MIZZI HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2015

Company Registration Number: C 813

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2015.

Principal activities

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

The company's net liability position remains tenable given that €9,426,022 (2014: €10,091,359) 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 2015 are included in the Annual Report and Consolidated Financial Statements 2015, 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

5 May 2016

Independent auditor's report

To the Shareholders of Mizzi Holdings Limited

Report on the Financial Statements for the year ended 31 December 2015

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 99 which comprise the consolidated and parent company statements of financial position as at 31 December 2015, 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 2015 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 2015

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

5 May 2016

Statements of financial position

		Group			Company	
	Notes	**At 31 December 2015**	At 31 December 2014	At 1 January 2014	**At 31 December 2015**	At 31 December 2014
		€	€	€	**€**	€
ASSETS						
Non-current assets						
Property, plant and equipment	4	**61,619,479**	59,474,829	56,154,716	**253,271**	229,063
Investment property	5	**36,325,319**	36,201,873	32,280,584	**116,609**	116,609
Investments in subsidiaries	7	**-**	-	-	**3,630,756**	2,304,286
Investments in associates	8	**2,510,973**	2,218,724	1,871,110	**121,396**	128,200
Loans and advances	9	**575,938**	3,138,251	3,138,251	**-**	-
Available-for-sale financial assets	10	**5,360,709**	2,748,612	2,747,433	**3,249,306**	637,209
Trade and other receivables	11	**5,151,601**	4,264,900	4,667,183	**-**	-
Total non-current assets		**111,544,019**	108,047,189	100,859,277	**7,371,338**	3,415,367
Current assets						
Inventories	13	**24,593,516**	18,013,394	16,509,990	**-**	-
Trade and other receivables	11	**22,486,747**	23,528,632	23,703,098	**32,569,044**	28,974,705
Loans and advances	9	**-**	-	-	**3,892,463**	3,892,463
Current tax assets		**461,637**	611,006	711,722	**293,788**	428,399
Financial assets at fair value through profit or loss	14	**740,128**	532,521	372,655	**-**	-
Cash and cash equivalents	15	**4,189,890**	4,431,469	3,403,197	**135,384**	4,907
		52,471,918	47,117,022	44,700,662	**36,890,679**	33,300,474
Assets classified as held for sale	16	**5,161**	5,161	5,161	**-**	-
Total current assets		**52,477,079**	47,122,183	44,705,823	**36,890,679**	33,300,474
Total assets		**164,021,098**	155,169,372	145,565,100	**44,262,017**	36,715,841

Statements of financial position - continued

		Group			Company	
	Notes	**At 31 December 2015**	At 31 December 2014	At 1 January 2014	**At 31 December 2015**	At 31 December 2014
		€	€		**€**	€
EQUITY AND LIABILITIES						
Capital and reserves						
Share capital	17	**1,597,018**	1,597,018	1,597,018	**1,597,018**	1,597,018
Revaluation reserves	18	**37,095,802**	35,674,607	32,934,229	**421,118**	6,393
Fair value gains and other reserves	19	**20,647,502**	19,896,298	17,096,207	**-**	-
Retained earnings/(accumulated losses)		**5,269,530**	2,084,594	1,101,213	**(11,552,749)**	(12,333,413)
Total equity		**64,609,852**	59,252,517	52,728,667	**(9,534,613)**	(10,730,002)
Non-current liabilities						
Trade and other payables	20	**14,182**	24,972	35,762	**6,988**	6,988
Borrowings	21	**2,172,349**	36,290,402	37,201,470	**-**	29,969,535
Deferred tax liabilities	22	**9,453,670**	11,297,732	10,577,242	**13,993**	13,993
Total non-current liabilities		**11,640,201**	47,613,106	47,814,474	**20,981**	29,990,516
Current liabilities						
Trade and other payables	20	**31,485,617**	29,482,976	25,179,432	**11,225,167**	10,936,202
Current tax liabilities		**466,277**	98,841	156,518	**-**	-
Borrowings	21	**55,819,151**	18,721,932	19,670,869	**42,550,482**	6,519,125
Provision for other liabilities and charges	23	**-**	-	15,140	**-**	-
Total current liabilities		**87,771,045**	48,303,749	45,021,959	**53,775,649**	17,455,327
Total liabilities		**99,411,246**	95,916,855	92,836,433	**53,796,630**	47,445,843
Total equity and liabilities		**164,021,098**	155,169,372	145,565,100	**44,262,017**	36,715,841

The notes on pages 13 to 99 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 99 were authorised for issue by the Board on 5 May 2016 and were signed on its behalf by:

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

Income statements

	Notes	**2015** Group	2014 Group	**2015** Company	2014 Company
		€	€	**€**	€
Revenue	24	**117,187,551**	96,975,902	-	-
Cost of sales		**(92,856,728)**	(76,596,008)	-	-
Gross profit		**24,330,823**	20,379,894	-	-
Selling and other direct expenses		**(11,128,175)**	(10,219,753)		
Administrative expenses		**(8,072,648)**	(7,367,163)	**(1,566,906)**	(1,258,692)
Net gains from changes in fair value of investment property	5	**-**	3,290,652	**-**	-
Other operating income		**897,657**	935,008	**1,935,956**	1,766,938
Operating profit		**6,027,657**	7,018,638	**369,050**	508,246
Investment and other related income	27	**251,423**	193,787	**1,677,435**	433,553
Finance income	28	**522,960**	645,794	**1,299,358**	1,329,216
Finance costs	29	**(3,335,625)**	(3,608,675)	**(2,457,876)**	(2,577,398)
Share of profit of associates	8	**422,812**	426,538	**-**	-
Profit/(loss) before tax		**3,889,227**	4,676,082	**887,967**	(306,383)
Tax income/(expense)	30	**25,824**	(632,799)	**(107,303)**	(10,905)
Profit/(loss) for the year		**3,915,051**	4,043,283	**780,664**	(317,288)
Earnings per share	32	**5.71**	5.90		

Year ended 31 December

The notes on pages 13 to 99 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Notes	**2015**	2014	**2015**	2014
		Year ended 31 December			
		Group		**Company**	
		€	€	**€**	€
Profit/(loss) for the year		**3,915,051**	4,043,283	**887,967**	(317,288)
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	18	**-**	3,564,113	**-**	-
Impairment charges in respect of revalued land and buildings net of deferred tax	18	**-**	(757,706)	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	**1,027,559**	(40,326)	**-**	-
Items that may be subsequently reclassified to profit or loss					
Available-for-sale financial assets:					
- Gains from changes in fair value	18	**414,725**	30,314	**414,725**	30,314
- Reclassification adjustments for net losses included in profit or loss upon disposal	18	**-**	3,590	**-**	3,590
Currency translation differences	19	**-**	582	**-**	-
Other comprehensive income for the year, net of tax		**1,442,284**	2,800,567	**414,725**	33,904
Total comprehensive income for the year		**5,357,335**	6,843,850	**1,302,692**	(283,384)

The notes on pages 13 to 99 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2014		1,597,018	32,934,229	17,096,207	1,101,213	52,728,667
Comprehensive income						
Profit for the year		-	-	-	4,043,283	4,043,283
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	18	-	3,564,113	-	-	3,564,113
Impairment charges in respect of revalued land and buildings, net of deferred tax	18		(757,706)	-	-	(757,706)
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	-	(40,326)	-	-	(40,326)
Depreciation transfer, net of deferred tax	18	-	(59,607)	-	59,607	-
Gains from changes in fair value of available-for-sale financial assets	18	-	30,314	-	-	30,314
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	18	-	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	19	-	-	2,816,098	(2,816,098)	-
Transfer upon realisation of fair value gains through property disposals	19	-	-	(16,589)	16,589	-
Currency translation differences	19	-	-	582	-	582
Total other comprehensive income		-	2,740,378	2,800,091	(2,739,902)	2,800,567
Total comprehensive income		-	2,740,378	2,800,091	1,303,381	6,843,850
Transactions with owners						
Dividends relating to 2014	33	-	-	-	(320,000)	(320,000)
Balance at 31 December 2014		**1,597,018**	**35,674,607**	**19,896,298**	**2,084,594**	**59,252,517**

Statements of changes in equity - continued

Group - continued

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2015		1,597,018	35,674,607	19,896,298	2,084,594	59,252,517
Comprehensive income						
Profit for the year		-	-	-	3,915,051	3,915,051
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	-	1,027,559	-	-	1,027,559
Depreciation transfer, net of deferred tax	18	-	(21,089)	-	21,089	-
Gains from changes in fair value of available-for-sale financial assets	18	-	414,725	-	-	414,725
Transfer of movement in deferred tax liability on fair value gains on investment property determined on the basis applicable to property disposals	19	-	-	754,161	(754,161)	-
Transfer upon realisation of fair value gains through property disposals	19	-	-	(2,957)	2,957	-
Total other comprehensive income		-	1,421,195	751,204	(730,115)	1,442,284
Total comprehensive income		-	1,421,195	751,204	3,184,936	5,357,335
Balance at 31 December 2015		**1,597,018**	**37,095,802**	**20,647,502**	**5,269,530**	**64,609,852**

Statements of changes in equity - continued

Company

	Note	Share capital €	Revaluation reserve €	Accumulated losses €	Total €
Balance at 1 January 2014		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	18	-	30,314	-	30,314
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	18	-	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)
Comprehensive income					
Profit for the year		-	-	780,664	780,664
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	18		414,725	-	414,725
Total other comprehensive income			414,725	-	414,725
Total comprehensive income		-	414,725	780,664	1,195,389
Balance at 31 December 2015		**1,597,018**	**421,118**	**(11,552,749)**	**(9,534,613)**

The notes on pages 13 to 99 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	2015	2014	2015	2014
		Year ended 31 December			
		Group		Company	
		€	€	€	€
Cash flows from operating activities					
Cash generated from/ (used in) operations	34	**6,610,304**	8,506,116	**(4,133,990)**	2,288,570
Dividends received		**343,678**	169,430	**1,670,320**	437,143
Interest received		**522,960**	645,794	**1,299,358**	1,329,216
Interest paid		**(3,206,128)**	(3,487,297)	**(2,457,876)**	(2,577,398)
Tax (paid)/refunded		**(273,874)**	(292,287)	**27,310**	8,460
Net cash generated from/(used in) operating activities		**3,996,940**	5,541,756	**(3,594,878)**	1,485,991
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(5,734,609)**	(3,209,152)	**(153,012)**	(221,054)
Proceeds from disposal of property, plant and equipment	4	**1,136,538**	875,882	**-**	5,994
Capital expenditure on investment property	5	**(123,446)**	(223,553)	**-**	-
Proceeds from disposal of investment property	5	**-**	368,000	**-**	-
Purchase from dilution of interest in associate	8	**13,917**	-	**13,917**	-
Purchase of available-for-sale financial assets	10	**(2,197,372)**	(19,570)	**(2,197,372)**	(19,570)
Proceeds from disposal of available-for-sale financial assets	10	**-**	48,705	**-**	48,705
Purchase of financial assets held at fair value through profit or loss	14	**(467,348)**	(367,277)	**-**	-
Proceeds from disposal of financial assets held at fair value through profit or loss	14	**284,132**	314,282	**-**	-
Net cash used in investing activities		**(7,088,188)**	(2,212,683)	**(2,336,467)**	(185,925)
Cash flows from financing activities					
Proceeds from bank borrowings	21	**-**	-	**4,557,333**	
Repayments of bank borrowings	21	**(1,033,498)**	(1,979,984)	**(638,745)**	(773,473)
Proceeds from borrowings from subsidiary	21	**-**	-	**-**	260,000
Repayments of borrowings from related party	21	**(35,641)**	(35,639)	**-**	-
Dividends paid	33	**-**	(320,000)	**-**	-
Net cash (used in)/generated from financing activities		**(1,069,139)**	(2,335,623)	**3,918,588**	(513,473)
Net movements in cash and cash equivalents		**(4,160,387)**	993,450	**(2,012,757)**	786,593
Effect of exchange rate fluctuations on the translation of cash flows of foreign operations		**-**	582	**-**	-
Cash and cash equivalents at beginning of year		**(7,313,942)**	(8,307,974)	**(5,875,473)**	(6,662,066)
Cash and cash equivalents at end of year	15	**(11,474,329)**	(7,313,942)	**(7,888,230)**	(5,875,473)

The notes on pages 13 to 99 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, available-for-sale financial assets and financial assets through fair value through profit or loss.

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

At 31 December 2015, the group's current liabilities exceeded its current assets by €35,293,996, which is principally attributable to the fact that the Board of directors of the group undertaking, which issued bonds to the public with a nominal amount of €30,000,000, resolved to redeem these bonds at the earliest redemption date during the financial year ending 31 December 2016. Accordingly, the carrying amount of these bonds has been classified within current liabilities as at 31 December 2015. The group has secured bank facilities amounting to €30,000,000, which are earmarked for the financing of the redemption of the bonds (see Note 21). These facilities are unutilised as at 31 December 2015. The bank borrowings replacing the bonds will be repaid over a number of years taking cognisance of the group's liquidity management programme focusing on securing net cash operating inflows from operations over the years, with significant buffers over and above the interest and capital outflow requirements attributable to the group's borrowings.

As at 31 December 2015, the company's total liabilities exceeded its total assets by €9,534,613 (2014: €10,730,002). 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 number of subsidiaries with reported net liabilities and net current liabilities (see Note 32f).

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Corporate restructuring of Mizzi Organisation

The Mizzi Organisation is structured as a conglomerate of companies which are principally subsidiaries of one of three holding companies, being Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited. The shares of these holding companies are held directly by a member of the Mizzi family and shareholder companies owned by members of the Mizzi family. The Organisation's corporate structure does not reflect a single ultimate holding company. The Organisation also comprises The General Soft Drinks Company Limited, GSD Marketing Limited, Mizzi Organisation Limited, the latter's subsidiary Mizzi Motors Limited, and Mizzi Capital Projects Limited. The shares of these entities are, with the exception of Mizzi Motors Limited, also held directly by a member of the Mizzi family and shareholder companies owed by members of the Mizzi family.

During the current financial year, the corporate structure of the Mizzi Organisation was re-organised and the following transactions have been effected:

1. The shares in two subsidiaries of Consolidated Holdings Limited, being Industrial Motors Limited and United Acceptances Finance Limited, have been transferred by Consolidated Holdings Limited to Mizzi Holdings Limited for a cash consideration of €1,306,638;
2. The shares in Kastell Limited have been transferred by the shareholder companies owned by members of the Mizzi family to Mizzi Holdings Limited for a cash consideration of €4,653; and
3. The shares in Mizzi Organisation Limited, including its subsidiary, and Mizzi Capital Projects Limited, have been transferred by the shareholder companies owned by members of the Mizzi family to Mizzi Holdings Limited for a cash consideration of €13,976.

Subsequent to the restructuring process, the corporate structure of the Organisation comprised two holding companies, being Consolidated Holdings Limited and Mizzi Holdings Limited, together with The General Soft Drinks Company Limited and GSD Marketing Limited as stand-alone entities. Mizzi Holdings Limited is the principal holding company, which now holds the shares of the majority of the operational companies within the Organisation, as this constitutes one of the key objectives of the restructuring entailing the establishment of a principal holding company.

All the entities constituting the Mizzi Organisation are ultimately fully owned and controlled by the same members of the Mizzi family. Accordingly, the transactions referred to above involve entities under common control, whereby the involved entities are controlled by the same parties before and after the transaction, and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate ownership of the entities involved as a result of the transaction. Control is exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the respective entities which are involved in the transactions.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

Corporate restructuring of Mizzi Organisation - continued

For the purposes of preparing these consolidated financial statements, Mizzi Holdings Limited has applied the predecessor method of accounting to reflect the transactions referred to above involving entities under common control, comprising the transfer of the shares in Kastell Limited, Mizzi Organisation Limited and Mizzi Capital Projects Limited to Mizzi Holdings Limited, which in substance also reflect the transfer of the subsidiaries of Kastell Limited and Mizzi Organisation Limited. Accordingly Mizzi Holdings Limited:

a) recorded the acquisitions as if they had already taken place at the beginning of the earliest period presented within the financial statements, i.e. 1 January 2014;
b) incorporated the assets and liabilities attributable to the acquired entities using predecessor book values derived from the consolidated financial statements of the acquired entities or from stand-alone financial statements where consolidated accounts are not relevant with the additions as a result of these acquisitions being already reflected at the beginning of the earliest period presented;
c) incorporated the financial results, by reference to the consolidated financial statements where relevant, registered by the acquired entities during the years ended 31 December 2015 and 2014; and
d) reflected the difference between the consideration and the aggregate book value of the assets and liabilities attributable to the acquired entities as adjustments to equity.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Corporate restructuring of Mizzi Organisation - continued

The impacts of the application of the predecessor accounting treatment described highlighted above on the consolidated financial position of Mizzi Holdings Limited are reflected in the table below:

	31 December 2014 €	1 January 2014 €
Property, plant and equipment	16,357,263	16,608,818
Investment property	16,341,916	16,305,379
Investments in associates	1,888,895	1,558,481
Loans and advances: non-current amounts	575,938	575,938
Available-for-sale financial assets	2,111,403	2,111,403
Trade and other receivables: non-current amounts	6,684,172	6,393,201
Inventories	14,043,986	11,324,521
Trade and other receivables: current amounts	8,620,209	9,000,730
Amounts owed by related parties forming part of Mizzi Organisation	36,408,340	35,708,837
Financial assets at fair value through profit or loss	532,521	372,655
Loans and advances: current amounts	-	220,371
Current tax assets	178,853	260,398
Cash and cash equivalents	3,699,634	2,687,030
Assets classified as held for sale	5,161	5,161
Trade and other payables: non-current amounts	(2,419,272)	(1,726,018)
Borrowings: non-current amounts	(3,564,908)	(3,962,765)
Deferred tax liabilities	(3,626,080)	(3,542,600)
Trade and other payables: current amounts	(13,856,284)	(12,075,005)
Amounts owed to related parties forming part of Mizzi Organisation	(42,144,153)	(40,126,245)
Current tax liabilities	(98,841)	(156,518)
Borrowings: current amounts	(12,866,445)	(12,825,659)
Provisions for other liabilities and charges	-	(15,140)
	28,872,308	28,702,973
Represented by:		
Retained earnings	364,526	261,760
Revaluation reserves	(25,753,656)	(24,397,140)
Fair value gains and other reserves	(5,279,929)	(6,418,863)
	(30,669,060)	(30,554,243)
Difference, mainly attributable to:		
Net impact of elimination of balances between entities forming part of the Mizzi Holdings group prior to re-organisation and entities acquired by Mizzi Holdings Limited together with the subsidiaries of such entities	(1,796,752)	(1,851,270)

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Corporate restructuring of Mizzi Organisation - continued

The net impact referred to above is the effects of elimination of intra-Organisation financial liabilities, including borrowings an payables, amounting to €64,610,303 at 31 December 2014 (1 January 2014: €63,496,261) and the elimination of intra-Organisation financial assets, comprising loans and receivables amounting to €62,776,624 at 31 December 2014 (1 January 2014: €61,555,832).

Also, property classified as investment property prior to the re-organisation with a carrying amount of €23,078,053 at 31 December 2014 (1 January 2014: €21,473,725) is categorised as property, plant and equipment as a result of the restructuring as such properties are occupied and operated by the entities acquired by Mizzi Holdings Limited and their subsidiaries.

The impacts of the accounting treatment highlighted above on the group's results for the year ended 31 December 2014 are reflected below:

	31 December 2014 €
Revenue	79,528,591
Cost of sales	(63,119,548)
Gross profit	16,409,043
Selling and other direct expenses	(9,407,719)
Administrative expenses	(6,610,567)
Net gains from changes in fair value of investment property	391,704
Other operating income	1,112,227
Operating profit	1,894,688
Investment and other related income	175,713
Finance income	530,770
Finance costs	(1,966,629)
Share of profit of associates	330,414
Profit before tax	964,956
Taxation	(340,414)
Profit for the year	624,542
Net gains from changes in fair value of investment property reclassified from profit of loss to other comprehensive income upon reclassification of investment property to property, plant and equipment as referred to above	(1,591,617)
Deferred tax adjustments mainly attributable to reclassification of fair value gains on investment property highlighted above	203,921
Other adjustments	(179,818)
Effect of consolidation adjustments on profit for the year	(1,567,514)
Net impact on financial results	(942,974)

Also intra-Organisation revenue amounting to €3,502,596 and finance income amounting to €1,394,294 have been eliminated against equivalent amounts of intra-Organisation expenditure and finance costs.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2015

In 2015, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2015. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the group's accounting policies impacting the group's financial performance and position.

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

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

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

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. Summary of significant accounting policies - continued

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.

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.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(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.

(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. Summary of significant accounting policies - continued

1.3 Foreign currencies - continued

(c) Group companies

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

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

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

1.4 Property, plant and equipment

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

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

	%
Buildings	1 - 2
Improvements to premises	2 - 33⅓
Plant, machinery and operational equipment	8⅓ - 33⅓
Furniture, fittings, airconditioning and other equipment	10 - 33⅓
Motor vehicles	10 - 33⅓

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated.

Buildings and integral assets capitalised in respect of leasehold property are depreciated over the term of the property lease arrangement or over the estimated useful life of the assets if shorter than the lease term, ranging from ten to twenty years.

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

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.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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.

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.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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

(a) Goodwill

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

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

(b) Franchise rights

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

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1.7 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.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

(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 1.12).

(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.

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.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

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.

(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. Summary of significant accounting policies - continued

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, stocks of goods held for resale 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.

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. Summary of significant accounting policies - continued

1.11 Amounts receivable from hire purchase debtors

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

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

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

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

1.12 Cash and cash equivalents

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

1.13 Non-current assets (or disposal groups) held for sale and discontinued operations

Non-current assets (or disposal groups) 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 recovered principally through a sale transaction, rather than through continuing use, and a sale is considered highly probable. These assets may be a component of an entity, a disposal group or an individual non-current asset.

1. Summary of significant accounting policies - continued

1.13 Non-current assets (or disposal groups) held for sale and discontinued operations – continued

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held for sale, and:

(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

1.14 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.

1.15 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.

1.16 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.

1.17 Borrowings

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

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

1.18 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.

1. Summary of significant accounting policies - continued

1.18 Derivative financial instruments – continued

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.

1.19 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.

1.20 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.

1.21 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.

1. Summary of significant accounting policies - continued

1.21 Provisions - continued

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.

1.22 Revenue recognition

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

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

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

Operating lease rental income – refer to accounting policy 1.25 for 'Operating leases'.

Sales relating to long-term contracts – refer to accounting policy 1.23 for 'Long-term contracts'.

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

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

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

(e) Rental income from investment property
Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

(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

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

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.

1.23 Long-term contracts

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

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

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

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

1.24 Government grants

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

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

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

1. Summary of significant accounting policies - continued

1.25 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.

1.26 Finance leases

(a) An undertaking is the lessor
When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

1.27 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.

1.28 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.

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 US dollar and sterling, accordingly the group is exposed to foreign exchange risk arising from such purchases. A subsidiary domiciled overseas has a functional currency which is different from the euro and is subject to currency risk in respect of intra-group balances denominated in euro amounting to €458,410 (2014: €458,410; 2013: €463,558). The exposures from these instruments and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the group's figures.

The group's main risk exposure reflecting the carrying amount of 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 respective 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 by entering into forward contracts in certain instances as outlined previously.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in 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 trade receivables (Note 11), amounts receivable under finance lease arrangements (Note 11), amounts receivable from hire purchase debtors (Note 12), non–cumulative redeemable preference shares (Note 21) and the bonds issued to the general public (Note 21). The company's fixed interest instruments also comprise loans from a subsidiary (Note 21). In this respect, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The group's interest rate risk principally arises from bank borrowings, including bills of exchange factored out to bank, issued at variable rates (Note 21) and balances with related parties subject to floating interest rates (Note 37), which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

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 and fair value through profit or loss. 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 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 (refer to Note 10).

(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**	
	At 31 December 2015	At 31 December 2014	At 1 January 2014	**At 31 December 2015**	At 31 December 2014
	€	€	€	**€**	€
Loans and receivables category:					
Loans and advances (Note 9)	**575,938**	3,138,251	3,138,251	**3,892,463**	3,892,463
Trade and other receivables (Note 11)	**27,638,348**	27,793,532	28,370,281	**32,569,044**	28,974,705
Cash and cash equivalents (Note 15)	**4,189,890**	4,341,469	3,403,197	**135,384**	4,907
	32,404,176	35,273,252	34,911,729	**36,596,891**	32,872,075

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

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

2. Financial risk management - continued

The group's debtors comprise trade receivables arising from its core operations and amounts receivable from hire purchase debtors in respect of financing provided by an undertaking. The group assesses the credit quality of its customers, taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products, services and financing transactions are effected with customers with an appropriate credit history. The group monitors the performance of its trade, hire purchase and other receivables on a regular basis to identify incurred collection losses, which are inherent in the group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the group's activities and the markets in which it operates, a limited number of customers account for a certain percentage of the group's trade and other receivables, particularly in respect of amounts receivable from hire purchase debtors. An undertaking has a significant concentration of credit risk with respect to hire purchase receivables because the face value of receivables from two customers amount to €2,565,631 (2014: €2,437,584; 2013: 2,304,278). Over the years, these customers traded frequently with the group and historically they were deemed by management to have acceptable credit standing up to credit granting stage, usually taking cognisance of the performance history in relation to defaults at that point in time. These exposures are monitored and reported more frequently and rigorously. The group also has a significant concentration of credit risk with respect to finance lease debts because the receivables from one of the two customers referred to above with respect to hire purchase debtors, constitutes 75% (2014: 45%; 2013: 64%) of the group's finance lease receivables (see Note 11). These two customers also owe another entity forming part of the group an amount of €420,437 (2014: €526,359; 2013: €541,237). In view of the financial circumstances of these two customers, provisions for impairment covering the entire receivable in one case and covering a portion of the other receivable respectively were deemed necessary at the end of the reporting period reflecting the possibility of default and potential recoveries from the customer. These exposures are monitored in the rigorous manner disclosed above.

The group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The group's trade and hire purchase 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 an associate and related parties forming part of the Mizzi Organisation (see Note 37). To the extent that the group's advances to related parties forming part of the Mizzi Organisation 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 14) arising from property and financing transactions that have taken place in the current and prior years. The group'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.

2. Financial risk management - continued

Impaired financial assets

As at 31 December 2015, hire purchase receivables with a face value of €5,618,081 (2014: €5,509,403; 2013: €5,573,287) were impaired and the amount of the provisions in this respect are €5,203,665 (2014: €4,980,198; 2013: €4,740,246). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. It was assessed that a significant portion of these receivables is expected to be recovered. The group does not hold any significant collateral as security in respect of the impaired hire purchase receivables.

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

	2015	2014	2013
	€	€	€
At beginning of year	**4,980,198**	4,740,246	4,227,278
Reversals of provisions which are no longer required	**(197,776)**	(349,252)	(76,585)
Increase in provisions	**420,233**	589,204	589,553
At end of year	**5,202,655**	4,980,198	4,740,246

Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations including accrued interest. The movements in these provisions are mainly disclosed in Note 27 and are included in 'Administrative expenses' in profit or loss.

As at 31 December 2015, the group's trade receivables of €1,757,874 (2014: €1,702,734; 2013: €1,674,614), other receivables of €38,204 (2014: €25,523; 2013: €25,523) and amounts owed by associate of €287,500 (2014: €287,500; 2013: €287,500) 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 27 to the financial statements.

Past due but not impaired financial assets

As at 31 December 2015 amounts receivable from hire purchase debtors of €1,470,662 (2014: €1,587,483; 2013: €1,607,955) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of hire purchase receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

2. Financial risk management - continued

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

	At 31 December 2015	At 31 December 2014	At 1 January 2014
	€	€	€
Up to 3 months	**1,308,886**	1,381,538	1,432,930
3 to 6 months	**46,760**	73,775	64,523
6 to 12 months	**55,433**	71,293	39,583
12 months and over	**59,583**	60,877	70,919
	1,470,662	1,587,483	1,607,955

As at 31 December 2015, trade receivables of €1,766,161 (2014: €1,588,297; 2013: €1,979,853) were past due but not impaired. These mainly relate to a number of independent trade customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of trade receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these past due trade receivables is as follows:

	At 31 December 2015	At 31 December 2014	At 1 January 2014
	€	€	€
Up to 3 months	**1,716,668**	1,456,967	1,392,580
Over 3 months	**49,493**	131,330	587,273
	1,766,161	1,588,297	1,979,853

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

(a) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 21) and trade and other payables (Note 20). 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 actively managed by ensuring that net cash inflows from the group's trading operations are monitored in relation to cash outflows and arising from the group's borrowings, principally bonds, covering principal and interest payments as reflected in the table below. The key objective of the group's liquidity management process is that of channelling a regular stream of net cash flows to fund bond and other interest and capital repayment obligations, and strengthening the group's reserves with the residual amounts.

2. Financial risk management - continued

At 31 December 2015, the group's current liabilities exceeded its current assets by €35,293,996, which is principally attributable to the fact that the Board of directors of the group undertaking, which issued bonds to the public with a nominal amount of €30,000,000, resolved to redeem these bonds at the earliest redemption date during the financial year ending 31 December 2016. Accordingly, the carrying amount of these bonds has been classified within current liabilities as at 31 December 2015. The group has secured bank facilities amounting to €30,000,000, which are earmarked for the financing of the redemption of the bonds (see Note 21). These facilities are unutilised as at 31 December 2015. The bank borrowings replacing the bonds will be repaid over a number of years taking cognisance of the group's liquidity management programme focusing on securing net cash operating inflows from operations over the years, with significant buffers over and above the interest and capital outflow requirements attributable to the group's borrowings.

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. The information presented in the table below with respect to the bonds, in relation to 31 December 2014 and 31 December 2013, is based on the assumption that the bonds will be redeemed at the latest optional redemption date. The information as at 31 December 2015 is based on the resolution of the board of directors of the issuer to redeem the bonds on 30 November 2016, the earliest 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 2015					
Bank borrowings	**20,585,414**	**577,822**	**493,768**	**407,791**	**22,064,795**
Bonds	**31,702,459**	**-**	**-**	**-**	**31,702,459**
Redeemable preference shares	-	-	-	**815,281**	**815,281**
Trade and other payables	**31,485,617**	**-**	**-**	**14,182**	**31,499,799**
At 31 December 2014					
Bank borrowings	13,635,557	1,883,413	4,295,038	12,964	19,826,972
Bonds	1,860,000	1,860,000	35,580,000	-	39,300,000
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	25,517,324	-	-	6,988	25,524,312

2. Financial risk management - continued

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2013					
Bank borrowings	14,604,042	3,105,385	4,102,940	99,912	21,912,279
Bonds	1,860,000	1,860,000	5,580,000	31,860,000	41,160,000
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	25,168,642	-	-	6,988	25,175,630

Company

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2015					
Bank borrowings	**12,023,614**	**-**	**-**	**-**	**12,023,614**
Loans from subsidiary					
Trade and other payables	**49,263,812**	**-**	**-**	**6,988**	**49,270,800**
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

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, 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.

2. Financial risk management - continued

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:

	At 31 December 2015 €	At 31 December 2014 €	At 1 January 2014 €
Total borrowings	**60,395,442**	58,088,835	61,481,366
Less: cash and cash equivalents	**(9,357,331)**	(6,570,602)	(4,990,456)
Net debt	**51,038,111**	51,518,233	56,490,910
Total equity	**124,448,369**	116,297,805	104,033,820
Total capital	**175,486,480**	167,816,038	160,524,730
Net debt/total capital	**29%**	31%	35%

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).

2. Financial risk management - continued

The fair value of available-for-sale investments and financial assets at fair value through profit or loss, consisting of 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 2015, the group's available-for-sale investments and financial assets at fair value through profit or loss with a carrying amount of €5,475,638 (2014: €2,655,930; 2013: €2,494,895) 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 €625,199 (2014: €624,038; 2013: €625,203), reflecting historical cost less impairment, fair value determined by reference to level 2 categorisation is deemed to approximate carrying amounts.

2.3.2 Financial instruments not carried at fair value

At 31 December 2015, 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 and improvements to premises €	Furniture, Fittings and, office equipment €	Plant, machinery and operational equipment €	Motor vehicles €	Assets in the course of construction and payment on account €	Total €
At 1 January 2013						
Cost or valuation	55,716,815	12,286,881	7,319,216	9,123,678	-	84,446,590
Accumulated depreciation and impairment losses	(6,883,092)	(9,761,444)	(6,308,178)	(5,470,293)	-	(28,423,007)
Net book amount	48,833,723	2,525,437	1,011,038	3,653,385	-	56,023,583
Year ended 31 December 2013						
Opening net book amount	48,833,723	2,525,437	1,011,038	3,653,385	-	56,023,583
Additions	161,085	456,126	172,073	1,932,165	-	2,721,449
Revaluation surplus arising during the year (Note 18)	785,053	-	-	-	-	785,053
Disposals	-	-	-	(2,024,999)	-	(2,024,999)
Depreciation charge	(420,189)	(647,646)	(293,608)	(1,284,037)	-	(2,645,480)
Depreciation released on Disposals	-	-	-	1,295,110	-	1,295,110
Closing net book amount	49,359,672	2,333,917	889,503	3,571,624	-	56,154,716
At 31 December 2013						
Cost or valuation	56,662,953	12,743,007	7,491,289	9,030,844	-	85,928,093
Accumulated depreciation and impairment losses	(7,303,281)	(10,409,090)	(6,601,786)	(5,459,220)	-	(29,773,377)
Net book amount	49,359,672	2,333,917	889,503	3,571,624	-	56,154,716
Year ended 31 December 2014						
Opening net book amount	49,359,672	2,333,917	889,503	3,571,624	-	56,154,716
Additions	239,069	813,412	191,671	1,965,000	-	3,209,152
Revaluation surplus arising during the year (Note 18)	4,050,128	-	-	-	-	4,050,128
Impairment charges recognised in other comprehensive income - (effect on cost or valuation Note 18)	(861,030)	-	-	-	-	(861,030)
Disposals	-	(8,653)	-	(1,636,257)	-	(1,644,910)
Depreciation charge	(391,302)	(682,317)	(285,046)	(1,129,959)	-	(2,488,624)
Depreciation released on disposals	-	6,274	-	1,049,123	-	1,055,397
Closing net book amount	52,396,537	2,462,633	796,128	3,819,531	-	59,474,829
At 31 December 2014						
Cost or valuation	60,952,150	13,547,766	7,682,960	9,359,587	-	91,542,463
Accumulated depreciation and impairment losses	(8,555,613)	(11,085,133)	(6,886,832)	(5,540,056)	-	(32,067,634)
Net book amount	52,396,537	2,462,633	796,128	3,819,531	-	59,474,829

4. Property, plant and equipment - continued

Group

	Land and Buildings €	Furniture, Fittings, and office equipment €	Plant, machinery and operational equipment €	Motor vehicles €	Assets in the course of construction and payment on account €	Total €
Year ended 31 December 2015						
Opening net book amount	52,396,537	2,462,633	796,128	3,819,531	-	59,474,829
Additions	351,588	806,501	333,259	2,689,995	1,553,266	5,734,609
Disposals	-	-	-	(1,805,160)	-	(1,805,160)
Depreciation charge	(403,772)	(865,324)	(299,855)	(1,214,915)	-	(2,783,866)
Depreciation released on disposals	-	-	-	999,067	-	999,067
Closing net book amount	**52,344,353**	**2,403,810**	**829,532**	**4,488,518**	**1,553,266**	**61,619,479**
At 31 December 2015						
Cost or valuation	61,303,738	14,354,267	8,016,219	10,244,422	1,553,266	95,471,912
Accumulated depreciation and impairment losses	(8,959,385)	(11,950,457)	(7,186,687)	(5,755,904)	-	(33,852,433)
Net book amount	**52,344,353**	**2,403,810**	**829,532**	**4,488,518**	**1,553,266**	**61,619,479**

During the current financial year, the directors of a group undertaking have reviewed the estimated remaining useful life of certain components of the furniture, fittings and office equipment category. The useful life of these assets has been revised from 10 to 8 years. The effect of this change in accounting estimate on the financial results of the group for the year under review and on the financial position as at the end of the reporting period was an increase in the group's depreciation charge of €112,562 and an equivalent decrease in the net assets. The resultant increased depreciation charge has been included in the determination of the financial results for the current financial year in accordance with the requirements of IAS 8. This change in accounting estimate affects the depreciation charge in each period during the remaining useful life of the assets and these will be recognised in the future periods accordingly.

Fair valuation of property

The principal elements of the group's land and buildings, within property, plant and equipment, were last revalued on 31 December 2014 by independent professionally qualified valuers. The book value of these properties had been adjusted to the revaluation and the resultant surplus or impairment, net of applicable deferred income taxes, has been credited or debited to the revaluation reserve in shareholders' equity (Note 18).

The impairment charges recognised in equity in other comprehensive income during the preceding financial year are attributable to reductions in the carrying amount of property so as to reflect the recoverable amount of these assets. The recoverable amount of the assets (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

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

4. Property, plant and equipment - continued

The directors have reviewed the carrying amounts of the property as at 31 December 2015, on the basis of assessments carried out by the independent professionally qualified property valuers taking cognisance of developments that occurred during the current financial year. No adjustments to the carrying amounts as at 31 December 2015 were deemed necessary.

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 land and buildings, within property, plant and equipment, consists of operational premises that are owned and managed by group undertakings. 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 group undertakings (refer to Note 5). All the recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial 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.

Property classified within investment property with a carrying amount of €933,000, has not been revalued since acquisition or initial recognition. The directors have assessed the fair values of respective properties at 31 December 2015, which fair values were deemed to fairly approximate the carrying amounts.

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.

4. Property, plant and equipment - continued

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 2015 and 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. At 31 December 2015 and 2014, the valuation of certain properties have been performed utilising yield methodology or based on capitalised rental income less cost of completion. 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 together (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 2015

Description by class based on highest and best use	Fair value at 31 December 2015 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	**10,700**	Adjusted sales comparison approach	Sales price per square metre (€)	700 – 2,000 (2,000)
	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	**15,800**	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 – 1,100 (700)
			Residential: sales price factor per square metre (€)	120 – 1,170 (400)
			Commercial: sales price factor per square metre (€)	880 – 1,550 (980)
Marketed for residential use	**3,500**	Adjusted sales comparison approach	Sales price per residential unit (€)	96,000 - 215,000 (175,000)
Development for commercial use	**350**	Adjusted sales comparison approach	Sales price per square metre (€)	450 – 1,250 (1,000)

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2015 €000	Valuation technique	Significant unobservable input	Range of Unobservable Inputs (weighted average)
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
	10,500	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	350
Extended commercial premises	**18,200**	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

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	**10,700**	Adjusted sales comparison approach	Sales price per square metre (€)	700 – 2,000 (2,000)
	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	**15,800**	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 – 1,100 (700)
			Residential: sales price factor per square metre (€)	120 – 1,170 (400)
			Commercial: sales price factor per square metre (€)	880 – 1,550 (980)
Marketed for residential use	**3,500**	Adjusted sales comparison approach	Sales price per residential unit (€)	96,000 - 215,000 (175,000)
Development for commercial use	**350**	Adjusted sales comparison approach	Sales price per square metre (€)	450 – 1,250 (1,000)

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)
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
	10,500	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	350
Extended commercial premises	**17,800**	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

4. Property, plant and equipment - continued

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

Description by class based on highest and best use	Fair value at 31 December 2013 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	**16,700**	Adjusted sales comparison approach	Sales price per square metre (€)	700 – 2,000 (2,000)
Redevelopment into residential/commercial premises	**14,800**	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 – 1,352 (860)
			Residential: sales price factor per square metre (€)	110
			Commercial: sales price factor per square metre (€)	735
Marketed for residential use	**2,000**	Adjusted sales comparison approach	Sales price per residential unit (€)	140,000 – 200,000 (175,000)
Development for commercial use	**650**	Adjusted sales comparison approach	Sales price per square metre (€)	450 – 1,320 (1,100)

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)
Developable land for residential/commercial use	**11,250**	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	850 – 2,100 (1,020)
			Commercial: sales price factor per square metre (€)	350
			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)

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.

With the exception of the first and third property 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.

4. **Property, plant and equipment** - continued

The group's land and buildings within property, plant and equipment are primarily classified in the following categories:

	At 31 December 2015 €000	At 31 December 2014 €000	At 1 January 2014 €000
Class as presented in tables above			
Current use as commercial premises	**23,900**	23,500	11,600
Redevelopment into residential/commercial premises	**2,800**	2,800	2,800
Extended commercial premises	**24,800**	24,800	31,900
	51,500	51,100	46,300

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

	At 31 December 2015 €	At 31 December 2014 €	At 1 January 2014 €
Cost	**13,708,827**	13,357,239	13,118,072
Accumulated depreciation and impairment losses	**(4,898,308)**	(4,494,536)	(4,317,540)
Net book amount	**8,810,519**	8,862,703	8,800,532

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 21 and 36(a)).

The category of motor vehicles disclosed above comprises motor vehicles leased out under operating leases as follows:

	At 31 December 2015 €	At 31 December 2014 €	At 31 December 2013 €	At 1 January 2013 €
Cost	**5,849,377**	5,301,930	5,226,719	4,978,329
Accumulated depreciation	**(2,279,709)**	(2,243,366)	(2,131,023)	(2,128,563)
Net book amount	**3,569,668**	3,058,564	3,095,696	2,849,766

The movement in the net book amount of leased assets is analysed as follows:

	2015 €	2014 €	2013 €
Year ended 31 December			
Opening net book amount	**3,058,564**	3,095,696	2,849,766
Additions	**1,588,202**	1,065,340	1,507,897
Disposals	**(1,040,755)**	(990,129)	(1,259,507)
Depreciation charge	**(846,566)**	(822,305)	(894,347)
Depreciation released on disposals	**810,223**	709,962	891,887
Closing net book amount	**3,569,668**	3,058,564	3,095,696

4. Property, plant and equipment - continued

Company

	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2014			
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
Year ended 31 December 2015			
Opening net book amount	118,667	110,396	229,063
Additions	34,384	118,628	153,012
Depreciation charge	(50,936)	(77,868)	(128,804)
Closing net book amount	102,115	151,156	253,271
At 31 December 2015			
Cost	1,235,877	885,411	2,121,288
Accumulated depreciation	(1,133,762)	(734,255)	(1,868,017)
Net book amount	**102,115**	**151,156**	**253,271**

5. Investment property

Group

	2015	2014	2013
	€	€	€
Year ended 31 December			
Opening carrying amount	**36,201,873**	32,280,584	29,057,146
Reclassification from inventories	**-**	775,084	-
Additions resulting from subsequent expenditure	**123,446**	223,553	438,142
Disposals	**-**	(368,000)	-
Net gains from changes in fair value	**-**	3,290,652	2,785,296
Closing carrying amount	**36,325,319**	36,201,873	32,280,584

	2015	2014	2013
	€	€	€
At 31 December			
Cost	**11,054,316**	10,930,870	10,300,233
Fair value gains	**25,271,003**	25,271,003	21,980,351
Carrying amount	**36,325,319**	36,201,873	32,280,584

The reclassification from inventories to investment property in the preceding financial year, 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:

	2015	2014	2013
	€	€	€
Cost	**11,054,316**	10,930,870	10,300,233
Accumulated depreciation	**(1,325,673)**	(1,145,782)	(996,938)
Net book amount	**9,728,643**	9,785,088	9,303,295

5. Investment property - continued

As at 31 December 2015, 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 €21,745,000 (2014: €23,075,000; 2013: €18,443,000) - refer to Notes 21 and 36(a).

In prior years an entity forming part of Mizzi Organisation was a recipient company of the division of a fully-owned subsidiary of an associate of another company forming part of the Mizzi Organisation. As a result of the division, the entity acquired investment property in exchange for the issue of redeemable preference shares (see Note 21).

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

	2015	2014	2013
	€	€	€
Cost	**4,538,670**	4,417,650	4,371,946
Fair value gains	**9,148,047**	9,148,047	8,091,277
Carrying amount	**13,686,717**	13,565,697	12,463,223

The movement in the carrying amount of leased property is analysed as follows:

	2015	2014	2013
	€	€	€
Year ended 31 December			
Opening carrying amount	**13,565,697**	12,463,223	10,355,234
Additions resulting from subsequent expenditure	**121,020**	62,893	112,533
Cessation of operating lease arrangements	**-**	(148,860)	-
Net gains from changes in fair value	**-**	1,188,441	1,995,456
Closing carrying amount	**13,686,717**	13,565,697	12,463,223

Company

	€
Years ended 31 December 2015, 2014 and 2013	
Opening and closing carrying amounts	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 2015, 2014 and 2013, which fair value was determined to fairly approximate the carrying amount.

6. Intangible assets

	Franchise rights €
At 31 December 2015, 2014 and 2013	
Cost	46,587
Accumulated amortisation	(46,587)
Net book amount	-

7. Investments in subsidiaries

Company

	2015 €	2014 €
Year ended 31 December		
Opening cost and carrying amount	**2,304,286**	2,304,286
Additions	**1,326,470**	-
Closing carrying amount	**3,630,756**	2,304,286

During the current financial year, the company acquired shareholding in a number of related parties forming part of Mizzi Organisation, comprising Kastell Limited and its subsidiaries, United Acceptances Finance Limited, Industrial Motors Limited and other entities, in the context of the reorganisation of the corporate structure of the Mizzi Organisation (refer to Note 1.1).

The subsidiaries at 31 December 2015, whose results and financial position affected the figures of the group, are shown below:

(a) Held directly by Mizzi Holdings Limited

	Registered office	**Class of shares held**	**Percentage of shares held 2015 %**	2014 %
Mizzi Brothers Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Muscats Motors Limited	Muscats Garage Rue D' Argens Gzira Malta	Ordinary shares	**100**	100
Mizzi Estates Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Organisation Finance p.l.c.	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

(a) Held directly by Mizzi Holdings Limited - continued

	Registered office	Class of shares held	Percentage of shares held 2015 %	2014 %
Industrial Motors Limited	Antonio Bosio Street Msida Malta	Ordinary shares	**100**	-
United Acceptance Finance Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Mizzi Capital Projects Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Mizzi Organisation Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Kastell Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-

(b) Held through Kastell Limited

	Registered office	Class of shares held	Percentage of shares held 2015 %	2014 %
St. Paul's Court Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Titan International Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-

7. **Investments in subsidiaries** - continued

(b) Held through Kastell Limited - continued

	Registered Office	**Class of shares held**	**Percentage of shares held**	
			2015	2014
			%	%
Continental Cars Limited	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	**100**	-
Nissan Motor Sales Limited	Industrial House National Road Blata l-Bajda Malta	Ordinary shares	**100**	-
Arkadia Marketing Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	**100** **100**	- -
Festa Limited	Industrial House National Road Blata l-Bajda Malta	Ordinary shares	**100**	-
Hubbalit Developments Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Mizzi Limited	The Lyric Antonio Bosio Street Msida Malta	Ordinary shares	**100**	-
Continental Cars (Imports) Limited	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	**100**	-
Arkadia Retail s.r.o. (in dissolution)	Rohacova 188/37 Prague 3 130 00 Czech Republic	Ordinary shares	**100**	-

7. Investments in subsidiaries - continued

(b) Held through Kastell Limited - continued

	Registered office	Class of shares held	Percentage of shares held 2015 %	2014 %
Mizzi Organisation International s.r.o.	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	**100**	-

(c) Held through Mizzi Organisation Limited

	Registered office	Class of shares held	Percentage of shares held 2015 %	2014 %
Mizzi Motors Limited	200, Rue D'Argens Gzira Malta	Ordinary shares	**100**	-

(d) Held through Mizzi Capital Projects Limited

	Registered Office	Class of shares held	Percentage of shares held 2015 %	2014 %
CIE Recruitment International Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**60**	-

During the current financial year, the group setup and incorporated an entity, CIE Recruitment International Limited, with the involvement of a third party shareholder. This company started operating during the current year, and acts as a recruitment agency operating in the local market. The effect of this acquisition on the consolidated financial information are immaterial. The impact of the non-controlling interest in this entity, on the group's financial results and financial position is insignificant.

(e) Held through Festa Limited

	Registered office	Class of shares held	Percentage of shares held 2015 %	2014 %
Malta Farmhouses Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100

7. Investments in subsidiaries - continued

(f) Held through Nissan Motor Sales Limited, Continental Cars Limited and Muscats Motors Limited, in equal proportions of $33^{1}/_{3}$% each:

	Registered office	Class of shares held	Percentage of shares held 2015 %	Percentage of shares held 2014 %
All About Car Parts Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-
Mizzi Automotive Services Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	-

8. Investments in associates

Group

	2015 €	2014 €	2013 €
Year ended 31 December			
Opening carrying amount	**2,218,724**	1,871,110	1,800,376
Share of profit	**422,812**	426,538	328,896
Dividends received	**(111,374)**	(78,924)	(214,472)
Effects of dilution in group's interest in associate	**(19,189)**	-	-
Derecognition of carrying amount upon dissolution of associate	**-**	-	(43,690)
Closing carrying amount	**2,510,973**	2,218,724	1,871,110

	2015 €	2014 €	2013 €
At 31 December			
Cost	**201,568**	208,372	208,372
Provisions for impairment	**(10,000)**	(10,000)	(10,000)
Share of profits and reserves	**2,319,405**	2,020,352	1,672,738
Carrying amount	**2,510,973**	2,218,724	1,871,110

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.

During the current financial year, the proportion of shareholding attributable to each shareholder of Firstunited Insurance Brokers Limited, an associated undertaking, was re-aligned resulting in a dilution in the group's interest in this associate. Shares were issued to the other shareholders, but the group received a nominal consideration of €13,917 giving rise to a net loss on dilution of €5,270 (refer to Note 27).

8. Investments in associates - continued

During the year ended 31 December 2013, the carrying amount of the investment in Lada Motors Limited (a former associate of Kastell Limited) had been derecognised from the group's financial statements upon liquidation of the company. The resultant loss of €1,254 taking into account proceeds opn liquidation of €42,436, had been recognised in profit or loss and presented within 'Share of profit of associates'.

The associates as at 31 December 2015, 2014 and 2013, whose results and financial position affected the figures of the group, are shown below:

(a) Held directly by Mizzi Holdings Limited

	Registered Office	**Class of shares held**	**Percentage of shares held**		
			2015	2014	2013
			%	%	%
Heritage Motor Company Limited (in dissolution)	Level 4, Suite 7 The Plaza Commercial Centre Bisazza Street Sliema Malta	Ordinary shares	**25**	25	25
FirstUnited Insurance Brokers Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**31 1/4**	33 1/3	33 1/3
FirstUnited Insurance Management Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**20**	20	20
Primax Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**50**	50	50

(b) Held through Kastell Limited

	Registered office	**Class of shares held**	**Percentage of shares held**		
			2015	2014	2013
			%	%	%
Institute of English Language Studies Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**50**	50	50
The Players Group	311, Magazines Junction Floriana Malta	Ordinary shares	**25**	25	25

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

8. Investments in associates - continued

Disclosure requirements emanating from IFRS 12 'Disclosure of interest in other entities'

Institute of English Language Studies Limited's ("IELS") principal activity is the provision of English language courses to foreign students and other related activities; whilst The Players Group Limited's ("TPG") principal activity is the holding of an investment in Maltco Lotteries Limited. All the associates' principal place of business is based in Malta.

The above investments provide strategic partnerships for the group providing economies of scale and depth within business sectors which are targeted by the group for diversification or consolidation purposes.

The investments in these associates, which are unlisted private companies, are measured using the equity method in accordance with the group's accounting policy. Summarised financial information for these associates is set out below:

Summarised balance sheets

	IELS			TPG		
	As at 31 October 2015	As at 31 October 2014	As at 31 October 2013	**As at 31 December 2015**	As at 31 December 2014	As at 31 December 2013
ASSETS						
Non-current assets	**7,984,908**	8,189,621	6,585,548	**5,445,301**	4,802,966	4,199,585
Current assets						
Cash and cash equivalents	**140,841**	33,908	70,712	**221**	246	1,583
Other current assets	**1,432,308**	1,612,814	1,370,279	**-**	-	-
Total current assets	**1,573,149**	1,646,722	1,440,991	**221**	246	1,583
Total assets	**9,558,057**	9,836,343	8,029,539	**5,445,522**	4,803,212	4,201,168
LIABILITIES						
Non-current liabilities						
Financial liabilities	**881,006**	942,181	338,438	**2,292,103**	2,292,103	2,292,103
Other liabilities	**168,830**	240,016	205,264	**-**	-	-
Total non-current liabilities	**1,049,836**	1,182,197	543,702	**2,292,103**	2,292,103	2,292,103
Current liabilities						
Trade and other payables	**2,375,825**	2,893,117	2,325,177	**1,512**	360	360
Other financial liabilities	**3,040,007**	3,041,227	2,686,273	**-**	-	-
Other liabilities	**245,809**	192,432	153,934	**-**	-	-
Total current liabilities	**5,661,641**	6,126,776	5,165,384	**1,512**	360	360
Total liabilities	**6,711,477**	7,308,973	5,709,086	**2,293,615**	2,292,463	2,292,463
Net assets	**2,846,580**	2,527,370	2,317,453	**3,151,907**	2,510,749	1,908,705

8. Investments in associates - continued

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

The company's statutory financial year end for Institute of English Language Studies Limited is 31 October 2015 and accordingly the financial information made available to shareholders relates to financial year ended 31 October. Accordingly, the financial statements of Institute of English Language Studies Limited used in applying the equity method are attributable to the financial year ended 31 October 2015, which year end is different from that of the reporting entity.

Summarised statements of comprehensive income

		IELS			**TPG**	
	As at 31 October 2015 €	As at 31 October 2014 €	As at 31 October 2013 €	**As at 31 December 2015 €**	As at 31 December 2014 €	As at 31 December 2013 €
Revenue	**6,090,324**	5,739,260	5,079,895	**-**	-	-
Depreciation	**(575,173)**	(409,981)	(260,435)	**-**	-	-
Interest income	**-**	-	565	**-**	-	-
Interest expense	**(138,861)**	(162,513)	(168,426)	**-**	-	-
Profit before tax	**515,237**	626,115	514,705	**639,821**	524,959	281,592
Tax expense	**(196,027)**	(234,198)	(179,510)	**-**	-	-
Profit for the year - total comprehensive income	**319,210**	391,917	335,195	**639,821**	524,959	281,592

The other associates of the group 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 in respect of these other associates 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.

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

	Assets €	Liabilities €	Revenues €	Profit €
2015				
FirstUnited Insurance Brokers Limited	721,249	459,906	415,632	86,576
FirstUnited Insurance Management Limited	52,212	5,437	111,019	16,332

8. Investments in associates - continued

2014	Assets €	Liabilities €	Revenues €	Profit €
FirstUnited Insurance Brokers Limited	844,996	537,512	435,120	74,169
FirstUnited Insurance Management Limited	62,119	10,905	125,055	22,477
2013				
FirstUnited Insurance Brokers Limited	825,260	537,552	437,194	72,677
FirstUnited Insurance Management Limited	70,917	25,623	128,523	20,777

The unrecognised share of losses of associates incurred up to 31 December 2015 amounted to €23,946 (2014: €23,329; 2013: €12,465). The unrecognised share of losses of these associates incurred during the financial year ended 31 December 2015 amounted to €617 (2014: €10,864; 2013: €616).

Company

	2015 **€**	2014 €
Year ended 31 December		
Opening carrying amount	**128,200**	128,200
Effects of dilution in group's interest in associate	**(6,804)**	-
Closing carrying amount	**121,396**	128,200

9. Loans and advances

Group

	At 31 December 2015	At 31 December 2014	At 1 January 2014
	€	€	€
Non-current			
Loan to related parties forming part of Mizzi Organisation	**-**	2,562,313	2,562,313
Loan to associate	**575,938**	575,938	575,938
	575,938	3,138,251	3,138,251

The proceeds of the bonds issued by Mizzi Organisation Finance p.l.c., a subsidiary, (refer to Note 21) had been advanced by the issuer to its parent company, Kastell Limited and Consolidated Holdings Limited 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.

During the current year, the liabilities of Consolidated Holdings Limited and Kastell Limited amounting to €2,562,313, attributable to the arrangement referred to above, were taken over by Mizzi Holdings Limited. The resulting advances of the issuer to its parent were eliminated upon consolidation.

The group had advanced an amount of €575,938 (2014: €575,938) by way of shareholder’s loan to an associate. These advances do not bear interest and do not have any fixed date of repayment. The purpose of these advances is to fund the associate’s financial commitments in respect of a business venture. In accordance with the formal terms of the financing arrangement, the amounts advanced as shareholder’s loans are earmarked for capitalisation i.e. conversion into ordinary share capital. At the end of the reporting period, in the opinion of the directors, the fair value of this asset approximates its carrying amount.

Company

Current

The company’s loans and advances consist of loans to a subsidiary amounting to €3,892,463 (2014: €3,892,463). These advances are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% (2014: 7.2%) per annum.

10. Available-for-sale financial assets

Group

	2015	2014	2013
	€	€	€
Year ended 31 December			
Opening carrying amount	**2,748,612**	2,747,433	2,958,526
Additions at cost	**2,197,372**	19,570	4,556
Net gains from changes in fair value (Note 18)	**414,725**	30,314	93,972
Disposals	**-**	(48,705)	(104,554)
Increase in provisions for impairment	**-**	-	(205,067)
Closing carrying amount	**5,360,709**	2,748,612	2,747,433

	2015	2014	2013
	€	€	€
At 31 December			
Cost	**5,588,931**	3,391,559	3,442,326
Fair value gains/(losses)	**421,117**	6,392	(45,554)
Provisions for impairment	**(649,339)**	(649,339)	(649,339)
Carrying amount	**5,360,709**	2,748,612	2,747,433

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

	2015	2014	2013
	€	€	€
Investments listed on the Malta Stock Exchange	**4,735,510**	2,123,409	2,122,230
Other investments in unlisted local private companies	**625,199**	625,203	625,203
	5,360,709	2,748,612	2,747,433

During the current year the group acquired 8.18% shareholding in Plaza Centres p.l.c., a company listed on the Malta Stock Exchange. These shares were purchased from an associate of a related party forming part of Mizzi Organisation for consideration of €2,009,523, settled through a dividend distribution from the associate to its shareholder.

Company

	2015	2014
	€	€
Year ended 31 December		
Opening carrying amount	**637,209**	636,030
Additions at cost	**2,197,372**	19,570
Net gains from changes in fair value (Note 18)	**414,725**	30,314
Disposals	**-**	(48,705)
Closing carrying amount	**3,249,306**	637,209

10. **Available-for-sale financial assets** - continued

	2015	2014
	€	€
At 31 December		
Cost	**3,461,124**	1,263,752
Fair value gains	**421,117**	6,392
Provisions for impairment	**(632,935)**	(632,935)
Carrying amount	**3,249,306**	637,209

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

	2015	2014
	€	€
Investments listed on the Malta Stock Exchange	**2,985,510**	373,409
Other investments in unlisted local private companies	**263,796**	263,800
	3,249,306	637,209

The group's and company'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. In prior years impairment losses had been recognised in respect of investments in unlisted companies which were in unexpected adverse trading and operating conditions.

11. Trade and other receivables

	Group			Company	
	At 31 December 2015	At 31 December 2014	At 1 January 2014	**At 31 December 2015**	At 1 January 2014
	€	€	€	**€**	€
Current					
Trade receivables	**6,097,612**	4,726,402	4,924,373	**-**	-
Amounts receivable from hire purchase debtors (Note 12)	**2,724,782**	2,588,290	3,153,289	**-**	-
Gross amounts due from customers for contract work	**1,664,281**	1,088,046	354,912	**-**	-
Finance lease receivables (net of unearned finance income)	**28,738**	48,984	90,307	**-**	-
Amounts owed by subsidiaries	**-**	-	-	**29,311,078**	21,805,258
Amounts owed by related parties forming part of Mizzi Organisation	**6,161,024**	9,857,719	9,934,289	**2,849,515**	6,871,476
Amounts owed by associates	**421,053**	415,373	394,321	**55,137**	54,783
Amounts owed by other related parties	**335,453**	141,331	226,664	**135,855**	68,575
Advance payments to suppliers	**399,367**	46,856	19,990	**-**	-
Government grants receivable	**-**	-	8,789		
Other receivables	**296,886**	347,795	223,177	**5,415**	152,010
Indirect taxation	**1,999,896**	1,749,311	1,251,328		
Prepayments and accrued income	**2,357,655**	2,518,525	3,121,659	**212,044**	22,603
	22,486,747	23,528,632	23,703,098	**32,569,044**	28,974,705

	Group			Company	
	2015	2014	2014	**2015**	2014
	€	€	€	**€**	€
Non-current					
Amounts receivable from hire purchase debtors (Note 12)	**4,751,940**	3,689,793	3,905,424	**-**	-
Prepayments and accrued income	**399,661**	575,107	735,193	**-**	-
Finance lease receivables (net of unearned finance income)	**-**	-	26,566	**-**	-
	5,151,601	4,264,900	4,667,183	**-**	-

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

	Group			Company	
	2015	2014	2014	**2015**	2014
	€	€	€	**€**	€
Trade receivables	**1,757,874**	1,702,734	1,674,614	**-**	-
Other receivables - current	**38,204**	25,523	25,523	**2,103**	2,103
Amounts owed by associate	**287,500**	287,500	287,500	**-**	-
	2,083,578	2,015,757	1,987,637	**2,103**	2,103

11. Trade and other receivables - continued

Current trade receivables as at 31 December 2014 disclosed above include an amount of €83,097 (2013: €83,097) that is subject to a fixed interest rate of 6%.

Accrued income as at 31 December 2015 reflected in the table above consisting of a non-current amount of nil (2014: €83,058; 2013: €317,591) and a current amount of €110,424 (2014: €291,181; 2013: €291,181), is effectively subject to a fixed interest rate of 5%. Furthermore, current accrued income as at 31 December 2013 included an amount of €405,923 that was subject to a fixed interest rate of 6%.

Receivables include funds amounting to €11,223 (2014: €28,394; 2013: €41,794) deposited with the group's financial intermediary in advance of future investments.

Prepayments and accrued income include amounts, presented within current assets, which are amounts owed by other related parties of €15,559 (2014: €4,048; 2013: €325).

Furthermore amounts owed by associated undertakings are included in the following line items:

	At 31 December 2015 €	At 31 December 2014 €	At 1 January 2014 €
Prepayments and accrued income	**-**	83,888	-
Gross amounts due from customers for contract work	**-**	-	79,203

Non-current amounts receivable from hire purchase debtors are principally receivable within five years from the end of the reporting period. The other non-current amounts principally relate to advance payments which are expected to be realised over the term of the related agreements up to ten years after the end of the reporting period.

Provisions for impairment of amounts receivable from hire purchase debtors are disclosed separately in Note 12.

The aggregate amount of costs incurred and recognised profits (less recognised losses) to date for contracts in progress at the end of the reporting period amounts to €8,714,601 (2014: €2,246,615; 2013: €1,363,193). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above and in Note 20 respectively.

An undertaking forming part of the Mizzi Organisation enters into motor vehicle finance lease arrangements with third party customers, whereby the contractual terms essentially transfer all risks and rewards incidental to ownership of the motor vehicles. These arrangements do not include significant unguaranteed residual values accruing to the benefit of the lessor.

11. Trade and other receivables - continued

Gross receivables from finance leases at the end of the reporting period are analysed as follows:

	At 31 December 2015	At 31 December 2014	At 1 January 2014
	€	€	€
Gross finance lease receivables:			
Not later than one year	**30,199**	52,029	92,333
Later than one year and not later than five years	**-**	-	29,599
	30,199	52,029	121,932
Unearned future finance income	**(1,461)**	(3,045)	(5,059)
Net investment in finance leases	**28,738**	48,984	116,873

The net investment in finance leases is analysed as follows:

	2015	2014	2014
	€	€	€
Not later than one year	**28,738**	48,984	90,307
Later than one year and not later than five years	**-**	-	26,566
	28,738	48,984	116,873

Amounts receivable from finance lease debtors are subject to an effective interest rate of 9% (2014: 9%; 2013: 9%).

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 was credited to profit or loss on a straight-line basis over the expected lives of the related assets and is presented within ‘Other operating income’.

12. Amounts receivable from hire purchase debtors

	Group		
	2015	2014	2013
	€	€	€
Current			
Debtors on whom bills of exchange were drawn	**7,844,994**	7,519,171	7,651,442
Provisions for impairment	**(5,120,212)**	(4,930,881)	(4,498,153)
	2,724,782	2,588,290	3,153,289
Non-current			
Debtors on whom bills of exchange were drawn	**4,835,383**	3,739,110	4,147,517
Provisions for impairment	**(83,443)**	(49,317)	(242,093)
	4,751,940	3,689,793	3,905,424
Total amounts receivable from hire purchase debtors	**7,476,722**	6,278,083	7,058,713

Amounts receivable from hire purchase debtors relate to trade receivables arising from the sale of goods and services by the group, which are acquired and financed by United Acceptances Finance Limited, an entity within the group. These receivables are transferred to the company upon origination, once hire purchase terms are granted, at their face value with no right of recourse whatsoever. Accordingly provisions for impairment of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in profit or loss.

As at 31 December 2015, hire purchase receivables include amounts owed by related parties of €40,149 (2014: €50,824; 2013: €128,560).

During the financial year under review, the entity has financed receivables with a face value amounting to €5,379,565 (2014: €3,294,719, 2013: €4,021,238). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8% (2013: 8%).

Receivables covered by bills of exchange factored out to bank with an option to repurchase them as they fall due are not derecognised from the group's statement of financial position. The amounts advanced under this facility are treated as collateralised borrowings (disclosed as distinct liabilities) amounting to the face value of the bills factored out (Note 21). Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the group. The entity would retain credit risk in these receivables through the bank's right of recourse which would be limited to 15% of the value of the bills factored in the preceding six months. During the current and preceding financial years no receivables have been factored out in this manner.

In prior years, Mizzi Organisation Finance p.l.c, a subsidiary undertaking, entered into a financial arrangement with United Acceptances Finance Limited, another subsidiary undertaking, for the acquisition of bills of exchange drawn in favour of the latter company, which entity operates as a financing company within the Organisation. The former company, the issuer of bonds to the public, resolved to utilise the cumulative amount of bills of exchange acquired in this manner, with a face value of €1,551,020 and fair value of €1,466,698 to set up the sinking fund earmarked for the eventual repayment of the bonds. The bills of exchange are accordingly held by an authorised trustee that is independent of the Mizzi Organisation.

13. Inventories

	Group		
	2015	2014	2013
	€	€	€
Property being developed with a view to sale			
At 1 January	**570,639**	2,319,939	2,742,349
Additions resulting from subsequent expenditure	**43,513**	134,957	49,802
Reclassification to investment property (Note 5)	**-**	(775,084)	-
Transfers to cost of sales	**(135,269)**	(1,109,173)	(472,212)
At 31 December	**478,883**	570,639	2,319,939
Goods held for resale			
Motor vehicles, spare parts and related supplies	**14,092,216**	10,212,625	8,364,271
Other goods purchased for resale	**5,773,864**	4,752,140	4,168,653
Goods in transit	**2,401,436**	1,355,714	1,153,208
Contract and other work in progress	**-**	231,193	216,737
Payments on account in respect of motor vehicles and spare parts	**1,847,117**	891,083	287,182
	24,114,633	17,442,755	14,190,051
Total inventories	**24,593,516**	18,013,394	16,509,990

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 25 to the financial statements. During the current financial year, net inventory write-downs amounted to €115,052 (2014: €305,547; 2013: €390,444). These amounts have been included in 'Cost of sales' in profit or loss.

As at 31 December 2014, bank borrowings in the name of group undertakings were secured on inventories with a carrying amount of €571,000 (2013: €2,320,000) - refer to Note 21.

14. Financial assets at fair value through profit or loss

	Group		
	2015	2014	2013
Held-for-trading investments	**€**	€	€
Opening carrying amount	**532,521**	372,655	261,821
Additions at cost	**467,348**	367,277	173,334
Net gains from changes in fair value	**24,391**	106,871	46,279
Disposals	**(284,132)**	(314,282)	(108,779)
Closing carrying amount	**740,128**	532,521	372,655

	Group		
	2015	2014	2013
	€	€	€
At 31 December			
Cost	**746,945**	483,806	316,199
Fair value (losses)/gains	**(6,817)**	48,715	56,456
Closing carrying amount	**740,128**	532,521	372,655

The group's financial assets at fair value through profit or loss consist of:

	Group		
	2015	2014	2013
	€	€	€
Equity investments listed on foreign recognised stock exchanges	**740,128**	532,521	372,655

The group's held-for-trading investments consisting of listed equity instruments are fair valued annually. For investments traded on foreign recognised stock exchanges, fair value is determined by reference to quoted market prices.

15. 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	
	2015	2014	2013	**2015**	2014
	€	€	€	**€**	€
Cash at bank and in hand	**4,189,890**	4,431,469	3,403,197	**135,384**	4,907
Bank overdrafts (Note 21)	**(15,491,524)**	(11,341,376)	(11,205,176)	**(8,023,614)**	(5,880,380)
Bills of exchange factored out to bank (Note 21)	**(172,695)**	(404,035)	(505,995)	**-**	-
	(11,474,329)	(7,313,942)	(8,307,974)	**(7,888,230)**	(5,875,473)

15. Cash and cash equivalents - continued

At 31 December 2014, the Group's cash at bank included an amount of €1,199,758 that was earmarked by bankers as cover for guarantees issued by the banks in favour of third parties in the ordinary course of business. These amounts are included within the group's cash and cash equivalents as the funds are considered an integral part of the group's overall cash management.

The current portion of the factoring facility in respect of bills of exchange factored out to bank (Note 21) is treated as a cash equivalent since this facility forms an integral part of the Organisation's cash management.

16. Assets classified as held for sale

	Group		
	2015	2014	2013
	€	€	€
Property classified as held for sale			
Opening carrying amounts	**5,161**	5,161	5,483
Disposals	**-**	-	(322)
Closing carrying amount	**5,161**	5,161	5,161

17. Share capital

	Company	
	2015	2014
	€	€
Authorised		
1,000,000 (2014: 1,000,000) ordinary shares of €2.329373 each	**2,329,373**	2,329,373
Issued and fully paid		
685,600 (2014: 685,600) ordinary shares of €2.329373 each	**1,597,018**	1,597,018

18. Revaluation reserves

	Group			Company	
	2015	2014	2013	**2015**	2014
	€	€	€	**€**	€
Surplus arising on fair valuation of:					
Land and buildings of subsidiaries	**36,674,684**	35,668,214	32,961,740	**-**	-
Available-for-sale financial assets	**421,118**	6,393	(27,511)	**421,118**	6,393
	37,095,802	35,674,607	32,934,229	**421,118**	6,393

18. Revaluation reserves - continued

The movements in each category are analysed as follows:

	Group		
	2015	2014	2013
	€	€	€
Land and buildings of subsidiaries			
At beginning of year	**35,668,214**	32,961,741	32,398,125
Revaluation surplus arising during the year (Note 4)	**-**	4,050,128	785,053
Impairment charges	**-**	(861,030)	-
Transfer upon realisation through asset use	**(32,444)**	(91,703)	(91,703)
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 22)	**1,027,559**	(40,326)	(67,623)
Deferred income taxes on revaluation surplus arising during the year (Note 22)	**-**	(486,016)	(94,206)
Deferred income taxes on realisation through impairment charges (Note 22)	**-**	103,324	-
Deferred income taxes on realisation through asset use (Note 22)	**11,355**	32,096	32,094
At end of year	**36,674,684**	35,668,214	32,961,740

	Group and Company		
	2015	2014	2013
	€	€	€
Available-for-sale financial assets			
At beginning of year	**6,393**	(27,511)	(139,525)
Net gains from changes in fair value (Note 10)	**414,725**	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	**421,118**	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.

The revaluation reserves are non-distributable.

19. Fair value gains and other reserves

	Group		
	2015	2014	2013
	€	€	€
Fair value gains reserve in respect of investment property	**20,470,403**	19,719,199	16,919,690
Capital reserves	**208,524**	208,524	208,524
Translation reserve	**(31,425)**	(31,425)	(32,007)
	20,647,502	19,896,298	17,096,207

The movements in each category are analysed as follows:

	Group		
	2015	2014	2013
	€	€	€
Fair value gains reserve in respect of investment property			
At beginning of year	**19,719,199**	16,919,690	14,682,482
Fair value gains arising during the year (Note 5)	**-**	3,232,878	2,785,296
Deferred income taxes on fair value gains arising during the year (Note 22)	**-**	(387,946)	(517,302)
Movement in deferred tax liability determined on the basis applicable to property disposals	**754,161**	(28,834)	(18,579)
Realisation through asset disposals	**(2,957)**	(16,589)	(12,207)
At end of year	**20,470,403**	19,719,199	16,919,690
Capital reserves			
At beginning and end of year	**208,524**	208,524	208,524
Translation reserve			
At beginning of year	**(31,425)**	(32,007)	(39,748)
Currency translation differences arising during the year	**-**	582	7,741
At end of year	**(31,425)**	(31,425)	(32,007)

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.

19. Fair value gains and other reserves - continued

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

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

20. Trade and other payables

	Group			Company	
	2015	2014	2013	**2015**	2014
	€	€	€	**€**	€
Current					
Trade payables	**12,837,277**	8,010,502	7,108,148	**-**	-
Payments received on account	**2,312,531**	1,717,819	1,609,537	**-**	-
Gross amounts owed to customers for contract work	**441,430**	327,581	103,579	**-**	-
Advances from customers for contract work	**370,448**	1,341,077	275,229	**-**	-
Amounts owed to associates	**486,686**	408,489	363,763	**26,050**	19,437
Amounts owed to related parties forming part of Mizzi Organisation	**6,134,279**	10,604,860	8,987,212	**2,750,980**	2,115,231
Amounts owed to subsidiaries	**-**	-	-	**6,675,042**	7,976,128
Amounts owed to other related parties	**614,525**	-	-	**616,607**	3,463
Other payables	**1,150,931**	769,893	912,015	**672,249**	396,605
Indirect taxation and social security	**1,279,177**	1,307,138	1,092,546	**258,159**	219,545
Deferred Government grants related to assets (Note 11)	**10,790**	10,790	10,790	**-**	-
Accruals and deferred income	**5,847,543**	4,984,827	4,716,613	**226,080**	205,793
	31,485,617	29,482,976	25,179,432	**11,225,167**	10,936,202

	Group			Company	
	2015	2014	2013	**2015**	2014
	€	€	€	**€**	€
Non-current					
Other payables, falling due after more than five years	**6,988**	6,988	6,988	**6,988**	6,988
Deferred Government grants related to assets (Note 11)	**7,194**	17,984	28,774	**-**	-
	14,182	24,972	35,762	**6,988**	6,988

21. Borrowings

	Group			Company	
	2015	2014	2013	**2015**	2014
	€	€	€	**€**	€
Current					
Bank overdrafts	**15,491,524**	11,341,376	11,205,176	**8,023,614**	5,880,380
Bills of exchange factored out to bank	**172,695**	404,035	505,995	**-**	-
Bank loans	**4,968,698**	1,628,221	2,575,759	**4,100,000**	638,745
300,000 6.2% bonds 2016-2019 issued in 2009	**29,873,575**	-	-	**-**	-
Loans from related party forming part of Mizzi Organisation	**5,241,090**	5,241,090	5,241,090	**-**	-
Loans from subsidiary	**-**	-	-	**30,426,868**	-
Loan from other related party	**71,569**	107,210	142,849	**-**	-
	55,819,151	18,721,932	19,670,869	**42,550,482**	6,519,125
Non-current					
Bills of exchange factored out to bank	**84,915**	329,020	429,031	**-**	-
Bank loans	**1,272,153**	5,402,023	6,334,458	**-**	4,100,000
300,000 6.2% bonds 2016-2019 issued in 2009	**-**	29,744,078	29,622,700	**-**	-
Redeemable preference shares	**815,281**	815,281	815,281		
Loans from subsidiary	**-**	-	-	**-**	25,869,535
	2,172,349	36,290,402	37,201,470	**-**	29,969,535
Total borrowings	**57,991,500**	55,012,334	56,872,339	**42,550,482**	36,488,660

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.

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). The Board of directors of the issuer has resolved to redeem the bonds on 30 November 2016 and accordingly the carrying amount of the bonds as at 31 December 2015 is presented within current liabilities in the statement of financial position. As at 31 December 2014 and 2013, the carrying amount of the bonds was presented as a non-current liability.

21. Borrowings - continued

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 12 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. As at 31 December 2015, the aggregate amount of the sinking fund is equivalent to €5,201,020 in line with the set commitments. In addition to the amount of €1,551,020 reflecting the face value of the bills of exchange outlined in Note 12, the issuer committed a further €450,000 in bank guarantees. Furthermore, in order to align the sinking fund with the targeted commitments, during the financial year 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 bond holders, as approved by the Listing Committee of the Malta Financial Services Authority. The fair value of the hypothecated property amounts to €3,200,000.

The 2002 bond proceeds had been advanced to the guarantors for the purposes outlined in Note 9 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 2009 bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2015 was 103.5 (2014: €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 (2014: €298,500; 2013: €292,300) were held by directors of the Issuer and Mizzi Holdings Limited, and bonds with a face value of €517,700 (2014: €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.

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:

21. **Borrowings** - continued

	2015	2014	2013
	€	€	€
6.2% bonds 2016 – 2019			
Original face value of bonds issued	**30,000,000**	30,000,000	30,000,000
Gross amount of bond issue costs	**(752,150)**	(752,150)	(752,150)
Amortisation of gross amount of bond issue costs:			
Accumulated amortisation at beginning of year	**511,310**	397,085	290,021
Amortisation charge for the current year (Note 29)	**121,865**	114,225	107,064
Accumulated amortisation at end of year	**633,175**	511,310	397,085
Unamortised bond issue costs	**(118,975)**	(240,840)	(355,065)
Gross amount of discounts in respect of bonds issued under terms applicable to Mizzi Applicants	**(47,100)**	(47,100)	(47,100)
Amortisation of gross amount of discounts:			
Accumulated amortisation at beginning of year	**32,018**	24,865	18,161
Amortisation charge for the current year (Note 29)	**7,632**	7,153	6,704
Accumulated amortisation at end of year	**39,650**	32,018	24,865
Unamortised amount of discounts	**(7,450)**	(15,082)	(22,235)
Amortised cost and closing carrying amount of the bonds	**29,873,575**	29,744,078	29,622,700

The group's banking facilities as at 31 December 2015 amounted to €74,101,260 (2014: €31,493,404). These facilities are mainly secured by:

(a) a general hypothec on the parent company's assets for €55,314,000 (2014: €26,314,000);
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €4,403,000 to €37,852,000 (2014: €9,783,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €53,484,000 (2014: €25,484,000) over property and general hypothecary guarantees for the amount of €25,484,000 (2014: €25,484,000) over assets;
(c) pledge over bills of exchange drawn.

These banking facilities include an amount of €450,000 (2014: €1,050,000; 2013: €1,050,000) in respect of the recourse element of 15% of the face value of bills of exchange factored out to the bank with an option to repurchase them as they fall due up to a limit of €3,000,000 (2014: €7,000,000, 2013: €7,000,000). At 31 December 2014, the total value of outstanding bills, which had been factored out under this facility, amounted to €257,610 (2014: €733,055; 2013: €935,026) as disclosed above. This banking facility may also be utilised to factor out bills of exchange without an option to repurchase them as they fall due. The facility amount covers the recourse element of 15% of the value of bills factored out in this manner.

21. Borrowings - continued

The long-term portion of the factoring facility in respect of bills of exchange factored out provides financing for working capital on a long-term basis and accordingly has been classified as a non-current liability.

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

	2015	2014	2013
	%	%	%
Bank overdrafts	**2.2**	4.6	4.8
Bills of exchange factored out to bank	**2.5**	-	-
Bank loans	**2.3**	4.5	4.7

Maturity of group's non-current bank borrowings:

	2015	2014	2013
	€	€	€
Between 1 and 2 years	**537,889**	1,642,245	2,797,039
Between 2 and 5 years	**444,193**	4,075,901	3,869,341
Over 5 years	**374,986**	12,897	97,109
	1,357,068	5,731,043	6,763,489

At 31 December 2014, the group had other short-term advances of €71,569 (2014: €107,210; 2013: €142,849) from a related party, which are repayable on demand, interest free and secured by the undertaking's property for the amount of €431,000 (2014: €431,000; 2013: €431,000).

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

Company

As disclosed in Note 9 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 €461,405 (2014: €260,000; 2013: nil) 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. During the current year, the liabilities of Consolidated Holdings Limited and Kastell Limited in respect of advances by the issuer to these two entities have been taken over by Mizzi Holdings Limited.

21. Borrowings - continued

The company's banking facilities as at 31 December 2015 amounted to €57,500,000 (2014: €15,874,000). These facilities are mainly secured by:

(a) a general hypothec on the company's assets for €55,314,000 (2014: €26,314,000); and
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €16,888,000 to €37,852,000 (2014: €9,783,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €53,484,000 (2014: €25,484,000) over property and general hypothecary guarantees for the amount of €25,484,000 (2014: €25,484,000) over assets.

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

	2015	2014
	%	%
Bank overdrafts	**2.1**	4.6
Bank loans	**2.5**	4.6

Maturity of company's non-current bank borrowings:

	2015	2014
	€	€
Between 1 and 2 years	**-**	600,000
Between 2 and 5 years	**-**	3,500,000
	-	4,100,000

22. 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% (2014 and 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 10% (2014 and 2013: 12%) of the transfer value.

Following changes to the taxation rules of capital gains arising on transfer of immovable property as 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' came into effect on 30 April 2015, the final tax on transfers of immovable property acquired after 1 January 2004 was reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 was reduced to 10%. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the Company's property was a decrease amounting to €1,777,737, of which €1,022,959 was recognised in other comprehensive income and €754,778 was recognised in profit or loss.

22. Deferred taxation - continued

The movement on the deferred tax account is as follows:

	2015	2014	2013
	€	€	€
At beginning of year	**11,297,732**	10,577,242	10,063,879
Movement in deferred tax liability determined on the basis applicable to property disposals:			
Investment property - recognised in profit or loss (Note 30)	**(737,929)**	42,944	57,263
Property, plant and equipment and other assets - recognised in other comprehensive income (Note 18)	**(1,027,559)**	40,326	28,940
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 18)	**-**	486,016	94,206
Deferred income taxes on fair value gains on investment property arising during the year (Note 30)	**-**	387,946	517,302
Realisation through impairment charges in respect of property, plant and equipment (Note 18)	**-**	(103,324)	-
Realisation through asset use (Note 18)	**(11,355)**	(32,096)	(32,094)
Realisation through asset disposals (Note 30)	**(16,232)**	(133,100)	(56,665)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 30)	**7,073**	25,459	(87,625)
Deferred income taxes attributable to unabsorbed capital allowances (Note 30)	**(58,060)**	6,319	(7,964)
At end of year	**9,453,670**	11,297,732	10,577,242

All the amounts disclosed in the table above, which have been referenced to Note 30, are recognised in profit or loss. The other amounts, referenced to Note 18, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2015	2014	2013
	€	€	€
Temporary differences arising on fair valuation of property	**9,238,049**	11,031,124	10,342,411
Temporary differences arising on depreciation of property, plant and equipment	**275,433**	268,360	242,902
Deferred taxation attributable to unabsorbed capital allowances	**(59,812)**	(1,752)	(8,071)
	9,453,670	11,297,732	10,577,242

22. Deferred taxation - continued

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

At 31 December 2015, 2014 and 2013, the group had the following unutilised tax credits and temporary differences:

	Unrecognised			**Recognised**		
	2015	2014	2013	**2015**	2014	2013
	€	€	€	**€**	€	€
Unutilised tax credits arising from:						
Unabsorbed tax losses	**456,079**	1,561,022	2,170,170	-	-	-
Unabsorbed capital allowances	**3,098,806**	4,809,011	4,554,929	170,891	60,689	23,061
Unabsorbed capital losses	**781,254**	788,369	809,730	-	-	-
Deductible temporary differences arising on:						
Depreciation of property, plant and equipment	**269,475**	46,989	296,151	-	-	-
Provisions for impairment of trade and other receivables	**6,090,191**	5,856,514	6,970,834	359,889	170,491	138,611
Provisions for impairment of investments in associates and available for sale financial assets	**714,686**	714,686	714,686	-	-	-
Taxable temporary differences arising on property, plant and equipment	**-**	-	-	(786,954)	(770,929)	(694,006)

The temporary differences arising on provisions for impairment of trade and other receivables include those arising on provisions for impairment of amounts receivable from hire purchase debtors (see Note 12).

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. 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

	2015	2014
	€	€
At beginning and end of year	**13,993**	13,993

The balance at 31 December represents:

	2015	2014
	€	€
Deferred taxation arising on transfer of property from related party	**13,993**	13,993

22. Deferred taxation - continued

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 Group.

At 31 December 2015, the company had unutilised tax credits arising from unabsorbed capital allowances and capital losses amounting to €1,256,114 (2014: €1,181,899) and €18,151 (2014: €25,266) 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 €570,018 (2014: €630,832). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

23. Provision for other liabilities and charges: current amounts

		Group	
	2015	2014	2013
	€	€	€
At the beginning of the year	-	15,140	15,140
Credited to income statement:			
- unused amounts reversed	**-**	(15,140)	-
At end of year	**-**	-	15,140

The amounts shown above comprised gross provisions in respect of legal claims brought against the group. The outcome of the outstanding legal claims did not give rise to any significant loss and accordingly the amount of the provisions was reversed during the preceding financial year.

24. Revenue

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

	Group	
	2015	2014
	€	€
By category		
Sale of motor vehicles, spare parts and provision of ancillary services	**66,251,003**	52,474,497
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	**30,961,011**	28,171,030
Activities in the power, heating and ventilation equipment sectors	**16,781,503**	12,077,427
Operating lease rental income:		
- property	**901,517**	801,015
- motor vehicles	**1,277,566**	1,179,575
Income from hire purchase financing	**833,277**	672,444
Sale of property developed with a view to sale	**180,000**	1,597,900
Motor vehicle finance lease income	**1,674**	2,014
	117,187,551	96,975,902

Income from hire purchase and related financing includes interest amounting to nil (2014: €11,305; 2013: €15,855) earned on loans and advances to related parties. Revenue from activities in the power, heating and ventilation equipment sectors includes contract revenue amounting to €11,722,388 (2014: €8,847,988; 2013: €7,952,022).

25. Expenses by nature

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Cost of goods sold	**88,445,007**	71,094,705	**-**	-
Cost attributable to property sold	**135,269**	1,109,173	**-**	-
Employee benefit expense (Note 26)	**12,720,214**	11,896,890	**951,030**	907,402
Depreciation of property, plant and equipment (Note 4):				
- owned assets	**1,937,299**	1,666,318	**128,804**	79,406
- owned assets (motor vehicles) leased out under operating leases	**846,567**	822,306	**-**	-
Property operating lease rentals payable	**1,012,233**	878,810	**34,668**	34,668
Movement in provision for impairment of receivables:				
- hire purchase	**169,988**	105,403	**-**	-
- trade and other	**67,281**	28,120	**-**	-
Amounts written off in respect of hire purchase receivables	**54,001**	166,088	**-**	-
Interest payable and financing costs (included in 'Cost of Sales')	**-**	58,695	**-**	-
Marketing, business promotion and related expenses	**1,693,207**	1,934,439	**-**	-
Project and property administration services	**127,194**	89,892	**-**	-
Other expenses	**4,849,291**	4,332,085	**452,404**	237,216
Total cost of sales; selling and other direct expenses; and administrative expenses	**112,057,551**	94,182,924	**1,566,906**	1,258,692

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

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Exchange differences	**8,817**	14,269	-	-
Government grants recognised (included in 'Other operating income')	**(10,790)**	(10,790)	**-**	-
Profit on disposal of property, plant and equipment	**(330,445)**	(286,369)	**-**	(5,800)

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.

25. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2015 and 2014 relate to the following:

	Group	
	2015	2014
	€	€
Annual statutory audit	**92,492**	95,296
Other assurance services	**1,600**	1,600
Tax advisory and compliance services	**14,636**	13,256
Other non-audit services	**104,919**	44,551
	213,647	154,703

The auditor's remuneration for the company attributable to the year ended 31 December 2015 amounted to €5,600 (2014: €5,600).

26. Employee benefit expense

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Wages and salaries	**11,904,139**	11,116,174	**892,853**	849,281
Social security costs	**816,075**	780,716	**58,177**	58,121
	12,720,214	11,896,890	**951,030**	907,402

Average number of persons employed during the year:

	Group		Company	
	2015	2014	**2015**	2014
Direct	**543**	516	**-**	-
Administration	**165**	165	**32**	32
	708	681	**32**	32

27. Investment and other related income

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Gross dividends receivable from investments in subsidiaries	**-**	-	**1,340,977**	296,759
Gross dividends receivable from investments in associates	**-**	-	**169,938**	118,720
Gross dividends receivable from available-for-sale financial assets	**232,302**	90,506	**159,405**	21,664
Net losses on disposal of available-for-sale financial assets		(3,590)	**-**	(3,590)
Net fair value gains on financial assets at fair value through profit or loss	**24,391**	106,871	**-**	-
Net (loss)/gain on dilution of interest in associate	**(5,270)**	-	**7,115**	-
	251,423	193,787	**1,677,435**	433,553

28. Finance income

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Interest receivable from subsidiaries	**-**	-	**932,040**	931,486
Interest receivable from related parties forming part of Mizzi Organisation	**500,878**	570,304	**367,318**	396,701
Interest receivable from associate	**-**	6,174	**-**	-
Bank and other interest receivable	**22,082**	69,316	**-**	1,029
	522,960	645,794	**1,299,358**	1,329,216

29. Finance costs

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Coupon interest payable on bonds	**1,860,000**	1,860,000	**-**	-
Amortisation of difference between initial net proceeds and redemption value of bonds (Note 21)	**129,497**	121,378	**-**	-
Interest payable to subsidiaries	**-**	-	**2,101,540**	2,080,494
Interest payable to related parties forming part of Mizzi Organisation	**448,129**	490,863	**7,861**	7,070
Bank interest and charges	**842,227**	1,049,782	**348,475**	489,834
Other interest payable	**55,772**	86,652	**-**	-
	3,335,625	3,608,675	**2,457,876**	2,577,398

30. Tax (income)/expense

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Current taxation:				
Current tax expense	**683,779**	345,127	**36,901**	10,905
Adjustment recognised in financial period for current tax of prior periods	**106,900**	(9,800)	**70,402**	-
Deferred taxation (Note 22)	**(816,503)**	297,472	**-**	-
	(25,824)	632,799	**107,303**	10,905

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	
	2015	2014	**2015**	2014
	€	€	**€**	€
Profit/(loss) before tax	**3,889,227**	4,676,084	**887,967**	(306,383)
Tax on profit at 35%	**1,361,229**	1,636,629	**310,788**	(107,234)
Tax effect of:				
Unrecognised temporary differences and other movements, mainly attributable to property, plant and equipment and provisions for impairment of trade and other receivables	**196,701**	239,582	**19,105**	5,190
Unabsorbed capital allowances claimed during the year	**55,708**	107,791	**25,976**	23,247
Unabsorbed tax losses incurred during the year	**-**	85,914		
Utilisation of unabsorbed tax losses and capital allowances brought forward from previous years	**(750,193)**	(345,619)	**(2,490)**	-
Income not subject to tax or charged at reduced rates	**(7,628)**	(25,776)	**(389,941)**	(24,398)
Share of results of associates	**(147,984)**	(149,289)	**-**	-
Determination of deferred taxation on fair value gain of investment property and other properties on the basis applicable to property disposals	**(765,516)**	(865,292)	**-**	-
Maintenance allowance claimed on rented property	**(161,889)**	(142,026)		
Expenses not deductible for tax purposes	**41,522**	58,203	**2,131**	-
Under/(over) provision of tax in previous years	**106,900**	(9,800)	**70,402**	-
Amortisation of bond issue costs not allowable for tax purposes	**45,324**	42,482	**-**	-
Losses surrendered for group purposes	**-**	-	**71,332**	114,100
Tax (income)/charge in the accounts	**(25,826)**	632,799	**107,303**	10,905

The tax impact relating to components of other comprehensive income is presented in the tables within Notes 18 and 19 to the financial statements.

31. Directors' emoluments

	Group	
	2015	2014
	€	€
Salaries and other emoluments	**411,030**	497,483

During the year, the company has recharged out directors' emoluments amounting to €211,086 (2014: €188,716) and €204,259 (2014: €175,523) 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.

32. 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	
	2015	2014
Net profit attributable to the owners of the company	**€3,915,051**	€4,043,283
Weighted average number of ordinary shares in issue	**685,600**	685,600
Earnings per share	**€5.71**	€5.90

33. Dividends

	Group	
	2015	2014
	€	€
Final dividends paid on ordinary shares:		
Gross	**-**	455,877
Tax at source	**-**	(135,877)
Net	**-**	320,000
Dividends per share	**-**	0.47

34. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Operating profit	**6,027,657**	7,018,638	**369,050**	508,246
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**2,783,866**	2,488,624	**128,804**	79,406
Profit on disposal of property, plant and equipment	**(330,445)**	(286,369)	**-**	(5,800)
Gains from changes in fair value of investment property (Note 5)	**-**	(3,290,653)	**-**	-
Movement in provisions for impairment of trade and other receivables	**291,506**	267,474	**-**	-
Movement in provisions for other liabilities and charges	**-**	(15,140)	**-**	-
Changes in working capital:				
Inventories	**(6,580,122)**	(2,278,488)	**-**	-
Trade and other receivables	**(136,322)**	309,275	**(3,594,339)**	(62,039)
Trade and other payables	**4,554,164**	4,292,755	**(1,037,505)**	1,768,757
Cash generated from operations	**6,610,304**	8,506,116	**(4,133,990)**	2,288,570

35. Commitments

Group

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 5 and 13) not provided for in these financial statements are as follows:

	2015	2014
	€	€
Authorised but not contracted	**18,900,000**	13,700,000

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:

	2015	2014
	€	€
Not later than one year	**770,225**	723,870
Later than one year and not later than five years	**2,762,524**	2,464,427
Later than five years	**501,550**	931,569
	4,034,299	4,119,866

35. Commitments - continued

Group undertakings are party to non-cancellable operating lease arrangements relating to property, entered into on commercial terms. The non-cancellable term of the principal lease agreements expire within a 6 year period from the end of the financial reporting period.

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

	2015	2014
	€	€
Not later than one year	**1,187,512**	898,584
Later than one year and not later than five years	**2,686,420**	2,032,157
Later than five years	**91,692**	59,538
	3,965,624	2,990,279

A group undertaking's principal business is the leasing out motor vehicles on commercial terms under operating lease agreements with term of 5 to 6 years.

Operating lease commitments – where a group undertaking is the lessee

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

	2015	2014
	€	€
Not later than one year	**590,127**	332,614
Later than one year and not later than five years	**2,251,101**	1,093,870
Later than five years	**4,016,621**	2,406,378
	6,857,849	3,832,862

The future minimum lease payments under non-cancellable property operating leases principally comprise minimum lease payments amounting to €4.7m, which expire within a period ranging from 13 to 15 years from the end of the reporting period.

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 (2014: €34,668) are payable annually for the right to use assets owned by the subsidiary in the course of the company's operations.

36. 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 €86,466,000 (2014: €83,016,000) together with interest and charges thereon. These guarantees are supported by a general hypothecary guarantee for the amount of €25,482,000 (2014: €25,482,000) over the company's assets.

36. Contingencies - continued

The 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 for amounts ranging from €23,434,000 to €86,466,000 (2014: €23,434,000 to €83,016,000), together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by the group undertakings for the amounts ranging from €24,482,000 to €34,322,000 (2014: €24,482,000 to €35,658,000) and by special hypothecary guarantees over property by group undertakings for the amounts ranging from €41,068,000 to €96,680,000 (2014: €11,128,000 to €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 (2014: €30,000,000 on the redemption date and the interest amounts payable in respect of the bonds on each interest payment date (Note 21). 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 9 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 2015, the company has given guarantees totalling €4,478,425 (2014: €4,197,680) in the name of subsidiaries and related parties forming part of Mizzi Organisation in favour of third parties.

(d) At 31 December 2015, subsidiaries had contingent liabilities amounting to €4,975,563 (2014: €2,032,194) 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 combined accounts for disputed income tax amounting to €403,715 (2014: €403,715) arising from assessments raised in terms of Section 44 of the Income Tax Act, Cap. 123. Objections have been filed on the said assessments. The directors of the respective entities 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.

Objections have been filed by the Organisation with the Commissioner of Inland Revenue over assessments raised relating to basis years from 1985 to 1996 amounting to €28,541 (2014: €28,541), in respect of which no provision has been made in these accounts.

(f) The company has undertaken to provide financial support to a number of subsidiaries so as to enable these entities to meet their liabilities as they fall due. The net profits of certain of these subsidiaries for the year ended 31 December 2015 amounted to €882,357 (2014: nil) but as at 31 December 2015 their total liabilities exceeded their total assets by €10,765,552 (2014: nil). The net profits of other subsidiaries referred to above for the year ended 31 December 2015 amounted to €3,781,874 (2014: €6,694,187), but as at 31 December 2015 their current liabilities exceeded their current assets by €30,220,627 (2014: €18,909,201).

37. 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), which is an integral component of the Organisation's beverage business activity. Indeed, the related operations of the Organisation and the activities of this entity 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.

37. 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	
	2015	2014	**2015**	2014
	€	€	**€**	€
Sales of goods and services				
Sales of goods held for resale and provision of services				
- Associates	**228,240**	91,475	**-**	-
- Related parties forming part of Mizzi Organisation	**179,134**	300,880		-
- Other related parties	**62,700**	129,426	**-**	-
Management fees receivable				
- Subsidiaries	**-**	-	**1,244,854**	902,406
- Associates	**2,160**	1,800	**2,160**	1,800
- Related parties forming part of Mizzi Organisation	**317,075**	435,191	**317,075**	435,191
- Other related parties	**18,000**	-	**18,000**	-
Property operating lease rental income receivable				
- Subsidiaries	**-**	-	**5,334**	5,334
- Associates	**22,712**	22,712	**-**	-
- Related parties forming part of Mizzi Organisation	**6,902**	5,984	**-**	-
- Other related parties	**2,600**	3,000	**-**	-
	839,523	990,468	**1,587,423**	1,344,731

37. **Related party transactions** - continued

	Group		Company	
	2015	2014	**2015**	2014
	€	€	**€**	€
Purchases of goods and services				
Purchases of goods held for resale and services				
- Subsidiaries	**-**	-	**100,914**	63,170
- Associates	**826,934**	669,515	**-**	-
- Related parties forming part of Mizzi Organisation	**373,437**	283,213	**3,297**	2,277
Property operating lease rentals payable				
- Subsidiaries	**-**	-	**40,000**	36,667
Purchases of property, plant and equipment				
- Subsidiaries	**-**	-	**117,128**	100,216
	1,200,371	952,728	**261,339**	202,330

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 €261,987 (2014: €347,628) and €2,577 (2014: €5,690) 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 €850,746, €10,998, and €38,689 (2014: €1,143,619, €17,256 and €8,630; 2013: €254,945, €63,687, and €77,797) to subsidiaries, associates and other related parties respectively. During the financial year ended 31 December 2015, related parties forming part of Mizzi Organisation recharged expenditure to subsidiaries amounting to €30,003 (2014: €84,363).

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 31, amounted to €234,373 (2014: €311,525).

Amounts owed by related parties as at 31 December 2015 of €2,423,546 (2014: €6,297,301) are subject to interest at 7.2% (2014: 7.2%) and €230,719 is subject to interest at €5%. Amounts owed to related parties of €121,671 (2014: €593,909) are subject to interest of 5% (2014: 4.6%). 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 2015 include amounts due from shareholders of €69,611 (2014: €68,442; 2013: €112,929). These amounts are unsecured, interest free and have no fixed date of repayment.

37. Related party transactions - continued

Company

Amounts owed by subsidiaries of €12,915,668 (2014: €11,004,875) are subject to interest at 7.2% and €2,011,059 (2014: nil) is subject to interest at 2.50%. Amounts owed to subsidiaries of €5,503,764 (2014: €6,537,369) are subject to interest at 3.15% (2014: 4.6%). Amounts owed by related parties of €2,423,546 (2014: €6,297,301) are subject to interest at 7.2% and €230,719 is subject to interest at 5%. Amounts owed to related parties of €121,671 (2014: €593,909) are subject to interest at 5% (2014: 4.6%). 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 €69,611 (2014: €33,174). These amounts are unsecured, interest free and have no fixed date of repayment.

38. Statutory information

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