MIZZI ORGANISATION FINANCE p.l.c.

Annual Report and Financial Statements
31 December 2009

Company Registration Number: C 29506

Directors' report

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

Principal activity

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

Review of the business

During the financial year ended 31 December 2009, by virtue of a Prospectus dated 29 October 2009, 300,000 bonds, with a face value of €30,000,000, were issued to the general public. The proceeds of the bond will principally be utilised to re-finance existing banking facilities and for general corporate funding purposes of the Mizzi Organisation.

Interest income earned on advances to companies forming part of the Mizzi Organisation and bank interest income totalled €1,736,362 (2008: €1,709,753), while interest payable and similar charges on the bonds issued amounted to €1,624,240 (2008: €1,565,469). The profit for the year before taxation amounted to €56,341 (2008: €92,835). For the forthcoming year, the directors expect that the present level of activity will be sustained.

Results and dividends

The financial results are set out on page 11. During the financial year ended 31 December 2009 the directors have proposed the payment of a net dividend to the company's ordinary shareholders amounting to €150,000.

Directors

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

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

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

Directors' statement of responsibilities in relation to the financial statements

The directors are required by the Companies Act, 1995 to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each 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 company will continue in business as a going concern.

Directors' report - continued

Directors' statement of responsibilities in relation to the financial statements - continued

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

The financial statements of Mizzi Organisation Finance p.l.c. for the year ended 31 December 2009 are included in the Annual Report 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.

The directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Going concern basis

After making due enquiries, the directors have a reasonable expectation, at the time of approving the financial statements, that the company has adequate resources to continue in operational existence for the foreseeable future. For this reason, the directors continue to adopt the going concern basis in preparing the financial statements.

Auditors

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

On behalf of the board

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Registered office
Mizzi House
National Road
Blata l-Bajda
Malta

Company secretary:
Hugh Mercieca

Telephone Number:
21233111

30 April 2010

Statement of compliance with the Principles of Good Corporate Governance

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Principles Eight: The board also feels that in the current circumstances of the company, the establishment of a Remuneration Committee is unwarranted. Indeed, save for the remuneration of the independent non-executive director, the company does not pay any remuneration to any of its directors. The directors believe that due to the fact that the board is composed exclusively of non-executive directors, and also due to the fact that with the exception of the remuneration of the independent director, which amounts to €7,000 per annum, no other director is remunerated, the need to set up a Remuneration Committee does not arise. This belief is founded on the premise that the raison d'être of establishing a Remuneration Committee is that of avoiding a situation where executive directors participate in the determination of their own remuneration packages. Given that there are no executive directors, executives or employees within the company nor is any remuneration paid to any of the directors, except for the independent director, the establishment of a Remuneration Committee would add no value to the corporate governance structures of the company. The remuneration policy of the board is to remain that adopted during the financial year ended 31 December 2009, namely that with the exception of the independent director, none of the other directors will receive any remuneration.

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

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

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

Principle Twelve: The directors aim to adhere to accepted principles of corporate social responsibility in day to day practices, within the limited scope of the company's business.

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

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

Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee reports directly to the Board of Directors. The Committee is at all times accountable to the Board and through its Chairman reports to the Board on a regular basis.

The role of the Committee is determined principally by the Listing Rules. In essence, it is entrusted to ensure that the company has the appropriate measures in place to identify, manage, minimise and control its risks. Furthermore, it has the authority to make recommendations to the Board and to approve the remuneration terms of engagement of the external auditors.

The Committee shall be required to advise the Board of Directors on the following matters:
(a) its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
(b) maintaining communications on such matters between the Board, management and the independent auditors; and
(c) preserving the company's assets by understanding the company's risk environment and determining how to deal with those risks.

In the discharge of this role, but without prejudice to the generality of the foregoing, the Committee shall inter alia have the responsibility:
(a) to review the significant financial reporting issues and judgments made in connection with the preparation of the company's financial statements, interim reports, preliminary announcements and related formal statements. The Audit Committee should also review the clarity and completeness of disclosures in the financial statements;
(b) to review the company's internal financial controls and internal control and risk management systems;
(c) to consider annually whether there is a need for an internal audit function and make a recommendation to the board;
(d) to make recommendations to the Board in relation to the appointment of the external auditors and to approve the remuneration and terms of engagement of the external auditors with the aim of requesting shareholder approval;
(e) to review and monitor the external auditor's independence and objectivity and the effectiveness of the audit process;
(f) to make proposals for the development and implementation of a policy on the engagement of the external auditors to provide non-audit services to the company;
(g) unless dealt with in any other manner, to monitor and scrutinise related party transactions falling within the ambits of the Listing Rules and to make its recommendations to the Board on any proposed related party transactions falling within the scope of the Listing Rules.

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

The Committee is made up of:
a) Dr John C. Grech, Non-Executive Director and Chairman of the Issuer
b) Dr Louis Camilleri Preziosi, Non-Executive Director of the Issuer
c) Kenneth C. Mizzi, Executive Director of the Issuer

The Audit committee was constituted following the 2009 bond issue. During the current financial year and up to the date of authorisation for issue of this report, the Committee has as yet not met.

Repayment of company's borrowings

As stipulated in the offering memorandum, the company's directors have resolved to set up a sinking fund to ensure that the said bond repayment obligations are duly fulfilled in accordance with the terms of the bond issue. In prior years, the company implemented this programme with respect to the 2002 bond issue by acquiring bills of exchange with rights of recourse. Amounts of funds to be allocated to this sinking fund over the term of the borrowings had been formally established. Under the terms of the 2009 bond issue, the sinking fund and related cash reserve will be set up from the financial year ending 31 December 2011.

Approved by the board on 30 April 2010 and signed on its behalf by:

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Independent auditor's report

To the Shareholders of Mizzi Organisation Finance p.l.c.

Report on the Financial Statements

We have audited the financial statements of Mizzi Organisation Finance p.l.c. on pages 10 to 32 which comprise the statement of financial position as at 31 December 2009, statements of 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 directors' statement of responsibilities on pages 1 and 2, 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 company as at 31 December 2009, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.

Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

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

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

In our opinion, the Statement of Compliance set out on pages 3 to 7 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

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.

- Under the Listing Rules to review the statement made by the directors, set out on page 2, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Statement of financial position

	Notes	2009 €	2008 €
		As at 31 December	
ASSETS			
Non-current assets			
Loans and advances	4	**29,660,462**	19,944,400
Current assets			
Loans and advances	5	**3,999,382**	3,852,849
Receivables	6	**164,692**	143,003
Current tax assets		**-**	110
Cash and cash equivalents	7	**103,770**	155,365
Total current assets		**4,267,844**	4,151,327
Total assets		**33,928,306**	24,095,727
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	8	**232,937**	232,937
Retained earnings		**231,375**	325,803
Total equity		**464,312**	558,740
Non-current liabilities			
Borrowings	9	**29,208,662**	23,291,647
Current liabilities			
Payables	10	**605,950**	245,340
Borrowings	9	**3,649,382**	-
Total current liabilities		**4,255,332**	245,340
Total liabilities		**33,463,994**	23,536,987
Total equity and liabilities		**33,928,306**	24,095,727

The notes on pages 14 to 32 are an integral part of these financial statements.

The financial statements on pages 10 to 32 were authorised for issue by the board of directors on 30 April 2010 and were signed on its behalf by:

Dr John C. Grech
Chairman

Maurice F. Mizzi
Director

Statement of comprehensive income

	Notes	Year ended 31 December 2009 €	2008 €
Interest receivable	11	**1,736,362**	1,709,753
Interest payable and similar charges	12	**(1,624,240)**	(1,565,469)
Net interest income		**112,122**	144,284
Administrative expenses	13	**(55,781)**	(51,449)
Profit before tax		**56,341**	92,835
Tax expense	14	**(769)**	(459)
Profit for the year – total comprehensive income		**55,572**	92,376
Earnings per share	16	**55.57**	92.38

The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 1 January 2008		232,937	233,427	466,364
Comprehensive income				
Profit for the year				
- total comprehensive income		-	92,376	92,376
Balance at 31 December 2008		232,937	325,803	558,740
Comprehensive income				
Profit for the year				
- total comprehensive income		-	55,572	55,572
Transactions with owners				
Dividends relating to 2008	17	-	(150,000)	(150,000)
Balance at 31 December 2009		**232,937**	**231,375**	**464,312**

The notes on pages 14 to 32 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2009 €	2008 €
Cash flows from operating activities			
Interest received		**1,716,584**	1,712,245
Interest paid		**(1,560,742)**	(1,560,741)
Cash paid to service providers, net of refund from parent company		**(337)**	(44,528)
Tax paid		**(669)**	(569)
Net cash from operating activities		**154,836**	106,407
Cash flows from investing activities			
Loans granted to parent company	4	**(18,668,000)**	-
Loans granted to related parties	4, 5	**(1,518,551)**	(4,745,122)
Repayments of loans from parent company	5	**465,876**	815,281
Repayments of loans from related parties	4, 5	**9,858,080**	3,578,240
Net cash used in investing activities		**(9,862,595)**	(351,601)
Cash flows from financing activities			
Net proceeds from issuance of bonds	9	**9,806,164**	-
Dividends paid	17	**(150,000)**	-
Net cash from financing activities		**9,656,164**	-
Net movement in cash and cash equivalents		**(51,595)**	(245,194)
Cash and cash equivalents at beginning of year		**155,365**	400,559
Cash and cash equivalents at end of year	7	**103,770**	155,365

The notes on pages 14 to 32 are an integral part of these 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

These financial statements are prepared in accordance with the requirements of 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.

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 judgment in the process of applying the company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

Standards, interpretations and amendments to published standards effective in 2009

In 2009, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company'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 company's accounting policies. In particular the company 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 company 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 company include:

- IFRS 8, 'Operating segments'. The new standard requires a 'management approach', under which segment information is presented on a similar basis to that used for internal reporting purposes. The company has one reportable segment and accordingly no revised disclosures are required in these financial statements.

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 the company's accounting periods beginning after 1 January 2009. The company 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 company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Foreign currencies

(a) Functional and presentation currency

Items included in these financial statements 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.

1.3 Financial assets

Classification
The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the receivable. 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 company's loans and receivables comprise loans and advances, receivables and cash and cash equivalents in the statement of financial position (Notes 1.4, 1.5 and 1.6).

Recognition and measurement
The company 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 classified within the loans and receivables category are recognised on settlement date, which is the date on which an asset is delivered to or by the company. Loans and receivables are initially recognised at fair value plus transaction costs. 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 company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

Impairment
The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or company of financial assets is impaired. A financial asset or a company 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 company of financial assets that can be reliably estimated.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

The company first assesses whether objective evidence of impairment exists. The criteria that the company 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.

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 receivables is described in note 1.5.

1.4 Loans and advances

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

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

1.5 Receivables

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 receivables is established when there is objective evidence that the company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the 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 receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

1.6 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of the financial position at face value. Cash and cash equivalents include cash in hand and deposits held at call with banks.

1. Summary of significant accounting policies - continued

1.7 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.

1.8 Financial liabilities

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

1.9 Payables

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

1.10 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 company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.11 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.

1.12 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.

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. Summary of significant accounting policies - continued

1.13 Interest income and expense

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

1.14 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 company's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company did not make use of derivative financial instruments to hedge certain risk exposures during the financial periods ended 31 December 2009 and 2008.

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

(a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign exchange risk because its principal assets and liabilities, comprising loans to related parties (Notes 4 and 5) and borrowings (Note 9), are denominated in euro. The company's interest income, interest expense and other operating expenses are also denominated in euro. 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.

2. Financial risk management - continued

(ii) Fair value interest rate risk

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

(b) Credit risk

Credit risk arises from loans and advances to related parties (Notes 4 and 5), cash and cash equivalents (Note 7) and other receivables (Note 6), which constitute the company's loans and receivables category for IAS 39 categorisation purposes. The company's exposures to credit risk are analysed as follows:

	2009	2008
	€	€
Loans and receivables category:		
Loans to parent company and other related parties	**33,659,844**	23,797,249
Other receivables	**164,692**	143,003
Cash at bank	**103,770**	155,365
	33,928,306	24,095,617

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

The company's loans and advances consist of advances to related parties forming part of the Mizzi Organisation (see Note 18), which advances have been effected out of the 2002 and 2009 bond issue proceeds. The company monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company's collateral held as security in respect of the financial assets originating from the 2002 bond issue is disclosed in Note 4 to the financial statements. The guarantors in respect of these assets comprise the borrowers themselves and another company forming part of the Mizzi Organisation. The company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

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

At the end of the reporting periods, the company had no past due or impaired financial assets.

2. Financial risk management - continued

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which mainly comprise borrowings (Note 9) and other current payables (Note 10). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to related parties effected out of the 2009 and 2002 bond issue proceeds, match cash outflows in respect of the company's bond borrowings, covering principal and interest payments, as referred to in Note 9 and reflected in the table below. The company's 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 company 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 company 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.

The table below analyses 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 table are the contractual undiscounted cash flows.

	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over five years €	Total €
At 31 December 2009					
Borrowings (Note 9)	5,684,187	1,860,000	5,580,000	39,300,000	52,424,187

	Less than one year €	Between one and two years €	Between two and five years €	Over five years €	Total €
At 31 December 2008					
Borrowings (Note 9)	1,560,737	1,560,737	25,188,271	-	28,309,745

2. Financial risk management - continued

2.2 Capital risk management

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

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

2.3 Fair values of financial instruments

At 31 December 2009 and 2008, the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments. The fair values of loans and advances subject to fixed interest rates were not significantly different from their carrying amounts at the end of the reporting period based on discounted cash flows using market interest rates prevailing at 31 December. Information on the fair value of the company's interest-bearing borrowings is disclosed in the respective note to the financial statements.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

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

4. Loans and advances: non-current amounts

	Loans to parent company €	Loans to other related parties €	Total €
Non-current portion of advances outstanding as at 1 January 2009	10,453,959	9,490,441	19,944,400
Advances effected during the year (see Note below)	18,668,000	1,518,551	20,186,551
Repayments received during the year (see Note below)	-	(7,002,471)	(7,002,471)
Reclassification of advances upon rescheduling of loan repayments (see Note below)	-	349,406	349,406
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2009 – see Note 5)	(3,817,424)	-	(3,817,424)
Non-current portion of advances outstanding as at 31 December 2009	**25,304,535**	**4,355,927**	**29,660,462**
Non-current portion of advances outstanding as at 1 January 2008	11,269,240	9,035,802	20,305,042
Advances effected during the year (see Note below)	-	4,745,122	4,745,122
Repayments received during the year (see Note below)	-	(1,085,468)	(1,085,468)
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2008 – see Note 5)	(815,281)	(3,205,015)	(4,020,296)
Non-current portion of advances outstanding as at 31 December 2008	10,453,959	9,490,441	19,944,400

The proceeds of the 2002 bond issue (see Note 9) had been advanced by the company to Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited for the principal purposes of re-financing existing banking facilities of the respective company or of an operating subsidiary of that company, and for the general corporate funding purposes of the companies mentioned above or of operating subsidiaries of these companies. Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors in respect of the company's 2002 bond issue, have jointly and severally between themselves and with the borrower irrevocably undertaken under each loan agreement to repay all interest and principal amounts that will become due and payable by the borrower pursuant to the loans. Mizzi Holdings Limited is the company's parent, whilst, Consolidated Holdings Limited, Kastell Holdings Limited and The General Soft Drinks Limited are related parties forming part of the Mizzi Organisation.

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

The actual net proceeds of the 2009 bond issue have been advanced to Mizzi Holdings Limited. Advances in this respect amounted to €9,830,000. The net bond proceeds 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, a portion of the advances amounting to €3,649,382 has been earmarked to repay the 2002 bonds which have not been surrendered in exchange for 2009 bonds. 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.

Interest on all advances is payable six monthly in arrears on 31 May and 30 November of each year.

All advances out of bond issue proceeds, apart from advances to Mizzi Holdings Limited referred to above amounting to €9,830,000, are subject to interest at the fixed rate of 7.2% per annum until 31 May 2010 and 6.7% thereafter. The advances amounting to €9,830,000 are subject to interest at 6.7%.

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

	Loans to parent company €	Loans to other related parties €	Total €
Repayable:			
Within 1 year	3,999,382	-	3,999,382
Between 1 and 2 years	1,424,744	245,256	1,670,000
Between 2 and 5 years	4,274,233	735,767	5,010,000
Over 5 years	19,605,558	3,374,904	22,980,462
	29,303,917	4,355,927	33,659,844

The figures included in the table on page 22 reflect advances to Mizzi Holdings Limited effected during the current year out of repayments received from United Acceptances Finance Limited (see note below). 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.

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

As at 31 December 2008, the loans out of 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:

	Loans to parent company €	Loans to other related parties €	Total €
Repayable:			
Within 1 year	647,834	349,406	997,240
Between 1 and 2 years	815,281	349,406	1,164,687
Between 2 and 5 years	9,638,678	3,657,115	13,295,793
	11,101,793	4,355,927	15,457,720

Advances granted by the company during the current and preceding financial years to United Acceptances Finance Limited, a related party forming part of the Mizzi Organisation, amounting to €1,518,551 and €4,745,112 respectively have been settled in full during the current year (refer to table on page 22). These 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 were 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.

	Loans to other related parties 31 December 2008 €
Repayable:	
Within 1 year	2,855,609
Between 1 and 5 years	5,462,790
Over 5 years	21,130
	8,339,529

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. These advances are subject to interest at the fixed rate of 7.2% per annum until 31 May 2010 and 6.7% thereafter.

5. Loans and advances: current amounts

	Loans to parent company €	Loans to other related parties €	Total €
Balance as at 1 January 2009	647,834	3,205,015	3,852,849
Repayments received during the year	(465,876)	(2,855,609)	(3,321,485)
Current portion of advances (amounts becoming repayable within one year as at 31 December 2009 – see Note 4)	3,817,424	-	3,817,424
Reclassification of advances upon rescheduling of loan repayments	-	(349,406)	(349,406)
Balance as at 31 December 2009	**3,999,382**	**-**	**3,999,382**
Balance as at 1 January 2008	647,834	2,492,772	3,140,606
Repayments received during the year	(815,281)	(2,492,772)	(3,308,053)
Current portion of advances (amounts becoming repayable within one year as at 31 December 2008 – see Note 4)	815,281	3,205,015	4,020,296
Balance as at 31 December 2008	647,834	3,205,015	3,852,849

6. Receivables

	2009 **€**	2008 €
Current		
Interest receivable from parent company	**135,324**	64,716
Interest receivable from other related parties	**26,637**	77,467
Prepayments and accrued income	**2,731**	820
	164,692	143,003

The repayment of amounts owed to the company in respect of interest receivable is secured in the manner disclosed in Note 4 to the financial statements.

7. Cash and cash equivalents

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

	2009 **€**	2008 €
Cash at bank	**103,770**	155,365

8. Share capital

	2009	2008
	€	€
Authorised		
5,000 (2008: 5,000) ordinary shares of €232.937340 each	**1,164,687**	1,164,687
Issued and fully paid		
1,000 (2008: 1,000) ordinary shares of €232.937340 each	**232,937**	232,937

9. Borrowings

	2009	2008
	€	€
Current		
36,493 6.7% bonds 2009 - 2012 issued in 2002	**3,649,382**	-
Non-current		
300,000 6.2% bonds 2016 - 2019 issued in 2009	**29,208,662**	-
232,937 6.7% bonds 2009 - 2012 issued in 2002	**-**	23,291,647
	29,208,662	23,291,647

By virtue of the Prospectus dated 29 October 2009, during the current financial year the company 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 company'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 company 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 company under the 2009 bonds.

9. Borrowings - continued

In accordance with the terms and conditions specified in the Prospectus, the company 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 of 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 from 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 (refer to Note 4).

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 company directors, 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 12)	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 12)	466
Unamortised amount of discounts	(46,634)
Amortised cost and closing carrying amount of the bonds	29,208,662

9. Borrowings - continued

The company 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 company on 31 May 2010 and 31 May 2011 (Optional Redemption Dates).

In view of the bond issue effected during the current year, 2002 bonds with a face value of €19,644,352 were surrendered by 2002 bondholders in exchange for bonds issued in 2009, pursuant to, and subject to, the terms and conditions in the Prospectus dated 29 October 2009. The 2002 bonds which have not been surrendered 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 company 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 company. The bond proceeds had been advanced to the guarantors for the purposes outlined in Note 4 to the financial statements, pursuant to, and subject to, the terms and conditions in the Offering Memorandum as amended by a supplementary agreement.

The bond 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.

9. **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 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	**26,135**	21,413
Amortisation charge for the current year (Note 12)	**2,087**	4,722
Accumulated amortisation at end of year	**28,222**	26,135
Unamortised difference between net proceeds and redemption value	**-**	(2,087)
Amortised cost and closing carrying amount of the bonds	**3,649,382**	23,291,647

10. **Payables**

	2009 €	2008 €
Current		
Amounts owed to parent company	**84,807**	-
Other payables	**73,357**	70,067
Accruals	**447,786**	175,273
	605,950	245,340

11. Interest receivable

	2009 €	2008 €
Interest receivable from parent company	**950,316**	850,308
Interest receivable from other related parties	**780,920**	856,385
Bank interest receivable	**5,126**	3,060
	1,736,362	1,709,753

12. Interest payable and similar charges

	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 9)	**9,999**	4,722
	1,624,240	1,565,469

13. Administrative expenses

The company’s administrative expenses comprise director’s fees (see Note 15) and such other expense items incurred in the administration of the company’s activities. Fees charged by the auditor for services rendered during the financial periods ended 31 December 2009 and 2008 relate to the following:

	2009 €	2008 €
Annual statutory audit	**2,204**	2,050
Other assurance services	**1,550**	1,200
Tax advisory and compliance services	**314**	314
Other non-audit services	**2,651**	477
	6,719	4,041

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

14. Tax expense

	2009	2008
	€	€
Current taxation	**769**	459

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

	2009	2008
	€	€
Profit before tax	**56,341**	92,835
Tax on profit at 35%	**19,719**	32,492
Tax effect of:		
Losses surrendered for group relief purposes	**259,043**	-
Group relief	**-**	(31,421)
Income subject to 15% final withholding tax	**(1,025)**	(612)
Bond issue costs claimed during the year	**(276,968)**	-
Tax charge in the accounts	**769**	459

15. Director's emoluments

	2009	2008
	€	€
Fees	**7,000**	7,000

16. Earnings per share

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

	2009	2008
Net profit attributable to owners of the company	**€55,572**	€92,376
Weighted average number of ordinary shares in issue	**1,000**	1,000
Earnings per share	**€55.57**	€92.38

17. Dividends

	2009 €	2008 €
Final dividends paid on ordinary shares Gross and net	**150,000**	-
Dividends per share	**150**	-

18. Related party transactions

Mizzi Organisation Finance p.l.c. forms 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. Mizzi Holdings Limited is the company's immediate parent (see Note 19) and also its ultimate controlling party.

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. Three of the company's directors are members of the Mizzi Family.

Transactions with companies forming part of Mizzi Organisation principally include advances effected by the company, mainly out of the bond issue proceeds, as disclosed in Notes 4 and 5 to the financial statements. Interest receivable earned from these transactions is disclosed in Note 11 and year-end balances in this respect are disclosed in Note 6 to the financial statements.

The company's expenditure reflected in profit or loss comprises management fees payable and other amounts recharged from the parent company of €15,208 (2008: €12,276) and €7,500 (2008: €3,907) respectively.

Key management personnel compensation, consisting of remuneration and other compensation to the company's directors, has been disclosed in Note 15.

19. Statutory information

Mizzi Organisation Finance p.l.c. is a public limited liability company and is incorporated in Malta.

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