MIZZI ORGANISATION FINANCE plc

Annual Report and Financial Statements
31 December 2007

Company Registration Number: C 29506

Directors' report

The directors present their report and the audited financial statements for the financial year ended 31 December 2007.

Principal activity

The company's principal activity which is unchanged since last year, is to carry on the business of a finance and investment company in connection with the ownership, development, operation and financing of the business activities of the companies forming part of the Mizzi Organisation.

Review of the business

During the current financial year, interest income earned on advances to companies forming part of the Mizzi Organisation and bank interest income totalled Lm731,710, while interest payable and similar charges on the bonds issued amounted to Lm671,906. The profit for the financial year before taxation amounted to Lm42,412.

Results and dividends

The profit and loss account is set out on page 10. The directors do not recommend the payment of a dividend (2006: proposed and paid dividend of Lm150,000).

Directors

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

Dr John C. Grech (Chairman)
Dr Louis Camilleri Preziosi
Brian R. Mizzi
Kenneth C. Mizzi
Maurice F. Mizzi

The company's Articles of Association do not require any directors to retire. The directors will be eligible for re-appointment on the lapse of the period for which they were appointed in accordance with the company's Articles of Association.

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

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Registered office
Mizzi House
National Road
Blata l-Bajda
Malta

Company secretary:
Hugh Mercieca

Telephone Number:
21233111

22 April 2008

Statement of compliance with the Principles of Good Corporate Governance

Pursuant to the Malta Financial Services Authority Listing Rules 8.37 and 8.38, Mizzi Organisation Finance plc is hereby reporting on the extent of its adoption of the Code of the Principles of Good Corporate Governance appended to Chapter 8 of the Listing Rules and on the effective measures it has taken to ensure compliance throughout the accounting period with the Principles. Even though such principles are not mandatory the directors strongly believe that such practices are in the best interests of the company, its shareholders and other stakeholders, because compliance with principles of good corporate governance:

- is expected by investors on the Malta Stock Exchange; and
- evidences the directors' and the company's commitment to a high standard of corporate governance.

The directors are aware that the Code enunciates principles which although of general application to listed companies are adaptable by each company depending on its particular circumstances.

Those circumstances are more often than not determined by two factors:

- the very nature of the business of the company itself; and
- whilst certain principles in the Code are applicable to companies whose equity securities are listed on the Stock Exchange they are not altogether applicable, or not applicable in the same way to those companies, such as the company, that fall within the definition of a listed company as understood in the Code by virtue of having debt instruments listed on the Malta Stock Exchange.

It is in the light of these factors that the directors are making this statement of compliance with the Code.

The primary responsibility for good corporate governance in a company lies with its board of directors. In this regard the board of directors of the company carried out a review of its compliance with the Code during the financial period being reported upon.

The company acts as a finance company to the Mizzi Organisation and as such its operations are limited to monitoring the loans made available to related companies from the proceeds of the bonds issued to the public and which are listed on the Malta Stock Exchange.

Accordingly, the operations of the company are very limited and the directors believe that the adoption of certain structures and other mechanisms which may well be appropriate for a company having a more extensive line of business, not only are not appropriate for the company but could well have the adverse effect of unnecessarily increasing the costs of administration without adding much benefit from a corporate governance perspective. In this context the board believes that the company's current organisational set up should guarantee the proper and efficient functioning of the company and provide adequate corporate governance safeguards.

Statement of compliance with the Principles of Good Corporate Governance – continued

Principles One, Two and Three: The company is directed and managed directly by the board at its regular meetings. The board is composed of a Chairman and four non-executive directors, one of whom is an independent director from outside the Mizzi Organisation. The board is composed exclusively of non-executive directors, and apart from the company secretary, the company does not have any other executive officers or committees to whom any executive or other functions are delegated. In view of the restricted nature of its business the board deals with the company's business directly and does not consider it necessary to have an executive structure to which it can delegate any of its functions.

In this respect, the board considers that it is in compliance with each of Principles One, Two and Three in that the company is headed by an effective board and the appointments to the board provide a mix of proficient directors each of whom is able to add value and to bring independent judgment to bear on the decision-making process. Apart from being clearly equally conducive to good corporate governance, this structure provides, in the board's view, the added benefits of direct control and management of the company's affairs and an efficient centralisation of the decision-making process.

Principle Four: In view of the restricted business of the company, the company does not have any business plans or strategies and its main function remains that of monitoring the amounts receivable from companies forming part of the Mizzi Organisation. In this context the board believes that through its regular meetings it is in a position to properly monitor the position of the company.

Principle Five: The board convenes regularly, normally every two to three months and allows proper and equal opportunity to all directors to voice and express their views on matters relating to the company and its business.

Principle Six: The board is of the view that in the context of the nature of the company's business and its organisational set-up, the company does not require sophisticated internal control systems and reporting systems to ensure that the decision-making process at board level is adequate. The current systems are, in the opinion of the board, appropriate for the company's current level of operations. The company does not have a CEO nor does the company have any employees. The board sustains that in the light of the current level of business and operations of the company, the board itself is adequately equipped to direct and manage all operations of the company, with the assistance of outside advisors as necessary, but without the need of appointing a CEO or indeed any other personnel.

Principle Seven: The Board does not have any formal and rigorous evaluation of its own performance. In the context of the nature of the company's business, the Board does not consider, that such a formal evaluation of performance is necessary.

Statement of compliance with the Principles of Good Corporate Governance – continued

Principles Eight: The board also feels that in the current circumstances of the company, the establishment of a Remuneration Committee is unwarranted. Indeed, save for the remuneration of the independent non-executive director, the company does not pay any remuneration to any of its directors. The directors believe that due to the fact that the board is composed exclusively of non-executive directors, and also due to the fact that with the exception of the remuneration of the independent director, which amounts to Lm3,000 per annum, no other director is remunerated, the need to set up a Remuneration Committee does not arise. This belief is founded on the premise that the raison d'être of establishing a Remuneration Committee is that of avoiding a situation where executive directors participate in the determination of their own remuneration packages. Given that there are no executive directors, executives or employees within the company nor is any remuneration paid to any of the directors, except for the independent director, the establishment of a Remuneration Committee would add no value to the corporate governance structures of the company. The remuneration policy of the board is to remain that adopted during the financial year ended 31 December 2007, namely that with the exception of the independent director, none of the other directors will receive any remuneration.

Principle Nine: The company communicates effectively with shareholders through shareholder meetings and through announcements it keeps contact with the market. In addition, the Board believes that this principle is less applicable to the company since it has no equity securities listed on a Recognised Investment Exchange.

Principle Ten: This applies to institutional shareholders and does not apply to the company.

Principle Eleven: The board believes that this principle is aimed more at companies having listed equity instruments. The directors consider that the board properly serves the legitimate interests of all shareholders and is accountable to all shareholders properly, particularly through the representation of the shareholders on the board itself. The board intends to ensure that the company communicates with shareholders effectively not only through the general meetings but also through the individual directors on a regular basis. The board has adopted rules whereby directors having conflicts of interest on any matter being discussed at board level disclose the conflict in a timely manner to the board and the director so conflicted will not be allowed to vote on such matters. In view of the nature of the company's business the incidence of such conflicts has during the year under review been negligible.

Principle Twelve: The Directors aim to adhere to accepted principles of corporate social responsibility in day to day practises, within the limited scope of the companies business.

Statement of compliance with the Principles of Good Corporate Governance – continued

The above is a summary of the views of the board on the company's compliance with the Code. Generally the board is of the opinion that, in the context of the applicability of the various principles of the Code to a company having a listed debt instrument and in the context of the company's very limited business operations, the company has been in compliance with the Code throughout the financial year under review. The board shall keep these principles under review and shall monitor any developments in the company's business to evaluate the need to introduce new corporate governance structures or mechanisms as and when the need arises.

Going concern

The directors are satisfied that, after making due enquiries, at the time of approving the financial statements, it is reasonable to expect that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Repayment of company's borrowings

Although not stipulated in the original offering memorandum, the company's directors have during the current financial year set up a sinking fund to ensure that the said bond repayment obligations are duly performed in accordance with the terms of the bond issue. The company started to implement this programme by acquiring bills of exchange with rights of recourse. Amounts of funds to be allocated to this sinking fund over the term of the borrowings have been formally established.

Approved by the board on 22 April 2008 and signed on its behalf by:

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Report of the auditors on the statement of compliance with the Principles of Good Corporate Governance

To the Shareholders of Mizzi Organisation Finance plc pursuant to the Malta Financial Services Authority Listing Rule 8.39

The Malta Financial Services Authority Listing Rules 8.37 and 8.38 require the company's directors to include in their Annual Report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with those Principles.

Our responsibility, as auditors of the company, is laid down by Listing Rule 8.39 which requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to considering whether this Statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the company's corporate governance procedures or its risk and control procedures.

In our opinion, the Statement of Compliance set out on pages 2 to 5 has been properly prepared in accordance with the requirements of the Malta Financial Services Authority Listing Rules 8.37 and 8.38.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS
167 Merchants Street
Valletta
Malta

22 April 2008

Statement of directors' responsibilities in respect of 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 company as at the end of each financial 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 European Union;
- 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 company will continue in business as a going concern.

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the 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 company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of the Directors pursuant to Listing Rule 9.40.5

We confirm that to the best of our knowledge:

1. the financial statements give a true and fair view of the financial position of the company as at 31 December 2007 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union.

2. the Annual Report and Financial Statements include a fair review of the development and performance of the business of the company together with a description of the principal risks and uncertainties that the company faces.

Approved by the board of directors on 22 April 2008 and signed on its behalf by:

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Independent auditor's report

To the Shareholders of Mizzi Organisation Finance plc

We have audited the financial statements of Mizzi Organisation Finance plc on pages 10 to 28 which comprise the balance sheet as at 31 December 2007 and the profit and loss account, statement of changes in equity and cash flow statement for the year then ended and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 7, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of 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 judgment, including 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 and fair presentation of the financial statements 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 2007, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

PricewaterhouseCoopers

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

22 April 2008

Profit and loss account

	Notes	Year ended 31 December 2007 Lm	2006 Lm
Interest receivable	3	**731,710**	734,499
Interest payable and similar charges	4	**(671,906)**	(671,787)
Net interest income		**59,804**	62,712
Administrative expenses	5	**(17,392)**	(17,173)
Profit before tax		**42,412**	45,539
Tax expense	6	**(211)**	(194)
Profit for the financial year		**42,201**	45,345
Earnings per share	8	**42.20**	45.35

Balance sheet

	Notes	As at 31 December 2007 Lm	2006 Lm
ASSETS			
Fixed assets			
Financial assets			
Loans to parent company	10	**4,837,885**	5,187,885
Loans to other related parties	10	**3,879,070**	3,805,897
Total non-current assets		**8,716,955**	8,993,782
Current assets			
Debtors	11	**62,709**	62,293
Investments			
Loans to parent company	12	**278,115**	278,115
Loans to other related parties	12	**1,070,147**	837,428
Cash at bank		**171,960**	78,445
Total current assets		**1,582,931**	1,256,281
Total assets		**10,299,886**	10,250,063
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	13	**100,000**	100,000
Profit and loss account		**100,210**	58,009
Total equity		**200,210**	158,009
Creditors: amounts falling due after more than one year			
Interest-bearing borrowings	14	**9,997,077**	9,995,179
Creditors: amounts falling due within one year	15	**102,599**	96,875
Total liabilities		**10,099,676**	10,092,054
Total equity and liabilities		**10,299,886**	10,250,063

The financial statements on pages 10 to 28 were authorised for issue by the board of directors on 22 April 2008 and were signed on its behalf by:

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Statement of changes in equity

	Called up issued share capital Lm	Profit and loss account Lm	Total Lm
Balance at 1 January 2006	100,000	162,664	262,664
Profit for the financial year - total recognised income for 2006	-	45,345	45,345
Dividends for 2006	-	(150,000)	(150,000)
Balance at 31 December 2006	100,000	58,009	158,009
Profit for the financial year - total recognised income for 2007	-	42,201	42,201
Balance at 31 December 2007	**100,000**	**100,210**	**200,210**

Cash flow statement

	Notes	Year ended 31 December 2007 Lm	2006 Lm
Operating activities			
Interest received		**731,267**	735,188
Interest paid		**(665,050)**	(638,719)
Cash paid to service providers		**(16,599)**	(17,193)
Tax paid		**(211)**	(128)
Net cash from operating activities		**49,407**	79,148
Investing activities			
Loans granted to other related parties	10, 12	**(1,439,324)**	(1,888,131)
Loan repayments received from parent company	12	**350,000**	715,000
Loan repayments received from other related parties	10, 12	**1,133,432**	1,290,397
Net cash from investing activities		**44,108**	117,266
Financing activities			
Dividends paid	9	**-**	(150,000)
Movement in cash and cash equivalents		**93,515**	46,414
Cash and cash equivalents at beginning of year		**78,445**	32,031
Cash and cash equivalents at end of year	16	**171,960**	78,445

Accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below.

1. Basis of preparation

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs requires the use of certain accounting estimates. It also requires the directors to exercise their judgment in the process of applying the company's accounting policies (see Note 1 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2007

In 2007, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2007. The adoption of these revisions to the requirements of IFRSs did not result in substantial changes to the company's accounting policies. IFRS 7, Financial Instruments: Disclosures, and the complementary Amendment to IAS 1, Presentation of Financial Statements – Capital Disclosures, introduce new disclosures relating to financial instruments and capital, but do not have any impact on the classification and measurement of the company's financial instruments and capital.

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 2007. The company has not early adopted these revisions to the requirements of IFRSs and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

2. Interest income and expense

Interest income and expense are recognised in the profit and loss account for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Accordingly, interest expense includes the effect of amortising any difference between net proceeds and redemption value in respect of the company's interest-bearing borrowings.

3. Loans and advances

Under the requirements of IAS 39, the company's loans and advances, consisting in the main of advances to its parent company and other related parties, are classified as loans and receivables, unless the company 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.

3. Loans and advances - continued

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, which is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts, using the effective interest method. Loans and receivables are included in current assets, except for assets with maturities greater than twelve months after the balance sheet date which are classified as non-current assets.

Loans and advances are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred if, and 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 that can be reliably estimated.

If there is objective evidence that an impairment loss on loans and advances has been incurred, 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 carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit and loss account.

4. Debtors

Debtors 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 debtors is established when there is objective evidence that the company 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 trade 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 effective interest rate. The amount of the provision is recognised in the profit and loss account.

5. Cash and cash equivalents

Cash and cash equivalents are carried in the balance sheet at face value. Cash and cash equivalents include cash in hand and deposits held at call with banks.

6. Borrowings

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

7. Other financial instruments

The company's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables in accordance with the requirements of IAS 39. 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 company provides money, goods or services directly to a debtor with no intention of trading the receivable.

The company recognises a financial asset or liability on its balance sheet when it becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs, for all financial assets not carried at fair value through profit or loss. All regular way transactions in assets classified in the loans and receivables category are accounted for using settlement date accounting. 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. Essentially these financial assets are measured at their face or nominal values. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The company assesses at each balance sheet date whether there is objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, 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 discounted at the financial asset's original effective interest rate.

The company's financial liabilities other than those referred to in the accounting policies above, 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 on issue of the financial liability. These liabilities are subsequently measured at amortised cost and, accordingly, are carried principally at their face or nominal values. The company derecognises a financial liability from its balance sheet when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

8. Offsetting financial instruments

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

9. Deferred taxation

Deferred income tax is provided 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, the deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

10. 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.

Notes to the financial statements

1. Critical accounting estimates and judgments

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

2. Format of the profit and loss account

In terms of Section 3(3) of the Third Schedule to the Companies Act, 1995, the layout, nomenclature and terminology of the items in the profit and loss account were adapted due to the special nature of the company.

3. Interest receivable

	2007	2006
	Lm	Lm
Interest receivable from parent company	**387,822**	405,804
Interest receivable from other related parties	**342,478**	327,403
Bank interest receivable	**1,410**	1,292
	731,710	734,499

4. Interest payable and similar charges

	2007	2006
	Lm	Lm
Coupon interest payable on bonds	**670,007**	670,007
Amortisation of difference between net proceeds and redemption value of bonds (Note 14)	**1,899**	1,780
	671,906	671,787

5. Administrative expenses

The company's administrative expenses comprise director's fees (see Note 7) and such other expense items incurred in the administration of the company's activities. Auditors' remuneration for the current financial year amounted to Lm800 (2006: Lm800).

6. Tax expense

	2007	2006
	Lm	Lm
Current tax expense	**211**	194

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

	2007	2006
	Lm	Lm
Profit before tax	**42,412**	45,539
Tax on profit at 35%	**14,844**	15,939
Tax effect of:		
Group relief	**(14,351)**	(15,487)
Income subject to 15% final withholding tax	**(282)**	(258)
Tax charge in the accounts	**211**	194

7. Director's emoluments

	2007	2006
	Lm	Lm
Fees	**3,000**	3,000

8. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares in issue during the year.

	2007	2006
Net profit attributable to equity holders of the company	**Lm42,201**	Lm45,345
Weighted average number of ordinary shares in issue	**1,000**	1,000
Earnings per share	**Lm42.20**	Lm45.35

9. Dividends

	2007 **Lm**	2006 Lm
Final dividends paid on ordinary shares:		
Gross	-	230,769
Tax at source		(80,769)
Net	-	150,000
Dividends per share	-	150.00

10. Financial assets

	Loans to parent company Lm	Loans to other related parties Lm	Total Lm
Non-current portion of advances outstanding as at 1 January 2007	5,187,885	3,805,897	8,993,782
Advances effected during the current financial year (vide Note below)	-	1,439,324	1,439,324
Repayments received during the current financial year (vide Note below)	-	(296,004)	(296,004)
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2007 – vide Note 12)	(350,000)	(1,070,147)	(1,420,147)
Non-current portion of advances outstanding as at 31 December 2007	**4,837,885**	**3,879,070**	**8,716,955**
Non-current portion of advances outstanding as at 1 January 2006	5,537,885	3,057,201	8,595,086
Advances effected during the current financial year (vide Note below)	-	1,888,131	1,888,131
Repayments received during the current financial year (vide Note below)	-	(302,007)	(302,007)
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2006 – vide Note 12)	(350,000)	(837,428)	(1,187,428)
Non-current portion of advances outstanding as at 31 December 2006	5,187,885	3,805,897	8,993,782

10. Financial assets - continued

The proceeds of the bond issue (vide Note 14 to the financial statements) had been advanced by the company to Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited, during the financial period ended 31 December 2002, 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. Mizzi Holdings Limited is the company's parent, whilst Kastell Limited and Consolidated Holdings Limited are related parties forming part of the Mizzi Organisation. All these advances bear interest at the fixed rate of 7.2% per annum with interest payable six monthly in arrears on 31 May and 30 November of each year. The loans are subject to a repayment schedule over the period to 30 April 2012 which has been established by virtue of a supplementary loan agreement. The maturity or repayment terms of the advances effected out of the bond issue proceeds, which are outstanding as at the balance sheet date, are as follows:

	Loans to parent company Lm	Loans to other related parties Lm	Total Lm
Repayable:			
Within 1 year	278,115	150,000	428,115
Between 1 and 5 years	4,837,885	1,870,000	6,707,885
	5,116,000	2,020,000	7,136,000

Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors in respect of the company's bond issue, have jointly and severally between themselves and with the borrower irrevocably undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the loans.

Advances granted by the company during the current and preceding financial years to United Acceptances Finance Limited, a related party forming part of the Mizzi Organisation, amounting to Lm1,439,324 and Lm1,888,131 respectively (refer to table on page 20) reflect the acquisition with rights of recourse of bills of exchange drawn in favour of this related party. These transactions are accounted for as collateralised advances i.e. loans secured by bills of exchange in accordance with the requirements of IFRSs. The face value of the bills of exchange covers receivables financed by this party in the ordinary course of its activities as a finance house to all companies within the Mizzi Organisation. The advances are subject to interest at the fixed rate of 7.2% per annum and are principally repayable within 5 years from the balance sheet date (vide table above and Note 12) in accordance with the maturity terms of the bills of exchange utilised in this respect:

	Loans to other related parties Lm
Repayable:	
Within 1 year	920,147
Between 1 and 5 years	1,964,234
Over 5 years	44,836
	2,929,217

11. Debtors

	2007 Lm	2006 Lm
Amounts falling due within one year		
Interest receivable from parent company	**31,285**	33,425
Interest receivable from other related parties	**30,824**	28,393
Prepayments and accrued income	**600**	475
	62,709	62,293

The repayment of amounts owed to the company in respect of interest receivable is secured in the manner disclosed in Note 10 to the financial statements.

12. Investments

	Loans to parent company Lm	Loans to other related parties Lm	Total Lm
Balance as at 1 January 2007	278,115	837,428	1,115,543
Repayments received during the current year	(350,000)	(837,428)	(1,187,428)
Current portion of advances (amounts becoming repayable within one year as at 31 December 2007 – vide Note 10)	350,000	1,070,147	1,420,147
Balance as at 31 December 2007	**278,115**	**1,070,147**	**1,348,262**
Balance as at 1 January 2006	643,115	988,390	1,631,505
Repayments received during the current year:	(715,000)	(988,390)	(1,703,390)
Current portion of advances (amounts becoming repayable within one year as at 31 December 2006 – vide Note 10)	350,000	837,428	1,187,428
Balance as at 31 December 2006	278,115	837,428	1,115,543

13. Called up issued share capital

	2007 Lm	2006 Lm
Authorised		
5,000 (2006: 5,000) ordinary shares of Lm100 each	**500,000**	500,000
Issued and fully paid up on incorporation		
1,000 (2006: 1,000) ordinary shares of Lm100 each	**100,000**	100,000

14. Interest-bearing borrowings

	2007 Lm	2006 Lm
Long-term – falling due after more than one year		
100,000 6.7% bonds 2009-2012	**9,997,077**	9,995,179

By virtue of the Offering Memorandum dated 2 May 2002, the company had issued for subscription to the general public 100,000 bonds with a face value of Lm100 for each bond. The bonds had been issued effectively on 31 May 2002 at the Bond Offer Price of Lm100 each bond with the exception of 4,846 bonds issued at the Employee Bond Price of Lm97.50 per bond under the terms and conditions of the Employee Offering.

The bonds are subject to a fixed interest rate of 6.7% per annum payable six monthly in arrears on 31 May and 30 November in each year.

All bonds are redeemable at par (Lm100 for each bond) and at the latest are due for redemption on 31 May 2012 but are redeemable in whole or in part at the option of the company on each of 31 May 2009, 31 May 2010 and 31 May 2011 (each an Optional Redemption Date).

Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors, are jointly and severally with the company and between themselves, guaranteeing the payment 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 company. The bond proceeds had been advanced to the guarantors for the purposes outlined in Note 10 to the financial statements, pursuant to and subject to the terms and conditions in the Offering Memorandum.

The bonds had been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds as at 31 December 2007 was Lm101.50 (2006: Lm104.50), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

As at the balance sheet date, bonds with a face value of Lm93,000 (2006: Lm140,500) were held by related parties, principally consisting of company directors, other officers of companies forming part of the Mizzi Organisation and close family members of these individuals.

14. Interest-bearing borrowings - continued

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

	2007 **Lm**	2006 Lm
Original face value of bonds	**10,000,000**	10,000,000
Gross amount of discounts in respect of bonds issued under the terms of the Employee Offering	**(12,116)**	(12,115)
Amortisation of gross amount of discounts:		
Accumulated amortisation at beginning of year	**7,294**	5,514
Amortisation charge for the current year (Note 4)	**1,899**	1,780
Accumulated amortisation at end of year	**9,193**	7,294
Unamortised difference between net proceeds and redemption value	**(2,923)**	(4,821)
Amortised cost and closing carrying amount of bonds	**9,997,077**	9,995,179

15. Creditors: amounts falling due within one year

	2007 **Lm**	2006 Lm
Amounts owed to parent company	**2,745**	2,017
Other creditors	**29,938**	33,710
Accruals	**69,916**	61,148
	102,599	96,875

16. Cash and cash equivalents

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following:

	2007 **Lm**	2006 Lm
Cash at bank	**171,960**	78,445

17. Financial risk management

1) Financial risk factors

The company's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company did not make use of derivative financial instruments to hedge certain risk exposures during the financial periods ended 31 December 2007 and 2006.

The board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign exchange risk because its principal assets and liabilities, comprising loans to related parties (Notes 10 and 12) and interest-bearing borrowings (Note 14), are denominated in Maltese lira. The company's interest income, interest expense and other operating expenses are also denominated in Maltese lira. 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 balance sheet date is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

In view of the nature of its operations, the company's transactions mainly consist of earning interest income on advances effected, principally from the bond issue proceeds, and servicing its borrowings. The company's significant interest-bearing instruments, comprising advances to the parent company and other related parties and bonds issued to the general public, are subject to fixed interest rates. The company has secured a spread between the return on its investments and its cost of borrowing. Accordingly the company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the fixed interest nature of its instruments, which are however measured at amortised cost. The company's operating income and cash flows are substantially independent of changes in market interest rates and on this basis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the balance sheet date to be insignificant.

(b) Credit risk

Credit risk arises from loans and advances to related parties (Notes 10 and 12), cash and cash equivalents (Note 16) and other debtors (Note 11), which constitute the company's loans and receivables category for IAS 39 categorisation purposes. The company's exposures to credit risk are analysed as follows:

	2007	2006
	Lm	Lm
Loans to parent company and other related parties	**10,065,217**	10,109,325
Other receivables	**62,709**	62,293
Cash at bank	**171,960**	78,445
	10,299,886	10,250,063

The maximum exposure to credit risk at the reporting date in respect of these financial assets is equivalent to their carrying amount.

17. Financial risk management - continued

The company's loans and advances consist of advances to related parties forming part of the Mizzi Organisation (see Note 18), which advances have been effected out of the bond issue proceeds. The company monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company's collateral held as security in respect of these financial assets is disclosed in Note 10 to the financial statements. The guarantors in respect of these assets comprise the borrowers themselves and another company forming part of the Mizzi Organisation. The company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

The company's other debtors mainly include interest receivable from the company's parent and other related parties in respect of the advances referred to previously. The company banks only with local financial institutions with high quality standing or rating.

As at the balance sheet dates, the company had no past due or impaired financial assets.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which mainly comprise long-term interest-bearing borrowings (Note 14) and other short-term payables (Note 15). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to related parties, covering principal and interest payments, match cash outflows in respect of the company's bond borrowings as referred to in Note 14 and reflected in the table below. The company's advances effected out of the bond issue proceeds are subject to a contractual repayment schedule over the term of the borrowings. These repayment proceeds are utilised by the company to acquire with rights of recourse bills of exchange drawn in favour of a related party forming part of Mizzi Organisation. The funds are accordingly advanced to this related party with a view to securing a regular stream of cash inflows over the term of the borrowings into a sinking fund to meet bond repayment obligations as they arise.

The table below analyses the company's main financial liabilities into relevant maturity groupings based on the remaining period at the balance sheet to the contractual maturity date, on the assumption that the bonds will be redeemed at the latest optional redemption date. The amounts disclosed in the table are the contractual undiscounted cash flows.

	2008 Lm	2009 Lm	2010 Lm	2011 Lm	2012 Lm
Interest-bearing borrowings (Note 14)	670,000	670,000	670,000	670,000	10,335,000

2) Capital risk management

The group's objectives when managing capital at subsidiary level are to safeguard the respective company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the company may issue new shares or adjust the amount of dividends paid to shareholders.

17. Financial risk management - continued

The company's equity, as disclosed on the face of the balance sheet, constitutes its capital. The company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognisance of the nature of the company's assets, together with collateral held as security, backing the company's principal borrowings, the capital level as at the balance sheet date is deemed adequate by the directors.

3) Fair values of financial instruments

At 31 December 2007 and 2006, the carrying amounts of cash at bank, debtors, creditors and accrued expenses approximated their fair values due to the nature or short-term maturity of the instruments. The fair values loans and advances subject to fixed interest rates were not significantly different from their carrying amounts at the balance sheet date based on discounted cash flows using market interest rates prevailing at the balance sheet date. Information on the fair value of the company's interest-bearing borrowings is disclosed in the respective note to the financial statements.

18. Related party transactions

Mizzi Organisation Finance plc forms part of the Mizzi Organisation, which comprises Mizzi Holdings Limited, Consolidated Holdings Limited, Kastell Limited, The General Soft Drinks Company Limited and Mizzi Organisation Limited, together with their shareholder companies, subsidiary undertakings and associated undertakings. Mizzi Holdings Limited is the company's immediate parent (vide Note 19) and also its ultimate controlling party.

All companies forming part of the Mizzi Organisation are related parties since these companies are all ultimately owned by members of the Mizzi family. Three of the company's directors are members of the Mizzi family. Transactions with companies forming part of Mizzi Organisation principally include advances effected by the company, mainly out of the bond issue proceeds, as disclosed in Notes 10 and 12 to the financial statements. Interest receivable earned from these transactions is disclosed in Note 3 and year-end balances in this respect are disclosed in Note 11 to the financial statements.

The company's expenditure reflected in the profit and loss account comprises management fees payable and other amounts recharged from the parent company of Lm3,100 (2006: Lm3,682) and Lm1,315 (2006: Lm1,392) respectively.

Key management personnel compensation, consisting of remuneration and other compensation to the company's directors, has been disclosed in Note 7.

Amounts owed to group undertakings as at 31 December 2007 of Lm2,001 (2006: Lm2,033) are subject to interest at 7.2%. Interest receivable from related parties is disclosed in Note 3.

19. Statutory information

Mizzi Organisation Finance plc is a public limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of Mizzi Organisation Finance plc is Mizzi Holdings Limited, a company registered in Malta, with its registered address at Mizzi House, National Road, Blata l-Bajda. The company's share capital is virtually entirely held by Mizzi Holdings Limited at the balance sheet date and as at the date of authorisation for issue of these financial statements.

20. Financial highlights in euro equivalent

In accordance with the requirements of the Legal Notice on Dual Display and Euro Pricing (LN 4 of 2007), the company is disclosing the euro equivalent of the key amounts in the financial statements as follows:

	2007	2006
	€	€
Net interest income	**139,306**	146,080
Profit for the financial year	**98,302**	105,625
Total assets	**23,992,280**	23,876,224
Total liabilities	**23,525,916**	23,508,162
Capital and reserves	**466,364**	368,062

All figures have been translated using the irrevocably fixed conversion rate of MTL/EUR 0.4293.