.2% per annum payable six monthly in arrears on 31 May and 30 November in each year.

All bonds are redeemable at par (€100 for each bond) and at the latest are due for redemption on 30 November 2019. The bonds are redeemable in whole or in part at the Issuer's sole discretion on any date falling between and including 30 November 2016 and 30 November 2019 (Early Redemption Date/s).

Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors, are jointly and severally with the Issuer and between themselves, guaranteeing the repayment of the nominal value of the bonds on the redemption date and of the interest amounts of the bonds on each interest payment date. The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the bonds.

In accordance with the terms and conditions specified in the Prospectus, the Issuer has continued the allocation of funds to a sinking fund as explained in Note 10 to the financial statements. The value of the sinking fund should eventually be equivalent to at least 50% of the value of the bonds issued, with a view to setting up a cash reserve from the guarantors' annual net cash inflows from operating activities to fund part of the redemption proceeds on redemption date.

The 2002 bond proceeds had been advanced to the guarantors for the purposes outlined in Note 8 to the financial statements, pursuant to, and subject to, the terms and conditions in the offering memorandum dated 2 May 2002, as amended by a supplementary agreement.

Under the terms and conditions in the 2009 Prospectus, 2002 bondholders could surrender their 2002 bonds in exchange for 2009 bonds. The actual net proceeds of the bond issue, which have been advanced to Mizzi Holdings Limited, were firstly utilised to repay any amounts due by the Issuer with respect to the 2002 bonds. The resultant amount of the proceeds which remained available to the Issuer has been utilised to partly refinance existing borrowings in relation to the construction of The General Soft Drinks factory and other capital expenditure.

The bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2014 was 106.05 (2013: 106.00), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

At the end of the reporting period, bonds having a face value of €298,500 (2013: €292,300) were held by directors of the Issuer and Mizzi Holdings Limited, and bonds with a face value of €529,100 (2013: €529,100) were held by other officers of companies forming part of the Mizzi Organisation and close family members of these individuals.

19. **Borrowings** - continued

The bonds are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the redemption value of the bonds using the effective interest method as follows:

	2014	2013
	€	€
6.2% bonds 2016 – 2019		
Original face value of bonds issued	**30,000,000**	30,000,000
Gross amount of bond issue costs	**(752,150)**	(752,150)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	**397,085**	290,021
Amortisation charge for the current year (Note 26)	**114,225**	107,064
Accumulated amortisation at end of year	**511,310**	397,085
Unamortised bond issue costs	**(240,840)**	(355,065)
Gross amount of discounts in respect of bonds issued under terms applicable to Mizzi Applicants	**(47,100)**	(47,100)
Amortisation of gross amount of discounts:		
Accumulated amortisation at beginning of year	**24,865**	18,161
Amortisation charge for the current year (Note 26)	**7,153**	6,704
Accumulated amortisation at end of year	**32,018**	24,865
Unamortised amount of discounts	**(15,082)**	(22,235)
Amortised cost and closing carrying amount of the bonds	**29,744,078**	29,622,700

The group's banking facilities as at 31 December 2014 amounted to €18,735,000 (2013: €22,332,000). These facilities are mainly secured by:

(a) a general hypothec on the parent company's assets for €26,314,000 (2013: €26,314,000);
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €9,783,000 to €37,852,000 (2013: €9,783,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €25,484,000 (2013: €25,484,000) over property and general hypothecary guarantees for the amount of €25,382,000 (2013: €25,382,000) over assets;
(c) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €4,403,000 to €24,683,000 (2013: €4,403,000 to €24,683,00); and
(d) a guarantee by the parent company for €4,426,000 (2013: €4,426,000).

19. Borrowings - continued

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

	2014	2013
	%	%
Bank overdrafts	**4.6**	4.9
Bank loans	**4.5**	4.8

Maturity of group's non-current bank borrowings:

	2014	2013
	€	€
Between 1 and 2 years	**1,062,849**	2,092,298
Between 2 and 5 years	**3,712,185**	3,317,325
	4,775,034	5,409,623

Company

As disclosed in Note 8 to the consolidated financial statements, the proceeds of the bond issue of a subsidiary have been advanced to the parent company and other companies forming part of the Mizzi Organisation. 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. During the current financial year, the subsidiary effected further advances to the parent company amounting to €260,000, which advances are subject to a fixed interest rate of 4.6% per annum. All other terms and conditions remain those applied to the previous advances.

The company's banking facility as at 31 December 2014 amounted to €15,874,000 (2013: €16,647,000). These facilities are mainly secured by:

(a) a general hypothec on the company's assets for €26,314,000 (2013: €26,314,000); and
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €9,783,00 to €37,852,000 (2013: €9,783,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €25,484,000 (2013: €25,484,000) over property and general hypothecary guarantees for the amount of €25,484,000 (2013: €25,484,000) over assets.

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

	2014	2013
	%	%
Bank overdrafts	**4.6**	4.9
Bank loans	**4.6**	5.0

19. **Borrowings** - continued

Maturity of company's non-current bank borrowings:

	2014	2013
	€	€
Between 1 and 2 years	**600,000**	1,371,769
Between 2 and 5 years	**3,500,000**	2,600,000
	4,100,000	3,971,769

20. Deferred taxation

Group

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2013: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 12% of the transfer value.

The movement on the deferred tax account is as follows:

	2014	2013
	€	€
At beginning of year	**6,834,392**	6,654,799
Movement in deferred tax liability determined on the basis applicable to property disposals:		
Investment property - recognised in profit or loss (Note 27)	**42,977**	64,427
Property, plant and equipment and other assets - recognised in other comprehensive income (Note 16)	**17,308**	3,585
Deferred income taxes on revaluation surplus on land and buildings arising during the year (Note 16)	**191,698**	-
Deferred income taxes on fair value gains on investment property arising during the year (Note 27)	**538,868**	188,987
Realisation through asset disposals (Note 27)	**(133,100)**	(56,665)
Realisation through asset use (Note 27)	**(20,741)**	(20,741)
At end of year	**7,471,402**	6,834,392

All the amounts disclosed in the table above, which have been referenced to Note 27, are recognised in profit or loss. The other amounts, referenced to Note 16, have been recognised directly in equity in other comprehensive income.

20. Deferred taxation - continued

The balance at 31 December represents:

	2014 €	2013 €
Temporary differences arising on fair valuation of property	**4,057,909**	3,508,813
Deferred taxation arising on transfer of property from related parties	**3,413,493**	3,325,579
	7,471,402	6,834,392

The recognised deferred tax liabilities are expected to be 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 current and preceding financial years in view of the transfer of properties from other companies forming part of the Mizzi Organisation.

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled ‘An Act to implement Budget measures for the financial year 2015 and other administrative measures’ was published in December 2014. With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 will be 10%. The announcement of the revised tax regime by the Minister for Finance and the subsequent publication of the Budget Bill in December 2014 do not, as at 31 December 2014, have the substantive effect of actual enactment. Accordingly, tax rates used for the measurement of deferred taxation as at 31 December 2014 are those applicable prior to the measures announced in the Budget Speech for the financial year 2015, which are disclosed above. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the group’s property would be a decrease amounting to €1,260,914 of which €380,000 would be recognised in other comprehensive income and €880,914 would be recognised in profit or loss.

At 31 December 2014 and 2013, the group had the following unutilised tax credits and temporary differences in respect of which deferred tax has not been recognised:

	Unrecognised	
	2014 €	2013 €
Unutilised tax credits arising from:		
Unabsorbed tax losses	**1,315,554**	2,170,178
Unabsorbed capital allowances	**2,544,988**	2,379,484
Unabsorbed capital losses	**3,184**	3,184
Deductible temporary differences arising on:		
Depreciation of property, plant and equipment	**42,998**	58,943
Provisions for impairment of trade and other receivables	**260,742**	294,010
Provisions for impairment of investments	**632,935**	632,935

20. **Deferred taxation** - continued

The unrecognised deferred tax assets at the end of the reporting periods have not been reflected in these financial statements due to the uncertainty of the realisation of the tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade. Capital losses have no expiry date but may be utilised solely to offset future capital gains.

Company

	2014	2013
	€	€
At beginning and end of year	**13,993**	13,993

The balance at 31 December represents:

	2014	2013
	€	€
Deferred taxation arising on transfer of property from related party	**13,993**	13,993

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

The deferred income tax provision arising on transfer of property from a related party has been raised in the preceding financial years in view of the transfer of property from a company forming part of the Mizzi Organisation.

At 31 December 2014, the company had unutilised tax credits arising from unabsorbed capital allowances and capital losses amounting to €1,181,899 (2013: €1,115,476) and €3,184 (2013: €3,184) respectively. 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. At the end of the reporting period, the company also had deductible temporary differences arising on depreciation of property, plant and equipment, provisions for impairment of investments and provisions for impairment of receivables, amounting to €640,321 (2013: €635,038). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

21. **Revenue**

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

	Group	
	2014	2013
	€	€
By category		
Sale of motor vehicles and motorcycles	**13,500,536**	9,254,500
Sale of spare parts and provision of ancillary services	**2,928,237**	3,148,406
Property operating lease rental income	**1,574,855**	1,467,751
Sale of clothing and other goods from rented premises	**1,296,174**	1,246,521
Sale of property developed with a view to sale	**1,597,900**	694,000
Other revenues	**52,205**	61,622
	20,949,907	15,872,800

22. Expenses by nature

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Cost of goods sold	**14,878,865**	11,233,643	**-**	-
Cost attributable to property sold	**1,186,088**	518,655	**-**	-
Employee benefit expense (Note 23)	**2,244,978**	2,193,267	**907,402**	981,001
Depreciation of property, plant and equipment (Note 4)	**427,844**	423,393	**79,406**	60,148
Property operating lease rentals payable	**4,761**	5,681	**34,668**	34,666
Management fees and similar service charges	**201,220**	276,189	**-**	-
Marketing, business promotion and related expenses	**179,408**	91,878	**-**	-
Provision of management and related administration services	**89,892**	80,999	**-**	-
Movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	**7,189**	663	**-**	-
Other expenses	**1,026,215**	1,093,068	**237,216**	362,824
Total cost of sales; selling and other direct expenses; and administrative expenses	**20,246,460**	15,917,436	**1,258,692**	1,438,639

Operating profit is stated after crediting the following:

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Government grants recognised (included in 'Other operating income')	**(10,790)**	(10,790)	-	-
Profit on disposal of property, plant and equipment	**(41,604)**	(52,383)	**(5,800)**	(8,500)

Other operating income for the group and the company consists mainly of management fees, computer and other service charges receivable from companies forming part of Mizzi Organisation.

22. Expenses by nature - continued

Auditor's fees

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

	Group	
	2014	2013
	€	€
Annual statutory audit	**24,803**	23,904
Other assurance services	**1,600**	1,550
Tax advisory and compliance services	**2,426**	2,562
Other non-audit services	**9,578**	7,646
	38,407	35,662

The auditor's remuneration for the company attributable to the year ended 31 December 2014 amounted to €5,600 (2013: €5,600).

23. Employee benefit expense

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Wages and salaries	**2,107,271**	2,056,912	**849,281**	924,194
Social security costs	**137,707**	136,355	**58,121**	56,807
	2,244,978	2,193,267	**907,402**	981,001

Average number of persons employed during the year:

	Group		Company	
	2014	2013	**2014**	2013
Direct	**57**	57	**-**	-
Administration	**39**	39	**32**	32
	96	96	**32**	32

24. Investment and other related income

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Gross dividends receivable from investments in subsidiaries	-	-	**296,759**	477,729
Gross dividends receivable from investments in associates	-	-	**118,720**	179,322
Gross dividends receivable from available-for-sale financial assets	**21,664**	42,246	**21,664**	42,246
Net losses upon disposal of available-for-sale financial assets	**(3,590)**	(18,042)	**(3,590)**	(18,042)
Increase in provisions for impairment of available-for-sale financial assets	**-**	(200,000)	**-**	(200,000)
	18,074	(175,796)	**433,553**	481,255

25. Finance income

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Interest receivable from subsidiaries	**-**	-	**350,636**	313,718
Interest receivable from related parties forming part of Mizzi Organisation	**1,274,114**	1,279,387	**971,377**	976,650
Interest receivable from associate	**6,174**	5,486	**6,174**	5,486
Interest receivable on bills of exchange acquired	**227,780**	77,031	**-**	-
Bank and other interest receivable	**1,253**	473	**1,029**	-
	1,509,321	1,362,377	**1,329,216**	1,295,854

26. Finance costs

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Coupon interest payable on bonds	**1,860,000**	1,860,009	**-**	-
Amortisation of difference between initial net proceeds and redemption value of bonds (Note 19)	**121,378**	113,768	**-**	-
Interest payable to subsidiaries	-	-	**1,880,209**	1,849,806
Interest payable to related parties forming part of Mizzi Organisation	**207,355**	217,712	**207,355**	217,784
Bank interest and charges	**619,830**	750,643	**489,834**	540,042
Interest payable on liability attributable to bills of exchange acquired	**227,780**	77,031	**-**	-
	3,036,343	3,019,163	**2,577,398**	2,607,632

27. Tax expense

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Current taxation:				
Current tax expense/(income)	**68,303**	(134,892)	**10,905**	5,449
Deferred taxation (Note 20)	**428,004**	176,008	**-**	-
	496,307	41,116	**10,905**	5,449

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

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit/(loss) before tax	**5,482,962**	1,602,200	**(306,383)**	(308,078)
Tax on profit/(loss) at 35%	**1,919,037**	560,770	**(107,234)**	(107,827)
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment and provisions for impairment of investments and trade receivables	**48,324**	130,494	**5,190**	83,422
Determination of deferred taxation on fair value gains of investment property on the basis applicable to property disposals	**(1,122,952)**	(354,464)	**-**	-
Application of provisions of tax legislation to property disposals	**34,306**	13,533	**-**	-
Share of results of associates	**(34,464)**	(38,012)	**-**	-
Losses surrendered for group relief Purposes	**-**	-	**114,100**	31,226
Maintenance allowance claimed on rented property	**(141,653)**	(134,197)	**-**	-
Dividend income not taxed at 35%	**(574)**	(870)	**(24,398)**	(13,854)
Unabsorbed capital allowances claimed during the year	**54,449**	55,168	**23,247**	12,482
Amortisation of bond issue costs not allowed for tax purposes	**42,482**	39,819	**-**	-
Utilisation of tax losses brought forward from prior years	**(302,648)**	(231,125)	**-**	-
Tax charge in the accounts	**496,307**	41,116	**10,905**	5,449

The tax impact relating to components of other comprehensive income is presented in the tables within Notes 16 and 17 to the financial statements.

28. Directors' emoluments

	Group	
	2014	2013
	€	€
Salaries and other emoluments	**301,480**	207,469

During the year, the company has recharged out directors' emoluments amounting to €59,238 (2013: €23,347) and €501,004 (2013: €316,653) to subsidiaries and other related parties forming part of Mizzi Organisation respectively.

The directors are also entitled to fringe benefits, such as the use of a motor vehicle and other similar benefits, which have been attributed a monetary amount for personal tax purposes.

29. 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 Mizzi Holdings Limited in issue during the year.

	Group	
	2014	2013
Net profit attributable to the owners of the company	**€4,986,655**	€1,561,084
Weighted average number of ordinary shares in issue	**685,600**	685,600
Earnings per share	**€7.27**	€2.28

30. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Operating profit	**6,893,443**	3,326,177	**508,246**	522,445
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**427,844**	423,393	**79,406**	60,148
Profit on disposal of property, plant and equipment	**(41,604)**	(52,383)	**(5,800)**	(8,500)
Gains from changes in fair value of investment property (Note 5)	**(4,490,565)**	(1,574,893)	**-**	-
Movement in provisions for impairment of trade and other receivables	**7,189**	663	**-**	-
Changes in working capital:				
Inventories	**440,977**	2,190,165	**-**	-
Trade and other receivables	**486,262**	491,661	**(62,039)**	(100,482)
Trade and other payables	**626,616**	(1,199,596)	**1,768,757**	264,063
Cash generated from operations	**4,350,162**	3,605,187	**2,288,570**	737,674

31. Commitments

Group

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 5 and 11) not provided for in these financial statements are as follows:

	2014	2013
	€	€
Contracted but not provided for	**-**	260,000

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:

	2014	2013
	€	€
Not later than one year	**534,309**	581,695
Later than one year and not later than five years	**1,954,941**	2,020,737
Later than five years	**931,569**	1,400,082
	3,420,819	4,002,514

A group undertaking has property leasing arrangements with related parties, which are companies forming part of the Mizzi Organisation, whereby operating lease rentals amounting to €792,333 (2013: €824,795) are receivable annually for the right of the respective related parties to use assets owned by the company in the course of their operations.

Company

Operating lease commitments – where the company is the lessee

The company has a property leasing arrangement with a subsidiary whereby operating lease rentals amounting to €34,668 (2013: €40,000) are payable annually for the right to use assets owned by the subsidiary in the course of the company's operations.

32. Contingencies

(a) The company, together with certain other subsidiaries and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to a limit of €83,016,000 (2012: €81,319,000) together with interest and charges thereon. These guarantees are supported by a general hypothecary guarantee for the amount of €25,482,000 (2013: €25,482,000) over the company's assets.

Three subsidiaries, together with related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to limits of €38,896,000 (2013: €38,896,000), €44,788,000 (2013: €44,788,000) and €51,586,000 (2013: €51,586,000) respectively together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by the undertakings for the amounts of €24,482,000 (2013: €24,482,000), €24,482,000 (2013: €24,482,000) and €35,658,000 (2013: €35,658,000) respectively, and by special hypothecary guarantees over property by one undertaking for the amount of €56,722,000 (2013: €56,722,000).

(b) The company, Consolidated Holdings Limited, Kastell Limited and The General Soft Drinks Company Limited are, jointly and severally with Mizzi Organisation Finance p.l.c. (a subsidiary) and between themselves, guaranteeing the repayment of the nominal value of the bonds issued by the latter company, for subscription by the general public, amounting to €30,000,000 (2013: €30,000,000 on the redemption date and the interest amounts payable in respect of the bonds on each interest payment date (Note 19). All the terms and conditions of these instruments are disclosed in the said note to the financial statements. 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 Mizzi Holdings Limited, Consolidated Holdings Limited and Kastell Limited. All the terms and conditions of these advances are disclosed in Note 8 to the financial statements. Consolidated Holdings Limited, Kastell Limited , Mizzi Holdings Limited and the The General Soft Drinks Company Limited, the guarantors in respect of the bond issue, have jointly and severally, between themselves and with the respective borrower, undertaken under each loan agreement, to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the advances from Mizzi Organisation Finance p.l.c.

(c) At 31 December 2014, the company has given guarantees totalling €4,197,680 (2013: €3,861,583) in the name of subsidiaries and related parties forming part of Mizzi Organisation in favour of third parties. This includes an amount of €300,000 utilised to align the sinking fund attributable to the bonds issued by a subsidiary with targeted commitments (see Note 19).

(d) At 31 December 2014, subsidiaries had contingent liabilities amounting to €154,521 (2013: €155,721) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

(e) No provision has been made in these consolidated accounts for disputed income tax amounting to €102,537 (2013: €102,537) 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 €5,928 (2013: €5,928). 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.

(f) The company is in dispute with the Commissioner of Inland Revenue over assessments raised relating to basis years 1986, 1987 and 1997 amounting to €12,711 (2013: €12,711).

32. Contingencies - continued

(g) The company has undertaken to provide financial support to a subsidiary so as to enable this entity to meet its liabilities as they fall due. The subsidiary's profits for the year ended 31 December 2014 amounted to €6,694,187 (2013: €2,722,541), but as at 31 December 2014 its current liabilities exceeded its current assets by €18,909,201 (2013: €18,404,267).

33. Related party transactions

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

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

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

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

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.

33. Related party transactions - continued

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

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Sales of goods and services				
Sales of goods held for resale and provision of services				
- Associates	**250,176**	295,185	**-**	-
- Related parties forming part of Mizzi Organisation	**633,353**	691,391	**-**	-
- Other related parties	**4,303**	2,119	**-**	-
Management fees receivable				
- Subsidiaries	**-**	-	**226,723**	229,754
- Associates	**36,872**	41,041	**36,872**	41,041
- Related parties forming part of Mizzi Organisation	**1,074,002**	1,050,915	**1,074,002**	1,050,915
- Other related parties	**1,800**	3,181	**1,800**	3,181
Property operating lease rental income receivable				
- Subsidiaries	**-**	-	**5,334**	5,334
- Related parties forming part of Mizzi Organisation	**792,000**	855,150	**-**	-
Estate management fees	**22,353**	33,632	**-**	-
	2,814,859	2,972,614	**1,344,731**	1,330,225

33. Related party transactions - continued

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Purchases of goods and services				
Purchases of goods held for resale and services	**898,440**	875,384	**65,447**	84,446
Management fees payable	**222,545**	309,564	**-**	-
Property operating lease rentals payable				
- Subsidiaries	**-**	-	**36,667**	40,000
Purchases of property, plant and equipment				
- Related parties forming part of Mizzi Organization	**82,454**	49,784	**32,071**	48,500
- Subsidiaries		-	**68,145**	-
Capital expenditure on property	**86,497**	128,519	**-**	-
	1,289,936	1,363,251	**202,330**	172,946

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 12 and 18 to these financial statements.

Expenditure amounting to €1,115,294 (2013: €858,870) and €26,571 (2013: €52,412) has been recharged by the parent company and subsidiaries respectively to related parties forming part of Mizzi Organisation. The company has also recharged expenditure amounting to €254,945, €63,687, and €77,797 (2013: €226,694, €38,069 and €102,836) to subsidiaries, associates and other related parties respectively. During the financial year ended 31 December 2014, related parties forming part of Mizzi Organisation recharged expenditure to subsidiaries amounting to €70,600 (2013: €78,102).

Key management personnel comprise the directors of the company and of the other group undertakings. Key management personnel compensation, in addition to directors' remuneration as disclosed in Note 28, amounted to €311,525 (2013: €152,692).

33. Related party transactions - continued

Amounts owed by related parties as at 31 December 2014 of €16,723,268 (2013: €18,019,808) are subject to interest at 7.2% (2013: 7.2%). Amounts owed to related parties of €4,184,816 (2013: €4,115,550) are subject to interest of 5% (2013: 5%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 25 and 26 respectively.

Amounts owed by related parties as at 31 December 2014 include amounts due from shareholders of €15,739 (2013: €20,633). These amounts are unsecured, interest free and have no fixed date of repayment.

Company

Amounts owed by subsidiaries of €578,901 (2013: €509,755) are subject to interest at 7.2%. Amounts owed to subsidiaries of €2,946,463 (2013: €1,572,668) are subject to interest at 5% (2013: 5%). Amounts owed by related parties of €16,723,268 (2013: €18,019,808) are subject to interest at 7.2% (2013: 7.2%). Amounts owed to related parties of €4,184,816 (2013: €4,115,550) are subject to interest at 5% (2013: 5%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 25 and 26 respectively.

Amounts owed by related parties include amounts due from shareholders of €15,739 (2013: €20,633). These amounts are unsecured, interest free and have no fixed date of repayment.

34. Statutory information

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