MIZZI HOLDINGS LIMITED

Annual Report and Consolidated Financial Statements
31 December 2009

Company Registration Number: C 813

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2009.

Principal activities

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

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

Review of the business

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

The company's financial results for the current financial year are essentially attributable to the fact that expenditure incurred for managing the affairs of companies within the Mizzi Organisation exceeds management fee income receivable from such related parties. The company's net liability position remains tenable given that €6,319,009 of the total liabilities are payable to other companies within the Mizzi Organisation, which have agreed not to withdraw their support. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to the company to enable it to meet any obligations in full.

Results and dividends

The consolidated financial results are set out on page 8. The directors do not recommend the payment of a dividend.

Directors

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

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

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

Directors' report - continued

Auditors

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

On behalf of the board

Maurice F. Mizzi Director	Brian R. Mizzi Director

Registered office
Mizzi House
National Road
Blata l-Bajda
Malta

30 April 2010

Statement of directors' responsibilities

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

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

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

The directors are also responsible for designing, implementing and maintaining internal control relevant to the preparation and the fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Companies Act, 1995. They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Mizzi Holdings Limited for the year ended 31 December 2009 are included in the Annual Report and Consolidated Financial Statements 2009, which is published in hard-copy printed form and made available on the company's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Independent auditor's report

To the Shareholders of Mizzi Holdings Limited

Report on the Financial Statements

We have audited the consolidated and the stand-alone parent company financial statements of Mizzi Holdings Limited (together the "financial statements") on pages 6 to 73 which comprise the consolidated and parent company statements of financial position as at 31 December 2009, the consolidated and parent company statements of income, comprehensive income, changes in equity and cash flows for the year then ended, a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements
The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on page 3, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility
Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's 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 financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion
In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 December 2009, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

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

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

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

PRICEWATERHOUSECOOPERS
167 Merchants Street
Valletta
Malta

F Axisa

Fabio Axisa
Partner

30 April 2010

Statements of financial position

		As at 31 December			
	Notes	**2009**	2008	**2009**	2008
		Group		**Company**	
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**19,378,563**	19,633,346	**186,725**	215,618
Investment property	5	**28,923,991**	29,594,522	**116,609**	116,609
Investments in subsidiaries	6	**-**	-	**2,304,286**	2,304,286
Investments in associates	7	**290,365**	261,243	**168,393**	167,393
Loans and advances	8	**4,355,927**	9,490,441	**-**	-
Available-for-sale financial assets	9	**1,726,633**	1,596,843	**1,726,633**	1,596,843
Total non-current assets		**54,675,479**	60,576,395	**4,502,646**	4,400,749
Current assets					
Inventories	10	**6,421,348**	6,784,004	**-**	-
Trade and other receivables	11	**34,074,663**	30,845,913	**27,029,196**	24,122,449
Loans and advances	12	**1,630,561**	4,835,576	**4,557,370**	4,557,370
Current tax assets		**379,522**	347,498	**196,542**	223,445
Cash and cash equivalents	13	**277,737**	695,331	**6,380**	4,751
		42,783,831	43,508,322	**31,789,488**	28,908,015
Assets classified as held for sale	14	**-**	81,528	**-**	-
Total current assets		**42,783,831**	43,589,850	**31,789,488**	28,908,015
Total assets		**97,459,310**	104,166,245	**36,292,134**	33,308,764

Statements of financial position - continued

	Notes	**2009**	2008	**2009**	2008
		As at 31 December			
		Group		**Company**	
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**1,597,018**	1,597,018	**1,597,018**	1,597,018
Revaluation reserves	16	**6,084,007**	6,135,567	**(310,672)**	(308,789)
Fair value gains reserve	17	**8,234,310**	8,241,883	**-**	-
Retained earnings/(accumulated losses)		**3,402,342**	4,506,890	**(8,810,006)**	(7,765,565)
Total equity		**19,317,677**	20,481,358	**(7,523,660)**	(6,477,336)
Non-current liabilities					
Trade and other payables	18	**6,988**	6,988	**6,988**	6,988
Borrowings	19	**39,275,059**	26,736,559	**31,821,539**	11,104,005
Deferred tax liabilities	20	**6,239,766**	6,095,717	**13,993**	13,993
Total non-current liabilities		**45,521,813**	32,839,264	**31,842,520**	11,124,986
Current liabilities					
Trade and other payables	18	**26,559,353**	37,174,374	**7,122,802**	16,600,430
Borrowings	19	**5,997,574**	13,585,062	**4,850,472**	12,060,684
Provisions for other liabilities and charges	21	**62,893**	86,187	**-**	-
Total current liabilities		**32,619,820**	50,845,623	**11,973,274**	28,661,114
Total liabilities		**78,141,633**	83,684,887	**43,815,794**	39,786,100
Total equity and liabilities		**97,459,310**	104,166,245	**36,292,134**	33,308,764

The notes on pages 14 to 73 are an integral part of these consolidated financial statements.

The financial statements on pages 6 to 73 were authorised for issue by the board on 30 April 2010 and were signed on its behalf by:

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

Income statements

	Notes	**2009** Group **€**	2008 Group €	**2009** Company **€**	2008 Company €
		Year ended 31 December			
Revenue	22	**19,377,484**	26,751,593	**-**	-
Cost of sales		**(15,822,400)**	(22,623,840)	**-**	-
Gross profit		**3,555,084**	4,127,753	**-**	-
Selling and other direct expenses		**(1,820,551)**	(1,850,892)	**-**	-
Administrative expenses		**(2,659,685)**	(3,080,873)	**(1,473,772)**	(1,400,749)
Gains from changes in fair value of investment property	5	**-**	541,162	**-**	-
Other operating income		**847,661**	928,658	**913,560**	977,447
Operating (loss)/profit		**(77,491)**	665,808	**(560,212)**	(423,302)
Investment and other related income	25	**57,840**	51,457	**474,470**	291,705
Finance income	26	**1,718,271**	1,906,500	**1,100,247**	1,312,928
Finance costs	27	**(2,890,352)**	(2,867,384)	**(2,058,946)**	(1,935,985)
Share of profit of associates	7	**89,544**	65,344	**-**	-
Loss before tax		**(1,102,188)**	(178,275)	**(1,044,441)**	(754,654)
Tax expense	28	**(48,451)**	(160,417)	**-**	-
Loss for the year		**(1,150,639)**	(338,692)	**(1,044,441)**	(754,654)
Earnings per share	30	**(1.68)**	(0.49)		

The notes on pages 14 to 73 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Year ended 31 December			
		2009	2008	**2009**	2008
		Group		**Company**	
		€	€	**€**	€
Loss for the year		**(1,150,639)**	(338,692)	**(1,044,441)**	(754,654)
Other comprehensive income:					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	**-**	982,210	**-**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	**(11,159)**	2,930	**-**	-
Losses from changes in fair value of available-for-sale financial assets	16	**(1,883)**	(431,097)	**(1,883)**	(431,097)
Other comprehensive income for the year, net of tax		**(13,042)**	554,043	**(1,883)**	(431,097)
Total comprehensive income for the year		**(1,163,681)**	215,351	**(1,046,324)**	(1,185,751)

The notes on pages 14 to 73 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserves €	Fair value gains reserve €	Retained earnings €	Total €
Balance at 1 January 2008		1,597,018	5,620,042	7,902,546	5,146,401	20,266,007
Comprehensive income						
Loss for the year		-	-	-	(338,692)	(338,692)
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	982,210	-	-	982,210
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	2,930	-	-	2,930
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Losses from changes in fair value of available-for-sale financial assets	16	-	(431,097)	-	-	(431,097)
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to capital gains	17	-	-	339,337	(339,337)	-
Total other comprehensive income		-	515,525	339,337	(300,819)	554,043
Total comprehensive income		-	515,525	339,337	(639,511)	215,351
Balance at 31 December 2008		**1,597,018**	**6,135,567**	**8,241,883**	**4,506,890**	**20,481,358**

Statements of changes in equity - continued

Group - continued

	Notes	**Share capital** €	**Revaluation reserves** €	**Fair value gains reserve** €	**Retained earnings** €	**Total** €
Balance at 1 January 2009		1,597,018	6,135,567	8,241,883	4,506,890	20,481,358
Comprehensive income						
Loss for the year		-	-	-	(1,150,639)	(1,150,639)
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	(11,159)	-	-	(11,159)
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Losses from changes in fair value of available-for-sale financial assets	16	-	(1,883)	-	-	(1,883)
Movement in deferred tax liability on investment property determined on the basis applicable to capital gains	17	-	-	(7,573)	7,573	-
Total other comprehensive income		-	(51,560)	(7,573)	46,091	(13,042)
Total comprehensive income		-	(51,560)	(7,573)	(1,104,548)	(1,163,681)
Balance at 31 December 2009		**1,597,018**	**6,084,007**	**8,234,310**	**3,402,342**	**19,317,677**

Statements of changes in equity - continued

Company

	Note	Share capital €	Revaluation reserve €	Accumulated losses €	Total €
Balance at 1 January 2008		1,597,018	122,308	(7,010,911)	(5,291,585)
Comprehensive income					
Loss for the year		-	-	(754,654)	(754,654)
Other comprehensive income:					
Losses from changes in fair value of available-for-sale financial assets	16	-	(431,097)	-	(431,097)
Total comprehensive income		-	(431,097)	(754,654)	(1,185,751)
Balance at 31 December 2008		1,597,018	(308,789)	(7,765,565)	(6,477,336)
Comprehensive income					
Loss for the year		-	-	(1,044,441)	(1,044,441)
Other comprehensive income:					
Losses from changes in fair value of available-for-sale financial assets	16	-	(1,883)	-	(1,883)
Total comprehensive income		-	(1,883)	(1,044,441)	(1,046,324)
Balance at 31 December 2009		**1,597,018**	**(310,672)**	**(8,810,006)**	**(7,523,660)**

The notes on pages 14 to 73 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
	Notes	**2009**	2008	**2009**	2008
		Group		**Company**	
		€	€	**€**	€
Cash flows from operating activities					
Cash (used in)/generated from operations	31	**(11,479,470)**	649,529	**(12,819,059)**	(568,137)
Dividends received		**119,262**	135,943	**474,470**	291,705
Interest received		**1,718,271**	1,906,500	**1,100,247**	1,312,928
Interest paid		**(2,762,315)**	(2,832,447)	**(1,940,902)**	(1,905,771)
Tax refunded/(paid)		**52,415**	(74,374)	**26,903**	(4,731)
Net cash used in operating activities		**(12,351,837)**	(214,849)	**(13,158,341)**	(874,006)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(331,394)**	(321,400)	**(96,635)**	(103,426)
Proceeds from disposal of property, plant and equipment	4	**24,748**	174,897	**-**	-
Purchase of investment property	5	**-**	(465,880)	**-**	-
Capital expenditure on investment property	5	**(1,038,708)**	(1,249,334)	**-**	-
Purchase of shares in associates	7	**(1,000)**	-	**(1,000)**	-
Loans granted to related parties	8,12	**(1,518,551)**	(4,745,122)	**-**	-
Repayments of loans to related parties	8,12	**9,858,080**	3,578,240	**-**	-
Purchase of available-for-sale financial assets	9	**(131,673)**	(30,393)	**(131,673)**	(30,393)
Net cash generated from/(used in) investing activities		**6,861,502**	(3,058,992)	**(229,308)**	(133,819)
Cash flows from financing activities					
Proceeds from bank borrowings	19	**1,067,597**	1,701,405	**-**	872,895
Repayments of bank borrowings	19	**(553,701)**	(53,565)	**(174,274)**	-
Net proceeds from issuance of bonds	19	**9,806,164**	-	**-**	-
Proceeds from borrowings from subsidiary	19	**-**	-	**18,668,000**	-
Repayments of borrowings from subsidiary	19	**-**	-	**(464,647)**	(816,513)
Net cash generated from financing activities		**10,320,060**	1,647,840	**18,029,079**	56,382
Net movements in cash and cash equivalents		**4,829,725**	(1,626,001)	**4,641,430**	(951,443)
Reclassification of cash and cash equivalents upon rescheduling of banking facility		**6,000,000**	-	**6,000,000**	-
Cash and cash equivalents at beginning of year		**(12,510,578)**	(10,884,577)	**(11,304,523)**	(10,353,080)
Cash and cash equivalents at end of year	13	**(1,680,853)**	(12,510,578)	**(663,093)**	(11,304,523)

The notes on pages 14 to 73 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

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

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

As at 31 December 2009, the company's total liabilities exceeded its total assets by €7,523,660 (2008: €6,477,336). The company's financial position, on the basis of the stand-alone figures, is attributable to corporate expenditure incurred to support the overall operations of Mizzi Organisation. In this respect, subsidiaries and related parties have undertaken not to request repayment of amounts due to them unless alternative financing is available. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to ensure that the company can continue as a going concern and to enable it to meet any obligations in full.

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period 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 group's accounting policies. In particular the group 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 group 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 group 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 group's accounting policies are required in this respect.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

- 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 group's financial statements were required in this respect.

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

1.2 Consolidation

(a) Subsidiaries

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

The purchase method of accounting is used to account for the acquisition of subsidiaries by the group. 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 group'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 acquired, the difference is recognised directly in profit or loss (refer to accounting policy 1.6 – Intangible assets).

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill (net of any accumulated impairment losses) identified on acquisition (refer to accounting policy 1.6 – Intangible assets).

The group'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 group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

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

1.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

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

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

Increases in the carrying amount arising on revaluation of land and buildings are credited to 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	2
Furniture, fittings, airconditioning and other equipment	10 - 33⅓
Garage tools and equipment	15
Motor vehicles	25

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

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

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.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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.

1.5 Investment property

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

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

These valuations are reviewed 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 group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

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

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

1.6 Intangible assets - Goodwill

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

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

1. Summary of significant accounting policies - continued

1.7 Financial assets

Classification
The group classifies its financial assets (other than investments in associates, and investments in subsidiaries only in the company's case) in the following categories: loans and receivables and available-for-sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Loans and receivables
Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.8, 1.10 and 1.11).

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.7 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 group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

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

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

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

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

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

1.8 Loans and advances

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

1. Summary of significant accounting policies - continued

1.8 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 group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

1.9 Inventories

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

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

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

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

1.10 Trade and other receivables

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

1. Summary of significant accounting policies - continued

1.11 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 and bank overdrafts. The bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.12 Non-current assets held for sale

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

1.13 Share capital

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

1.14 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.15 Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.16 Borrowings

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

1.17 Offsetting financial instruments

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

1. Summary of significant accounting policies - continued

1.18 Current and deferred tax

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

Deferred 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 of property, plant and equipment and investment property, depreciation on property, plant and equipment and provisions for impairment of trade and other receivables. Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred 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 or 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.

1.19 Provisions

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

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

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

1.20 Revenue recognition

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

1. Summary of significant accounting policies - continued

1.20 Revenue recognition - continued

(a) Sales of goods

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

(b) Sales of services

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

Operating lease rental income – refer to accounting policy 1.21 for 'Operating leases'.

(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.

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

1.21 Operating leases

(a) A group undertaking is the lessee

Leases of assets in which a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases are charged to profit or loss on a straight-line basis over the period of the lease.

(b) A group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with accounting policy 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1. Summary of significant accounting policies - continued

1.22 Borrowing costs

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

1.23 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the group's purchases are denominated in Japanese yen and sterling, and accordingly the group is exposed to foreign exchange risk arising from such purchases. The group's risk exposures reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant.

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

2. Financial risk management - continued

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro except as outlined above. As outlined previously management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise advances to related parties (Notes 8 and 12) and the bonds issued to the general public (Note 19). The company's fixed interest instruments also comprise loans from a subsidiary (Note 19). In this respect, the group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost. The group has secured a spread between the return on advances to related parties and its cost of borrowing in relation to the bonds issued. The company manages its spread between the fixed interest rate on advances to subsidiary and related parties and the fixed cost of borrowings from the subsidiary which was the issuer of the bonds.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) and balances with related parties subject to floating interest rates (Note 34) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. The group and company have significant floating rate amounts due from and to related parties, but the net exposure after taking into account bank borrowings is not significant. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

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

2. Financial risk management - continued

(b) Credit risk

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Loans and receivables category:				
Loans and advances (Notes 8 and 12)	**5,986,488**	14,326,017	**4,557,370**	4,557,370
Trade and other receivables (Note 11)	**34,074,663**	30,845,913	**27,029,196**	24,122,449
Cash and cash equivalents	**277,737**	695,331	**6,380**	4,751
	40,338,888	45,867,261	**31,592,946**	28,684,570

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

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

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

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

2. Financial risk management - continued

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

The group's and the company's loans referred to in the table above consist of advances to related parties forming part of the Mizzi Organisation (see Note 34). To the extent that the group's advances have been effected out of the 2002 bond issue proceeds, the group holds collateral as security in this respect as disclosed in Note 8 to the financial statements. The group's and the company's debtors include significant amounts due from related parties forming part of the Mizzi Organisation (see Note 11) arising from property and financing transactions that have taken place in the current and prior years. The Organisation's treasury monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The group and the company take cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

As at 31 December 2009, trade receivables of €496,900 (2008: €458,057) and other receivables of €2,103 (2008: €2,103) were impaired. Provisions for impairment in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations. The group does not hold any collateral as security in respect of the impaired assets.

The movements in provisions for impairment of trade and other receivables are disclosed in Note 23 to the financial statements.

(c) Liquidity risk

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

The group's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the group's advances to related parties effected out of the 2009 and 2002 bond issue proceeds match cash outflows in respect of the group's bonds, covering principal and interest payments as reflected in the table below. These advances are subject to a contractual repayment schedule over the term of the borrowings. The repayment schedule has been modified for advances still outstanding taking cognisance of the 2009 bond issue which refinanced such advances. Prior to the 2009 bond issue, repayment proceeds were utilised by the subsidiary which effected the bond issue to acquire with rights of recourse bills of exchange drawn in favour of a related party forming part of Mizzi Organisation. The funds were accordingly advanced to this related party with a view to securing a regular stream of cash inflows over the term of the borrowings into a sinking fund to meet the 2002 bond repayment obligations as they arose. In accordance with the terms and conditions stipulated in the Prospectus for the 2009 bonds, with effect from the year ending 31 December 2011, the subsidiary will set up a sinking fund and related cash reserve from repayments of the advances to related parties with the objective of channelling a regular stream of cash flows to fund 2009 bond interest and capital repayment obligations.

2. Financial risk management - continued

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. This is also performed at a central treasury function which controls the overall liquidity requirements of Mizzi Organisation within certain parameters. The monitoring process considers the fact that the group has significant amounts payable to related parties in respect of property and financing transactions that have taken place in the current and prior years. In view of these balances the group's current liabilities exceed its current assets as at 31 December 2008; but alternative financing at Mizzi Organisation level was utilised to manage this matter. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other intra-Organisation financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above.

The tables below analyse the group's and the company's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date on the assumption that the 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 latest optional redemption date considered the earliest contractual maturity date for disclosure purposes. Comparative information in this respect has not been re-presented to take cognisance of developments subsequent to the date of authorisation for issue of the financial statements for the year ended 31 December 2008. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	€	€	€	€	€
Group					
At 31 December 2009					
Bank borrowings	2,912,016	2,590,411	5,134,538	3,947,044	14,584,009
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
Trade and other payables	26,559,353	-	-	6,988	26,566,341
At 31 December 2008					
Bank borrowings	13,821,219	615,607	2,289,699	1,069,401	17,795,926
2002 bonds	1,560,737	1,560,737	25,188,271	-	28,309,745
Trade and other payables	37,174,374	-	-	6,988	37,181,362

2. Financial risk management - continued

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Company					
At 31 December 2009					
Bank borrowings	1,181,873	762,400	3,996,257	2,956,250	8,896,780
Loans from subsidiary	5,845,922	3,121,382	8,658,913	22,924,599	40,550,816
Trade and other payables	7,122,802	-	-	6,988	7,129,790
At 31 December 2008					
Bank borrowings	11,758,395	379,427	1,138,281	946,972	14,223,075
Loans from subsidiary	1,423,808	1,573,779	10,803,019	-	13,800,606
Trade and other payables	16,600,430	-	-	6,988	16,607,418

2.2 Capital risk management

The group's capital is managed at the level of Mizzi Organisation (see Note 34) by reference to the aggregate level of equity and borrowings or debt as disclosed in the respective consolidated financial statements of Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, together with the financial statements of Falcon Wines & Spirits Limited and Mizzi Motors Limited. The capital of the entities forming part of the Mizzi Organisation which have been mentioned above, is managed on an aggregate basis by the Organisation as if they were organised as one entity. The Organisation's objectives when managing capital are to safeguard the company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the company may issue new shares.

The Organisation also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the respective consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective consolidated statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

2. Financial risk management - continued

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

2.3 Fair values of financial instruments

At 31 December 2009 and 2008 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the group for similar financial instruments. The carrying amount of the group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the group's non-current floating interest rate bank borrowings and the company's fixed interest related party borrowings at the end of the reporting period 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 financial statements.

2. Financial risk management - continued

With effect from 1 January 2009, the group 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 group is the current bid price. The fair value of available-for-sale equity securities that are not traded in an active market (for instance, investments in unlisted local private companies) is determined by using valuation techniques, principally discounted cash flow models. When the group uses valuation techniques, it makes assumptions that are based on market conditions existing at the end of each reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

At 31 December 2009, the group'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 €913,803, 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 financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in term of the requirements of IAS 1.

As referred to in Notes 4 and 5 to the financial statements, the group's land and buildings category of property, plant and equipment and investment property are fair valued 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

Group

	Land and buildings €	Furniture, fittings, airconditioning and other equipment €	Garage tools and equipment €	Motor vehicles €	Total €
At 1 January 2008					
Cost or valuation	19,500,570	2,895,604	1,755,816	1,085,906	25,237,896
Accumulated depreciation	(1,321,516)	(2,456,277)	(1,655,269)	(620,208)	(6,053,270)
Net book amount	18,179,054	439,327	100,547	465,698	19,184,626
Year ended 31 December 2008					
Opening net book amount	18,179,054	439,327	100,547	465,698	19,184,626
Revaluation surplus arising during the year (Note 16)	1,116,148	-	-	-	1,116,148
Impairment charges recognised in profit or loss (effect on accumulated depreciation and impairment losses)	(233,217)	-	-	-	(233,217)
Additions	48,539	37,607	-	235,254	321,400
Disposals	-	-	-	(311,246)	(311,246)
Depreciation charge	(195,561)	(150,564)	(44,539)	(214,548)	(605,212)
Depreciation released on disposals	-	-	-	160,847	160,847
Closing net book amount	18,914,963	326,370	56,008	336,005	19,633,346
At 31 December 2008					
Cost or valuation	20,665,257	2,933,211	1,755,816	1,009,914	26,364,198
Accumulated depreciation and impairment losses	(1,750,294)	(2,606,841)	(1,699,808)	(673,909)	(6,730,852)
Net book amount	18,914,963	326,370	56,008	336,005	19,633,346
Year ended 31 December 2009					
Opening net book amount	18,914,963	326,370	56,008	336,005	19,633,346
Additions	5,428	55,620	63,351	206,995	331,394
Disposals	-	-	-	(63,590)	(63,590)
Depreciation charge	(189,200)	(145,341)	(34,827)	(199,279)	(568,647)
Depreciation released on disposals	-	-	-	46,060	46,060
Closing net book amount	**18,731,191**	**236,649**	**84,532**	**326,191**	**19,378,563**
At 31 December 2009					
Cost or valuation	20,670,685	2,988,831	1,819,167	1,153,319	26,632,002
Accumulated depreciation and impairment losses	(1,939,494)	(2,752,182)	(1,734,635)	(827,128)	(7,253,439)
Net book amount	**18,731,191**	**236,649**	**84,532**	**326,191**	**19,378,563**

4. Property, plant and equipment - continued

The group'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 has been adjusted to the revaluation in prior years and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders' equity (refer to Note 16).

The impairment charges recognised in equity during the preceding financial year are attributable to reductions in the carrying amount of property so as to reflect the recoverable amount of these assets. The recoverable amount (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.

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

	2009	2008
	€	€
Cost	**10,693,445**	10,688,017
Accumulated depreciation and impairment losses	**(1,437,170)**	(1,307,229)
Net book amount	**9,256,275**	9,380,788

Bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's land and buildings (refer to Notes 19 and 33[a]).

4. Property, plant and equipment - continued

Company

	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2008			
Cost	941,959	580,200	1,522,159
Accumulated depreciation	(856,977)	(375,190)	(1,232,167)
Net book amount	84,982	205,010	289,992
Year ended 31 December 2008			
Opening net book amount	84,982	205,010	289,992
Additions	37,363	66,063	103,426
Disposals	-	(52,551)	(52,551)
Depreciation charge	(46,414)	(131,386)	(177,800)
Depreciation released on disposals	-	52,551	52,551
Closing net book amount	75,931	139,687	215,618
At 31 December 2008			
Cost	979,322	593,712	1,573,034
Accumulated depreciation	(903,391)	(454,025)	(1,357,416)
Net book amount	75,931	139,687	215,618
Year ended 31 December 2009			
Opening net book amount	75,931	139,687	215,618
Additions	23,397	73,238	96,635
Depreciation charge	(41,065)	(84,463)	(125,528)
Closing net book amount	**58,263**	**128,462**	**186,725**
At 31 December 2009			
Cost	1,002,719	666,950	1,669,669
Accumulated depreciation	(944,456)	(538,488)	(1,482,944)
Net book amount	**58,263**	**128,462**	**186,725**

5. Investment property

Group

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	**29,594,522**	27,303,205
Additions resulting from subsequent expenditure	**1,038,708**	1,284,275
Transfer from related parties forming part of Mizzi Organisation	**-**	465,880
Gains from changes in fair value (Note 17)	**-**	541,162
Reclassification to inventories (Note 10)	**(1,709,239)**	-
Closing carrying amount	**28,923,991**	29,594,522

	2009	2008
	€	€
At 31 December		
Cost	**19,230,535**	19,901,066
Fair value gains	**9,693,456**	9,693,456
Carrying amount	**28,923,991**	29,594,522

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 group'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	**19,230,535**	19,901,066
Accumulated depreciation	**(1,510,492)**	(1,963,398)
Net book amount	**17,720,043**	17,937,668

As at 31 December 2009, bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the group's investment property with a fair value of €26,487,000 (2008: €26,865,000) - refer to Note 19 and 33(a).

5. Investment property - continued

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

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	**19,920,737**	18,517,259
Additions resulting from subsequent expenditure	**442,697**	862,316
Gains from changes in fair value	**-**	541,162
Closing carrying amount	**20,363,434**	19,920,737

	2009	2008	2007
	€	€	€
At 31 December			
Cost	**12,894,478**	12,451,781	11,589,465
Fair value gains	**7,468,956**	7,468,956	6,927,794
Carrying amount	**20,363,434**	19,920,737	18,517,259

Company

	€
Years ended 31 December 2009 and 2008	
Opening and closing carrying amount	116,609

If the investment property was stated on the historical cost basis the amounts at the end of the reporting period would be as disclosed in the table above. In the opinion of the directors, the fair value of the company's investment property approximates its historical cost.

6. Investments in subsidiaries

Company

	€
Years ended 31 December 2009 and 2008	
Opening and closing cost and carrying amount	2,304,286

6. Investments in subsidiaries - continued

The subsidiaries at 31 December 2009, whose results and financial position affected the figures of the group, are shown below:

	Registered office	Class of shares held	Percentage of shares held %
Mizzi Brothers Limited	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100
Muscats Motors Limited	203, Rue D' Argens Gzira Malta	Ordinary shares	100
Mizzi Estates Limited	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100
Mizzi Organisation Finance p.l.c.	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100

All shareholdings, which have remained unchanged from 2008, are held directly by Mizzi Holdings Limited.

7. Investments in associates

Group

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	**261,243**	254,754
Additions at cost	**1,000**	-
Share of profit	**89,544**	65,344
Dividends received	**(61,422)**	(58,855)
Closing carrying amount	**290,365**	261,243

	2009	2008
	€	€
At 31 December		
Cost	**173,052**	172,052
Share of profits and reserves	**117,313**	89,191
Carrying amount	**290,365**	261,243

7. Investments in associates - continued

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

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

The unrecognised share of profits of an associate for the financial year ended 31 December 2009 amounted to €142,072 (2008: €84,043). The unrecognised share of losses of this associate incurred up to 31 December 2009 amounted to €75,827 (2008: €217,899).

The associates at 31 December 2009 and 2008, whose results and financial position affected the figures of the group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2009	2008
			%	%
Mizzi Automotive Services Limited	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	**33⅓**	33⅓
Heritage Motor Company Limited	Level 4, Suite 7 The Plaza Commercial Centre Bisazza Street Sliema Malta	Ordinary shares	**25**	25
FirstUnited Insurance Brokers Limited	120, The Strand Gzira Malta	Ordinary shares	**33⅓**	33⅓
FirstUnited Investments Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**25**	25
FirstUnited Insurance Management Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	**20**	20
Primax Limited	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	**50**	-

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

7. **Investments in associates** - continued

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

	Assets €	Liabilities €	Revenues €	Profit €
2009				
Mizzi Automotive Services Limited	548,273	619,441	1,544,648	142,072
FirstUnited Insurance Brokers Limited	933,567	712,313	403,739	62,371
FirstUnited Investments Limited	15,876	1,706	-	5,566
FirstUnited Insurance Management Limited	50,391	4,783	64,902	21,607
	1,548,107	**1,338,243**	**2,013,289**	**231,616**

	Assets €	Liabilities €	Revenues €	Profit/(loss) €
2008				
Mizzi Automotive Services Limited	490,279	703,520	1,092,396	84,043
FirstUnited Insurance Brokers Limited	1,008,354	802,366	414,701	52,421
FirstUnited Investments Limited	16,043	1,674	676	(186)
FirstUnited Insurance Management Limited	44,560	3,900	39,938	13,109
	1,559,236	1,511,460	1,547,711	149,387

Company

	2009 €	2008 €
Year ended 31 December		
Opening cost and carrying amount	**167,393**	167,393
Additions at cost	**1,000**	-
Closing cost and carrying amount	**168,393**	167,393

8. Loans and advances: non-current amounts

Group

	€
Non-current portion of advances outstanding as at 1 January 2009	9,490,441
Advances effected during the year	1,518,551
Repayments received during the year	(7,002,471)
Transfer from current portion under rescheduling of loan repayments	349,406
Non-current portion of advances outstanding as at 31 December 2009	**4,355,927**
Non-current portion of advances outstanding as at 1 January 2008	9,035,802
Advances effected during the year	4,745,122
Repayments received during the year	(1,085,468)
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2008 - refer to Note 12)	(3,205,015)
Non-current portion of advances outstanding as at 31 December 2008	9,490,441

The proceeds of the 2002 bonds issued by Mizzi Organisation Finance p.l.c., a subsidiary, (refer to Note 19) had been advanced by the company to its parent company, Consolidated Holdings Limited and Kastell Limited for the principal purposes of re-financing existing banking facilities of the respective company or of an operating subsidiary of that company, and for the general corporate funding purposes of the companies mentioned above or of operating subsidiaries of these companies. The parent company, together with Kastell Limited, Consolidated Holdings Limited and The General Soft Drinks Company Limited, related parties forming part of the Mizzi Organisation, are the guarantors in respect of the company's 2002 bond issue. These companies have jointly and severally between themselves, and with the borrower, irrevocably undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the loans.

All these advances bear interest at the fixed rate of 7.2% per annum until 31 May 2010 and 6.7% thereafter, with interest payable six monthly in arrears on 31 May and 30 November of each year.

8. Loans and advances: non-current amounts - continued

The maturity or repayment terms of the outstanding advances as at 31 December 2009, which are equivalent to the outstanding balances at 31 December 2008, are subject to a revised repayment schedule over the period to 30 November 2019, as follows:

	€
Repayable:	
Between 1 and 2 years	245,256
Between 2 and 5 years	735,767
Over 5 years	3,374,904
	4,355,927

The repayment terms of advances out of the 2002 bond issue proceeds have been rescheduled on the basis of revised arrangements with the issuer, taking cognisance of the issuer's contractual obligations under the 2009 bonds, in particular the requirement to set up a sinking fund.

As at 31 December 2008, the loans were subject to a repayment schedule over the period to 30 April 2012, which had been established by virtue of a supplementary loan agreement. The maturity or repayment terms of the outstanding advances as at 31 December 2008 were as follows:

	€
Repayable:	
Within 1 year	349,406
Between 1 and 5 years	4,006,521
	4,355,927

The subsidiary also had a financing arrangement with a related party forming part of Mizzi Organisation in respect of factoring of bills of exchange with rights of recourse. Advances granted by this subsidiary during the current and preceding financial years to United Acceptances Finance Limited amounting to €1,518,551 and €4,745,122 respectively reflect the acquisition with rights of recourse of bills of exchange drawn in favour of this related party. These transactions were accounted for as collateralised advances i.e. loans secured by bills of exchange in accordance with the requirements of IFRSs. The face value of the bills of exchange covered receivables financed by this party in the ordinary course of its activities as a finance house to all companies within the Mizzi Organisation. The advances are subject to interest at the fixed rate of 7.2% per annum and were principally repayable within 5 years from 31 December 2008 in accordance with the maturity terms of the bills of exchange utilised in this respect.

	€
Repayable	
Within 1 year	2,855,609
Between 1 and 5 years	5,462,790
Over 5 years	21,130
	8,339,529

8. Loans and advances: non-current amounts - continued

During the current financial year, the amounts advanced to United Acceptances Finance Limited have been repaid in full and utilisation of this facility has been discontinued. Proceeds from settlement amounting to €8,838,000 have been advanced to Mizzi Holdings Limited (Note 19).

9. Available-for-sale financial assets

Group

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	**1,596,843**	1,997,547
Additions at cost	**131,673**	30,393
Losses from changes in fair value (Note 16)	**(1,883)**	(431,097)
Closing carrying amount	**1,726,633**	1,596,843

	2009	2008
	€	€
At 31 December		
Cost	**2,159,802**	2,028,129
Fair value losses	**(200,234)**	(198,351)
Provisions for impairment	**(232,935)**	(232,935)
Carrying amount	**1,726,633**	1,596,843

The group'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	**913,803**	838,799
	1,726,633	1,596,843

The group'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.

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

Company

	2009	2008
	€	€
Year ended 31 December		
Opening carrying amount	**1,596,843**	1,997,547
Additions at cost	**131,673**	30,393
Losses from changes in fair value (Note 16)	**(1,883)**	(431,097)
Closing carrying amount	**1,726,633**	1,596,843

	2009	2008
	€	€
At 31 December		
Cost	**2,270,240**	2,138,567
Fair value losses	**(310,672)**	(308,789)
Provisions for impairment	**(232,935)**	(232,935)
Carrying amount	**1,726,633**	1,596,843

The company'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	**913,803**	838,799
	1,726,633	1,596,843

10. Inventories

	Group	
	2009	2008
	€	€
Property being developed with a view to sale		
Reclassification from investment property (Note 5)	**1,709,239**	-
Reclassification from assets classified as held for sale (Note 14)	**81,528**	-
Additions resulting from subsequent expenditure	**432,492**	-
	2,223,259	-
Goods held for resale		
Motor vehicles and motorcycles	**3,131,982**	5,924,801
Spare parts	**740,441**	719,776
Goods in transit	**151,734**	29,317
Payments on account in respect of motor vehicles and spare parts	**150,060**	88,660
Others	**23,872**	21,450
	4,198,089	6,784,004
Total inventories	**6,421,348**	6,784,004

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 to the financial statements. During the current financial year, reversals of inventory write-downs recognised in previous financial years amounted to €151,676 (2008: inventory write-downs of €541,905). These amounts have been included in 'Cost of sales' in profit or loss.

Bank borrowings in the name of group undertakings are secured on inventories with a carrying amount of €3,953,000 (2008: €4,450,000) - refer to Notes 19 and 33(a).

11. Trade and other receivables

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
Trade receivables	**1,876,859**	1,532,838	**-**	-
Amounts owed by subsidiaries	**-**	-	**1,070,297**	829,182
Amounts owed by associates	**453,318**	179,895	**546**	12,501
Amounts owed by related parties forming part of Mizzi Organisation	**28,245,924**	26,629,553	**23,759,674**	22,027,024
Amounts owed by other related parties	**1,949,496**	1,207,674	**1,870,848**	1,070,848
Other receivables	**538,441**	381,639	**163,225**	129,264
Indirect taxation	**792,113**	810,897	**-**	-
Prepayments and accrued income	**218,512**	103,417	**164,606**	53,630
	34,074,663	30,845,913	**27,029,196**	24,122,449

11. Trade and other receivables - continued

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Trade receivables	**496,900**	458,057	**-**	-
Other receivables	**2,103**	2,103	**2,103**	2,103
	499,003	460,160	**2,103**	2,103

A subsidiary transfers receivables arising from its activities to United Acceptances Finance Limited, a related party which serves as a finance house to all companies forming part of the Mizzi Organisation by granting and administering hire purchase agreements. The receivables are transferred at their face value with no rights of recourse. During the financial year under review, the subsidiary has transferred receivables with a face value amounting to €2,305,075 (2008: €3,388,106). The group derecognises these debts from its statement of financial position since it would have transferred substantially all the risks and rewards of ownership of the receivables.

12. Loans and advances: current amounts

Group

The group's loans and advances as at 31 December 2009 consist of the loans effected by Mizzi Holdings Limited to a related party (refer to Note below). The group's loans and advances as at 31 December 2008 also comprised the short-term portion of the advances effected by a subsidiary (refer to Note 8).

Company

The company's loans and advances consist of loans to a group undertaking amounting to €2,926,809 (2008: €2,926,809) and to a related party amounting €1,630,561 (2008: €1,630,561). These advances are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% per annum.

13. Cash and cash equivalents

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Cash at bank and in hand	**277,737**	695,331	**6,380**	4,751
Bank overdrafts (Note 19)	**(1,958,590)**	(13,205,909)	**(669,473)**	(11,309,274)
	(1,680,853)	(12,510,578)	**(663,093)**	(11,304,523)

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 group's cash management.

14. Assets classified as held for sale

	Group	
	2009	2008
	€	€
Property classified as held for sale		
Opening carrying amount	**81,528**	81,528
Reclassification to inventories (Note 10)	**(81,528)**	-
Closing carrying amount	**-**	81,528

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

	Company	
	2009	2008
	€	€
Authorised		
1,000,000 (2008: 1,000,000) ordinary shares of €2.329373 each	**2,329,373**	2,329,373
Issued and fully paid		
685,600 (2008: 685,600) ordinary shares of €2.329373 each	**1,597,018**	1,597,018

16. Revaluation reserves

Group

	2009	2008
	€	€
Surplus arising on fair valuation of:		
Land and buildings of subsidiaries	**6,284,241**	6,333,918
Available-for-sale financial assets	**(200,234)**	(198,351)
	6,084,007	6,135,567

16. Revaluation reserves - continued

The movements in each category are analysed as follows:

	2009	2008
	€	€
Land and buildings of subsidiaries		
At beginning of year	**6,333,918**	5,387,296
Revaluation surplus arising during the year (Note 4)	**-**	1,116,148
Transfer upon realisation through asset use	**(59,259)**	(59,259)
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 20)	**(11,159)**	2,930
Deferred income taxes on revaluation surplus arising during the year (Note 20)	**-**	(133,938)
Deferred income taxes on realisation through asset use (Note 20)	**20,741**	20,741
At end of year	**6,284,241**	6,333,918

	2009	2008
	€	€
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)
At end of year	**(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 group's accounting policy. When the assets are disposed of, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, are transferred to profit or loss as gains and losses from available-for-sale financial assets.

The revaluation reserves are non-distributable.

Company

	2009	2008
	€	€
Available-for-sale financial assets		
At beginning of year	**(308,789)**	122,308
Losses from changes in fair value (Note 9)	**(1,883)**	(431,097)
At end of year	**(310,672)**	(308,789)

17. Fair value gains reserve

	Group	
	2009	2008
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	**8,241,883**	7,902,546
Fair value gains arising during the year (Note 5)	**-**	541,162
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 20)	**(7,573)**	(136,886)
Deferred income taxes on fair value gains arising during the year (Note 20)	**-**	(64,939)
At end of year	**8,234,310**	8,241,883

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

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

18. Trade and other payables

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
Trade payables	**1,162,496**	1,019,018	**-**	-
Payments received on account	**127,469**	400,495	**-**	-
Amounts owed to subsidiaries	**-**	-	**3,192,351**	2,757,702
Amounts owed to associates	**228,589**	171,100	**216,810**	171,100
Amounts owed to related parties forming part of Mizzi Organisation	**22,964,272**	33,745,824	**3,126,658**	12,936,660
Other payables	**489,105**	650,079	**90,583**	197,140
Indirect taxation	**186,127**	141,738	**111,762**	133,712
Accruals and deferred income	**1,401,295**	1,046,120	**384,638**	404,116
	26,559,353	37,174,374	**7,122,802**	16,600,430
Non-current				
Other payables, falling due after more than five years	**6,988**	6,988	**6,988**	6,988

19. Borrowings

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current				
Bank overdrafts	**1,958,590**	13,205,909	**669,473**	11,309,274
Bank loans	**389,602**	379,153	**181,617**	165,497
36,493 6.7% bonds 2009 – 2012 issued in 2002	**3,649,382**	-	**-**	-
Loans from subsidiary	**-**	-	**3,999,382**	585,913
	5,997,574	13,585,062	**4,850,472**	12,060,684
Non-current				
Bank loans	**10,066,397**	3,562,950	**6,517,004**	707,398
300,000 6.2% bonds 2016 – 2019 issued in 2009	**29,208,662**	-	**-**	-
232,937 6.7% bonds 2009 – 2012 issued in 2002	**-**	23,173,609	**-**	-
Loans from subsidiary	**-**	-	**25,304,535**	10,396,607
	39,275,059	26,736,559	**31,821,539**	11,104,005
Total borrowings	**45,272,633**	40,321,621	**36,672,011**	23,164,689

Group

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

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

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

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 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 Mizzi Holdings Limited, 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 27)	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 27)	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 Date/s).

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 purposes outlined in Note 8 to the financial statements, 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 company directors, 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. Accordingly, bond issue costs amounting to €281,754 were at the charge of Mizzi Holdings Limited, whilst expenses amounting to €114,104 were at the charge of other related parties.

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 bonds issued in 2002	**23,293,734**	23,293,734
Face value of bonds surrendered in exchange for bonds issued in 2009	**(19,644,352)**	-
Face value of bonds outstanding at 31 December	**3,649,382**	23,293,734
Gross amount of bond issue costs at the charge of Mizzi Holdings Limited	**(281,754)**	(281,754)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	**163,710**	133,496
Amortisation charge for the current year (Note 27)	**118,044**	30,214
Accumulated amortisation at end of year	**281,754**	163,710
Unamortised bond issue costs	**-**	(118,044)
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 27)	**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**	23,173,609

19. **Borrowings** - continued

The group's banking facilities as at 31 December 2009 amounted to €26,391,000 (2008: €27,061,000). These facilities are mainly secured by:

(a) a general hypothec on the company's assets for €25,414,000;
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €19,220,000 to €37,854,000, supported by special hypothecary guarantees for the amount of €24,482,000 over property and general hypothecary guarantees for the amount of €24,482,000 over assets;
(c) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €4,403,000 to €24,483,000, supported by special hypothecary guarantees for the amount of €1,002,000 over property and general hypothecary guarantees for the amount of €1,002,000 over assets;
(d) a guarantee by the company for €4,426,000; and
(e) a pledge on inventories amounting to €2,350,000 as at 31 December 2009.

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

	2009	2008
	%	%
Bank overdrafts	**5.0**	4.0
Bank loans	**4.8**	4.0

Maturity of group's non-current bank borrowings:

	2009	2008
	€	€
Between 1 and 2 years	**1,865,738**	482,087
Between 2 and 5 years	**7,270,297**	2,073,624
Over 5 years	**930,362**	1,007,239
	10,066,397	3,562,950

Company

As disclosed in Note 8 to the consolidated financial statements, the proceeds of the 2002 bond issue of a subsidiary had been advanced to the parent company and other companies forming part of the Mizzi Organisation. A significant portion of these advances to Mizzi Holdings Limited are still outstanding at 31 December 2009. These advances bear interest at the fixed rate of 7.2% per annum until 31 May 2010 and 6.7% thereafter. The actual net proceeds of the subsidiary's 2009 bond issue, amounting to €9,830,000, and proceeds arising from the settlement of the subsidiary's financing arrangement with a related party amounting to €8,838,000 have been advanced to the parent company during the year. Advances amounting to €8,838,000 are subject to interest at 7.2% per annum until 31 May 2010, and 6.7% thereafter; whilst advances of €9,830,000 are subject to interest at 6.7% per annum. Other terms and conditions are disclosed in Note 8.

19. **Borrowings** - continued

The maturity or repayment terms of the outstanding advances as at 31 December 2009, which are subject to a repayment schedule over the period to 30 November 2019, are as follows:

	€
Repayable:	
Within 1 year	3,999,382
Between 1 and 2 years	1,424,744
Between 2 and 5 years	4,274,233
Over 5 years	19,605,558
	29,303,917

The repayment terms of advances out of the 2002 bond issue proceeds which were outstanding as at 31 December 2008 and which remained outstanding at 31 December 2009 have been rescheduled on the basis of revised arrangements with the issuer, taking cognisance of the issuer's contractual obligations under the 2009 bonds, in particular the requirement to set up a sinking fund.

As at 31 December 2008, the loans advanced from the 2002 bond issue proceeds were subject to a repayment schedule over the period to 30 April 2012, which had been established by virtue of a supplementary loan agreement. The maturity or repayment terms of the outstanding advances as at 31 December 2008 were as follows:

	€
Within 1 year	647,834
Between 1 and 2 years	815,281
Between 2 and 5 years	9,638,678
	11,101,793

19. **Borrowings** - continued

Bond issue costs relating to the 2002 bonds amounting to €281,754 were at the charge of Mizzi Holdings Limited reflecting the proportion of the proceeds of the bond issue advanced to the company. Accordingly borrowings out of the 2002 bond proceeds were measured at the amount of the net proceeds adjusted for the amortisation of bond issue costs at the charge of the company using the effective interest method as reflected in the table below. 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.

	2009	2008
	€	€
Original face value of advances out of the 2002 bond issue proceeds	**16,626,802**	16,626,802
Gross amount of bond issue costs at the charge of Mizzi Holdings Limited	**(281,754)**	(281,754)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	**163,710**	133,496
Amortisation charge for the current year (Note 27)	**118,044**	30,214
Accumulated amortisation at end of year	**281,754**	163,710
Unamortised bond issue costs	**-**	(118,044)
Cumulative repayments effected	**(5,992,114)**	(5,526,238)
Amortised cost and closing carrying amount of advances	**10,634,688**	10,982,520

The carrying amount of the company's borrowings out of bond issue proceeds at the end of the reporting period is analysed as follows:

	2009	2008
	€	€
Borrowings falling due:		
- within one year	**3,999,382**	585,913
- after more than one year	**25,304,535**	10,396,607
	29,303,917	10,982,520

19. Borrowings - continued

The company's banking facility as at 31 December 2009 amounted to €18,108,000 (2008: €18,341,000). These facilities are mainly secured by:

(a) a general hypothec on the company's assets for €25,414,000; and
(b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €19,220,000 to €37,854,000, supported by special hypothecary guarantees for the amount of €24,482,000 over property and general hypothecary guarantees for the amount of €24,482,000 over assets.

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

	2009	2008
	%	%
Bank overdrafts	**5.0**	4.0
Bank loans	**5.0**	4.0

Maturity of company's non-current bank borrowings:

	2009	2008
	€	€
Between 1 and 2 years	**190,909**	187,522
Between 2 and 5 years	**6,326,095**	519,876
	6,517,004	707,398

20. Deferred taxation

Group

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (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.

20. **Deferred taxation** - continued

The movement on the deferred tax account is as follows:

	2009	2008
	€	€
At beginning of year	**6,095,717**	5,742,951
Movement in deferred tax liability on investment property and other properties determined on the basis applicable to capital gains:		
- recognised in profit or loss (Note 28)	**153,631**	149,638
- recognised in other comprehensive income (Note 16)	**11,159**	(2,930)
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 16)	**-**	133,938
Deferred income taxes on impairment charges on land and buildings arising during the year (Note 28)	**-**	(27,986)
Deferred income taxes on fair value gains on investment property arising during the year (Note 28)	**-**	64,939
Deferred income taxes taken over upon transfer of property from related parties	**-**	55,908
Realisation through asset use (Note 28)	**(20,741)**	(20,741)
At end of year	**6,239,766**	6,095,717

All the amounts disclosed in the table above, which have been referenced to Note 28, 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	**3,110,503**	3,112,512
Deferred taxation arising on transfer of property from related parties	**3,129,263**	2,983,205
	6,239,766	6,095,717

20. **Deferred taxation** - continued

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

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

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

	Unrecognised	
	2009	2008
	€	€
Unutilised tax credits arising from:		
Unabsorbed tax losses	**1,444,473**	156,514
Unabsorbed capital allowances	**1,479,353**	1,082,891
Deductible temporary differences arising on depreciation of property, plant and equipment	**301,462**	471,191
Deductible temporary differences arising on provisions for impairment of trade and other receivables	**499,003**	460,160
Deductible temporary differences arising on provisions for impairment of available-for-sale financial assets and provisions for other liabilities and charges	**295,828**	319,122

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

Company

	2009	2008
	€	€
At beginning and end of year	**13,993**	13,993

The balance at 31 December represents:

	2009	2008
	€	€
Deferred taxation arising on transfer of property from related party	**13,993**	13,993

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

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

20. Deferred taxation - continued

At 31 December 2009, the company had unutilised tax credits arsing from unabsorbed capital allowances of €874,171 (2008: €763,101). At the end of the reporting period, the company also had deductible temporary differences arising on property, plant and equipment, provisions for impairment of available-for-sale financial assets and provisions for impairment of receivables, amounting to €314,299 (2008: €359,430). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

21. Provisions for other liabilities and charges

Group

	Provisions for legal claims	
	2009	2008
	€	€
At beginning of year	**86,187**	51,246
Increase in provisions	**-**	34,941
Credited to profit or loss:		
- Unused amounts reversed	**(23,294)**	-
At end of year	**62,893**	86,187

The amounts shown above comprise gross provisions in respect of legal claims brought against the group. In the opinion of the directors, after taking appropriate legal advice, the outcome of the outstanding legal claims will not give rise to any significant loss beyond the amounts provided at the end of the reporting period. During the year ended 31 December 2009, 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 year ending 31 December 2010.

22. Revenue

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

	Group	
	2009	2008
	€	€
By category		
Sale of motor vehicles and motorcycles	**12,672,471**	20,213,004
Sale of spare parts and provision of ancillary services	**3,367,194**	3,042,676
Property operating lease rental income	**1,207,407**	1,219,602
Sale of clothing and other goods from rented premises	**2,102,699**	2,253,381
Other revenues	**27,713**	22,930
	19,377,484	26,751,593

23. Expenses by nature

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Cost of goods sold	**15,398,419**	22,312,064	**-**	-
Employee benefit expense (Note 24)	**1,978,177**	2,177,820	**761,503**	714,660
Depreciation of property, plant and equipment (Note 4)	**568,647**	605,212	**125,528**	177,800
Impairment charges on property, plant and equipment (included in 'Administrative expenses' – Note 4)	**-**	233,217	**-**	-
Property operating lease rentals payable	**1,141**	22,117	**90,846**	89,489
Management fees and similar service charges	**610,592**	588,199	**-**	-
Marketing, business promotion and related expenses	**449,329**	502,081	**-**	-
Provision of management and related administration services	**288,952**	246,234	**200,657**	165,361
Movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	**38,843**	6,864	**-**	-
Amounts written off in respect of trade receivables (included in 'Administrative expenses')	**47,193**	-	**-**	-
Other expenses	**921,343**	861,797	**295,238**	253,439
Total cost of sales; selling and other direct expenses; and administrative expenses	**20,302,636**	27,555,605	**1,473,772**	1,400,749

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Property operating lease rental income (included in 'Other operating income')	**-**	-	**(5,828)**	(5,828)
Exchange differences	**6,990**	(17,709)	**-**	-
Movement in provisions for legal claims (included in "Administrative expenses")	**(23,294)**	-	**-**	-
Profit on disposal of property, plant and equipment	**(7,218)**	(24,498)	**-**	-

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

23. **Expenses by nature** - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2009 and 2008 relate to the following:

	Group	
	2009	2008
	€	€
Annual statutory audit	**23,904**	22,190
Other assurance services	**1,550**	1,200
Tax advisory and compliance services	**3,740**	7,324
Other non-audit services	**13,792**	8,290
	42,986	39,004

In addition to the amounts disclosed above, fees amounting to €140,000 were charged for services provided in relation to the 2009 bond issue.

The auditor's remuneration for the company for the year ended 31 December 2009 amounted to €5,600 (2008: €5,200).

24. **Employee benefit expense**

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Wages and salaries	**1,843,809**	2,028,483	**714,451**	665,399
Social security costs	**134,368**	149,337	**47,052**	49,261
	1,978,177	2,177,820	**761,503**	714,660

Average number of persons employed during the year:

	Group		Company	
	2009	2008	**2009**	2008
Direct	**67**	66	**-**	-
Administration	**50**	60	**43**	42
	117	126	**43**	42

25. Investment and other related income

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Gross dividends receivable from investments in subsidiaries	**-**	-	**334,456**	155,762
Gross dividends receivable from investments in associates	**-**	-	**82,174**	84,486
Gross dividends receivable from available-for-sale financial assets	**57,840**	51,457	**57,840**	51,457
	57,840	51,457	**474,470**	291,705

26. Finance income

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Interest receivable from subsidiaries	**-**	-	**287,482**	279,505
Interest receivable from related parties forming part of Mizzi Organisation	**1,593,685**	1,897,331	**812,765**	1,033,423
Bank interest receivable	**11,323**	5,850	**-**	-
Other interest receivable	**113,263**	3,319	**-**	-
	1,718,271	1,906,500	**1,100,247**	1,312,928

27. Finance costs

	Group		Company	
	2009	2008	**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)	**128,037**	34,937	**118,044**	30,214
Interest payable to subsidiaries	**-**	-	**1,036,731**	904,608
Interest payable to related parties forming part of Mizzi Organisation	**307,343**	366,504	**306,052**	366,504
Bank interest and charges	**840,731**	905,196	**598,119**	634,659
	2,890,352	2,867,384	**2,058,946**	1,935,985

28. Tax expense

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Current taxation:				
Current tax income	**(84,439)**	(64,466)	**-**	-
Adjustment recognised in financial period for current tax of prior periods	**-**	59,033	**-**	-
Deferred taxation (Note 20)	**132,890**	165,850	**-**	-
	48,451	160,417	**-**	-

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Loss before tax	**(1,102,188)**	(178,275)	**(1,044,441)**	(754,654)
Tax on loss at 35%	**(385,766)**	(62,396)	**(365,554)**	(264,129)
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment, provisions for impairment of trade receivables and provisions for other liabilities and charges	**38,607**	(33,584)	**5,059**	25,392
Unabsorbed capital allowances claimed during the year	**138,773**	133,892	**38,875**	36,840
Determination of deferred taxation on fair valuation of investment property and other properties on the basis applicable to capital gains	**157,452**	164,909	**-**	-
Share of results of associates	**(31,340)**	(22,870)	**-**	-
Losses surrendered for group relief purposes	**-**	-	**385,496**	225,122
Income subject to reduced rates of tax	**(1,025)**	(612)	**-**	-
Maintenance allowance claimed on rented property	**(119,385)**	(128,671)	**-**	-
Dividend income not taxed at 35%	**(3,264)**	(4,063)	**(63,876)**	(23,225)
Unabsorbed tax losses incurred during the year	**531,368**	54,779	**-**	-
Under provision of tax in previous years	**-**	59,033	**-**	-
Bond issue costs claimed during the year	**(276,969)**	-	**-**	-
Tax charge in the accounts	**48,451**	160,417	**-**	-

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

29. Directors' emoluments

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Salaries and other emoluments	**85,797**	89,854	**30,797**	34,103

During the year, the company has charged out directors' emoluments amounting to €12,299 (2008: €12,299) and €323,150 (2008: €342,468) to subsidiaries and other related parties forming part of Mizzi Organisation, respectively.

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

30. Earnings per share

Earnings per share is calculated by dividing the loss attributable to owners of the company by the weighted average number of ordinary shares of Mizzi Holdings Limited in issue during the year.

	Group	
	2009	2008
Net loss attributable to owners of the company	**(€1,150,639)**	(€338,692)
Weighted average number of ordinary shares in issue	**685,600**	685,600
Earnings per share	**(€1.68)**	(€0.49)

31. Cash (used in)/generated from operations

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Operating (loss)/profit	**(77,491)**	665,808	**(560,212)**	(423,302)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**568,647**	605,212	**125,528**	177,800
Impairment charges on property, plant and equipment (Note 4)	**-**	233,217	**-**	-
Profit on disposal of property, plant and equipment	**(7,218)**	(24,498)	**-**	-
Gains from changes in fair value of investment property (Note 5)	**-**	(541,162)	**-**	-
Movement in provisions for impairment of trade and other receivables	**38,843**	6,864	**-**	-
Movement in provisions for other liabilities and charges (Note 21)	**(23,294)**	-	**-**	-
Changes in working capital:				
Inventories	**2,153,423**	2,032,140	**-**	-
Trade and other receivables	**(3,267,593)**	(1,033,806)	**(2,906,747)**	(1,861,354)
Trade and other payables	**(10,864,787)**	(1,294,246)	**(9,477,628)**	1,538,719
Cash (used in)/generated from Operations	**(11,479,470)**	649,529	**(12,819,059)**	(568,137)

32. Commitments

Group

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 5 and 10) not provided for in these financial statements are as follows:

	2009	2008
	€	€
Authorised but not contracted	**1,520,000**	1,065,000
Contracted but not provided for	**340,000**	1,425,000
	1,860,000	2,490,000

32. Commitments - continued

Operating lease commitments – where a group undertaking is the lessor

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

	2009	2008
	€	€
Not later than one year	**265,817**	221,235
Later than one year and not later than five years	**502,449**	392,078
Later than five years	**240,969**	365,898
	1,009,235	979,211

A group undertaking has property leasing arrangements with related parties, which are companies forming part of the Mizzi Organisation, whereby operating lease rentals amounting to €753,000 (2008: €846,000) are receivable annually for the right of the respective related parties to use assets owned by the company in the course of their operations.

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 group 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, the effect on the group'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.

Company

Operating lease commitments – where the company is the lessee

The company has a property leasing arrangement with a subsidiary whereby operating lease rentals amounting to €90,846 (2008: €90,846) are payable annually for the right to use assets owned by the subsidiary in the course of the company's operations.

33. Contingencies

(a) The company, together with certain other subsidiaries and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to a limit of €84,519,000 (2008: €63,789,000) together with interest and charges thereon. These guarantees are supported by a general hypothecary guarantee for the amount of €25,414,000 (2008: €19,218,000) over the company's assets.

33. Contingencies - continued

Subsidiaries, together with related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to limits of €37,423,000 (2008: €33,905,000), €42,315,000 (2008: €38,797,000) and €46,717,000 (2008: €43,199,000) together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by these undertakings for the amount of €24,482,000 (2008: nil) over assets, and by special hypothecary guarantees for the amounts of €24,482,000 (2008: €19,218,000, €20,219,000 and €19,218,000) over property.

A subsidiary is also jointly and severally liable in respect of guarantees for the amount of €2,397,000 (2008: €2,397,000), supported by general hypothecary guarantees for the amount of €13,920,000 (2008: €12,812,000) over assets and special hypothecary guarantees over property for the amount of €35,583,000 (2008: €34,475,000), given to secure the banking facilities of a related party.

(b) The company, Consolidated Holdings Limited, Kastell Limited and The General Soft Drinks Company Limited are, jointly and severally with Mizzi Organisation Finance p.l.c. (a subsidiary) and between themselves, guaranteeing the repayment of the nominal value of the bonds issued by the latter company in 2009 and 2002, for subscription by the general public, amounting to €33,649,382 (2008: €23,294,734) on the redemption date and of the interest amounts payable in respect of the bonds on each interest payment date (Note 19). All the terms and conditions of these instruments are disclosed in the said note to the financial statements. The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer under the terms and conditions of the bond issues.

The proceeds of the 2002 bond issue have been advanced to Mizzi Holdings Limited, Consolidated Holdings Limited and Kastell Limited. All the terms and conditions of these advances are disclosed in Note 8 to the financial statements. Mizzi Holdings Limited, Consolidated Holdings Limited, Kastell Limited and The General Soft Drinks Company Limited, the guarantors in respect of the bond issue, have jointly and severally, between themselves and with the respective borrower, undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the advances from Mizzi Organisation Finance p.l.c.

(c) At 31 December 2009, the company has given guarantees totalling €4,865,676 (2008: €4,862,596) in the name of subsidiaries and related parties forming part of Mizzi Organisation in favour of third parties.

(d) At 31 December 2009, subsidiaries had contingent liabilities amounting to €186,090 (2008: €145,882) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

(e) No provision has been made in these consolidated accounts for disputed income tax amounting to €102,537 (2008: €102,537) arising from assessments raised in terms of Section 44 of the Income Tax Act, Cap. 123. The contingent liability of the company in this respect amounts to €5,928 (2008: €5,928). Objections have been filed on the said assessments. The directors are confident that no material future liability will arise beyond the amounts which are acknowledged as properly due, which amounts have been fully provided for.

33. Contingencies - continued

(f) Objections have been filed with the Commissioner of Inland Revenue over assessments raised relating to basis years from 1985 to 1996 amounting to €13,855 (2008: €13,855), in respect of which no provision has been made in these accounts. The company is in dispute with the Commissioner of Inland Revenue over assessments raised relating to basis years 1985, 1986 and 1996 amounting to €12,711 (2008: €12,711).

34. Related party transactions

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

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

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

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

Group

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

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

34. **Related party transactions** - continued

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

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Sales of goods and services				
Sales of goods held for resale and provision of services				
- Associates	**566,174**	489,923	**-**	-
- Related parties forming part of Mizzi Organisation	**369,812**	1,762,526	**-**	-
- Other related parties	**31,723**	31,129	**-**	-
Management fees receivable				
- Subsidiaries	**-**	-	**105,500**	82,209
- Associates	**30,600**	27,825	**30,600**	27,825
- Related parties forming part of Mizzi Organisation	**691,067**	532,236	**691,067**	532,236
- Other related parties	**46,836**	5,647	**46,836**	5,647
Property operating lease rental income receivable				
- Subsidiaries	**-**	-	**5,828**	5,828
- Related parties forming part of Mizzi Organisation	**958,772**	969,628	**-**	-
Estate management fees	**8,036**	8,036	**-**	-
Transfer of property, plant and equipment	**17,530**	-	**-**	-
Interest receivable in respect of factoring facility	**467,430**	518,311	**-**	-
	3,187,980	4,345,261	**879,831**	653,745

34. Related party transactions - continued

	Group		Company	
	2009	2008	**2009**	2008
	€	€	**€**	€
Purchases of goods and services				
Purchases of goods held for resale and services	**1,793,278**	1,886,629	**43,953**	33,658
Management fees payable	**718,569**	588,882	**-**	-
Property operating lease rentals payable				
- Subsidiaries	**-**	-	**90,846**	90,846
- Related parties forming part of Mizzi Organisation	**-**	11,647	**-**	-
Purchases of property, plant and equipment				
- Subsidiaries	**-**	-	**41,000**	40,674
- Related parties forming part of Mizzi Organisation	**24,498**	11,020	**28,055**	11,020
Transfer of investment property	**-**	465,880	**-**	-
Transfer of property, plant and equipment	**12,374**	-	**-**	-
Capital expenditure on property	**110,948**	295,202	**-**	-
	2,659,667	3,259,260	**203,854**	176,198

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 11 and 18 to these financial statements.

Expenditure amounting to €1,117,719 (2008: €1,291,075) and €22,014 (2008: €4,493) has been recharged by the parent company and subsidiaries respectively to related parties forming part of Mizzi Organisation. The company has also recharged expenditure amounting to €104,398 and €7,769 (2008: €102,910 and €3,797) to subsidiaries and associates respectively. During the financial year ended 31 December 2008, related parties forming part of Mizzi Organisation recharged expenditure to subsidiaries amounting to €798,968.

Key management personnel compensation, in addition to directors' remuneration as disclosed in Note 29, amounted to €131,075 (2008: €83,498).

34. Related party transactions - continued

Amounts owed by related parties as at 31 December 2009 of €16,373,940 (2008: €17,128,685) are subject to interest at 7.2% (2008: 7.2%). Amounts owed to related parties as at 31 December 2009 of €2,185,226 (2008: €8,600,211) are subject to interest of 5% (2008: 4%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 26 and 27 respectively.

Amounts owed by related parties as at 31 December 2009 include amounts due from shareholders of €42,677 (2008: €39,757). These amounts are unsecured, interest free and have no fixed date of repayment.

Company

Amounts owed to subsidiaries as at 31 December 2009 of €1,895,207 (2008: €1,530,429) are subject to interest at 5% (2008: 4%). Amounts owed by subsidiaries as at 31 December 2008 of €25,042 were subject to interest at 7.2%. Amounts owed to related parties as at 31 December 2009 of €2,185,226 (2008: €8,600,211) are subject to interest at 5% (2008: 4%). Amounts owed by related parties as at 31 December 2009 of €16,373,940 (2008: €17,128,685) are subject to interest at 7.2% (2008: 7.2%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 26 and 27 respectively.

Amounts owed by related parties as at 31 December 2009 include amounts due from shareholders of €31,730 (2008: €29,544). These amounts are unsecured, interest free and have no fixed date of repayment.

35. Statutory information

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