

MIZZI HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2011

	Pages
Directors' report	1 - 2
Independent auditor's report	3 - 4
Statements of financial position	5 - 6
Income statements	7
Statements of comprehensive income	8
Statements of changes in equity	9 - 11
Statements of cash flows	12
Notes to the financial statements	13 - 71

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2011.

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. A subsidiary is engaged in 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 increased significantly, with positive impacts on the group's operating results. The group's 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 be sustained 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 €8,546,663 (2010: €8,324,865) of the total liabilities are payable to other companies within the Mizzi Organisation, which have agreed not to withdraw their support. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to the company to enable it to meet any obligations in full.

Results and dividends

The consolidated financial results are set out on page 7. The directors do not recommend the payment of a dividend.

Directors

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

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

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

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

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

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

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

The financial statements of Mizzi Holdings Limited for the year ended 31 December 2011 are included in the Annual Report and Consolidated Financial Statements 2011, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board



Maurice F. Mizzi
Director



Brian R. Mizzi
Director

Registered office
Mizzi Organisation Corporate Office
Testaferrata Street
Ta' Xbiex
Malta

3 May 2012



Independent auditor's report

To the Shareholders of Mizzi Holdings Limited

Report on the Financial Statements for the year ended 31 December 2011

We have audited the consolidated and the stand-alone parent company financial statements of Mizzi Holdings Limited (together the "financial statements") on pages 5 to 71 which comprise the consolidated and parent company statements of financial position as at 31 December 2011, 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

As explained more comprehensively in the Statement of directors' responsibilities for the financial statements on page 2, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the company as at 31 December 2011 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

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

A handwritten signature in black ink that reads 'FAxisa'.

Fabio Axisa
Partner

3 May 2012

Statements of financial position

		As at 31 December			
Notes	2011		2010		
	Group		Company		
	€	€	€	€	
ASSETS					
Non-current assets					
Property, plant and equipment	4	15,625,466	19,074,470	69,103	127,447
Investment property	5	34,241,478	29,089,140	116,609	116,609
Investments in subsidiaries	6	-	-	2,304,286	2,304,286
Investments in associates	7	311,457	297,918	128,200	141,598
Loans and advances	8	4,355,927	4,111,905	-	-
Available-for-sale financial assets	9	1,000,096	1,117,693	1,000,096	1,117,693
Other financial assets	10	428,484	-	-	-
Total non-current assets		55,962,908	53,691,126	3,618,294	3,807,633
Current assets					
Inventories	11	7,252,667	7,323,619	-	-
Trade and other receivables	12	33,982,963	34,453,316	28,664,105	29,097,227
Loans and advances	13	1,630,561	1,874,583	4,557,370	4,557,370
Current tax assets		287,871	312,534	284,169	249,797
Cash and cash equivalents	14	951,759	631,237	6,015	6,976
Total current assets		44,105,821	44,595,289	33,511,659	33,911,370
Total assets		100,068,729	98,286,415	37,129,953	37,719,003

Statements of financial position - continued

	Notes	As at 31 December			
		2011	2010	2011	2010
		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	6,056,808	6,185,550	(185,938)	(62,427)
Fair value gains reserve	17	8,793,648	8,207,319	-	-
Retained earnings/(accumulated losses)		1,514,555	1,937,759	(11,187,812)	(10,361,816)
Total equity		17,962,029	17,927,646	(9,776,732)	(8,827,225)
Non-current liabilities					
Trade and other payables	18	496,617	6,988	6,988	6,988
Borrowings	19	37,167,018	37,748,443	31,584,660	30,535,344
Deferred tax liabilities	20	6,459,628	6,295,015	13,993	13,993
Total non-current liabilities		44,123,263	44,050,446	31,605,641	30,556,325
Current liabilities					
Trade and other payables	18	29,649,389	28,976,092	9,323,226	9,626,346
Borrowings	19	8,334,048	7,304,279	5,977,818	6,363,557
Provisions for other liabilities and charges	21	-	27,952	-	-
Total current liabilities		37,983,437	36,308,323	15,301,044	15,989,903
Total liabilities		82,106,700	80,358,769	46,906,685	46,546,228
Total equity and liabilities		100,068,729	98,286,415	37,129,953	37,719,003

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 71 were authorised for issue by the Board on 3 May 2012 and were signed on its behalf by:



Maurice F. Mizzi
Director



Brian R. Mizzi
Director

Income statements

	Notes	Year ended 31 December			
		2011	2010	2011	2010
		Group €	€	Company €	€
Revenue	22	14,752,421	13,944,283	-	-
Cost of sales		(11,211,584)	(10,666,735)	-	-
Gross profit		3,540,837	3,277,548	-	-
Selling and other direct expenses		(1,450,850)	(1,559,602)	-	-
Administrative expenses		(2,432,464)	(2,685,384)	(1,455,661)	(1,568,900)
Gains from changes in fair value of investment property	5	683,723	-	-	-
Other operating income		1,276,652	1,105,632	1,417,736	1,258,363
Operating profit/(loss)		1,617,898	138,194	(37,925)	(310,537)
Investment and other related income	25	29,232	(110,314)	426,352	158,782
Finance income	26	1,396,932	1,241,192	1,446,184	1,173,753
Finance costs	27	(2,997,320)	(2,911,365)	(2,660,607)	(2,573,808)
Share of profit of associates	7	109,780	105,087	-	-
Profit/(loss) before tax		156,522	(1,537,206)	(825,996)	(1,551,810)
Tax (expense)/income	28	(31,915)	7,114	-	-
Profit/(loss) for the year		124,607	(1,530,092)	(825,996)	(1,551,810)
Earnings per share	30	0.18	(2.23)		

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Year ended 31 December			
		2011 Group €	2010 €	2011 Company €	2010 €
Profit/(loss) for the year		124,607	(1,530,092)	(825,996)	(1,551,810)
Other comprehensive income:					
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	36,736	-	-	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	(3,449)	2,254	-	-
(Losses)/gains from changes in fair value of available-for-sale financial assets	16	(125,965)	3,888	(125,965)	3,888
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	2,454	133,919	2,454	244,357
Other comprehensive income for the year, net of tax		(90,224)	140,061	(123,511)	248,245
Total comprehensive income for the year		34,383	(1,390,031)	(949,507)	(1,303,565)

The notes on pages 13 to 71 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 2010		1,597,018	6,084,007	8,234,310	3,402,342	19,317,677
Comprehensive income						
Loss for the year		-	-	-	(1,530,092)	(1,530,092)
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	2,254	-	-	2,254
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Gains from changes in fair value of available-for-sale financial assets	16	-	3,888	-	-	3,888
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	133,919	-	-	133,919
Transfer of fair value gain on investment property determined on the basis applicable to capital gains	17	-	-	(26,991)	26,991	-
Total other comprehensive income		-	101,543	(26,991)	65,509	140,061
Total comprehensive income		-	101,543	(26,991)	(1,464,583)	(1,390,031)
Balance at 31 December 2010		1,597,018	6,185,550	8,207,319	1,937,759	17,927,646

Statements of changes in equity - continued

Group - continued

	Notes	Share capital €	Revaluation reserves €	Fair value gains reserve €	Retained earnings €	Total €
Balance at 1 January 2011		1,597,018	6,185,550	8,207,319	1,937,759	17,927,646
Comprehensive income						
Profit for the year		-	-	-	124,607	124,607
Other comprehensive income:						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	36,736	-	-	36,736
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	(3,449)	-	-	(3,449)
Depreciation transfer, net of deferred tax	16	-	(38,518)	-	38,518	-
Gains from changes in fair value of available-for-sale financial assets	16	-	(125,965)	-	-	(125,965)
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	2,454	-	-	2,454
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	-	-	586,329	(586,329)	-
Total other comprehensive income		-	(128,742)	586,329	(547,811)	(90,224)
Total comprehensive income		-	(128,742)	586,329	(423,204)	34,383
Balance at 31 December 2011		1,597,018	6,056,808	8,793,648	1,514,555	17,962,029

Statements of changes in equity - continued

Company

	Note	Share capital €	Revaluation reserve €	Accumulated losses €	Total €
Balance at 1 January 2010		1,597,018	(310,672)	(8,810,006)	(7,523,660)
Comprehensive income					
Loss for the year		-	-	(1,551,810)	(1,551,810)
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	16	-	3,888	-	3,888
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	244,357	-	244,357
Total other comprehensive income		-	248,245	-	248,245
Total comprehensive income		-	248,245	(1,551,810)	(1,303,565)
Balance at 31 December 2010		1,597,018	(62,427)	(10,361,816)	(8,827,225)
Comprehensive income					
Loss for the year		-	-	(825,996)	(825,996)
Other comprehensive income:					
Gains from changes in fair value of available-for-sale financial assets	16	-	(125,965)	-	(125,965)
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	16	-	2,454	-	2,454
Total other comprehensive income		-	(123,511)	-	(123,511)
Total comprehensive income		-	(123,511)	(825,996)	(949,507)
Balance at 31 December 2011		1,597,018	(185,938)	(11,187,812)	(9,776,732)

The notes on pages 13 to 71 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Year ended 31 December			
		2011		2010	
		Group		Company	
		€	€	€	€
Cash flows from operating activities					
Cash generated from operations	31	1,941,608	1,661,406	157,074	241,936
Dividends received		114,528	121,139	428,806	429,934
Interest received		1,396,932	1,241,192	1,446,184	1,173,753
Interest paid		(2,897,370)	(2,817,681)	(2,660,607)	(2,573,808)
Tax refunded/(paid)		148,903	131,605	(34,372)	(53,255)
Net cash generated from/(used in) operating activities		704,601	337,661	(662,915)	(781,440)
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(270,802)	(336,662)	(19,453)	(72,249)
Proceeds from disposal of property, plant and equipment	4	12,800	218,417	12,800	14,567
Capital expenditure on investment property	5	(479,501)	(165,149)	-	-
Net proceeds received upon liquidation of associate	7	13,398	-	13,398	-
Purchase of available-for-sale financial assets	9	(11,914)	(20,649)	(11,914)	(20,649)
Proceeds from disposal of available-for-sale financial assets	9	3,546	633,477	3,546	633,477
Net cash (used in)/generated from investing activities		(732,473)	329,434	(1,623)	555,146
Cash flows from financing activities					
Proceeds from bank borrowings	19	515,278	2,323,236	340,944	848,358
Repayments of bank borrowings	19	(589,707)	(2,115,282)	(284,994)	(440,198)
Repayment of 2002 bonds	19	-	(3,649,382)	-	-
Repayments of borrowings from subsidiary	19	-	-	-	(3,914,382)
Net cash (used in)/generated from financing activities		(74,429)	(3,441,428)	55,950	(3,506,222)
Net movements in cash and cash equivalents		(102,301)	(2,774,333)	(608,588)	(3,732,516)
Cash and cash equivalents at beginning of year		(4,455,186)	(1,680,853)	(4,395,609)	(663,093)
Cash and cash equivalents at end of year	14	(4,557,487)	(4,455,186)	(5,004,197)	(4,395,609)

The notes on pages 13 to 71 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 2011, the company's total liabilities exceeded its total assets by €9,776,732 (2010: €8,827,225). The company's financial position, on the basis of the stand-alone figures, is attributable to corporate expenditure incurred to support the overall operations of Mizzi Organisation. In this respect, subsidiaries and related parties have undertaken not to request repayment of amounts due to them unless alternative financing is available. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to ensure that the company can continue as a going concern and to enable it to meet any obligations in full. This shareholder support will also enable the company to provide financial support to a subsidiary having net current liabilities (see Note 33g).

Standards, interpretations and amendments to published standards effective in 2011

In 2011, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the group's accounting period beginning on 1 January 2011. 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.

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 2011. 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. Summary of significant accounting policies - continued

1.2 Consolidation

(a) Subsidiaries

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

The group uses the acquisition method of accounting to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred and the equity interests issued by the group. Acquisition-related costs are expensed as incurred. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. On an acquisition-by-acquisition basis, the group recognises any non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

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

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

(b) Associates

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

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

1.3 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.4 Property, plant and equipment

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

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	%
Furniture, fittings, airconditioning and other equipment	2
Garage tools and equipment	10 - 33⅓
Motor vehicles	15
	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.

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are recognised in profit or loss. When revalued assets are disposed of, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Investment property

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

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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

These valuations are reviewed 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.

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.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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

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

For a transfer from inventories to investment property, arising on changes in intended use as evidenced by commencement of an operating lease arrangement rather than sale, any difference between the property's fair value at the transfer date and its previous carrying amount within inventories shall be recognised in profit or loss.

1.6 Intangible assets - 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.

1.7 Financial assets

Classification

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

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading, i.e. financial assets acquired principally for the purpose of selling in the short-term. A financial asset is also classified in this category if, on initial recognition, it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within twelve months; otherwise, they are classified as non-current.

(b) Loans and receivables

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

(c) Available-for-sale financial assets

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

Recognition and measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in profit or loss. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

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

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

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

Impairment

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

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available for sale

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

1. Summary of significant accounting policies - continued

1.8 Loans and advances

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

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

1.9 Inventories

Goods held for resale

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

- inventories of motor vehicles and motorcycles are valued by specifically identifying their individual costs;
- inventories of spare parts 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. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.12 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 Derivative financial instruments

Derivative financial instruments, consisting of forward foreign exchange contracts, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The fair value of forward foreign exchange contracts is determined using forward exchange market rates at the end of the reporting period. All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. Trading derivative financial instruments are classified as current assets or liabilities.

1. Summary of significant accounting policies - continued

1.17 Derivative financial instruments - continued

The group's derivative transactions, while providing effective economic hedges under the group's risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss. The group enters into derivative financial instruments to manage the foreign exchange risk exposure certain forecast purchases denominated in foreign currencies. Accordingly, gains or losses arising from changes in the fair value of the group's derivatives are presented in profit or loss within 'cost of sales' in the period in which they arise.

1.18 Offsetting financial instruments

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

1.19 Current and deferred tax

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

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

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

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1. Summary of significant accounting policies - continued

1.20 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.

1.21 Revenue recognition

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

(a) Sales of goods

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

(b) Sales of services

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

Operating lease rental income – refer to accounting policy 1.23 for 'Operating leases'.

(c) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues, 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 on a straight-line basis over the term of the lease.

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. Summary of significant accounting policies - continued

1.22 Government grants

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

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

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

1.23 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.

1.24 Borrowing costs

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

1.25 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. In order to manage exposures attributable to risks arising from fluctuations in currency exchange rates, the group made use of derivative financial instruments, by entering into forward foreign exchange contracts with a major local banking institution.

(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. During the preceding financial year, the group has entered into forward foreign exchange contracts to manage exposures arising from forecast purchases denominated in sterling. The group's risk exposures reflecting the carrying amount of recognised 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. The group also manages risks relating to future transactions by entering into forward contracts in certain instances as highlighted above.

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.

2. Financial risk management - continued

(i) 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 13) 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.

(ii) 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. (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	
	2011 €	2010 €	2011 €	2010 €
Loans and receivables category:				
Loans and advances (Notes 8 and 13)	5,986,488	5,986,488	4,557,370	4,557,370
Other non-current financial assets	428,484	-	-	-
Trade and other receivables (Note 12)	33,982,963	34,441,923	28,664,105	29,097,227
Cash and cash equivalents	951,759	631,237	6,015	6,976
	41,349,694	41,059,648	33,227,490	33,661,573

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 and enter into derivative contracts (refer to Foreign exchange risk) 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 the nature of the group's activities and the markets in which it operates, a limited number of customers account for a certain percentage of the group's trade and other receivables. 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.

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.

2. Financial risk management - continued

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 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 12) 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 2011, the group's trade receivables of €472,555 (2011: €472,802) and other receivables of €26,505 (2010: €28,505) 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 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 were subject to a contractual repayment schedule over the term of the borrowings. During the current financial year, the repayment terms have been modified for advances still outstanding taking cognisance of the terms of the bond issue which refinanced such advances. In accordance with the terms and conditions stipulated in the Prospectus for the 2009 bonds, with effect from the year ended 31 December 2011, the subsidiary that issued the bonds started effecting allocation to a sinking fund and related cash reserve with the objective of channelling a regular stream of cash flows to fund bond interest and capital repayment obligations. The cash reserve will be set up from the guarantors' annual net cash inflows from operating activities to fund part of the bond redemption proceeds.

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. 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 bonds will be redeemed at the latest optional redemption date. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Group	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2011					
Bank borrowings	8,667,665	1,745,078	5,767,483	1,185,200	17,365,426
Bonds	1,860,000	1,860,000	5,580,000	35,580,000	44,880,000
Trade and other payables	29,638,599	166,200	334,161	6,988	30,145,948
At 31 December 2010					
Bank borrowings	7,922,435	2,065,342	5,077,800	2,441,962	17,507,539
Bonds	1,860,000	1,860,000	5,580,000	37,440,000	46,740,000
Trade and other payables	28,976,092	-	-	6,988	28,983,080

The contractual undiscounted cash flows attributable to the group's gross settled derivative contracts outstanding at 31 December 2010, consisting of forward foreign exchange contracts, were not deemed sufficiently material for disclosure purposes in the context of understanding the group's liquidity management process.

2. Financial risk management - continued

Company	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2011					
Bank borrowings	6,314,204	1,369,182	4,640,782	960,938	13,285,106
Loans from subsidiary	1,764,573	1,764,573	1,764,573	30,533,385	35,827,104
Trade and other payables	9,323,226	-	-	6,988	9,330,214
At 31 December 2010					
Bank borrowings	5,307,557	1,689,289	3,950,592	1,837,500	12,784,938
Loans from subsidiary	3,190,551	3,045,807	10,957,110	17,999,854	35,193,322
Trade and other payables	9,626,346	-	-	6,988	9,633,334

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:

	2011 €	2010 €
Total borrowings	69,161,159	69,006,323
Less: cash and cash equivalents	(3,166,763)	(3,115,613)
Net debt	65,994,396	65,890,710
Total equity	85,377,783	84,628,625
Total capital	151,372,179	150,519,335
Net debt/total capital	44%	44%

2. Financial risk management - continued

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 2011 and 2010 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amounts.

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

The group is required to disclose fair value measurements by level of the following fair value measurement hierarchy for instruments carried at fair value:

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

2. Financial risk management - continued

The fair value of available-for-sale 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 2011, the group's available-for-sale financial assets with a carrying amount of €336,296 (2011: €453,893) are categorised as level 1 instruments since these investments are listed in an active market. With respect to investments with a carrying amount of €663,800 (2011: €663,800), reflecting historical cost less impairment, fair value determined by reference to level 2 categorisation is deemed to approximate carrying amounts.

The group's derivative contracts, consisting of forward foreign exchange rates, are fair valued on the basis of valuation techniques by reference to forward foreign exchange rates at the end of the reporting period. Accordingly these derivative financial instruments are categorised as level 2 instruments.

3. Critical accounting estimates and judgements

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

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

As referred to in Notes 4 and 5 to the financial statements, the group's land and buildings category of property, plant and equipment and investment property are fair valued on 31 December on the basis of professional advice, 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 2010					
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
Year ended 31 December 2010					
Opening net book amount	18,731,191	236,649	84,532	326,191	19,378,563
Additions	38,181	28,113	10,842	259,526	336,662
Disposals	-	-	-	(369,220)	(369,220)
Depreciation charge	(190,727)	(128,175)	(29,082)	(165,126)	(513,110)
Depreciation released on disposals	-	-	-	241,575	241,575
Closing net book amount	18,578,645	136,587	66,292	292,946	19,074,470
At 31 December 2010					
Cost or valuation	20,708,866	3,016,944	1,830,009	1,043,625	26,599,444
Accumulated depreciation and impairment losses	(2,130,221)	(2,880,357)	(1,763,717)	(750,679)	(7,524,974)
Net book amount	18,578,645	136,587	66,292	292,946	19,074,470
Year ended 31 December 2011					
Opening net book amount	18,578,645	136,587	66,292	292,946	19,074,470
Additions	9,665	80,462	139,183	41,492	270,802
Revaluation surplus arising during the year (Note 16)	41,745	-	-	-	41,745
Reclassification to investment property (Note 5)	(3,369,396)	-	-	-	(3,369,396)
Disposals	-	-	-	(56,569)	(56,569)
Depreciation charge	(190,330)	(64,697)	(33,961)	(103,167)	(392,155)
Depreciation released on disposals	-	-	-	56,569	56,569
Closing net book amount	15,070,329	152,352	171,514	231,271	15,625,466
At 31 December 2011					
Cost or valuation	17,390,880	3,097,406	1,969,192	1,028,548	23,486,026
Accumulated depreciation and impairment losses	(2,320,551)	(2,945,054)	(1,797,678)	(797,277)	(7,860,560)
Net book amount	15,070,329	152,352	171,514	231,271	15,625,466

4. Property, plant and equipment - continued

The group's land and buildings were last revalued on 31 December 2011 by a professionally qualified valuer. Valuations were made on the basis of open market value. The book value of the property has been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, has been credited to the revaluation reserve in shareholders' equity (refer to Note 16).

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

	2011	2010
	€	€
Cost	6,781,356	10,731,626
Accumulated depreciation and impairment losses	(1,124,659)	(1,568,638)
Net book amount	5,656,697	9,162,988

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]).

The reclassification from property, plant and equipment to investment property reflected in the tables above is attributable to the transfer of a property as a result of change in use evidenced by end of owner-occupation, for the purposes of securing rental income through commencement of an operating lease arrangement.

4. Property, plant and equipment - continued

Company

	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2010			
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
Year ended 31 December 2010			
Opening net book amount	58,263	128,462	186,725
Additions	14,949	57,300	72,249
Disposals	-	(33,752)	(33,752)
Depreciation charge	(37,203)	(85,007)	(122,210)
Depreciation released upon disposal	-	24,435	24,435
Closing net book amount	36,009	91,438	127,447
At 31 December 2010			
Cost	1,017,668	690,498	1,708,166
Accumulated depreciation	(981,659)	(599,060)	(1,580,719)
Net book amount	36,009	91,438	127,447
Year ended 31 December 2011			
Opening net book amount	36,009	91,438	127,447
Additions	19,453	-	19,453
Disposals	-	(56,569)	(56,569)
Depreciation charge	(33,305)	(44,492)	(77,797)
Depreciation released upon disposal	-	56,569	56,569
Closing net book amount	22,157	46,946	69,103
At 31 December 2011			
Cost	1,037,121	633,929	1,671,050
Accumulated depreciation	(1,014,964)	(586,983)	(1,601,947)
Net book amount	22,157	46,946	69,103

5. Investment property

Group

	2011 €	2010 €
Year ended 31 December		
Opening carrying amount	29,089,140	28,923,991
Reclassification from property, plant and equipment (Note 4)	3,369,396	-
Reclassification from inventories (Note 11)	619,718	-
Additions resulting from subsequent expenditure	479,501	165,149
Gains from changes in fair value	683,723	-
	34,241,478	29,089,140
	2011 €	2010 €
At 31 December		
Cost	24,454,838	19,395,684
Fair value gains	9,786,640	9,693,456
	34,241,478	29,089,140

The reclassification from property, plant and equipment to investment property is attributable to the transfer of a property as a result of change in use evidenced by end of owner-occupation, for the purposes of securing rental income through commencement of an operating lease agreement.

The reclassification from inventories to investment property relates to transfer of property in view of management's decision to utilise the assets for the purposes of deriving rentals, as evidenced by commencement of operating lease arrangements.

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:

	2011 €	2010 €
Cost	24,454,838	19,395,684
Accumulated depreciation	(2,700,502)	(1,743,339)
	21,754,336	17,652,345

As at 31 December 2011, 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 €30,761,000 (2010: €26,583,000) - refer to Note 19 and 33(a).

5. Investment property - continued

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

	2011 €	2010 €
Year ended 31 December		
Opening carrying amount	20,517,627	20,363,434
Reclassification from property, plant and equipment	3,369,396	-
Reclassification from inventories	619,718	-
Additions resulting from subsequent expenditure	472,887	154,193
Gains from changes in fair value	669,254	-
	25,648,882	20,517,627
	2011 €	2010 €
At 31 December		
Cost	18,101,211	13,048,671
Fair value gains	7,547,671	7,468,956
	25,648,882	20,517,627

Company

€

Years ended 31 December 2011 and 2010

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 2011 and 2010

Opening and closing cost and carrying amount 2,304,286

6. Investments in subsidiaries - continued

The subsidiaries at 31 December 2011, 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 Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100
Muscats Motors Limited	Muscats Garage Rue D' Argens Gzira Malta	Ordinary shares	100
Mizzi Estates Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100
Mizzi Organisation Finance p.l.c.	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100

All shareholdings, which have remained unchanged from 2010, are held directly by Mizzi Holdings Limited.

7. Investments in associates

Group

	2011 €	2010 €
Year ended 31 December		
Opening carrying amount	297,918	290,365
Share of profit	109,780	105,087
Dividends received	(77,947)	(70,739)
Derecognition of carrying amount upon dissolution of associate	(45,089)	-
Decrease/(increase) in provision for impairment	26,795	(26,795)
Closing carrying amount	311,457	297,918
	2011 €	2010 €
At 31 December		
Cost	132,859	173,052
Share of profits and reserves	178,598	151,661
Provisions for impairment	-	(26,795)
Carrying amount	311,457	297,918

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 non-controlling interests in the associates.

During the preceding financial year, the shareholders of FirstUnited Investments Limited had approved the voluntary dissolution and consequential winding up of the company by virtue of a resolution dated 30 September 2010. The group had recognised an impairment loss in respect of its interest in this associate to adjust carrying amount to estimated recoverable amount on the basis of the group's share of the entity's equity. During the current financial year, the investment in this associate has been derecognised from the group's financial statements upon dissolution of the company. The resultant loss is disclosed in Note 25.

The unrecognised share of profits of an associate for the financial year ended 31 December 2011 amounts to €1,471 (2010: €74,355). The unrecognised share of losses of an associate for the financial year ended 31 December 2010 amounted to €1,471.

The associates at 31 December 2011 and 2010, whose results and financial position affected the figures of the group, are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2011 %	2010 %
Mizzi Automotive Services Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex 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	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	33⅓	33⅓
FirstUnited Investments Limited (dissolved during the year)	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	-	25
FirstUnited Insurance Management Limited	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	20	20
Primax Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	50	50

7. Investments in associates - continued

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.

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 €
2011				
Mizzi Automotive Services Limited	435,297	410,280	1,005,294	16,413
FirstUnited Insurance Brokers Limited	800,646	539,141	420,374	80,188
FirstUnited Insurance Management Limited	64,244	12,748	97,175	14,650
	1,300,187	962,169	1,522,843	111,251
	Assets €	Liabilities €	Revenues €	Profit/(loss) €
2010				
Mizzi Automotive Services Limited	512,412	479,041	1,175,448	74,355
FirstUnited Insurance Brokers Limited	920,338	693,588	400,833	61,170
FirstUnited Investments Limited	13,615	216	-	(612)
FirstUnited Insurance Management Limited	77,173	6,930	115,712	44,529
	1,523,538	1,179,775	1,691,993	179,442

7. Investments in associates - continued

Company

	2011 €	2010 €
Year ended 31 December		
Opening carrying amount	141,598	168,393
Derecognition of carrying amount upon dissolution of associate	(40,193)	-
Decrease/(increase) in provision for impairment	26,795	(26,795)
Closing carrying amount	128,200	141,598
At 31 December		
Cost	128,200	168,393
Provision for impairment	-	(26,795)
Carrying amount	128,200	141,598

8. Loans and advances: non-current amounts

Group

	€
Non-current portion of advances outstanding as at 1 January 2011	4,111,905
Reclassification of advances upon rescheduling of loan repayments (see Note below)	244,022
Non-current portion of advances outstanding as at 31 December 2011	4,355,927
Non-current portion of advances outstanding as at 1 January 2010	4,355,927
Less: Current portion of advances (amounts becoming repayable within one year as at 31 December 2010)	(244,022)
Non-current portion of advances outstanding as at 31 December 2010	4,111,905

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

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

All these advances were subject to interest at the fixed rate of 7.45% per annum until 31 May 2010 and 6.95% thereafter, with interest payable six monthly in arrears on 31 May and 30 November of each year.

During the current financial year, the repayment terms of these advances have been rescheduled taking cognisance of the contractual obligations of Mizzi Organisation Finance p.l.c. under the bonds. The advances, which as at 31 December 2010 were subject to a repayment schedule over the period to 30 November 2019, are repayable in full on 30 November 2019 under the revised terms. The maturity on repayment terms of the advances as at 31 December 2010, prior to rescheduling, were as follows:

	2010
	€
Repayable:	
Within 1 year	244,022
After more than 1 year	
Between 1 and 2 years	244,022
Between 2 and 5 years	1,164,011
Over 5 years	2,703,872
	4,111,905
	4,355,927

9. Available-for-sale financial assets

Group and Company

	2011	2010
	€	€
Year ended 31 December		
Opening carrying amount	1,117,693	1,726,633
Additions at cost	11,914	20,649
Net (losses)/gains from changes in fair value (Note 16)	(125,965)	3,888
Disposals	(3,546)	(633,477)
	1,000,096	1,117,693
	€	€
At 31 December		
Cost	1,418,969	1,413,055
Fair value losses	(185,938)	(62,427)
Provisions for impairment	(232,935)	(232,935)
	1,000,096	1,117,693

9. Available-for-sale financial assets - continued

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

	2011 €	2010 €
Investments listed on the Malta Stock Exchange	336,296	453,893
Other investments in unlisted local private companies	663,800	663,800
	1,000,096	1,117,693

The group's available-for-sale investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices. For other investments, fair value is mainly estimated by reference to the net asset backing of the investee and the use of valuation techniques, principally discounted cash flow models. The cost of these other investments approximates fair value and no movements have been recognised in equity. An impairment loss had been recognised in prior years in respect of an investment in an unlisted company which is in unexpected adverse trading and operating conditions.

10. Other financial assets

During the current financial year, Mizzi Organisation Finance p.l.c., a subsidiary, entered into a financial arrangement with United Acceptances Finance Limited, a related party forming part of Mizzi Organisation, for the acquisition by Mizzi Organisation Finance p.l.c. of bills of exchange drawn in favour of United Acceptance Finance Limited. These bills of exchange, which would cover receivables financed by United Acceptances Finance Limited in the ordinary course of its activities as a finance house to all companies within the Mizzi Organisation, are acquired with full rights of recourse. Accordingly, these acquisitions are accounted for as collateralised advances i.e. loans on financial assets secured by bills of exchange in accordance with the requirements of IFRSs. United Acceptances Finance Limited will service and administer the accounts in relation to which bills of exchange are transferred and will remit without any delay to Mizzi Organisation Finance p.l.c. proceeds received with respect to bills acquired by the latter. United Acceptances Finance Limited has undertaken to replace bills of exchange acquired with an equivalent amount upon their maturity and ultimately to provide the full cash proceeds designated on the face of the bills when the issuer redeems the bonds, in whole or in part, on the Redemption Dates (refer to Note 19).

Mizzi Organisation Finance p.l.c. resolved to utilise the bills of exchange acquired in the manner outlined above to set up the sinking fund earmarked for the eventual repayment of the bonds (see Note 19). The bills of exchange are accordingly held by an authorised trustee that is independent of the issuer and the Mizzi Organisation.

10. Other financial assets - continued

The bills of exchange have been acquired from United Acceptances Finance Limited at their fair value, which is constituted by the face value of the bills deducting therefrom the future interest element of the face amount which would not have accrued yet. The carrying amount of the financial assets resulting from the acquisitions is equivalent to their fair value and analysed as follows:

	€
Face value of bills of exchange acquired	500,361
Interest component of bills of exchange	(71,877)
	428,484
Fair value of assets acquired	428,484

These assets are subject to an effective interest rate of 8%. The bills of exchange acquired mature between 2013 and 2016 as follows:

	Fair value €	Face amount €
2013	131,464	166,200
2014	134,094	157,288
2015	120,203	131,902
2016	42,723	44,971
	428,484	500,361

By the maturity date of the bonds, the value of the sinking fund should be equivalent to at least 50% of the amount of the bonds issued, with a view to setting up a cash reserve over the term of the bonds to fund part of the redemption proceeds on redemption date. The issuer has reviewed the manner in which the sinking fund should be established and intends to allocate cash inflows to the sinking fund utilising the following schedule:

	€
Within 1 year	500,000
Between 1 and 2 years	1,000,000
Between 2 and 5 years	5,000,000
Over 5 years (up to 2019)	8,000,000
	14,500,000

11. Inventories

	2011	Group
	€	2010
		€
Property being developed with a view to sale		
At 1 January	2,758,082	2,223,259
Additions resulting from subsequent expenditure	556,765	534,823
Reclassification to investment property (Note 5)	(619,718)	-
	<hr/>	<hr/>
At 31 December	2,695,129	2,758,082
	<hr/>	<hr/>
Goods held for resale		
Motor vehicles and motorcycles	2,981,730	3,175,202
Spare parts	749,851	809,094
Goods in transit	140,751	61,710
Payments on account in respect of motor vehicles and spare parts	646,388	504,998
Others	38,818	14,533
	<hr/>	<hr/>
	4,557,538	4,565,537
	<hr/>	<hr/>
Total inventories	7,252,667	7,323,619
	<hr/>	<hr/>

The reclassification to investment property relates to transfer of property in view of management's decision to utilise the assets for the purposes of deriving rentals, as evidenced by commencement of operating lease arrangements.

The cost of inventories recognised as expense is appropriately disclosed in Note 23 to the financial statements. During the current financial year, inventory write-downs amounted to €95,535 (2010: reversals of inventory write-downs recognised in previous financial years amounting to €317,050). 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 €2,350,000 (2010: €1,983,000) - refer to Notes 19 and 33(a).

12. Trade and other receivables

	Group		Company	
	2011 €	2010 €	2011 €	2010 €
Current				
Trade receivables	894,648	879,766	-	-
Amounts owed by subsidiaries	-	-	1,946,637	1,408,011
Amounts owed by associates	102,265	247,677	56,151	26,620
Amounts owed by related parties forming part of Mizzi Organisation	28,700,259	29,244,518	23,882,442	24,943,815
Amounts owed by other related parties	2,683,529	2,578,971	2,636,572	2,508,689
Derivative financial instruments	-	11,393	-	-
Government grants receivable	71,935	-	-	-
Other receivables	540,600	450,941	130,420	191,581
Indirect taxation	871,972	898,174	-	-
Prepayments and accrued income	117,755	141,876	11,883	18,511
	33,982,963	34,453,316	28,664,105	29,097,227

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

	Group		Company	
	2011 €	2010 €	2011 €	2010 €
Trade receivables	472,555	472,802	-	-
Other receivables	26,505	28,505	2,103	2,103
	499,060	501,307	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 €1,473,235 (2010: €1,808,327). 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.

At 31 December 2010, a group undertaking's outstanding derivative contracts with a fair value of €11,393 consisted of forward foreign exchange contracts for the forward purchase of sterling against euro maturing within one year. These contracts had a notional amount of €570,000 with a weighted average contract forward rate of £1.139:€1.

Government grants receivable represent state aid in respect of the energy grant scheme. This grant relates to assets and is included in liabilities as deferred government grants. The amount of the liability is credited to profit or loss on a straight-line basis over the expected lives of the related assets and is presented within 'Other operating income'.

13. Loans and advances: current amounts

Group

The group's loans and advances as at 31 December 2011 primarily 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 2010 also comprise the current 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 (2011: €2,926,809) and to a related party amounting to €1,630,561 (2011: €1,630,561). These advances are repayable on demand, unsecured and subject to a fixed interest rate of 7.2% per annum.

14. 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	
	2011 €	2010 €	2011 €	2010 €
Cash at bank and in hand	951,759	631,237	6,015	6,976
Bank overdrafts (Note 19)	(5,509,246)	(5,086,423)	(5,010,212)	(4,402,585)
	(4,557,487)	(4,455,186)	(5,004,197)	(4,395,609)

15. Share capital

	Company	
	2011 €	2010 €
Authorised 1,000,000 (2010: 1,000,000) ordinary shares of €2.329373 each	2,329,373	2,329,373
Issued and fully paid 685,600 (2010: 685,600) ordinary shares of €2.329373 each	1,597,018	1,597,018

16. Revaluation reserves

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Surplus arising on fair valuation of:				
Land and buildings of subsidiaries	6,242,746	6,247,977	-	-
Available-for-sale financial assets	(185,938)	(62,427)	(185,938)	(62,427)
	6,056,808	6,185,550	(185,938)	(62,427)

The movements in each category are analysed as follows:

	Group	
	2011	2010
	€	€
Land and buildings of subsidiaries		
At beginning of year	6,247,977	6,284,241
Revaluation surplus arising during the year	41,745	-
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)	(3,449)	2,254
Deferred income taxes on revaluation surplus arising during the year (Note 20)	(5,009)	-
Deferred income taxes on realisation through asset use (Note 20)	20,741	20,741
At end of year	6,242,746	6,247,977

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Available-for-sale financial assets				
At beginning of year	(62,427)	(200,234)	(62,427)	(310,672)
Net (losses)/gains from changes in fair value (Note 9)	(125,965)	3,888	(125,965)	3,888
Reclassification adjustments for net losses included in profit or loss upon disposal of available-for-sale financial assets	2,454	133,919	2,454	244,357
At end of year	(185,938)	(62,427)	(185,938)	(62,427)

The tax impact relating to components of other comprehensive income is presented in the above tables. Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the group's accounting policy. When the assets are disposed of, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, are reclassified to profit or loss as a reclassification adjustment and reflected as gains or losses from available-for-sale financial assets.

17. Fair value gains reserve

	Group	
	2011	2010
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	8,207,319	8,234,310
Fair value gains arising during the year (Note 5)	683,723	-
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 20)	(30,018)	(26,991)
Deferred income taxes on fair value gains arising during the year (Note 20)	(67,376)	-
At end of year	8,793,648	8,207,319

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	
	2011	2010	2011	2010
	€	€	€	€
Current				
Trade payables	1,573,819	721,651	-	-
Payments received on account	321,542	171,657	-	-
Amounts owed to subsidiaries	-	-	3,553,280	3,162,125
Amounts owed to associates	138,367	163,907	138,367	163,907
Amounts owed to related parties forming part of Mizzi Organisation	25,476,411	25,640,101	4,993,383	5,162,740
Amounts owed to other related parties	25,398	21,985	712	-
Other payables	701,474	661,629	287,333	285,817
Indirect taxation and social security	139,247	497,394	119,953	480,041
Deferred Government grants related to assets (Note 12)	10,790	-	-	-
Accruals and deferred income	1,262,341	1,097,768	230,198	371,716
	29,649,389	28,976,092	9,323,226	9,626,346

18. Trade and other payables - continued

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Non-current				
Other payables, falling due after more than five years	6,988	6,988	6,988	6,988
Other financial liabilities - amounts owed to related party forming part of Mizzi Organisation	428,484	-	-	-
Deferred Government grants related to assets (Note 12)	61,145	-	-	-
	496,617	6,988	6,988	6,988

The non-current other financial liabilities are attributable to the acquisition of bills of exchange by a group undertaking (see Note 10) from a related party at fair value. The amounts are repayable in accordance with the terms of the bills of exchange acquired and are subject to an effective interest rate of 8%.

19. Borrowings

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Current				
Bank overdrafts	5,509,246	5,086,423	5,010,212	4,402,585
Bank loans	2,824,802	2,217,856	967,606	534,994
Loans from subsidiary	-	-	-	1,425,978
	8,334,048	7,304,279	5,977,818	6,363,557
Non-current				
Bank loans	7,764,722	8,446,097	6,195,125	6,571,787
300,000 6.2% bonds 2016 – 2019 issued in 2009	29,402,296	29,302,346	-	-
Loans from subsidiary	-	-	25,389,535	23,963,557
	37,167,018	37,748,443	31,584,660	30,535,344
Total borrowings	45,501,066	45,052,722	37,562,478	36,898,901

Group

By virtue of the Prospectus dated 29 October 2009, during the previous 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.

19. Borrowings - continued

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 bonds.

In accordance with the terms and conditions specified in the Prospectus, the Issuer has commenced the allocation of funds to a sinking fund with effect from the financial year ending 31 December 2011 (see Note 10). 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.

The 2002 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 dated 2 May 2002, as amended by a supplementary agreement.

Under the terms and conditions in the 2009 Prospectus, 2002 bondholders could surrender their 2002 bonds in exchange for 2009 bonds. The actual net proceeds of the bond issue, which had been advanced to Mizzi Holdings Limited, were firstly utilised to repay any amounts due by the Issuer with respect to the 2002 bonds. The resultant amount of the proceeds which remained available to the issuer has been utilised to partly refinance existing borrowings in relation to the construction of The General Soft Drinks factory and other capital expenditure.

The bonds have been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds at 31 December 2011 was 103.00 (2010: 104.01), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

At the end of the reporting period, bonds having a face value of €292,300 (2010: €292,300) were held by directors of the Issuer and Mizzi Holdings Limited, and bonds with a face value of €580,900 (2010: €588,800) were held by other officers of companies forming part of the Mizzi Organisation and close family members of these individuals.

19. Borrowings - continued

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

	2011 €	2010 €
6.2% bonds 2016 – 2019		
Original face value of bonds issued	30,000,000	30,000,000
Gross amount of bond issue costs	(752,150)	(752,150)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	95,609	7,446
Amortisation charge for the current year (Note 27)	94,060	88,163
Accumulated amortisation at end of year	189,669	95,609
Unamortised bond issue costs	(562,481)	(656,541)
Gross amount of discounts in respect of bonds issued under terms applicable to Mizzi Applicants	(47,100)	(47,100)
Amortisation of gross amount of discounts:		
Accumulated amortisation at beginning of year	5,987	466
Amortisation charge for the current year (Note 27)	5,890	5,521
Accumulated amortisation at end of year	11,877	5,987
Unamortised amount of discounts	(35,223)	(41,113)
Amortised cost and closing carrying amount of the bonds	29,402,296	29,302,346

The group's banking facilities as at 31 December 2011 amounted to €23,217,000 (2010: €22,892,000). These facilities are mainly secured by:

- (a) a general hypothec on the parent company's assets for €26,314,000 (2010: €26,314,000);
- (b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €900,000 to €37,852,000 (2010: €900,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €25,382,000 (2010: €25,382,000) over property and general hypothecary guarantees for the amount of €25,382,000 (2010: €25,382,000) over assets;
- (c) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €4,403,000 to €24,683,000 (2010: 4,403,000 to €24,483,000) supported by special hypothecary guarantees for the amount of €1,002,000 (2010: €1,002,000) over property and general hypothecary guarantees for the amount of €1,002,000 (2010: €1,002,000) over assets; and
- (d) a guarantee by the parent company for €4,426,000 (2010: €4,426,000).

19. Borrowings - continued

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:

	2011	2010
	%	%
Bank overdrafts	5.0	5.0
Bank loans	4.8	4.8

Maturity of group's non-current bank borrowings:

	2011	2010
	€	€
Between 1 and 2 years	1,394,844	1,678,221
Between 2 and 5 years	5,209,949	4,431,531
Over 5 years	1,159,929	2,336,345
	7,764,722	8,446,097

Company

As disclosed in Note 8 to the consolidated financial statements, the proceeds of the bond issue of a subsidiary had been advanced to the parent company and other companies forming part of the Mizzi Organisation. A portion of these advances to Mizzi Holdings Limited amounting to €6,635,306, which are still outstanding at 31 December 2011, were subject to interest at the fixed rate of 7.45% per annum until 31 May 2010 and 6.95% thereafter. Further advances to the parent company from the actual net proceeds of the subsidiary's bond issue, amounting to €9,830,000, are subject to interest 6.95% per annum. Other advances by the subsidiary to the parent company amounting to €8,838,000 were subject to interest at 7.45% per annum until 31 May 2010, and 6.95% thereafter. Other terms and conditions are disclosed in Note 8. The subsidiary has also advanced other short-term funds to the parent company.

19. Borrowings - continued

During the current financial year, the repayment terms of these advances have been rescheduled on the basis of arrangements with the issuer, taking cognisance of the issuer's contractual obligations under the bonds. The advances, which as at 31 December 2010 were subject to a repayment schedule over the period to 30 November 2019, are repayable in full on 30 November 2019 under the revised terms. The maturity or repayment terms of the outstanding advances as at 31 December 2011 and 2010 are as follows:

	2011 €	2010 €
Repayable:		
Within 1 year	-	1,425,978
After more than 1 year		
Between 1 and 2 years	-	1,425,978
Between 2 and 5 years	-	6,772,081
Over 5 years	25,389,535	15,765,498
	25,389,535	23,963,557
	25,389,535	25,389,535

The company's banking facility as at 31 December 2011 amounted to €18,298,000 (2010: €18,042,000). These facilities are mainly secured by:

- (a) a general hypothec on the company's assets for €26,314,000 (2010: €26,314,000); and
- (b) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €900,000 to €37,852,000 (2010: €900,000 to €37,852,000), supported by special hypothecary guarantees for the amount of €25,382,000 (2010: €25,382,000) over property and general hypothecary guarantees for the amount of €25,382,000 (2010: €25,382,000) 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:

	2011 %	2010 %
Bank overdrafts	4.9	5.0
Bank loans	5.0	5.0

Maturity of company's non-current bank borrowings:

	2011 €	2010 €
Between 1 and 2 years	1,080,054	1,377,443
Between 2 and 5 years	4,177,571	3,444,344
Over 5 years	937,500	1,750,000
	6,195,125	6,571,787

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% (2010: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 12% of the transfer value.

The movement on the deferred tax account is as follows:

	2011 €	2010 €
At beginning of year	6,295,015	6,239,766
Movement in deferred tax liability determined on the basis applicable to capital gains:		
Property, plant and equipment - recognised in profit or loss (Note 28)	(3,821)	(3,821)
Investment property – recognised in profit or loss (Note 28)	113,341	82,065
Property, plant and equipment and other assets- recognised in other comprehensive income (Note 16)	3,449	(2,254)
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 16)	5,009	-
Deferred income taxes on fair value gains on investment property arising during the year (Note 28)	67,376	-
Realisation through asset use (Note 28)	(20,741)	(20,741)
At end of year	6,459,628	6,295,015

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:

	2011 €	2010 €
Temporary differences arising on fair valuation of property	3,183,450	3,100,658
Deferred taxation arising on transfer of property from related parties	3,276,178	3,194,357
	6,459,628	6,295,015

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.

20. Deferred taxation - continued

At 31 December 2011 and 2010, the group had the following unutilised tax credits and temporary differences:

	Unrecognised	
	2011	2010
	€	€
Unutilised tax credits arising from:		
Unabsorbed tax losses	2,668,455	2,902,309
Unabsorbed capital allowances	2,013,959	1,818,081
Deductible temporary differences arising on		
depreciation of property, plant and equipment	53,640	101,252
Provisions for impairment of trade and other receivables	472,555	474,905
Provisions for impairment of investments and provisions for other liabilities and charges	243,783	287,682
	243,783	287,682

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

	2011	2010
	€	€
At beginning and end of year	13,993	13,993

The balance at 31 December represents:

	2011	2010
	€	€
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.

At 31 December 2011, the company had unutilised tax credits arising from unabsorbed capital allowances of €996,800 (2010: €942,090). At the end of the reporting period, the company also had deductible temporary differences arising on property, plant and equipment, provisions for impairment of investments and provisions for impairment of receivables, amounting to €232,935 (2010: €302,978). 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	
	2011	2010
	€	€
At beginning of year	27,952	62,893
Credited to profit or loss:		
- Unused amounts reversed	(23,952)	-
Utilised during the year	(4,000)	(34,941)
At end of year	-	27,952

The amounts shown above comprised gross provisions in respect of legal claims brought against the group.

22. Revenue

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

	Group	
	2011	2010
	€	€
By category		
Sale of motor vehicles and motorcycles	8,575,489	7,384,750
Sale of spare parts and provision of ancillary services	3,469,914	3,592,735
Property operating lease rental income	1,192,323	1,102,932
Sale of clothing and other goods from rented premises	1,479,583	1,832,880
Other revenues	35,112	30,986
	14,752,421	13,944,283

23. Expenses by nature

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Cost of goods sold	10,731,859	10,237,604	-	-
Employee benefit expense (Note 24)	1,947,919	2,136,223	792,849	907,526
Depreciation of property, plant and equipment (Note 4)	392,155	513,110	77,797	122,210
Property operating lease rentals payable	388	1,374	79,646	81,046
Management fees and similar service charges	323,310	475,456	-	-
Marketing, business promotion and related expenses	314,817	295,779	-	-
Provision of management and related administration services	76,124	262,268	-	189,557
Movement in provisions for impairment of trade receivables (included in 'Administrative expenses')	(2,247)	2,304	-	-
Other expenses	1,310,573	987,603	505,369	268,561
Total cost of sales; selling and other direct expenses; and administrative expenses	15,094,898	14,911,721	1,455,661	1,568,900

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

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Property operating lease rental income (included in 'Other operating income')	-	-	-	(5,250)
Exchange differences	(3,331)	(50,874)	-	-
Profit on disposal of property, plant and equipment	(12,800)	(90,772)	(12,800)	-

Exchange differences disclosed above include the impact of fair value gains registered on forward foreign exchange contracts entered into by the group during the preceding financial year (see Note 12).

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 2011 and 2010 relate to the following:

	Group	
	2011	2010
	€	€
Annual statutory audit	23,904	23,904
Other assurance services	1,550	1,550
Tax advisory and compliance services	4,731	4,682
Other non-audit services	11,640	8,138
	41,825	38,274

The auditor's remuneration for the company for the year ended 31 December 2011 amounted to €5,600 (2010: €5,600).

24. Employee benefit expense

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Wages and salaries	1,830,186	2,016,613	745,901	863,567
Social security costs	117,733	119,610	46,948	43,959
	1,947,919	2,136,223	792,849	907,526

Average number of persons employed during the year:

	Group		Company	
	2011	2010	2011	2010
Direct	62	65	-	-
Administration	51	48	46	43
	113	113	46	43

25. Investment and other related income

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Gross dividends receivable from investments in subsidiaries	-	-	292,300	281,890
Gross dividends receivable from investments in associates	-	-	99,925	97,644
Gross dividends receivable from available-for-sale financial assets	36,581	50,400	36,581	50,400
Net losses upon disposal of available-for-sale financial assets	(2,454)	(133,919)	(2,454)	(244,357)
Effects of derecognition of carrying amount of associate upon dissolution	(31,690)	-	(26,795)	-
Decrease/(increase) in provisions for impairment in investment in associate	26,795	(26,795)	26,795	(26,795)
	29,232	(110,314)	426,352	158,782

26. Finance income

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Interest receivable from subsidiaries	-	-	354,532	315,370
Interest receivable from related parties forming part of Mizzi Organisation	1,392,354	1,170,131	1,089,617	858,383
Interest receivable from associate	2,035	-	2,035	-
Bank interest receivable	1,463	48	-	-
Other interest receivable	1,080	71,013	-	-
	1,396,932	1,241,192	1,446,184	1,173,753

27. Finance costs

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Coupon interest payable on bonds	1,860,014	2,002,817	-	-
Amortisation of difference between initial net proceeds and redemption value of bonds (Note 19)	99,950	93,684	-	-
Interest payable to subsidiaries	-	-	1,859,962	2,000,504
Interest payable to related parties forming part of Mizzi Organisation	274,099	107,464	274,099	107,464
Bank interest and charges	763,257	707,400	526,546	465,840
	2,997,320	2,911,365	2,660,607	2,573,808

28. Tax expense/(income)

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Current taxation:				
Current tax income	(124,240)	(118,789)	-	-
Adjustment recognised in financial period for current tax of prior periods	-	54,172	-	-
Deferred taxation (Note 20)	156,155	57,503	-	-
	31,915	(7,114)	-	-

28. Tax expense/(income) - continued

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

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Profit/(loss) before tax	156,522	(1,537,206)	(825,996)	(1,551,810)
Tax on profit/(loss) at 35%	54,783	(538,022)	(289,099)	(543,133)
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment and provisions for impairment of trade receivables	57,359	7,476	(4,466)	27,148
Determination of deferred taxation on fair value gains on investment property on the basis applicable to capital gains	(73,673)	82,141	-	-
Share of results of associates	(38,423)	(36,781)	-	-
Derecognition of carrying amount of associate upon dissolution	1,713	-	-	-
Losses surrendered for group relief purposes	-	-	288,929	508,582
Maintenance allowance claimed on rented property	(123,696)	(112,861)	-	-
Dividend income not taxed at 35%	(1,539)	(2,087)	(14,513)	(16,124)
Gain on disposal of available-for-sale financial assets not subject to tax	-	(38,653)	-	-
Unabsorbed capital allowances claimed during the year	59,955	126,861	19,149	23,527
Unabsorbed tax losses incurred during the year	45,368	417,851	-	-
Under provision of tax in previous years	-	54,172	-	-
Amortisation of bond issue costs not allowed for tax purposes	34,983	32,789	-	-
Expenses giving rise to capital losses for tax purposes	15,085	-	-	-
Tax charge/(credit) in the accounts	31,915	(7,114)	-	-

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	
	2011	2010	2011	2010
	€	€	€	€
Salaries and other emoluments	79,200	73,210	-	-

During the year, the company has recharged out directors' emoluments amounting to €96,612 (2010: €101,618) and €276,653 (2010: €288,036) 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 result attributable to owners of the company by the weighted average number of ordinary shares of Mizzi Holdings Limited in issue during the year.

	Group	
	2011	2010
Net profit/(loss) attributable to owners of the company	€124,607	(€1,530,092)
Weighted average number of ordinary shares in issue	685,600	685,600
Earnings per share	€0.18	(€2.23)

31. Cash generated from operations

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

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Operating profit/(loss)	1,617,898	138,194	(37,925)	(310,537)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	392,155	513,110	77,797	122,210
Profit on disposal of property, plant and equipment	(12,800)	(90,772)	(12,800)	(5,250)
Movement in provisions for impairment of trade and other receivables	(2,247)	2,304	-	-
Gains from changes in fair value of investment property (Note 5)	(683,723)	-	-	-
Movement in provisions for other liabilities and charges	(23,952)	-	-	-
Changes in working capital:				
Inventories	(548,766)	(902,271)	-	-
Trade and other receivables	544,535	(380,957)	433,122	(2,068,031)
Trade and other payables	662,508	2,416,739	(303,120)	2,503,544
Provisions for other liabilities and charges	(4,000)	(34,941)	-	-
Cash generated from operations	1,941,608	1,661,406	157,074	241,936

32. Commitments

Group

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 5 and 11) not provided for in these financial statements are as follows:

	2011	2010
	€	€
Authorised but not contracted	450,000	400,000
Contracted but not provided for	270,000	340,000
	720,000	740,000

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:

	2011	2010
	€	€
Not later than one year	627,092	276,114
Later than one year and not later than five years	1,891,959	488,746
Later than five years	2,321,053	359,987
	4,840,104	1,124,847

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 €889,000 (2010: €889,000) 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 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 are expected to be insignificant 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 €79,646 (2010: €81,046) 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 €82,319,000 (2010: €81,519,000) together with interest and charges thereon. These guarantees are supported by a general hypothecary guarantee for the amount of €25,414,000 (2010: €25,414,000) over the company's assets.

Three 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 (2010: €37,423,000), €43,215,000 (2010: €42,215,000) and €47,817,000 (2010: €46,817,000) respectively together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by the undertakings for the amounts of €24,482,000 (2010: €24,482,000), €24,482,000 (2010: €24,482,000) and €25,382,000 (2010: €25,382,000) respectively, and by special hypothecary guarantees over property by one undertaking for the amount of €25,382,000 (2010: €25,382,000).

A subsidiary is also jointly and severally liable in respect of guarantees for the amount of €2,397,000 (2010: €2,397,000), supported by general hypothecary guarantees for the amount of €13,920,000 (2010: €13,920,000) over assets and special hypothecary guarantees over property for the amount of €35,583,000 (2010: €35,583,000), 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, for subscription to the general public, amounting to €30,000,000 (2010: €30,000,000) on the redemption date and 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 issue.

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

- (c) At 31 December 2011, the company has given guarantees totalling €4,436,842 (2010: €3,918,768) in the name of subsidiaries and related parties forming part of Mizzi Organisation in favour of third parties.
- (d) At 31 December 2011, subsidiaries had contingent liabilities amounting to €177,687 (2010: €190,589) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.

33. Contingencies - continued

- (e) No provision has been made in these consolidated accounts for disputed income tax amounting to €102,537 (2010: €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 (2010: €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.
- (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 (2010: €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 1986, 1987 and 1997 amounting to €12,711 (2010: €12,711).
- (g) The company has undertaken to provide financial support to a subsidiary so as to enable this entity to meet its liabilities as they fall due and to continue as a going concern. The subsidiary's profits for the year ended 31 December 2011 amounted to €1,630,041 (2010: €921,487), but as at 31 December 2010 its current liabilities exceeded its current assets by €19,408,760 (2010: €19,030,409).

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.

34. Related party transactions - continued

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.

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	
	2011	2010	2011	2010
	€	€	€	€
Sales of goods and services				
Sales of goods held for resale and provision of services				
- Associates	413,964	679,016	-	-
- Related parties forming part of Mizzi Organisation	542,618	522,478	-	-
- Other related parties	6,548	3,138	-	-
Management fees receivable				
- Subsidiaries	-	-	170,472	181,369
- Associates	32,803	33,032	32,803	33,032
- Related parties forming part of Mizzi Organisation	774,463	537,932	774,463	537,921
- Other related parties	2,230	45,381	2,230	45,381
Property operating lease rental income receivable				
- Subsidiaries	-	-	5,600	5,600
- Related parties forming part of Mizzi Organisation	945,600	814,839	-	-
Estate management fees	8,036	8,036	-	-
	2,726,262	2,643,852	985,568	803,303

34. Related party transactions - continued

	Group		Company	
	2011	2010	2011	2010
	€	€	€	€
Purchases of goods and services				
Purchases of goods held for resale and services	1,257,269	1,636,858	84,742	71,167
Management fees payable	348,998	497,106	-	-
Property operating lease rentals payable - Subsidiaries	-	-	85,246	87,112
Purchases of property, plant and equipment				
- Subsidiaries	-	-	-	40,000
- Related parties forming part of Mizzi Organisation	12,265	27,987	1,229	19,422
Capital expenditure on property	247,404	83,677	-	-
	1,865,936	2,245,628	171,217	217,701

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 12 and 18 to these financial statements.

Expenditure amounting to €1,062,399 (2010: €1,306,550) and €7,315 (2010: €8,812) 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 €216,307, €37,782 and €54,350 (2010: €215,537, €32,166 and €14,943) to subsidiaries, associates and other related parties respectively. During the financial year ended 31 December 2011, related parties forming part of Mizzi Organisation recharged expenditure to subsidiaries amounting to €93,337 (2010: €105,838).

Key management personnel compensation, in addition to directors' remuneration as disclosed in Note 29, amounted to €129,641 (2010: €148,624).

34. Related party transactions - continued

Amounts owed by related parties as at 31 December 2011 of €18,899,066 (2010: €18,561,196) are subject to interest at 7.2% (2010: 7.2%). Amounts owed to related parties of €4,138,169 (2010: €3,212,120) are subject to interest of 5% (2010: 5%). 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 2011 include amounts due from shareholders of €88,464 (2010: €88,464). These amounts are unsecured, interest free and have no fixed date of repayment.

Company

Amounts owed by subsidiaries of €430,212 (2010: €227,415) are subject to interest at 7.2%. Amounts owed to subsidiaries of €1,912,164 (2010: €1,603,139) are subject to interest at 5% (2010: 5%). Amounts owed by related parties of €18,899,066 (2009: €18,561,196) are subject to interest at 7.2% (2010: 7.2%). Amounts owed to related parties of €4,138,169 (2010: €3,212,120) are subject to interest at 5% (2010: 5%). Interest receivable from related parties and interest payable to related parties are disclosed in Notes 26 and 27 respectively.

Amounts owed by related parties include amounts due from shareholders of €7,405 (2010: €20,608). 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.