

MIZZI ORGANISATION

Combined Financial Statements
for the financial year ended 31 December 2009

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Independent auditor's report on the combined financial statements of the Mizzi Organisation

To the Owners of the Mizzi Organisation

We have audited the accompanying combined financial statements of the entities constituting the Mizzi Organisation, which is not a legal entity and principally comprises Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited, The General Soft Drinks Company Limited and their subsidiaries, together with Falcon Wines & Spirits Limited and Mizzi Motors Limited as set out in Note 1.1 – Basis of preparation. These financial statements comprise the combined statement of financial position as at 31 December 2009, the combined 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 notes.

These combined financial statements have been prepared solely to assist the owners to present the financial position and results of the entities constituting the Mizzi Organisation. The combined financial statements have been prepared on the basis set out in Note 1.1.

Management's responsibility for the combined financial statements

The owners of the Mizzi Organisation are responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the EU and on the basis set out in Note 1.1 – Basis of preparation to the combined financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from 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 combined 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 combined 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 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 and fair presentation of the combined 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 management, as well as evaluating the overall presentation of the combined financial statements.

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

Independent auditor's report on the combined financial statements - continued

Opinion

In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the entities constituting the Mizzi Organisation set out in Note 1.1 – Basis of preparation as at 31 December 2009, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and on the basis set out in the said Note 1.1 to the combined financial statements.

Emphasis of matter

Without qualifying our opinion, we draw attention to the fact that, as outlined in Note 1.1 – Basis of preparation, these combined financial statements have been prepared on the basis of the assumption that the Mizzi Organisation has operated as a legal group and a single consolidated entity. This financial information is not necessarily indicative of the Mizzi Organisation's financial position and financial performance that would have actually been presented had the Organisation actually operated as a legal group and a single consolidated entity.

Restriction on use

This report is solely intended for the information and use of the owners as referred to in Note 1.1 to these combined financial statements. Readers are cautioned that the combined financial statements may not be appropriate for any other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

PRICEWATERHOUSECOOPERS 

167 Merchants Street
Valletta
Malta



Fabio Axisa
Partner

30 April 2010

- a) The maintenance and integrity of the Mizzi Organisation website is the responsibility of the directors of the entities constituting the Mizzi Organisation; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the combined financial statements since they were initially presented on the website.
- b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Combined statement of financial position

	Notes	As at 31 December	
		2009	2008
		€	€
ASSETS			
Non-current assets			
Property, plant and equipment	4	91,070,883	92,561,865
Investment property	5	21,752,308	22,439,974
Investments in associates	7	16,106,245	16,495,456
Loans and advances	8	575,938	575,938
Available-for-sale financial assets	9	1,745,159	1,615,369
Trade and other receivables	10	7,808,743	9,763,677
Total non-current assets		139,059,276	143,452,279
Current assets			
Inventories	12	17,923,865	19,259,139
Trade and other receivables	10	27,989,720	28,637,084
Current tax assets		885,143	913,815
Cash and cash equivalents	13	2,458,839	3,075,404
Assets classified as held for sale	14	49,257,567 5,806	51,885,442 596,728
Total current assets		49,263,373	52,482,170
Total assets		188,322,649	195,934,449

Combined statement of financial position - continued

	Notes	As at 31 December	
		2009 €	2008 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	2,468,437	2,468,437
Revaluation reserves	16	37,675,546	37,884,249
Fair value gains and other reserves	17	10,661,199	10,612,994
Retained earnings		36,122,827	35,741,271
Total equity		86,928,009	86,706,951
Non-current liabilities			
Trade and other payables	18	600,000	300,000
Borrowings	19	57,446,832	53,182,794
Deferred tax liabilities	20	9,381,428	9,078,290
Total non-current liabilities		67,428,260	62,561,084
Current liabilities			
Trade and other payables	18	18,679,136	21,154,722
Current tax liabilities		103,100	160,496
Borrowings	19	15,106,111	25,213,763
Provisions for other liabilities and charges	21	78,033	137,433
Total current liabilities		33,966,380	46,666,414
Total liabilities		101,394,640	109,227,498
Total equity and liabilities		188,322,649	195,934,449

The notes on pages 10 to 75 are an integral part of these combined financial statements.

The combined financial statements on pages 3 to 75 were authorised for issue by the boards of directors of the entities constituting the Mizzi Organisation on 30 April 2010 and were signed on their behalf by:



Maurice F. Mizzi
 Director
 Consolidated Holdings Limited
 Kastell Limited
 Mizzi Holdings Limited
 The General Soft Drinks Company Limited



Brian R. Mizzi
 Director
 Consolidated Holdings Limited
 Kastell Limited
 Mizzi Holdings Limited
 The General Soft Drinks Company Limited

Combined income statement

	Notes	Year ended 31 December	
		2009	2008
		€	€
Revenue	22	107,274,455	111,137,820
Cost of sales		(79,168,252)	(83,299,067)
Gross profit		28,106,203	27,838,753
Selling and other direct expenses		(14,349,130)	(14,420,349)
Administrative expenses		(9,255,000)	(10,819,443)
Other operating income	25	478,372	1,490,114
Operating profit		4,980,445	4,089,075
Investment and other related income	26	56,603	52,844
Finance income	27	518,983	56,463
Finance costs	28	(4,175,620)	(4,199,786)
Share of profits of associates	7	45,265	962,037
Profit before tax		1,425,676	960,633
Tax expense	29	(268,248)	(308,229)
Profit for the year		1,157,428	652,404
Earnings per share	31	1.09	0.62

The notes on pages 10 to 75 are an integral part of these combined financial statements.

Combined statement of comprehensive income

	Notes	Year ended 31 December	
		2009 €	2008 €
Profit for the year		1,157,428	652,404
Other comprehensive income:			
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	1,458,434
Impairment charges in respect of revalued land and buildings, net of deferred tax	16	-	(205,231)
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	(55,171)	(92,193)
Losses from changes in fair value of available-for-sale financial assets	16	(1,883)	(431,097)
Currency translation differences	17	(8,009)	(136,485)
Share of other comprehensive income of associate:			
Share of revaluation surplus on revalued land and buildings of an associate arising during the year	16	-	82,356
Redemption of ground rents capitalised in associate	17	(1,307)	(2,276)
Other comprehensive income for the year, net of tax		(66,370)	673,508
Total comprehensive income for the year		1,091,058	1,325,912

The notes on pages 10 to 75 are an integral part of these combined financial statements.

Combined statement of changes in equity

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2008		2,468,437	37,334,602	10,830,272	35,621,244	86,254,555
Comprehensive income						
Profit for the year		-	-	-	652,404	652,404
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	1,458,434	-	-	1,458,434
Impairment charges in respect of revalued land and buildings, net of deferred tax	16	-	(205,231)	-	-	(205,231)
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	(92,193)	-	-	(92,193)
Depreciation transfer, net of deferred tax	16	-	(82,279)	-	82,279	-
Losses from changes in fair value of available-for-sale financial assets	16	-	(431,097)	-	-	(431,097)
Transfer of movement in deferred tax liability on investment property determined on the basis applicable to capital gains	17	-	-	(48,974)	48,974	-
Currency translation differences	17	-	-	(136,485)	-	(136,485)
Share of other comprehensive income of associate:						
Share of revaluation surplus on revalued land and buildings of an associate arising during the year	16	-	82,356	-	-	82,356
Share of transfer upon realisation through asset use in respect of revalued land and buildings of an associate	16	-	(180,343)	-	180,343	-
Share of transfer from incentives and benefits reserve of an associate	17	-	-	(29,543)	29,543	-
Redemption of ground rents capitalised in associate	17	-	-	(2,276)	-	(2,276)
Total other comprehensive income		-	549,647	(217,278)	341,139	673,508
Total comprehensive income		-	549,647	(217,278)	993,543	1,325,912
Transactions with owners						
Dividends relating to 2008	32	-	-	-	(873,516)	(873,516)
Balance at 31 December 2008		2,468,437	37,884,249	10,612,994	35,741,271	86,706,951

Combined statement of changes in equity - continued

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2009		2,468,437	37,884,249	10,612,994	35,741,271	86,706,951
Comprehensive income						
Profit for the year		-	-	-	1,157,428	1,157,428
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	(55,171)	-	-	(55,171)
Depreciation transfer, net of deferred tax	16	-	(76,923)	-	76,923	-
Losses from changes in fair value of available-for-sale financial assets	16	-	(1,883)	-	-	(1,883)
Transfer of movement in deferred tax liability on investment property determined on the basis applicable to capital gains	17	-	-	(107,054)	107,054	-
Realisation of translation differences upon adoption of euro in country of incorporation - reclassified to retained earnings	17	-	-	164,575	(164,575)	-
Currency translation differences	17	-	-	(8,009)	-	(8,009)
Share of other comprehensive income of associate:						
Share of transfer upon realisation through asset use in respect of revalued land and buildings of an associate	16	-	(74,726)	-	74,726	-
Redemption of ground rents capitalised in associate	17	-	-	(1,307)	-	(1,307)
Total other comprehensive income		-	(208,703)	48,205	94,128	(66,370)
Total comprehensive income		-	(208,703)	48,205	1,251,556	1,091,058
Transactions with owners						
Dividends relating to 2009	32	-	-	-	(870,000)	(870,000)
Balance at 31 December 2009		2,468,437	37,675,546	10,661,199	36,122,827	86,928,009

The notes on pages 10 to 75 are an integral part of these combined financial statements.

Combined statement of cash flows

	Notes	Year ended 31 December	
		2009 €	2008 €
Cash flows from operating activities			
Cash generated from operations	33	14,426,809	7,120,045
Dividends received		493,396	566,905
Interest received		518,983	56,463
Interest paid		(3,999,780)	(4,152,617)
Income tax (paid)/refunded		(48,066)	247,666
Net cash generated from operating activities		11,391,342	3,838,462
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(5,040,870)	(18,518,264)
Proceeds from disposal of property, plant and equipment	4	509,113	1,045,129
Purchase of investment property	5	-	(23,294)
Capital expenditure on investment property	5	(663,069)	(401,048)
Effects of derecognition of residual interest in subsidiaries		(33,631)	-
Purchase of shares in associates	7	(1,000)	-
Purchase of available-for-sale financial assets	9	(131,673)	(30,393)
Capital expenditure on assets classified as held for sale	14	-	(52,936)
Net cash used in investing activities		(5,361,130)	(17,980,806)
Cash flows from financing activities			
Proceeds from bank borrowings	19	1,369,846	13,697,065
Repayments of bank borrowings	19	(8,681,846)	(839,747)
Net proceeds from issuance of bonds	19	9,806,164	-
Proceeds from borrowings from associate	19	-	20,160
Repayments of borrowings from related party	19	(38,615)	(46,695)
Repayments of other borrowings	19	-	(16,532)
Dividends paid	32	(870,000)	(873,516)
Net cash generated from financing activities		1,585,549	11,940,735
Net movements in cash and cash equivalents		7,615,761	(2,201,609)
Effects of exchange rates fluctuations on the translation of cash flows of foreign operations		(7,089)	(291,607)
Reclassification of cash and cash equivalents upon rescheduling of banking facility		6,000,000	-
Cash and cash equivalents at beginning of year		(20,287,848)	(17,794,632)
Cash and cash equivalents at end of year	13	(6,679,176)	(20,287,848)

The notes on pages 10 to 75 are an integral part of these combined financial statements.

Notes to the combined financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these combined 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

These combined financial statements have been prepared solely to assist the owners of the Mizzi Organisation to present the financial position and results of the entities forming 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. These four entities are the "Guarantors" in respect of the 2009 Bond Issue of Mizzi Organisation Finance p.l.c., which is a subsidiary of one of the Guarantors. The Bonds issued are in fact guaranteed by the said four companies forming part of the Mizzi Organisation. The Mizzi Organisation also includes Falcon Wines & Spirits Limited and Mizzi Motors Limited, which are an integral component of the Guarantors' beverage and automotive business activities. Indeed, the related operations of the Guarantors and the activities of these two entities are managed on a collective basis.

Ultimately, common individuals forming part of the Mizzi family and/or common individual companies owned by these individuals equally own the Guarantors. However the Guarantors do not form a legal group and fail to meet the definition of a 'group' under IAS 27 'Consolidated and Separate Financial Statements'. The financial results and financial position of the Guarantors are not consolidated into the financial statements of a single legal company on a statutorily required basis, since no individual entity owns or controls the Guarantors. As outlined previously, the operations of the Guarantors and the other two entities forming part of the Mizzi Organisation (Falcon Wines & Spirits Limited and Mizzi Motors Limited) are managed on a unified basis. Falcon Wines & Spirits Limited and Mizzi Motors Limited are also owned in the same manner as the Guarantors. In fact, the Guarantors and these two companies are all owned by the same parties in the same proportions and are managed together as a single economic entity, notwithstanding the fact that a certain degree of autonomy and flexibility is granted to individual operating companies in the Organisation.

These combined financial statements have been prepared on the basis of the assumption that the Mizzi Organisation has operated as a legal group and a single consolidated entity. This financial information is not necessarily indicative of the Mizzi Organisation's financial position and financial performance that would have actually been presented had the Organisation actually operated as a legal group and a single consolidated entity.

The combined financial statements for the Mizzi Organisation have been prepared by aggregating the consolidated financial statements of the guarantors and their subsidiaries together with the stand-alone financial statements of the other two companies constituting the Mizzi Organisation, since all these entities are under common management and control but do not form a legal group. In terms of generally accepted accounting practice, all entities managed in this manner should be included in the combined financial statements.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The total authorised, issued and fully paid up share capital in the combined financial statements has been assumed to be the aggregate of all of the authorised, issued and fully paid up share capital of each of the Guarantors and the other two companies constituting the Mizzi Organisation.

The aggregated financial information has been adjusted to eliminate the impacts of all intra-Organisation transactions and balances, and to reflect the appropriate classification of and accounting treatment for property owned by the Organisation taking cognisance of use of such assets from the Organisation's perspective. Accordingly, for the purposes of this combined financial information, property which is occupied by any company within the Mizzi Organisation is classified as property, plant and equipment and is accounted for in accordance with IAS 16 (refer to accounting policy 1.5) since such property would be considered as owner-occupied.

These combined financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU. The financial information has been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category within property, plant and equipment, investment property and available-for-sale financial assets.

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

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the Organisation adopted new standards, amendments and interpretations to existing standards that are mandatory for the Organisation's accounting periods beginning on 1 January 2009. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Organisation's accounting policies. In particular the Organisation adopted IAS 1 (revised), 'Presentation of financial statements' which is effective for periods beginning on or after 1 January 2009. IAS 1 (revised) requires 'non-owner changes in equity' to be presented separately from 'owner changes in equity' in a statement of comprehensive income. Accordingly the Organisation presents all 'owner changes in equity' in the statement of changes in equity, whereas all items of income and expense ('non-owner changes in equity') are presented in a performance statement. Comparative information has been re-presented so that it is also in conformity with the revised standard.

Other new standards, amendments to standards and interpretations which are mandatory for the first time for the financial year beginning on 1 January 2009 and which are relevant to the Organisation include:

- IAS 23 (amendment), 'Borrowing costs'. Under the revised standard, an entity is required to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs was removed. No changes to the Organisation's accounting policies are required in this respect.
- IAS 40 (amendment), 'Investment property'. Property that is under construction or development for future use as investment property is brought within the scope of IAS 40. No changes to the Organisation's financial statements were required in this respect.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

- IFRIC 13 “Customer loyalty programmes”. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement, and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. This application of the requirements of this interpretation did not have a significant impact on the Organisation’s financial results.
- IFRS 7 (amendment), ‘Financial instruments - Disclosures’. The amendment requires enhanced disclosures about fair value measurement by level of a fair value measurement hierarchy. In accordance with the transition provisions of the standard, the group does not need to provide comparative information for the disclosures required by the amendment.

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 2009. The Organisation has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors of the entities forming part of Mizzi Organisation are of the opinion that there are no requirements that will have a possible significant impact on the Organisation’s financial statements in the period of initial application.

Entities constituting the Mizzi Organisation

The entities forming part of the Mizzi Organisation, in particular the principal subsidiaries of the respective Guarantors, whose results and financial position affected the figures of the Organisation in these combined financial statements are shown below.

(i) Consolidated Holdings Limited

The Guarantor’s principal activity is the holding of investments. The principal subsidiaries of Consolidated Holdings Limited are as follows:

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Industrial Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Industrial House National Road Blata l-Bajda Malta	Ordinary shares	100	100
The Waterfront Hotel Limited	Owner and operator of ‘The Waterfront Hotel’	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	100 100	100 100
United Acceptances Finance Limited	Finance company which entails granting and administering hire purchase agreements	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

All shareholdings are held directly by Consolidated Holdings Limited.

(ii) Kastell Limited

The Guarantor's principal activity is the holding of investments. The principal subsidiaries of Kastell Limited are as follows:

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Advanced Logistics Limited	Brand development and international franchising of the products designed, developed and sourced	Industrial Estate Textiles Road Xewkija Gozo	Ordinary shares	100	100
Arkadia International s.r.o.	Retail of clothing and accessories	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	100	100
Arkadia Marketing Limited	Owner and operator of a shopping and commercial centre and the sale of foodstore and other goods	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	100 100	100 100
Arkadia Retail s.r.o.	Non-trading	Rohacova 188/37 Prague 3 130 00 Czech Republic	Ordinary shares	100	100
Continental Cars (Imports) Limited	Importation and sale of motor vehicles (non-trading)	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	100	100
Continental Cars Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Testaferrata Street Msida Malta	Ordinary shares	100	100
Festa Limited	Provision of holiday related services and involvement in the administration of the car leasing operations	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	100	100
Hubbalit Developments Limited	Owner of site for development (non-trading)	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	100	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Malta Farmhouses Limited	Owner of property (non-trading)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Mizzi Automotive Services Limited	Provision of panel beating, spray painting and other services in the automotive industry, together with sale of spare parts	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	66%	66%
Mizzi Limited	Importation and sale of domestic appliances and spare parts, together with the provision of other ancillary services	The Lyric Antonio Bosio Street Msida Malta	Ordinary shares	100	100
Mizzi Organisation International s.r.o.	Ownership of property for rental purposes	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	100	100
Nissan Motor Sales Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Antonio Bosio Street Msida Malta	Ordinary shares	100	100
Premium Developments s.r.o.	Investment in and development of property (non-trading)	Krenicka 24 Bratislava 85101 Slovakia	Ordinary shares	-	100
Russian Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
St. Paul's Court Limited	Owner of property (non-trading)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Titan International Limited	Importation, sale and servicing of power, heating and ventilation equipment and lifts	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

All shareholdings are held directly by Kastell Limited, except for the holdings in Malta Farmhouses Limited, Mizzi Automotive Services Limited and Advanced Logistics Limited. The shareholding in Malta Farmhouses Limited is held by Festa Limited whilst the shareholding in Advanced Logistics Limited is held by Arkadia Marketing Limited. The shareholding in Mizzi Automotive Services Limited (66.7%) is held by Kastell Limited equally through Continental Cars Limited and Nissan Motor Sales Limited. This entity is ultimately wholly controlled by the Mizzi Organisation since Mizzi Holdings Limited holds the remaining shareholding (33.3%) through Muscats Motors Limited.

During the current and preceding financial years, the Organisation disposed of its interests in Premium Developments s.r.o. and Things International s.r.o. respectively. The impacts on the Organisation's financial results and its financial position of this disposal were not deemed material for disclosure purposes.

(iii) Mizzi Holdings Limited

The Guarantor's principal activity is the holding of investments and managing the affairs of the other companies within the Mizzi Organisation. The principal subsidiaries of Mizzi Holdings Limited are as follows:

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Mizzi Brothers Limited	Sale of clothes and similar goods from rented premises	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	100	100
Mizzi Estates Limited	Renting out of property, mainly to other companies forming part of the Mizzi Organisation	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	100	100
Mizzi Organisation Finance p.l.c. (<i>the issuer</i>)	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	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	100	100
Muscats Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	203, Rue D' Argens Gzira Malta	Ordinary shares	100	100

All shareholdings are held directly by Mizzi Holdings Limited.

The registered address of Consolidated Holdings Limited (refer to (i) above), Kastell Limited (refer to (ii) above) and Mizzi Holdings Limited is Mizzi House, National Road, Blata I-Bajda, Malta.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(iv) The General Soft Drinks Company Limited

The Guarantor's principal activity is the bottling of soft drinks, mineral water and other beverages. The General Soft Drinks Company Limited wholly owns Bevmed Co. Limited whose principal activity is the manufacture of plastic containers for sale to the parent company. The registered address of both companies is Marsa Industrial Estate, Marsa, Malta.

(v) Falcon Wines & Spirits Limited

The company's principal activity is the importation and sale of beer, non-alcoholic beverages and consumables, the sale of products through vending machines, the provision of servicing and other ancillary activities. The registered address of the company is Marsa Industrial Estate, Marsa, Malta.

(vi) Mizzi Motors Limited

The company's principal activity is the sale and the leasing out of motor vehicles, together with the provision of other ancillary services. The registered address of the company is Mizzi House, National Road, Blata I-Bajda, Malta.

Associates of the Mizzi Organisation

The principal associates whose results and financial position affected the figures of the Mizzi Organisation in this combined financial information are shown below.

(i) Consolidated Holdings Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Mizzi Associated Enterprises Limited	The ownership and operation of hotels, and the development of property for trading and rental purposes	30 Archbishop Street Valletta Malta	Ordinary shares	51	51

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(ii) Kastell Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Institute of English Language Studies Limited	The provision of English language courses to foreign students and other related activities	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	50	50
Lada Motors Limited	Importation and sale of motor vehicles (non-trading)	Freemond Street Qormi Malta	Ordinary shares	36	36
The Players Group Limited	Holding of investment in Maltco Lotteries Limited	Palazzo Marina, 143 St. Christopher Street Valletta Malta	Ordinary shares	25	25

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

(iii) Mizzi Holdings Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
FirstUnited Insurance Brokers Limited	To operate as an insurance broker	120, The Strand Gzira Malta	Ordinary shares	33 $\frac{1}{3}$	33 $\frac{1}{3}$
FirstUnited Insurance Management Limited	The provision of insurance management, advisory and consultancy services	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	20	20
FirstUnited Investments Limited	Non-trading	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	25	25
Heritage Motor Company Limited	Non-trading	Level 4, Suite 7 The Plaza Commercial Centre Bisazza Street Sliema Malta	Ordinary shares	25	25

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Primax Limited	Holding of investments	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares	50	-

All shareholdings are held directly by Mizzi Holdings Limited.

(iv) The General Soft Drinks Company Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2009 %	2008 %
Malta Deposit and Return System Limited	Non-trading - in liquidation	Mizzi House National Road Blata I-Bajda Malta	Ordinary shares Redeemable preference shares	35½ 35½	35½ 35½

The shareholding is held directly by The General Soft Drinks Company Limited.

1.2 Consolidation

(a) *Subsidiaries*

Subsidiaries are all entities over which the Organisation 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 Organisation. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Organisation. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Organisation's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary undertaking acquired, the difference is recognised directly in profit or loss (refer to accounting policy 1.7[a] – Intangible assets).

Inter-company transactions, balances and unrealised gains on transactions between entities forming part of Mizzi Organisation 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 Organisation.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Associates

Associates are all entities over which the Organisation has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the combined financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The Organisation's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (refer to accounting policy 1.7[a] – Intangible assets).

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

Unrealised gains on transactions between the Organisation and its associates are eliminated to the extent of the Organisation'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 Organisation.

1.3 Foreign currencies

(a) Functional and presentation currency

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

(c) Companies forming part of Mizzi Organisation

The results and financial position of all the entities forming part of Mizzi Organisation 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 rates on the dates of the transactions); and
- (iii) all resulting exchange differences are recognised as a separate component of equity.

1. Summary of significant accounting policies - continued

1.3 Foreign currencies

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

1.4 Business combinations involving entities under common control

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

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

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

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

1.5 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on periodic valuations by professional valuers, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is subsequently stated at historical cost less depreciation. 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 Organisation 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.

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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

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

	%
Buildings	1 - 2
Improvements to premises	2 - 33 $\frac{1}{3}$
Plant, machinery and operational equipment	8 $\frac{1}{3}$ - 33 $\frac{1}{3}$
Furniture, fittings and office equipment	10 - 33 $\frac{1}{3}$
Motor vehicles	10 - 33 $\frac{1}{3}$

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.

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

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

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

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included 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. Summary of significant accounting policies - continued

1.6 Investment property

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

Investment property is measured initially at its 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 Organisation uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually 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 Organisation 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 Organisation decides to dispose of an investment property without development, the Organisation continues to treat the property as an investment property. Similarly, if the Organisation begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

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

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

1.7 Intangible assets

(a) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Organisation'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. Summary of significant accounting policies - continued

1.8 Financial assets

Classification

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

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Organisation 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 Organisation's loans and receivables comprise loans and advances, trade and other receivables, amounts receivable from hire purchase debtors and cash and cash equivalents in the statement of financial position (notes 1.9, 1.11, 1.12 and 1.13).

(b) Available-for-sale financial assets

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

Recognition and measurement

The Organisation 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 Organisation. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

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

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

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

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

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 Organisation 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 Organisation's right to receive payment is established.

Impairment

The Organisation 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 Organisation first assesses whether objective evidence of impairment exists. The criteria that the Organisation 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, hire purchase and other receivables is described in notes 1.11 and 1.12.

(b) Assets classified as available for sale

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

1.9 Loans and advances

Under the requirements of IAS 39, the Organisation's loans and advances, consisting in the main of advances to an associate, are classified as loans and advances, unless the Organisation 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.

1. Summary of significant accounting policies - continued

1.9 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 using the effective interest method. The Organisation assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

1.10 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.
- inventories of hotel food, beverages and other related goods are valued using the first-in, first-out method.

The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. The cost of raw materials comprises the invoiced value of materials, net of government grants received (refer to accounting policy 1.23 – Government grants), and includes transport and handling costs. The cost of manufactured finished goods comprises raw materials, direct labour, other direct costs and related production overheads.

Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. In respect of container stocks, net realisable value is estimated by writing down the cost of these stocks to estimated residual values over their estimated useful life.

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. Summary of significant accounting policies - continued

1.11 Trade and other receivables

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

1.12 Amounts receivable from hire purchase debtors

An entity forming part of the Mizzi Organisation acquires and finances trade receivables arising from the sale of goods and services by other companies within the Organisation. 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 Organisation's statement of financial position. The entity would have retained substantially all the risks and rewards of ownership of the hire purchase receivables which it factors out to bankers. The receivables factored out by the entity are not derecognised from the Organisation's statement of financial position. 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.

Bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the entity 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.

1. Summary of significant accounting policies - continued

1.13 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks, bank overdrafts and the current portion of the factoring facility in respect of bills of exchange factored out. The bank overdrafts and the short-term portion of the facility in respect of bills of exchange factored out are shown within borrowings in current liabilities in the statement of financial position.

1.14 Non-current assets held for sale

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

1.15 Financial liabilities

The Organisation recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Organisation'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 Organisation 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 Organisation 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 Offsetting financial instruments

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

1. Summary of significant accounting policies - continued

1.19 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred 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 end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

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

Deferred 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.

1.20 Provisions

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

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

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

1.21 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Organisation's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The Organisation 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 Organisation's activities as described below.

1. Summary of significant accounting policies - continued

1.21 Revenue recognition - continued

(a) Sales of goods

Sales of goods are recognised when the Organisation 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 1.24 for 'Operating leases'.

Sales relating to long-term contracts – refer to accounting policy 1.22 for 'Long-term contracts'.

(c) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues, on a time-proportion basis 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 as it accrues unless collectibility is in doubt.

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

1.22 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 Organisation 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.

1. Summary of significant accounting policies - continued

1.22 Long-term contracts - continued

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 Organisation 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 Organisation 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.

1.23 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 Organisation 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.

1.24 Operating leases

(a) An undertaking is the lessee

Leases of assets where 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) An undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.5. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1. Summary of significant accounting policies - continued

1.25 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.

1.26 Borrowing costs

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

1.27 Dividend distribution

Dividend distribution to the 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 Organisation'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 Organisation's overall risk management, covering risk exposures for all companies constituting the Mizzi Organisation, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Organisation's financial performance. The board of directors governing all Mizzi Organisation entities provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Organisation did not make use of derivative financial instruments (as defined by, and falling within the scope of, IAS 39) to hedge certain risk exposures during the current and preceding financial years.

2. Financial risk management - continued

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the Organisation's purchases are denominated in US dollar, sterling and Japanese yen, and accordingly the Organisation is exposed to foreign exchange risk arising from such purchases. An entity domiciled overseas (see accounting policy 1.1(ii)) has a functional currency which is different from the euro and is subject to currency risk in respect of intra-Organisation balances denominated in euro amounting to €495,184 (2008: €493,284). In the preceding year, other entities also had a functional currency which was different from the euro and from the currencies in which their purchases were denominated, as outlined above. These entities were subject to currency risk in respect of borrowings and intra-Organisation balances denominated in euro amounting to €3,667,253 at 31 December 2008. The exposures from such instruments are not deemed material in the context of the overall Organisation's figures. The Organisation's main risk exposure reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting periods were as follows:

	2009	2008
	€	€
Trade and other payables		
GBP	287,964	544,900

The Organisation's risk exposures reflecting the carrying amount of payables denominated in other foreign currencies at the end of the reporting periods 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.

The Organisation'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 Organisation's significant instruments which are subject to fixed interest rates comprise amounts receivable under finance lease arrangements (Note 10), amounts receivable from hire purchase debtors (Note 11), non-cumulative redeemable preference shares (Note 19) and the bonds issued to the general public (Note 19). In this respect, the Organisation is 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.

2. Financial risk management - continued

The Organisation's interest rate risk principally arises from bank borrowings, including bills of exchange factored out to bank, issued at variable rates (Note 19) which expose the Organisation 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 Organisation's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

The Organisation is exposed to commodity price risk in relation to purchases of certain raw materials. The related entity enters into contractual arrangements for the procurement of these raw materials at variable market prices but at the end of the reporting period there were no outstanding contractual commitments in this respect. Management does not consider the potential impact of a defined shift in commodity prices on profit or loss to be significant, particularly in view of the weighting of purchases of such raw materials in relation to the Organisation's total purchases.

The Organisation is exposed to equity securities price risk in view of investments held by the Organisation which have been classified in the combined statement of financial position as available-for-sale. To manage its price risk arising from investments in equity securities, the Organisation diversifies its portfolio in terms of listing status and business sectors of investees. A significant portion of the Organisation's available-for-sale investments are quoted on the Malta Stock Exchange and are accordingly incorporated in the MSE equity index. The impact of a reasonable possible shift in the MSE equity index on the Organisation's available-for-sale revaluation reserve is not deemed significant in the context of the Organisation's figures reported in the combined 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 Organisation's investments are in unlisted private companies, whilst certain other investments are listed on other stock exchanges (refer to Note 9).

(b) Credit risk

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

	2009	2008
	€	€
Loans and receivables category:		
Trade and other receivables (Note 10)	35,798,463	38,400,761
Loans and advances (Note 8)	575,938	575,938
Cash and cash equivalents	2,458,839	3,075,404
	38,833,240	42,052,103

2. Financial risk management - continued

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 Organisation does not hold any significant collateral as security in this respect.

Entities forming part of the Mizzi Organisation principally bank with local financial institutions with high quality standing or rating.

The Organisation's debtors comprise trade receivables arising from the core operations of the Mizzi Organisation companies and amounts receivable from hire purchase debtors in respect of financing provided by an undertaking. The Organisation 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 Organisation 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 Organisation's debtors, taking into account historical experience in collection of accounts receivable.

In view of nature of the Organisation's activities and the markets in which it operates, a limited number of customers account for a certain percentage of the Organisation'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 €2,596,526 (2008: €2,828,126). Over the years, these customers traded frequently with the Organisation and they were deemed by management to have acceptable credit standing, usually taking cognisance of the performance history in relation to defaults. These exposures are monitored and reported more frequently and rigorously. In view of the financial circumstances of one of these customers, a provision for impairment covering a portion of the receivable was deemed necessary at the end of the reporting period reflecting the possibility of default and potential recoveries from the customer. The Organisation also has a significant concentration of credit risk with respect to finance lease debts because the receivables from two (2008: three) customers constitute 97% (2008: 98%) of the Organisation's finance lease receivables (see Note 10). These exposures are monitored and reported more frequently and rigorously.

The Organisation manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Organisation'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 Organisation's loans referred to in the table above consist of advances to an associate of the Organisation and the Organisation's trade and other receivables include significant amounts due from related parties. The Organisation's treasury monitors related party credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The Organisation assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Organisation takes 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

As at 31 December 2009, hire purchase receivables with a face value of €5,489,766 (2008: €5,623,583) were impaired and the amount of the provisions in this respect are €2,509,891 (2008: €2,332,957). 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 Organisation 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:

	2009	2008
	€	€
At beginning of year	2,332,957	2,134,321
Reversals of provisions which are no longer required	(258,520)	(371,829)
Reversals of provisions in relation to amounts written off	(341,939)	-
Increase in provisions	777,393	570,465
At end of year	2,509,891	2,332,957

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 disclosed in Note 23 and are included in 'Administrative expenses' in profit or loss.

As at 31 December 2009, trade receivables of €1,926,202 (2008: €1,834,320) and other receivables of €2,054,721 (2008: €2,061,155) 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. Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances. The Organisation does not hold any collateral as security in respect of the impaired assets. The movements in provisions for impairment of these receivables are disclosed in Note 23 to these financial statements.

As at 31 December 2009, amounts receivable from hire purchase debtors of €2,501,915 (2008: €3,173,056) 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 Organisation 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:

	2009	2008
	€	€
Up to 3 months	1,167,846	1,503,159
3 to 6 months	693,561	931,157
6 to 12 months	459,251	496,531
12 months and over	181,257	242,209
	2,501,915	3,173,056

As at 31 December 2009, trade receivables of €1,878,116 (2008: €1,981,481) 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 Organisation'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 Organisation 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:

	2009	2008
	€	€
Up to 3 months	1,442,685	1,458,647
Over 3 months	435,431	522,834
	1,878,116	1,981,481

At 31 December 2009 and 2008, 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.

(c) Liquidity risk

The Organisation is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 19) and trade and other payables (Note 18). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Organisation's obligations.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of Mizzi Organisation within certain parameters. The Organisation'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 Organisation's committed bank borrowing facilities and other financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Organisation as significant taking into account the liquidity management process referred to above.

2. Financial risk management - continued

The tables below analyse the Organisation's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date on the assumption that the 2009 bonds will be redeemed at the latest optional redemption date. At 31 December 2008, maturity in relation to the 2002 bonds was based on the assumption that the bonds will be redeemed at the earliest optional redemption date i.e. 31 May 2010 considered the earliest contractual maturity date for disclosure purposes. 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 €
At 31 December 2009					
Bank borrowings	11,500,684	5,938,040	12,829,523	11,451,048	41,719,295
2002 Bonds	3,767,757	-	-	-	3,767,757
2009 Bonds	1,916,430	1,860,000	5,580,000	39,300,000	48,656,430
Loans from related parties	305,567	-	-	-	305,567
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	18,679,136	-	-	-	18,679,136
	36,169,574	7,798,040	18,409,523	51,566,329	113,943,466
At 31 December 2008					
Bank borrowings	26,416,807	4,282,615	14,055,761	18,032,518	62,787,701
2002 Bonds	1,560,680	23,944,017	-	-	25,504,697
Loans from related parties	344,182	-	-	-	344,182
Redeemable preference shares	-	-	-	815,281	815,281
Trade and other payables	21,154,722	-	-	-	21,154,722
	49,476,391	28,226,632	14,055,761	18,847,799	110,606,583

2.2 Capital risk management

The Organisation's capital is managed at the level of Mizzi Organisation by reference to the aggregate level of equity and borrowings or debt as disclosed in the respective consolidated financial statements of Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, together with the financial statements of Falcon Wines & Spirits Limited and Mizzi Motors Limited. The capital of the entities forming part of the Mizzi Organisation, which have been mentioned above, is managed on an aggregate basis by the Organisation as if they were organised as one entity. The Organisation's objectives when managing capital are to safeguard the Organisation'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 entities forming part of the Organisation may issue new shares or adjust the amounts of dividends paid to shareholders.

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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	2009	2008
	€	€
Total borrowings	72,552,943	78,396,557
Less: cash and cash equivalents	(2,458,839)	(3,075,404)
Net debt	70,094,104	75,321,153
Total equity	86,928,009	86,706,951
Total capital	157,022,113	162,028,104
Net debt/total capital	45%	46%

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 the Organisation, as reflected in the combined 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 Organisation's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the combined financial statements is deemed adequate by management.

2.3 Fair values of financial instruments

At 31 December 2009 and 2008 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the combined 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 and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Organisation for similar financial instruments. The carrying amount of the Organisation's non-current advances to associate and non-current hire purchase receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Organisation's non-current floating interest rate bank borrowings at the end of the reporting periods is not significantly different from the carrying amounts. Information on the fair value of the bonds issued to the public is disclosed in the respective note to the combined financial statements.

2. Financial risk management - continued

With effect from 1 January 2009, the Organisation adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This amendment requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

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

The fair value of available-for-sale equity securities traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Organisation 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 Organisation 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 2009, the Organisation's available-for-sale financial assets with a carrying amount of €812,830 are categorised as level 1 instruments since these investments are listed in active markets. With respect to investments with a carrying amount of €932,329, reflecting historical cost less impairment, fair value determined by reference to level 2 categorisation is deemed to approximate carrying amounts.

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 combined financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

As referred to in Notes 4 and 5 to this combined financial information, the Organisation's land and buildings category of property, plant and equipment and investment property are fair valued annually on 31 December on the basis of professional advice, which considers current market prices in an active market for all properties.

4. Property, plant and equipment

	Assets in course of construction and payments on account €	Land, buildings and improvements to premises €	Plant, machinery and operational equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2008						
Cost or valuation	15,252,015	65,954,060	25,555,472	13,644,276	8,993,958	129,399,781
Accumulated depreciation and impairment losses	-	(5,995,815)	(21,429,479)	(10,846,973)	(4,505,268)	(42,777,535)
Net book amount	15,252,015	59,958,245	4,125,993	2,797,303	4,488,690	86,622,246
Year ended 31 December 2008						
Opening net book amount	15,252,015	59,958,245	4,125,993	2,797,303	4,488,690	86,622,246
Revaluation surplus arising during the year (Note 16)	-	1,657,313	-	-	-	1,657,313
Impairment charges:						
- recognised in other comprehensive income (effect on cost or valuation) - Note 16	-	(233,217)	-	-	-	(233,217)
- recognised in profit or loss	-	(336,034)	(165,203)	-	-	(501,237)
Additions	9,518,306	1,591,353	628,208	1,707,884	3,021,922	16,467,673
Reclassifications	(24,770,321)	17,073,997	7,696,324	-	-	-
Disposals	-	(48,014)	(249,793)	(395,258)	(1,172,637)	(1,865,702)
Depreciation charge	-	(1,226,011)	(1,831,106)	(1,010,329)	(1,362,971)	(5,430,417)
Depreciation released on disposals	-	7,837	121,877	157,175	661,788	948,677
Exchange differences	-	61,515	80,416	9,321	3,870	155,122
Reclassification to investment property (Note 5)	-	(5,258,593)	-	-	-	(5,258,593)
Closing net book amount	-	73,248,391	10,406,716	3,266,096	5,640,662	92,561,865
At 31 December 2008						
Cost or valuation	-	79,294,294	33,385,067	15,008,023	10,784,337	138,471,721
Accumulated depreciation and impairment losses	-	(6,045,903)	(22,978,351)	(11,741,927)	(5,143,675)	(45,909,856)
Net book amount	-	73,248,391	10,406,716	3,266,096	5,640,662	92,561,865

4. Property, plant and equipment - continued

	Land, buildings and improvements to premises €	Plant, machinery and operational equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Total €
Year ended					
31 December 2009					
Opening net book amount	73,248,391	10,406,716	3,266,096	5,640,662	92,561,865
Impairment charges - recognised in profit or loss	(59,926)	(41,351)	-	-	(101,277)
Additions	1,051,606	848,888	1,343,722	1,458,906	4,703,122
Disposals	-	(294,246)	(29,243)	(1,330,488)	(1,653,977)
Depreciation charge	(1,362,655)	(1,701,077)	(1,097,241)	(1,556,017)	(5,716,990)
Depreciation released on disposals	-	225,716	29,045	1,023,379	1,278,140
Closing net book amount	72,877,416	9,444,646	3,512,379	5,236,442	91,070,883
At 31 December 2009					
Cost or valuation	80,345,900	33,939,709	16,322,502	10,912,755	141,520,866
Accumulated depreciation and impairment losses	(7,468,484)	(24,495,063)	(12,810,123)	(5,676,313)	(50,449,983)
Net book amount	72,877,416	9,444,646	3,512,379	5,236,442	91,070,883

The Organisation's land and buildings were last revalued on 31 December 2009 by a professionally qualified valuer. Valuations were made on the basis of open market value. On 31 December 2009, no adjustments to the property's carrying amount were necessary. The book value of the property had been adjusted to the revaluation in prior years and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in owners' equity (see Note 16).

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

	2009 €	2008 €
Cost	40,412,531	39,252,430
Accumulated depreciation and impairment losses	(5,269,633)	(4,877,871)
Net book amount	35,142,898	34,374,559

As at 31 December 2009, bank borrowings in the name of undertakings forming part of the Mizzi Organisation are secured on the Organisation's land, buildings and improvements to premises with a net book amount of €71,467,000 (2008: €71,722,000).

4. Property, plant and equipment - continued

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 impairment charges recognised in profit or loss during the years ended 31 December 2009 and 2008 arose on improvements to premises and operational equipment attributable to overseas outlets utilised by the Organisation for retailing of clothing and similar goods, in view of the resolution of the directors of the respective entity to cease operations from these outlets. 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.

During the financial year ended 31 December 2008, the directors of two entities forming part of the Mizzi Organisation have reviewed the estimated remaining useful life of particular asset categories within property, plant and equipment. The useful life of certain components of the plant, machinery and operational equipment category had been revised from 6 to 10 years, whilst the useful life of a particular component of the motor vehicles category had been revised from 4 to 5 years. The effect of these changes in accounting estimates on the financial results of the Organisation for the year under review and on the financial position at the end of the reporting period was a decrease in the depreciation charge on the plant, machinery and operational equipment category of €345,889 (2008: €345,889) and a decrease of €250,489 (2008: €313,114) in relation to the motor vehicles category. These changes in accounting estimates have also resulted in an equivalent aggregate increase of €596,378 (2008: €659,003) in the net assets of the Organisation. The resultant decreased depreciation charge has been included in the determination of the financial results for the applicable 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.

The transfer of property from property, plant and equipment to investment property, reflected in the table above and effected during the year ended 31 December 2008, related to reclassification as a result of change in use evidenced by end of owner-occupation.

4. Property, plant and equipment - continued

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

	At 31 December 2009	At 31 December 2008	At 1 January 2008
	€	€	€
Cost	4,259,440	3,885,902	3,450,646
Accumulated depreciation	(1,558,795)	(1,182,272)	(862,392)
Net book amount	2,700,645	2,703,630	2,588,254

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

	2009	2008
	€	€
Year ended 31 December		
Opening net book amount	2,703,630	2,588,254
Additions	784,088	764,709
Disposals	(410,550)	(329,453)
Depreciation charge	(578,730)	(424,244)
Depreciation released on disposals	202,207	104,364
Closing net book amount	2,700,645	2,703,630

5. Investment property

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	22,439,974	16,722,098
Additions resulting from acquisitions	-	23,294
Additions resulting from subsequent expenditure	663,069	435,989
Losses from changes in fair value	(28,631)	-
Reclassification from property plant and equipment (Note 4)	-	5,258,593
Reclassification from assets classified as held for sale (Note 14)	509,394	-
Reclassification to inventories (Note 12)	(1,831,498)	-
Closing carrying amount	21,752,308	22,439,974

	2009	2008
	€	€
At 31 December		
Cost	7,332,399	7,461,938
Fair value gains	14,419,909	14,978,036
Carrying amount	21,752,308	22,439,974

5. Investment property - continued

The transfer to inventories relates to reclassification of property as a result of changes in intended use evidenced by development with a view to sale.

The transfer from assets classified as held for sale to investment property relates to a reclassification as a result of management's decision to retain property, which was previously earmarked for disposal, for the purposes of earning rentals and capital appreciation.

The transfer of property from property, plant and equipment to investment property, reflected in the table above and effected during the year ended 31 December 2008, related to reclassification as a result of change in use evidenced by end of owner-occupation.

The Organisation's investment properties are valued annually on 31 December at fair value, comprising open market value, by a professionally qualified valuer. Valuations were based on current prices in an active market for all properties.

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

	2009	2008
	€	€
Cost	7,332,399	7,461,938
Accumulated depreciation	(446,816)	(812,070)
Net book amount	6,885,583	6,649,868

As at 31 December 2009, bank borrowings in the name of undertakings forming part of the Mizzi Organisation are secured on the Organisation's investment property with a fair value of €11,736,000 (2008: €11,163,000).

In prior years an entity forming part of the Mizzi Organisation was a recipient company of the division of a fully-owned subsidiary of an associate of the Organisation. As a result of the division, the entity acquired investment property in exchange for the issue of redeemable preference shares (see Note 19). The investment property was transferred at its open market value.

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

	€
At 31 December 2009, 2008 and 2007	
Cost	1,756,549
Fair value gains	825,090
Carrying amount	2,581,639

6. Intangible assets

	Franchise rights €
At 31 December 2009, 2008 and 2007	
Cost	46,587
Accumulated amortisation	(46,587)
Net book amount	-

7. Investments in associates

	2009 €	2008 €
Year ended 31 December		
Opening carrying amount	16,495,456	15,967,400
Additions at cost	1,000	-
Share of profit	45,265	962,037
Share of revaluation surplus on land and buildings arising during the year (Note 16)	-	82,356
Redemption of capitalised ground rents (Note 17)	(1,307)	(2,276)
Dividends received	(434,169)	(514,061)
Closing carrying amount	16,106,245	16,495,456
	2009 €	2008 €
At 31 December		
Cost	1,827,026	1,826,026
Provisions for impairment	(62,020)	(62,020)
Share of profits and reserves	14,341,239	14,731,450
Carrying amount	16,106,245	16,495,456

The Organisation's share of profit of the associates, disclosed in the tables above and in profit or loss, is after tax and minority interests in the associates.

Additions during the current financial year, reflected in the table above, relate to the incorporation of Primax Limited.

7. Investments in associates - continued

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

	Assets €	Liabilities €	Revenues €	Profit/(loss) €
2009				
FirstUnited Insurance Brokers Limited	933,567	712,313	403,739	62,371
FirstUnited Insurance Management Limited	50,391	4,783	64,902	21,607
FirstUnited Investments Limited	15,876	1,706	-	5,566
Institute of English Language Studies Limited	3,975,449	3,105,683	1,688,253	(203,065)
Lada Motors Limited	43,796	1,206	-	(607)
Mizzi Associated Enterprises Limited	17,376,544	2,642,962	2,253,829	14,026
The Players Group Limited	599,399	573,468	-	145,367
	22,995,022	7,042,121	4,410,723	45,265
2008				
FirstUnited Insurance Brokers Limited	1,008,354	802,366	414,701	52,421
FirstUnited Insurance Management Limited	44,560	3,900	39,938	13,109
FirstUnited Investments Limited	16,043	1,674	676	(186)
Institute of English Language Studies Limited	4,052,013	2,979,182	2,237,820	194,308
Lada Motors Limited	44,433	1,236	-	54
Mizzi Associated Enterprises Limited	17,768,205	2,894,201	2,957,374	483,170
The Players Group Limited	599,524	573,343	-	219,161
	23,533,132	7,255,902	5,650,509	962,037

7. Investments in associates - continued

The Organisation's share of the results of Malta Deposit and Return System Limited is not recognised in these financial statements. A provision for impairment has been recognised for the Organisation's investment in this associate. By virtue of a resolution dated 17 December 2008, the shareholders of Malta Deposit and Return System Limited had approved the voluntary dissolution and consequential winding up of the company. The Organisation's share of the results of the associate and its share of the assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Loss €
2008	786	(25,622)	-	(114)

8. Loans and advances: non-current amounts

At the end of the reporting period the Organisation had advanced an amount of €575,938 (2008: €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 shareholders' 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 of the respective entity forming part of the Mizzi Organisation, the fair value of this asset approximates its carrying amount.

9. Available-for-sale financial assets

	2009 €	2008 €
Year ended 31 December		
Opening carrying amount	1,615,369	2,016,073
Additions at cost	131,673	30,393
Losses from changes in fair value (Note 16)	(1,883)	(431,097)
Closing carrying amount	1,745,159	1,615,369
At 31 December		
Cost	2,271,417	2,139,744
Fair value losses	(200,234)	(198,351)
Provisions for impairment	(326,024)	(326,024)
Carrying amount	1,745,159	1,615,369

9. Available-for-sale financial assets - continued

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

	2009 €	2008 €
Investments listed on the Malta Stock Exchange	651,185	639,344
Investments listed on other stock exchanges	161,645	118,700
Other investments in unlisted local private companies	932,329	857,325
	1,745,159	1,615,369

The Organisation's available-for-sale investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange and other stock exchanges, fair value is determined by reference to quoted market prices. For other 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 these other investments approximates fair value and no movements have been recognised in equity. An impairment loss had been recognised in prior years in respect of an investment in an unlisted company which is in unexpected adverse trading and operating conditions.

10. Trade and other receivables

	2009 €	2008 €
Current		
Trade receivables	10,857,111	10,135,327
Amounts receivable from hire purchase debtors (Note 11)	6,239,852	6,073,112
Gross amounts due from customers for contract work	1,018,494	837,665
Finance lease receivables (net of unearned finance income)	212,027	238,567
Amounts owed by associates	501,359	382,646
Amounts owed by other related parties	2,108,706	1,266,581
Government grants receivable	71,920	93,479
Amounts recoverable in respect of capital expenditure	891,396	1,347,822
Advance payments to suppliers	30,795	167,305
Other receivables	2,536,729	3,443,769
Indirect taxation	1,161,585	1,184,056
Prepayments and accrued income	2,359,746	3,466,755
	27,989,720	28,637,084
	2009 €	2008 €
Non-current		
Amounts receivable from hire purchase debtors (Note 11)	6,366,835	7,336,390
Finance lease receivables (net of unearned finance income)	695,932	1,249,250
Other receivables	491,408	915,838
Prepayments and accrued income	254,568	262,199
	7,808,743	9,763,677

Non-current amounts are principally receivable within five years from the end of the reporting periods.

10. Trade and other receivables - continued

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

	2009	2008
	€	€
Trade receivables	1,926,202	1,834,320
Finance lease receivables	-	53,056
Other receivables: current amounts	1,707,429	1,485,102
Other receivables: non-current amounts	320,027	492,170
Amounts owed by related parties	27,265	30,827
	3,980,923	3,895,475

Provisions for impairment of amounts receivable from hire purchase debtors are disclosed separately in Note 11.

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 €2,774,280 (2008: €2,832,836). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above on page 49 and in Note 18 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. Gross receivables from finance leases at the end of the reporting period are analysed as follows:

	2009	2008
	€	€
Gross finance lease receivables:		
Not later than one year	278,103	408,845
Later than one year and not later than five years	780,433	1,420,571
Later than five years	-	33,878
	1,058,536	1,863,294
Unearned future finance income	(150,577)	(322,421)
Provisions for impairment	-	(53,056)
Net investment in finance leases	907,959	1,487,817

The net investment in finance leases is analysed as follows:

	2009	2008
	€	€
Not later than one year	212,027	238,567
Later than one year and not later than five years	695,932	1,216,071
Later than five years	-	33,179
	907,959	1,487,817

Amounts receivable from finance lease debtors are subject to an effective interest rate of 9% (2008: 8%).

10. Trade and other receivables - continued

Government grants receivable at the end of the reporting period, disclosed in the table above, relate to state aid in respect of the interest rate subsidy scheme. These grants are recognised in profit or loss on an accrual basis to match them with the finance costs they are intended to compensate. The impact of these grants on the current year's results is the amount reflected above.

Government grants receivable as at 31 December 2008, related to state aid in respect of importation of raw materials. A corresponding adjustment to the carrying amount of the related inventories is recorded upon receipt of the grant and accordingly these grants are recognised in profit or loss when inventories affect the cost of goods sold reported in profit or loss. The impact of such grants on the current year's results amounts to €210,330 (2008: €410,707). The impact of other Government grants received on the Organisation's financial results is disclosed in Note 25.

Amounts recoverable in respect of capital expenditure were the subject matter of arbitration proceedings in respect of which judgement was delivered in favour of the entity during the current financial year.

Other receivables mainly comprise amounts receivable from the Organisation's customers in relation to contractual arrangements entered into with these parties.

11. Amounts receivable from hire purchase debtors

	2009	2008
	€	€
Current		
Debtors on whom bills of exchange were drawn	8,369,089	8,070,891
Provisions for impairment	(2,129,237)	(1,997,779)
	6,239,852	6,073,112
Non-current		
Debtors on whom bills of exchange were drawn	6,747,489	7,671,568
Provisions for impairment	(380,654)	(335,178)
	6,366,835	7,336,390
Total amounts receivable from hire purchase debtors	12,606,687	13,409,502

Amounts receivable from hire purchase debtors relate to trade receivables arising from the sale of goods and services by companies forming part of the Mizzi Organisation, which are acquired and financed by an entity within the Organisation. 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. Provisions for impairment of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in profit or loss.

11. Amounts receivable from hire purchase debtors - continued

During the financial year under review, the entity has financed receivables with a face value amounting to €4,851,859 (2008: €7,104,096). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8% (2008: 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 Organisation'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 19). Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the Organisation. 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 years ended 31 December 2009 and 2008 no receivables have been factored out in this manner.

12. Inventories

	2009	2008
	€	€
Property being developed with a view to sale		
Reclassification from investment property (Note 5)	1,831,498	-
Reclassification from assets classified as held for sale (Note 14)	81,528	-
Additions resulting from subsequent expenditure	428,197	-
	2,341,223	-
Goods held for resale		
Motor vehicles, spare parts and related supplies	7,770,073	11,664,176
Other goods purchased for resale	3,761,982	3,933,044
Raw materials and manufactured finished goods	2,199,032	2,777,507
Containers (carried at net realisable value)	214,758	321,295
Goods in transit	997,605	232,561
Contract and other work in progress	273,389	169,326
Payments on account in respect of motor vehicles and spare parts	365,803	161,230
	15,582,642	19,259,139
 Total inventories	 17,923,865	 19,259,139

The transfers from investment property and assets classified as held for sale relate to reclassification of property as a result of changes in intended use evidenced by development with a view to sale.

The cost of inventories recognised as expense is appropriately disclosed in Note 23 of the financial statements. During the year ended 31 December 2009, inventory write-downs amounted to €107,347 (2008: €1,136,377). These amounts have been included in 'Cost of sales' in profit or loss.

Bank borrowings in the name of entities forming part of the Mizzi Organisation are secured on inventories with a carrying amount of €3,953,000 (2008: €4,450,000) – refer to Note 19.

13. Cash and cash equivalents

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

	2009 €	2008 €
Cash at bank and in hand	2,458,839	3,075,404
Bank overdrafts (Note 19)	(8,005,063)	(22,366,944)
Bills of exchange factored out to bank (Note 19)	(1,132,952)	(996,308)
	(6,679,176)	(20,287,848)

The current portion of the factoring facility in respect of bills of exchange factored out to bank (Note 19) is treated as a cash equivalent since this facility forms an integral part of the Organisation's cash management.

During the current year, a banking facility for the amount of €6,000,000 has been rescheduled and converted from an overdraft facility into a loan with scheduled repayment terms. Accordingly, this facility is no longer classified as a cash equivalent as it does not form an integral part of the Organisation's cash management.

14. Assets classified as held for sale

	2009 €	2008 €
Property classified as held for sale		
Opening carrying amount	596,728	543,792
Additions resulting from subsequent expenditure	-	52,936
Reclassification to investment property (Note 5)	(509,394)	-
Reclassification to inventories (Note 12)	(81,528)	-
	5,806	596,728

The transfer from assets classified as held for sale to investment property relates to a reclassification as a result of management's decision to retain property, which was previously earmarked for disposal, for the purposes of earning rentals and capital appreciation. The transfer to inventories relates to reclassification of property as a result of changes in intended use evidenced by development with a view to sale.

15. Share capital

	2009 €	2008 €
Authorised		
1,571,998 (2008: 1,571,998) ordinary shares of €2.329373 each	3,661,770	3,661,770
Issued and fully paid		
1,059,700 (2008: 1,059,700) ordinary shares of €2.329373 each	2,468,437	2,468,437

The total authorised, issued and fully paid up share capital for the combined financial statements has been assumed to be the aggregate of all of the authorised, issued and fully paid up share capital of each of the guarantors and the other two companies constituting the Mizzi Organisation.

16. Revaluation reserves

	2009 €	2008 €
Surplus arising on fair valuation of:		
Land and buildings of entities forming part of the Mizzi Organisation	32,053,378	32,185,472
Land and buildings of associates	5,822,402	5,897,128
Available-for-sale financial assets	(200,234)	(198,351)
	37,675,546	37,884,249

The movements in each category are analysed as follows:

	2009 €	2008 €
Land and buildings of entities forming part of the Mizzi Organisation		
At beginning of year	32,185,472	31,106,741
Revaluation surplus arising during the year (Note 4)	-	1,657,313
Impairment charges (Note 4)	-	(233,217)
Transfer upon realisation through asset use	(118,345)	(126,580)
Deferred income taxes on revaluation surplus arising during the year (Note 20)	-	(198,879)
Deferred income taxes on realisation through impairment charges (Note 20)	-	27,986
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 20)	(55,171)	(92,193)
Deferred income taxes on realisation through asset use (Note 20)	41,422	44,301
At end of year	32,053,378	32,185,472

16. Revaluation reserves - continued

	2009	2008
	€	€
Land and buildings of associates		
At beginning of year	5,897,128	5,995,115
Share of revaluation surplus arising during the year (Note 7)	-	82,356
Transfer upon realisation through asset use – share of depreciation transfer, net of deferred tax	(74,726)	(180,343)
	5,822,402	5,897,128
	€	€
Available-for-sale financial assets		
At beginning of year	(198,351)	232,746
Losses from changes in fair value (Note 9)	(1,883)	(431,097)
	(200,234)	(198,351)

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 Organisation'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 transferred to profit or loss as gains and losses from available-for-sale financial assets.

The revaluation reserves are non-distributable.

17. Fair value gains and other reserves

	2009	2008
	€	€
Fair value gains reserve in respect of investment property	9,843,636	9,950,690
Share of associate's incentives and benefits reserve	310,548	310,548
Capital reserves	322,115	322,115
Share of associate's capital reserve	199,655	200,962
Translation reserve	(14,755)	(171,321)
	10,661,199	10,612,994

17. Fair value gains and other reserves - continued

The movements in each category are analysed as follows:

	2009 €	2008 €
Fair value gains reserve in respect of investment property		
At beginning of year	9,950,690	9,999,664
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 20)	(107,054)	(48,974)
At end of year	9,843,636	9,950,690
Share of associated undertaking's incentives and benefits reserve		
At beginning of year	310,548	340,091
Share of transfer to retained earnings	-	(29,543)
At end of year	310,548	310,548
Capital reserves		
At beginning and end of year	322,115	322,115
Share of associate's capital reserve		
At beginning of year	200,962	203,238
Redemption of capitalised ground rents (Note 7)	(1,307)	(2,276)
At end of year	199,655	200,962
Translation reserve		
At beginning of year	(171,321)	(34,836)
Realisation of translation reserve upon adoption of euro in country of incorporation - reclassified to retained earnings	164,575	-
Currency translation differences arising during the year	(8,009)	(136,485)
At end of year	(14,755)	(171,321)

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

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

17. Fair value gains and other reserves - continued

In accordance with Sections 24B and 36 of the Business Promotion Act, transfers are affected by an associate to an incentives and benefits reserve representing the net amount of profits subject to income tax at a reduced rate of tax. Such profits are set aside for the exclusive purpose of financing the upgrading projects within a subsidiary of the associate as approved by Malta Enterprise Corporation in accordance with Article 6 of the Business Promotion Act. During the year ended 31 December 2008, the associate adjusted the balance of the incentives and benefits reserve by effecting a transfer to retained earnings. The incentives and benefits reserve is not distributable and shall be retained for a period of eight years after which it can be distributed by means of a bonus issue.

The capital reserves are not considered by the directors of the respective entities 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 those entities forming part of the Mizzi Organisation that have a functional currency which is different from the Organisation's presentation currency, in accordance with the Organisation's accounting policy. The Organisation has subsidiaries incorporated in Slovakia, which has adopted euro as its national currency with effect from 1 January 2009. Accordingly the translation reserve previously recognised in other comprehensive income relating to these operations has been realised and reclassified to retained earnings.

18. Trade and other payables

	2009	2008
	€	€
Current		
Trade payables	8,262,383	8,834,055
Payments received on account	798,786	1,089,279
Amounts payable in respect of capital expenditure	964,924	1,302,672
Amounts owed to customers for contract work	303,008	147,426
Advances from customers for contract work	79,638	361,511
Amounts owed to associates	427,002	570,279
Other payables	975,461	1,950,241
Indirect taxation	1,429,420	1,529,911
Deferred government grants related to assets	-	14,756
Accruals and deferred income	5,438,514	5,354,592
	18,679,136	21,154,722
 Non-current		
Accruals and deferred income	600,000	300,000

Non-current deferred income relates to funds received in advance to compensate the Organisation for expenditure that will be incurred until 2016. The amount of the liability is amortised to profit or loss on a straight-line basis over this period to match expenditure the funds are intended to compensate.

19. Borrowings

	2009	2008
	€	€
Current		
Bank overdrafts	8,005,063	22,366,944
Bills of exchange factored out to bank (Note 11)	1,132,952	996,308
Bank loans	2,013,147	1,506,329
Loans from related party	285,407	324,022
Loans from associate	20,160	20,160
36,493 6.7% bonds 2009 – 2012 issued in 2002	3,649,382	-
	15,106,111	25,213,763
Non-current		
Bills of exchange factored out to bank (Note 11)	2,011,687	1,977,490
Bank loans	25,411,202	27,264,217
300,000 6.2% bonds 2016 – 2019 issued in 2009	29,208,662	-
232,937 6.7% bonds 2009 – 2012 issued in 2002	-	23,125,806
Redeemable preference shares	815,281	815,281
	57,446,832	53,182,794
Total borrowings	72,552,943	78,396,557

By virtue of the Prospectus dated 29 October 2009, during the current financial year Mizzi Organisation Finance p.l.c. (“the Issuer”), an entity forming part of the Organisation, 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).

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 2009 bonds.

19. Borrowings - continued

In accordance with the terms and conditions specified in the Prospectus, the issuer has undertaken to commence the allocation of funds to a sinking fund with effect from the financial year ending 31 December 2011. The value of the sinking fund should 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.

Under the terms and conditions in the 2009 Prospectus, 2002 bondholders could surrender their 2002 bonds in exchange for 2009 bonds. As outlined in the tables below, 2002 bonds with a face value of €19,644,352 have been surrendered in this manner. The actual net proceeds of the bond issue, which have been advanced to Mizzi Holdings Limited, will be firstly utilised to repay any amounts due by the issuer with respect to the 2002 bonds as and when the 2002 bonds are due for repayment. Accordingly, an amount of €3,649,382 has been earmarked to repay the 2002 bonds which have not been surrendered. The resultant amount of the proceeds which remains available to the issuer has been utilised to partly refinance existing borrowings in relation to the construction of the General Soft Drinks factory and other capital expenditure.

The bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2009 was 103.00, which in the opinion of the directors of the issuer fairly represented the fair value of these financial liabilities.

At the end of the reporting period, 2009 bonds having a face value of €622,200 were held by directors of the issuer, and bonds with a face value of €499,100 were held by other officers of companies forming part of the Mizzi Organisation and close family members of these individuals.

The 2009 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:

	2009 €
6.2% bonds 2016 – 2019	
Original face value of bonds issued	30,000,000
Gross amount of bond issue costs	(752,150)
Amortisation of gross amount of bond issue costs: Amortisation charge for the current year (Note 28)	7,446
Unamortised bond issue costs	(744,704)
Gross amount of discounts in respect of bonds issued under terms applicable to Mizzi Applicants	(47,100)
Amortisation of gross amount of discounts: Amortisation charge for the current year (Note 28)	466
Unamortised amount of discounts	(46,634)
Amortised cost and closing carrying amount of the bonds	29,208,662

19. Borrowings - continued

The issuer had issued for subscription the 2002 bonds by virtue of the Offering Memorandum dated 2 May 2002. The 2002 bond issue consisted of 100,000 bonds with a face value of Lm100 for each bond which had been issued 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. As a result of Malta's adoption of the euro, the 2002 bonds have been restructured to 232,937 bonds with a face value of €100 per bond. 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 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 issuer on 31 May 2010 and 31 May 2011 (Optional Redemption Dates).

In view of the bond issue effected during the current year, 2002 bonds with a face value of €19,644,352 were surrendered by 2002 bondholders in exchange for bonds issued in 2009, pursuant to, and subject to, the terms and conditions in the Prospectus dated 29 October 2009. The 2002 bonds which have not been surrendered in exchange for 2009 bonds have a face value amounting to €3,649,382 and the issuer has resolved to repay the outstanding liability in full on 31 May 2010.

In the financial statements for the year ended 31 December 2008, the carrying amount of the 2002 bonds was presented within non-current liabilities since at the date of authorisation for issue of the financial statements, the board had not yet resolved to apply any of the optional redemption dates. Accordingly the bonds were presented as non-current liabilities assuming the instruments will be redeemed at the latest redemption date. The presentation of comparative information in this respect has not been modified in the financial statements for the year ended 31 December 2009.

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. The bond proceeds had been advanced to the guarantors 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, pursuant to, and subject to, the terms and conditions in the Offering Memorandum as amended by a supplementary agreement.

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 2009 was 100.00 (2008: 101.50), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

At the end of the reporting period, 2002 bonds with a face value amounting to €76,530 (2008: €137,800) were held by related parties, principally consisting of directors of the issuer, other officers of companies forming part of the Mizzi Organisation and close family members of these individuals.

All expenses incurred in the preparation and implementation of the 2002 bond issue, amounting to €395,858, were at the charge of the guarantors in proportion to the respective share of the proceeds of the bond issue advanced to each of them. In view of the revised arrangements with the issuer of the bonds as a result of the 2009 bond issue, unamortised bond issue costs at 31 December 2008 have been fully amortised during the current year.

19. Borrowings - continued

The 2002 bonds are also 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:

	2009 €	2008 €
6.7% bonds 2009 – 2012		
Original face value of the bonds	23,293,734	23,293,734
Surrendered in exchange for bonds issued during 2009	(19,644,352)	-
Face value of bonds outstanding at 31 December	3,649,382	23,293,734
Gross amount of bond issue costs	(395,858)	(395,858)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	230,011	187,565
Amortisation charge for the current year (Note 28)	165,847	42,446
Accumulated amortisation at end of year	395,858	230,011
Unamortised bond issue costs	-	(165,847)
Gross amount of discounts in respect of bonds issued under the terms of the Employee Offering	(28,222)	(28,222)
Amortisation of gross amount of discounts:		
Accumulated amortisation at beginning of year	26,141	21,418
Amortisation charge for the current year (Note 28)	2,081	4,723
Accumulated amortisation at end of year	28,222	26,141
Unamortised amount of discounts	-	(2,081)
Amortised cost and closing carrying amount of the bonds	3,649,382	23,125,806

19. Borrowings - continued

The Organisation's banking facilities as at 31 December 2009 amounted to €56,897,000 (2008: €66,562,000). These facilities are mainly secured by:

- (a) joint and several guarantees by various entities forming part of the Mizzi Organisation, supported by general hypothecary guarantees over the assets of the entities involved and special hypothecary guarantees over properties held;
- (b) general hypothecs on the assets of certain entities within the Organisation supported by special hypothecs over assets and properties held together with special privileges on property;
- (c) pledge over bills of exchange drawn; and
- (d) pledge on inventories.

These banking facilities include an amount of €1,398,000 (2008: €1,398,000) 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 €9,317,000 (2008: €9,317,000). This facility is also secured by a pledge over bills of exchange drawn. At 31 December 2009, the total value of outstanding bills, which had been factored out under this facility, amounted to €3,144,639 (2008: €2,973,798) as disclosed above. This banking facility may also be utilised to factor out bills of exchange without an option to repurchase them as they fall due. The facility amount covers the recourse element of 15% of the value of bills factored out in this manner.

The long-term 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 Organisation's bank borrowings are subject to floating rates of interest. Bank borrowings amounting to €684,000 (2008: €6,726,000) are subject to variable interest rates linked to Euribor. The weighted average effective interest rates for bank borrowings at the end of the reporting period are as follows:

	2009	2008
	%	%
Bank overdrafts	4.9	4.0
Bills of exchange factored out to bank	5.0	4.0
Bank loans	4.7	4.0

Maturity of Organisation's non-current bank borrowings:

	2009	2008
	€	€
Between 1 and 2 years	4,800,873	2,298,572
Between 2 and 5 years	14,168,718	9,696,295
Over 5 years	8,453,298	17,246,840
	27,422,889	29,241,707

19. Borrowings - continued

An entity forming part of the Mizzi Organisation has been granted other short-term advances of €285,407 (2008: €324,022) from a related party, which are repayable on demand, interest free and secured by the undertaking's property for the amount of €431,000 (2008: €431,000).

The short-term loans from an associate amounting to €20,160 (2008: €20,160) are repayable on demand, unsecured and interest free.

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 are not expected to be settled within twelve months after the end of the reporting period. 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.

20. Deferred taxation

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% (2008: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 12% of the transfer value.

The movement on the deferred tax account is as follows:

	2009 €	2008 €
At beginning of year	9,078,290	8,707,825
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 16)	-	198,879
Deferred income taxes on impairment charges on property, plant and equipment arising during the year (Note 16)	-	(27,986)
Movement in deferred tax liability on investment property and other properties determined on the basis applicable to capital gains:		
- recognised in other comprehensive income (Note 16)	55,171	92,193
- recognised in profit or loss (Note 29)	104,328	50,374
Realisation through asset use (Note 29)	(41,422)	(44,301)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 29)	205,489	67,351
Deferred income taxes attributable to unabsorbed capital allowances (Note 29)	(20,428)	33,955
At end of year	9,381,428	9,078,290

20. Deferred taxation - continued

All the amounts disclosed in the table above, which have been referenced to Note 29 are recognised in profit or loss. The other amounts, referenced to Note 16, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2009	2008
	€	€
Temporary differences arising on fair valuation of property	9,683,719	9,565,642
Temporary differences arising on depreciation of property, plant and equipment	372,808	167,319
Deferred taxation attributable to unabsorbed capital allowances	(675,099)	(654,671)
	9,381,428	9,078,290

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

At 31 December 2009 and 2008, the Organisation had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2009	2008	2009	2008
	€	€	€	€
Unutilised tax credits arising from:				
Unabsorbed tax losses	2,627,632	2,670,134	-	-
Unabsorbed capital allowances	4,078,676	3,537,204	1,928,854	1,870,489
Investment tax credits	15,684,909	15,163,300	-	-
Unabsorbed capital losses	75,116	76,278	-	-
Deductible temporary differences arising on:				
Depreciation of property, plant and equipment	1,190,709	8,127,601	-	-
Provisions for impairment of trade and other receivables	6,490,814	6,228,432	-	-
Provisions for impairment of shares in associates and available-for-sale financial assets	388,044	388,044	-	-
Provisions for liabilities and other charges	62,893	86,187	-	-
Taxable temporary differences arising on depreciation of property, plant and equipment	-	-	(1,065,166)	(478,054)

20. Deferred taxation - continued

Under the Business Promotion Regulations 2001, two entities forming part of Mizzi Organisation (The General Soft Drinks Company Limited and Bevmed Co. Limited) are entitled to investment tax credits on “qualifying” capital expenditure, the full amount of which would be available for set off against the respective undertaking’s tax liability. The balance of unutilised investment tax credits increases annually at the end of the financial year. At 31 December 2009, these credits increased by 1.45% (2008: 5.36%).

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 11).

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. Tax losses arising from local operations have no expiry date, whereas other tax losses expire within five years from the period in which the tax losses are registered. Unabsorbed capital allowances and unutilised investment tax credits are forfeited upon cessation of the trade. Capital losses have no expiry but may be utilised solely to offset future capital gains.

21. Provisions for other liabilities and charges: current amounts

	Provisions for legal claims €
Year ended 31 December 2009	
At beginning of year	137,433
Credited to profit or loss:	
- Unused amounts reversed	(45,013)
Utilised during the year	(14,387)
	78,033
At end of year	78,033
 Year ended 31 December 2008	
At beginning of year	102,492
Increase in provisions	34,941
	137,433
At end of year	137,433

The amounts shown above comprise gross provisions in respect of legal claims brought against the Organisation. In the opinion of the directors of the respective entities, after taking appropriate legal advice, the outcome of the outstanding legal claims will not give rise to any significant loss beyond the amounts provided at the end of the reporting period. During the current financial year, amounts provided for which were no longer expected to be incurred have been reversed through profit or loss. The amount of the provisions at 31 December 2009 is expected to be fully utilised during the financial year ending 31 December 2010.

22. Revenue

The Organisation's revenue is analysed by category of business as follows:

	2009 €	2008 €
By category of business		
Sale of motor vehicles, spare parts and provision of ancillary services	41,600,296	44,952,430
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	25,770,990	25,554,086
Bottling of soft drinks, mineral water and sale of other beverages	25,543,333	25,348,201
Activities in the power, heating and ventilation equipment sectors	8,789,696	9,335,879
Hotel operations	2,693,545	2,945,708
Income from hire purchase financing	1,289,412	1,488,484
Finance lease income – motor vehicle lease arrangements	93,473	104,776
Operating lease rental income:		
- property	601,812	549,514
- motor vehicles	891,898	858,742
	107,274,455	111,137,820

Revenue from activities in the power, heating and ventilation equipment sectors includes contract revenue amounting to €5,765,213 (2008: €6,208,086).

The Organisation's revenue is analysed by geographical segment as follows:

	2009 €	2008 €
By geographical segment		
Malta	104,729,560	107,818,910
Other countries, principally in Europe	2,544,895	3,318,910
	107,274,455	111,137,820

23. Expenses by nature

	2009 €	2008 €
Cost of goods purchased for resale	60,459,916	63,155,922
Raw materials and other consumables used	8,917,172	9,006,380
Changes in inventory of manufactured finished goods	26,637	399,432
Hotel food and beverage costs	376,205	451,770
Hotel operating supplies, services and related expenses	375,717	429,908
Depreciation of property, plant and equipment (Note 4)		
- owned assets	5,138,260	5,006,173
- owned assets (motor vehicles) leased out under operating leases	578,730	424,244
Impairment charges on property, plant and equipment (included in 'Administrative expenses' - Note 4)	101,277	501,237
Employee benefit expense (Note 24)	16,365,188	16,547,780
Interest payable and financing costs (included in 'Cost of sales')	173,247	207,862
Marketing, business promotion and related expenses	2,576,437	3,123,664
Property operating lease rentals payable	1,404,497	1,581,424
Movement in provisions for impairment of receivables:		
- hire purchase (included in 'Administrative expenses')	176,934	198,636
- trade and other (included in 'Selling and other direct expenses')	89,057	180,268
- trade and other (included in 'Administrative expenses')	(3,609)	191,881
Amounts written off in respect of receivables:		
- hire purchase (included in 'Administrative expenses')	341,939	-
- trade and other (included in 'Selling and other direct expenses')	-	142,906
- trade and other (included in 'Administrative expenses')	47,193	-
Other expenses	5,627,585	6,989,372
Total cost of sales; selling and other direct expenses; and administrative expenses	102,772,382	108,538,859

Operating profit is stated after crediting the following:

	2009 €	2008 €
Movement in provisions for other liabilities and charges (included in 'Administrative expenses')	(45,013)	-
Exchange differences	(10,422)	(512,537)
Profit on disposal of property, plant and equipment	(133,479)	(78,134)

24. Employee benefit expense

	2009	2008
	€	€
Wages and salaries	15,214,226	15,418,167
Social security costs	1,150,962	1,129,613
	16,365,188	16,547,780

Average number of persons employed during the year:

	2009	2008
Direct	718	726
Administration	197	191
	915	917

25. Other operating income

	2009	2008
	€	€
Gains on disposal of specific assets, including assets which were surplus to the Organisation's requirements	53,226	569,037
Income which is incidental to the Organisation's key operations	402,835	752,592
Compensation received by the Organisation in relation to a claim for damages sustained	-	153,737
Government grants	22,311	14,748
	478,372	1,490,114

Other Government grants recognised in profit or loss are disclosed in Note 10 to the financial statements.

26. Investment and other related income

	2009	2008
	€	€
Gross dividends receivable from available-for-sale financial assets	59,227	52,844
Effects of derecognition of residual interests in subsidiaries	(2,624)	-
	56,603	52,844

The winding down of the activities of entities which formerly formed part of the Organisation has been completed during the current year. Accordingly the aggregate residual interests in the entities have been derecognised and reflected in profit or loss.

27. Finance income

	2009	2008
	€	€
Bank interest receivable	97,481	34,618
Other interest receivable	421,502	21,845
	518,983	56,463

28. Finance costs

	2009	2008
	€	€
Coupon interest payable on bonds	1,614,241	1,560,747
Amortisation of difference between initial net proceeds and redemption value of bonds (Note 19)	175,840	47,169
Bank interest and charges	2,371,938	2,561,109
Other interest payable	13,601	30,761
	4,175,620	4,199,786

Bank finance costs for the current year, reflected in the table above, are stated net of Government grants receivable in respect of the interest rate subsidy scheme amounting to €71,920 (refer to Note 10).

29. Tax expense

	2009 €	2008 €
Current taxation:		
Current tax expense	20,281	139,002
Adjustment recognised in financial period for current tax of prior period	-	61,848
Deferred taxation (Note 20)	247,967	107,379
	268,248	308,229

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

	2009 €	2008 €
Profit before tax	1,425,676	960,633
Tax on profit at 35%	498,987	336,222
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	43,956	(638,210)
Incentives in respect of investment tax credits	(17,070)	(60,144)
Unabsorbed capital allowances claimed during the year	215,689	737,711
Unabsorbed tax losses incurred during the year	651,228	221,823
Utilisation of unabsorbed tax losses, capital allowances and investment tax credits brought forward from previous years	(841,139)	(39,405)
Income not subject to tax or charged at reduced rates	(66,219)	(17,404)
Share of results of associates	23,512	(336,712)
Determination of deferred taxation on fair valuation of investment property and other properties on the basis applicable to capital gains	104,328	131,998
Maintenance allowance claimed on rented property	(120,497)	(129,870)
Expenses not deductible for tax purposes	52,442	30,859
Under provision of tax in previous years	-	61,848
Reversal of deferred tax recognised in prior years	-	9,513
Bond issue costs claimed during the year	(276,969)	-
Tax charge in the accounts	268,248	308,229

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

30. Directors' emoluments

	2009	2008
	€	€
Salaries and other emoluments	408,947	546,930

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

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the Organisation by the weighted average number of ordinary shares of Mizzi Organisation on an aggregated basis (see Note 15) in issue during the year.

	2009	2008
Net profit attributable to owners of the Organisation	€1,157,428	€652,404
Weighted average number of ordinary shares in issue	1,059,700	1,059,700
Earnings per share	€1.09	€0.62

32. Dividends

	2009	2008
	€	€
Final dividends paid on ordinary shares:		
Gross	1,050,068	1,054,261
Tax at source	(180,068)	(180,745)
Net	870,000	873,516
Dividends per share	0.82	0.82

33. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2009 €	2008 €
Operating profit	4,980,445	4,089,075
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	5,716,990	5,430,417
Impairment charges of property, plant and equipment (Note 4)	101,277	501,237
Profit on disposal of property, plant and equipment	(133,479)	(128,104)
Losses from changes in fair value of investment property (Note 5)	28,631	-
Movement in provisions for impairment of trade and other receivables	262,382	570,785
Movement in provisions for other liabilities and charges (Note 21)	(45,013)	-
Changes in working capital:		
Inventories	3,248,300	3,560,124
Trade and other receivables	2,273,055	(1,993,395)
Trade and other payables	(1,991,392)	(4,910,094)
Provisions for other liabilities and charges	(14,387)	-
Cash generated from operations	14,426,809	7,120,045

34. Commitments

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 5 and 12) not provided for in these financial statements are as follows:

	2009 €	2008 €
Authorised but not contracted	1,900,000	1,065,000
Contracted but not provided for	340,000	1,425,000
	2,240,000	2,490,000

34. Commitments - continued

Operating lease commitments – where an undertaking is the lessor

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

	2009 €	2008 €
Not later than one year	500,067	453,870
Later than one year and not later than five years	1,222,581	1,062,950
Later than five years	580,838	1,244,114
	2,303,486	2,760,934

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

	2009 €	2008 €
Not later than one year	835,940	802,234
Later than one year and not later than five years	1,457,433	1,731,367
Later than five years	1,170	22,027
	2,294,543	2,555,628

Operating lease commitments – where an undertaking is the lessee

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

	2009 €	2008 €
Not later than one year	686,687	409,370
Later than one year and not later than five years	2,498,902	1,322,881
Later than five years	7,769,552	8,102,882
	10,955,141	9,835,133

34. Commitments - continued

Other commitments

Following the publication of the commencement notice on 16 April 2004, the Waste Management (End of Life Vehicles) Regulations, 2004 came into force with effect from 1 May 2004. These regulate the collection, reuse, recycling and other forms of recovery of all end of life vehicles. Under these regulations importers of vehicles must meet all, or a significant part of, the cost of implementing measures necessary for the application of such regulations with effect from 1 May 2004 in respect of vehicles put on the market from 1 July 2002 and with effect from 1 January 2007 for vehicles put on the market before 1 July 2002. The Organisation is assessing its obligations under these regulations and considering the implementation of a number of alternative measures in accordance with these regulations. In the opinion of the directors of the entities involved, the effect on the Organisation's financial results and its financial position of these obligations and of any measures implemented in this respect cannot be reliably estimated in the current circumstances.

35. Contingencies

- (a) At 31 December 2009, the Organisation had contingent liabilities amounting to €5,925,198 (2008: €5,985,526) in respect of guarantees issued by the bank on behalf of entities forming part of the Mizzi Organisation in favour of third parties in the ordinary course of business.
- (b) No provision has been made in these combined accounts for disputed income tax amounting to €404,749 (2008: €404,749) 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 €38,127 (2008: €38,127), in respect of which no provision has been made in these accounts.

36. Related party transactions

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operating policy decisions.

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.

In the opinion of the directors of the entities forming part of the Organisation, 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 Organisation. The aggregate invoiced amounts in respect of a number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these combined financial statements.

In the ordinary course of their operations, Organisation entities sell goods held for resale and provide services to associates, key management personnel and other related parties mentioned above, for trading purposes. The Organisation's related party transactions also include financing transactions, principally advances, with associates and other related parties together with property and motor vehicle operating lease rental income receivable from associates. These transactions carried out with related parties do not have a material effect on the operating results and financial position of the Organisation and accordingly have not been disclosed for the purposes of giving a true and fair view.

The transactions referred to above were carried out on commercial terms. Year-end balances with related parties are disclosed in Notes 8, 10, 18 and 19 to these combined financial statements.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 30.