MIZZI ORGANISATION

Combined Financial Statements
for the financial year ended 31 December 2008

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

To the Owners of the Mizzi Organisation

We have audited the accompanying combined financial statements of the entities constituting the Mizzi Organisation, which is not a legal entity and principally comprises Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited, The General Soft Drinks Company Limited and their subsidiaries, together with Falcon Wines & Spirits Limited and Mizzi Motors Limited as set out in Note 1.1 – Basis of preparation. These financial statements comprise the combined statement of financial position as at 31 December 2008 and 2007 and the combined statements of income, cash flows and changes in shareholders' equity for the years then ended and a summary of significant accounting policies and other explanatory notes.

These combined financial statements have been prepared solely to assist the owners to present the financial position and results of the entities in connection with the Prospectus dated 29 October 2009 as described in Note 1.1 to these financial statements. The combined financial statements have been prepared on the basis set out in Note 1.1.

Management's responsibility for the combined financial statements
The owners of the Mizzi Organisation are responsible for the preparation and fair presentation of these combined financial statements in accordance with International Financial Reporting Standards as adopted by the EU and on the basis set out in Note 1.1 – Basis of preparation to the combined financial statements. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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

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

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

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

Opinion
In our opinion, the accompanying combined financial statements give a true and fair view of the financial position of the entities constituting the Mizzi Organisation set out in Note 1.1 – Basis of preparation as at 31 December 2008 and 2007, and of their financial performance and cash flows for the years then ended in accordance with International Financial Reporting Standards as adopted by the EU and on the basis set out in the said Note 1.1 to the combined financial statements.

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

Restriction on use
This report is solely intended for the information and use of the owners in connection with the Prospectus dated 29 October 2009 as referred to in Note 1.1 to these combined financial statements. Readers are cautioned that the combined financial statements may not be appropriate for any other purpose. We accept no responsibility to any other person in respect of, arising out of, or in connection with our work.

PRICEWATERHOUSECOOPERS

167 Merchants Street
Valletta
Malta

F Axisa

Fabio Axisa
Partner

29 October 2009

Combined statement of financial position

	Notes	As at 31 December 2008 €	2007 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	92,561,865	86,622,246
Investment property	5	22,439,974	16,722,098
Investments in associates	7	16,495,456	15,967,400
Loans and advances	8	575,938	575,938
Available-for-sale financial assets	9	1,615,369	2,016,073
Trade and other receivables	10	9,763,677	7,536,874
Total non-current assets		143,452,279	129,440,629
Current assets			
Inventories	12	19,170,479	22,819,263
Trade and other receivables	10	28,725,744	29,441,277
Current tax assets		913,815	1,268,362
Cash and cash equivalents	13	3,075,404	2,318,697
		51,885,442	55,847,599
Assets classified as held for sale	14	596,728	543,792
Total current assets		52,482,170	56,391,391
Total assets		195,934,449	185,832,020

Combined statement of financial position - continued

	Notes	As at 31 December 2008 €	2007 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	2,468,437	2,468,437
Revaluation reserves	16	37,884,249	37,334,602
Fair value gains and other reserves	17	10,612,994	10,830,272
Retained earnings		35,741,271	35,621,244
Total equity		86,706,951	86,254,555
Non-current liabilities			
Borrowings	18	53,182,794	40,391,699
Deferred tax liabilities	19	9,078,290	8,707,825
Total non-current liabilities		62,261,084	49,099,524
Current liabilities			
Trade and other payables	20	21,454,722	28,415,407
Current tax liabilities		160,496	66,527
Borrowings	18	25,213,763	21,893,515
Provisions for other liabilities and charges	21	137,433	102,492
Total current liabilities		46,966,414	50,477,941
Total liabilities		109,227,498	99,577,465
Total equity and liabilities		195,934,449	185,832,020

The notes on pages 9 to 71 are an integral part of these combined financial statements.

The combined financial statements on pages 3 to 71 were authorised for issue by the boards of directors of the entities constituting the Mizzi Organisation on 29 October 2009 and were signed on their behalf by:

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

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

Combined income statement

	Notes	Year ended 31 December 2008 €	2007 €
Revenue	22	111,137,820	120,699,176
Cost of sales		(83,299,067)	(94,120,765)
Gross profit		27,838,753	26,578,411
Selling and other direct expenses		(14,420,349)	(13,832,643)
Administrative expenses		(10,819,443)	(9,438,896)
Gains from changes in fair value of investment property	5	-	1,464,595
Other operating income	25	1,490,114	920,914
Operating profit		4,089,075	5,692,381
Investment and other related income	26	52,844	(131,508)
Finance income	27	56,463	91,345
Finance costs	28	(4,199,786)	(2,988,616)
Share of profits of associates	7	962,037	705,830
Profit before tax		960,633	3,369,432
Tax expense	29	(308,229)	(611,267)
Profit for the financial year		652,404	2,758,165
Earnings per share	31	0.62	2.60

The notes on pages 9 to 71 are an integral part of these combined financial statements.

Combined statement of changes in equity

	Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Minority interest €	Total €
Balance at 1 January 2007		2,468,437	31,712,054	9,587,613	34,871,832	56,219	78,696,155
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	5,947,740	-	-	-	5,947,740
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to capital gains	16	-	(132,102)	-	-	-	(132,102)
Depreciation transfer, net of deferred tax	16	-	(82,279)	-	82,279	-	-
Share of reversal of revaluation reserve on disposal of interest in subsidiary held by associate	16	-	(42,430)	-	-	-	(42,430)
Share of transfer to incentives and benefits reserve of an associate	17	-	-	64,265	(64,265)	-	-
Redemption of ground rents capitalised in associates	17	-	-	(1,013)	-	-	(1,013)
Effects of derecognition of minority interest in subsidiary upon striking off		-	-	-	56,219	(56,219)	-
Losses from changes in fair value of available-for-sale financial assets	16	-	(23,240)	-	-	-	(23,240)
Net gains transferred to income statement upon disposal of available-for-sale financial assets	16	-	(45,141)	-	-	-	(45,141)
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	-	-	1,255,140	(1,255,140)	-	-
Transfer upon realisation through disposal of investment property, net of deferred tax	17	-	-	(45,670)	45,670	-	-
Currency translation differences	17	-	-	(30,063)	-	-	(30,063)
Net income/(expense) recognised directly in equity		-	5,622,548	1,242,659	(1,135,237)	(56,219)	5,673,751
Profit for the financial year		-	-	-	2,758,165	-	2,758,165
Total recognised income/(expense) for 2007		-	5,622,548	1,242,659	1,622,928	(56,219)	8,431,916
Dividends for 2007	32	-	-	-	(873,516)	-	(873,516)
Balance at 31 December 2007		**2,468,437**	**37,334,602**	**10,830,272**	**35,621,244**	**-**	**86,254,555**

Combined statement of changes in equity - continued

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

The notes on pages 9 to 71 are an integral part of these combined financial statements.

Combined statement of cash flows

	Notes	Year ended 31 December 2008 €	2007 €
Cash flows from operating activities			
Cash generated from operations	33	5,069,454	7,487,386
Dividends received		566,905	277,306
Interest received		56,463	91,345
Interest paid		(4,152,617)	(2,944,686)
Income tax refunded		247,666	224,242
Net cash generated from operating activities		1,787,871	5,135,593
Cash flows from investing activities			
Purchase of property, plant and equipment	4	(16,467,673)	(22,270,562)
Proceeds from disposal of property, plant and equipment	4	1,045,129	1,040,145
Purchase of investment property	5	(23,294)	-
Capital expenditure on investment property	5	(401,048)	(155,671)
Proceeds from disposal of investment property	5	-	58,234
Purchase of shares in associates	7	-	(18,294)
Purchase of available-for-sale financial assets	9	(30,393)	(386,122)
Proceeds from disposal of available-for-sale financial assets	9	-	113,124
Capital expenditure on assets classified as held for sale	14	(52,936)	-
Proceeds from disposal of assets classified as held for sale	14	-	6,988
Net cash used in investing activities		(15,930,215)	(21,612,158)
Cash flows from financing activities			
Proceeds from bank borrowings	18	13,697,065	12,337,312
Repayments of bank borrowings	18	(839,747)	(842,835)
Proceeds from borrowings from associate	18	20,160	-
Repayments of borrowings from related party	18	(46,695)	(32,663)
Repayments of other borrowings	18	(16,532)	(23,661)
Dividends paid	32	(873,516)	(873,516)
Net cash generated from financing activities		11,940,735	10,564,637
Effects of exchange rates fluctuations on the translation of cash flows of foreign operations		(291,607)	(60,160)
Net movements in cash and cash equivalents		(2,201,609)	(5,911,928)
Cash and cash equivalents at beginning of year		(17,794,632)	(11,822,544)
Cash and cash equivalents at end of year	13	(20,287,848)	(17,794,632)

The notes on pages 9 to 71 are an integral part of these combined financial statements.

Notes to the combined financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These combined financial statements have been prepared solely to assist the owners of the Mizzi Organisation to present the financial position and results of the entities forming part of the Mizzi Organisation in connection with the Prospectus dated 29 October 2009. By virtue of this Prospectus, Mizzi Organisation Finance plc (the 'Issuer'), an entity forming part of the Mizzi Organisation, is proposing the issuance of bonds. The Issuer is essentially a special purpose vehicle set up to act as a financing company taking cognisance of the financing and investment requirements 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 (the "Guarantors" in respect of the Bond Issue), together with all their respective subsidiaries. The Bonds issued are in fact being guaranteed by the said companies. The Issuer is a subsidiary of one of the Guarantors. The Mizzi Organisation also includes Falcon Wines & Spirits Limited and Mizzi Motors Limited, which are an integral component of the Guarantors' beverage and automotive business activities. Indeed, the related operations of the Guarantors and the activities of these two entities are managed on a collective basis.

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

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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

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

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

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

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

Standards, interpretations and amendments to published standards effective in 2008 and 2007

In 2008 and 2007, the Organisation adopted new standards, amendments and interpretations to existing standards that are mandatory for the Organisation's accounting periods beginning on 1 January 2008 and 2007 respectively. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the Organisation's accounting policies.

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 2008. The Organisation has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the directors of the entities forming part of Mizzi Organisation are of the opinion that there are no requirements that will have a possible significant impact on the Organisation's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Entities constituting the Mizzi Organisation

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

(i) Consolidated Holdings Limited

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

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Industrial Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Industrial House National Road Blata l-Bajda Malta	Ordinary shares	100	100
The Waterfront Hotel Limited	Owner and operator of 'The Waterfront Hotel'	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	100 100	100 100
United Acceptances Finance Limited	Finance company which entails granting and administering hire purchase agreements	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100

All shareholdings are held directly by Consolidated Holdings Limited.

(ii) Kastell Limited

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

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Advanced Logistics Limited	Brand development and international franchising of the products designed, developed and sourced	Industrial Estate Textiles Road Xewkija Gozo	Ordinary shares	100	100
Arkadia International s.r.o.	Retail of clothing and accessories	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	100	100
Arkadia Marketing Limited	Owner and operator of a shopping and commercial centre and the sale of foodstore and other goods	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	100 100	100 100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Arkadia Retail s.r.o.	Non-trading	Rohacova 188/37 Prague 3 130 00 Czech Republic	Ordinary shares	100	100
Continental Cars (Imports) Limited	Importation and sale of motor vehicles (non-trading)	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	100	100
Continental Cars Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Testaferrata Street Msida Malta	Ordinary shares	100	100
Festa Limited	Provision of holiday related services and involvement in the administration of the car leasing operations	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Hubbalit Developments Limited	Owner of site for development (non-trading)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Malta Farmhouses Limited	Owner of property (non-trading)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Mizzi Automotive Services Limited	Provision of panel beating, spray painting and other services in the automotive industry, together with sale of spare parts	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	66⅔	66⅔
Mizzi Limited	Importation and sale of domestic appliances and spare parts, together with the provision of other ancillary services	The Lyric Antonio Bosio Street Msida Malta	Ordinary shares	100	100
Mizzi Organisation International s.r.o.	Ownership of property for rental purposes	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	100	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Nissan Motor Sales Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Antonio Bosio Street Msida Malta	Ordinary shares	100	100
Premium Developments s.r.o.	Investment in and development of property (non-trading)	Krernicka 24 Bratislava 85101 Slovakia	Ordinary shares	100	100
Russian Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
St. Paul's Court Limited	Owner of property (non-trading)	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Things International s.r.o.	Non-trading	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	-	100
Titan International Limited	Importation, sale and servicing of power, heating and ventilation equipment and lifts	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

During the year ended 31 December 2008, the Organisation disposed of its interest in Things International s.r.o. The impacts on the Organisation's financial results and its financial position of this disposal were not deemed material for disclosure purposes.

During the year ended 31 December 2007, two entities, i.e. Mizzi Organisation International s.r.o. and Premium Developments s.r.o., were incorporated. The effects of the incorporated subsidiaries on the Organisation's financial results and cash flows for the year ended 31 December 2007 and on the Organisation's financial position as at the end of the reporting period were not deemed material for disclosure purposes.

(iii) Mizzi Holdings Limited

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

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	Percentage of shares held 2007 %
Mizzi Brothers Limited	Sale of clothes and similar goods from rented premises	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Mizzi Estates Limited	Renting out of property, mainly to other companies forming part of the Mizzi Organisation	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Mizzi Organisation Finance p.l.c. *(the issuer)*	Finance and investment company in connection with the ownership, development, operation and financing of the business activities of the companies forming part of the Mizzi Organisation	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	100	100
Muscats Motors Limited	Importation and sale of motor vehicles and spare parts, together with the provision of other ancillary services	203, Rue D' Argens Gzira Malta	Ordinary shares	100	100

All shareholdings are held directly by Mizzi Holdings Limited.

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(iv) The General Soft Drinks Company Limited

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

(v) Falcon Wines & Spirits Limited

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

(vi) Mizzi Motors Limited

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

Associates of the Mizzi Organisation

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

(i) Consolidated Holdings Limited

Name	**Principal activity**	**Registered office**	**Class of shares held**	**Percentage of shares held**	
				2008	2007
				%	%
Mizzi Associated Enterprises Limited	The ownership and operation of hotels, and the development of property for trading and rental purposes	30 Archbishop Street Valletta Malta	Ordinary shares	51	51

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(ii) Kastell Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Institute of English Language Studies Limited	The provision of English language courses to foreign students and other related activities	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	50	50
Lada Motors Limited	Importation and sale of motor vehicles (non-trading)	Freemond Street Qormi Malta	Ordinary shares	36	36
The Players Group Limited	Holding of investment in Maltco Lotteries Limited	Palazzo Marina, 143 St. Christopher Street Valletta Malta	Ordinary shares	25	25

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

(iii) Mizzi Holdings Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
FirstUnited Insurance Brokers Limited	To operate as an insurance broker	120, The Strand Gzira Malta	Ordinary shares	33⅓	33⅓
FirstUnited Insurance Management Limited	The provision of insurance management, advisory and consultancy services	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	20	20
FirstUnited Investments Limited	Non-trading	25, Villa Eden Princess Elizabeth Street Ta' Xbiex Malta	Ordinary shares	25	25
Heritage Motor Company Limited	Non-trading	Level 4, Suite 7 The Plaza Commercial Centre Bisazza Street Sliema Malta	Ordinary shares	25	25

All shareholdings are held directly by Mizzi Holdings Limited.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

During the year ended 31 December 2007, the Organisation acquired a 20% interest in FirstUnited Insurance Management Limited. The impact of this acquisition on these financial statements i.e. the difference between the cost of the acquisition and the fair value of the Organisation's share of the net identifiable assets at acquisition date, was not deemed material for the sake of disclosure.

(iv) The General Soft Drinks Company Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2008 %	2007 %
Malta Deposit and Return System Limited	Non-trading - in liquidation	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	35½	35½
			Redeemable preference shares	35½	35½

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

1.2 Consolidation

(a) Subsidiaries

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) Associates

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

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

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

1.3 Foreign currency translation

(a) Functional and presentation currency

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

Following Malta's adoption of the euro as its national currency on 1 January 2008, the functional currency of the Organisation's entities operating in Malta was changed from Maltese lira to euro. The effects of the change in functional currency have been accounted for prospectively and all items have been translated into the new functional currency using the exchange rate at the date of the change.

In view of the redenomination of the aggregated share capital from Maltese lira to euro, the Organisation's presentation currency also changed to euro. Accordingly, the results and financial position relating to the financial year ended 31 December 2007 were translated and presented in these financial statements at the Irrevocably Fixed Conversion Rate of €1:Lm0.429300 as at 1 January 2008.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(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 the income statement.

(c) Companies forming part of Mizzi Organisation

The results and financial position of all the entities forming part of Mizzi Organisation that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the end of each reporting period;
(ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
(iii) all resulting exchange differences are recognised as a separate component of equity.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity.

1.4 Business combinations involving entities under common control

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

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

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

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment

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

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

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

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

	%
Buildings	2
Improvements to premises	2 - 33⅓
Plant, machinery and operational equipment	8⅓ - 33⅓
Furniture, fittings and office equipment	10 - 33⅓
Motor vehicles	20 - 33⅓

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction and payments on account are not depreciated.

Buildings and integral assets capitalised in respect of leasehold property are depreciated over the term of the property lease arrangement or over the estimated useful life of the assets if shorter than the lease term, ranging from ten to twenty years.

No depreciation is charged on linen, crockery, cutlery, glassware, uniforms and hotel loose tools. Normal replacements are charged to the income statement.

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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).

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

1.6 Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by entities forming part of the Mizzi Organisation is classified as investment property. Investment property principally comprises land and buildings.

Investment property is measured initially at its cost, including related transaction costs. After initial recognition, investment property is carried at fair value, representing open market value determined annually. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Organisation uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by a professional valuer. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value.

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 charged to the asset's carrying amount only when it is probable that future economic benefits associated with the item will flow to the Organisation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to the income statement during the financial period in which they are incurred.

Changes in fair values are recorded in the income statement.

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

If an investment property becomes owner-occupied or development of the property commences with a view to sale, it is reclassified as property, plant and equipment or inventories respectively, and its fair value at the date of the reclassification becomes its cost for accounting purposes. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property. When the Organisation decides to dispose of an investment property without development, the Organisation continues to treat the property as an investment property. Similarly, if the Organisation begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property and is not reclassified as owner-occupied property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is recognised in equity as a revaluation of property, plant and equipment under IAS 16. However, if a fair value gain reverses a previous impairment loss, the gain is recognised in the income statement. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through the income statement.

1.7 Intangible assets

(a) Goodwill

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

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

(b) Franchise rights

Franchise rights are shown at historical cost. Franchise rights have a finite useful life and are carried at cost less accumulated amortisation. Amortisation is calculated using the straight-line method to allocate the cost of franchise rights over their estimated useful lives (5 - 10 years).

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

1. Summary of significant accounting policies - continued

1.8 Loans and advances

Under the requirements of IAS 39, the Organisation's loans and advances, consisting in the main of advances to an associate, are classified as loans and receivables, unless the Organisation has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost, which is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts, using the effective interest method. Loans and advances are included in current assets, except for assets with maturities greater than twelve months after the end of each reporting period which are classified as non-current assets

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

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

If there is objective evidence that an impairment loss on loans and advances has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

1.9 Available-for-sale financial assets

The Organisation classifies its investments, (other than investments in associates), as available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of the Organisation's financial assets at initial recognition and re-evaluates this designation at the end of each reporting period in those circumstances where the Organisation is permitted to reclassify under the requirements of IAS 39. Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories under the requirements of IAS 39. 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 management intends to dispose of the investment within twelve months from the end of each reporting period.

1. Summary of significant accounting policies - continued

1.9 Available-for-sale financial assets - continued

Available-for-sale investments are initially recognised at fair value plus transaction costs. Regular way purchases and sales of investments are recognised on settlement date, which is the date on which an asset is delivered to or by the Organisation. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Organisation has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of investments classified as available-for-sale are recognised in equity. When available-for-sale assets are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement. Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement. Dividends on available-for-sale equity instruments are recognised in the income statement when the Organisation's right to receive payment is established.

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

The Organisation assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. In the case of equity securities 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 securities are impaired. If any such evidence 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 removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

1.10 Inventories

Inventories are stated at the lower of cost and net realisable value. The cost of goods held for resale is the invoiced value of the goods and in general, includes transport and handling costs. Cost is determined on the following basis:

- stocks of motor vehicles, motorcycles and outboard engines are valued by specifically identifying their individual costs;
- stocks of spare parts, stocks of goods held for resale and other stocks are valued on the weighted average cost method.
- stocks of hotel food, beverages and other related goods are valued using the first-in, first-out method.

The cost of raw materials comprises the invoiced value of materials, net of government grants received (vide accounting policy 1.24 – Government grants), and includes transport and handling costs. The cost of manufactured finished goods comprises raw materials, direct labour, other direct costs and related production overheads.

1. Summary of significant accounting policies - continued

1.10 Inventories - continued

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

1.11 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Organisation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement.

1.12 Amounts receivable from hire purchase debtors

An entity forming part of the Mizzi Organisation acquires and finances trade receivables arising from the sale of goods and services by other companies within the Organisation. These receivables are transferred to this entity upon origination, once hire purchase terms are granted upon sale of goods or services, at their face value with no rights of recourse whatsoever. Accordingly, provisions for impairment of amounts receivable from hire purchase debtors are recognised in the entity's income statement.

Amounts receivable from hire purchase debtors are covered by bills of exchange for the face value of the debts financed together with the amount of the hire purchase interest element which would be earned over the entire period of credit. The interest element of the bills of exchange is accounted for as income and as a receivable from hire purchase debtors over the credit period as interest accrues with the passage of time. Acquired receivables are initially recognised at the face value or cost of the hire purchase debts financed. Subsequent to initial recognition, amounts receivable from hire purchase debtors are carried at the face value of the debts financed adjusted for the recognition of hire purchase interest income, less provision made for the impairment of these receivables. A provision for impairment of hire purchase receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of expected cash flows.

Receivables covered by bills of exchange factored out to bankers with an option to repurchase them at face value as they fall due are not derecognised from the Organisation's statement of financial position. The entity would have retained substantially all the risks and rewards of ownership of the hire purchase receivables which it factors out to bankers. The receivables factored out by the entity are not derecognised from the Organisation's statement of financial position. The transferee does not have the ability to obtain the benefits of the receivables and the transferor retains substantially all the risks of the assets. Essentially these factoring facilities are accounted for as collateralised borrowings for an amount of the face value of the bills of exchange subject to interest charges.

1. Summary of significant accounting policies - continued

1.12 Amounts receivable from hire purchase debtors - continued

Bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the entity since the transferor would have transferred substantially all the risks and rewards of ownership of the hire purchase receivables. The transferee has the ability to obtain the benefits of the underlying receivables i.e. the right to receive a stream of cash flows in the form of principal and interest amounts. The banker's right of recourse under this facility is limited to 15% of the value of the bills factored in the preceding six months, which is not deemed to be a transfer of risk in view of the limited recourse period.

1.13 Cash and cash equivalents

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

1.14 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 recovered principally through a sale transaction rather than through a continuing use.

1.15 Borrowings

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

Preference shares which are mandatorily redeemable on or by a specific date, are classified as liabilities. The dividend on these preference shares is recognised in the income statement as interest expense.

1.16 Trade and other payables

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

1. Summary of significant accounting policies - continued

1.17 Other financial instruments

The Organisation's other financial assets, which have not been referred to in the accounting policies disclosed above, are classified as loans and receivables in accordance with the requirements of IAS 39. Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Organisation provides money, goods or services directly to a debtor with no intention of trading the receivable.

The Organisation recognises a financial asset or liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial assets are initially recognised at fair value plus transaction costs, for all financial assets not carried at fair value through profit or loss. All regular way transactions in assets classified in the loans and receivables category are accounted for using settlement date accounting. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method. Essentially these financial assets are measured at their face or nominal values. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Organisation has transferred substantially all risks and rewards of ownership or has not retained control of the financial asset.

The Organisation assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate.

The Organisation's financial liabilities other than those referred to in the accounting policies above, are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost and, accordingly, are carried principally at their face or nominal values. The Organisation derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.18 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 Share capital

Ordinary shares are classified as equity. Mandatorily redeemable preference shares are classified as borrowings (see accounting policy Note 1.15 – Borrowings).

1. Summary of significant accounting policies - continued

1.20 Deferred taxation

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

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

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

1.21 Provisions

Provisions are recognised when the Organisation has a present legal or constructive obligation as a result of past events; it is more likely than not that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated.

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

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

1.22 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the Organisation's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes and discounts, and are included in the financial statements as revenue. Revenue is recognised as follows:

(a) Sales of goods
Sales of goods are recognised when the Organisation has delivered products to the customer, the customer has accepted the products and collectibility of the related receivables is reasonably assured.

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

(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 1.25 – Operating leases.

Sales relating to long-term contracts – refer to accounting policy 1.23 – Long-term contracts.

(c) Interest and related income
Interest income is recognised in the income statement for all interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectibility is in doubt.

Bill commission income received upon commencement of a hire purchase agreement is in part refundable to the customer, in case of prepayments, on a proportional basis. Accordingly, these refundable fees are recognised in the income statement on a straight-line basis over the term of the agreements.

(d) Dividend income
Dividend income is recognised when the right to receive payment is established.

(e) Rental income from investment property
Rental income is recognised in the income statement as it accrues on a straight-line basis over the term of the lease unless collectibility is in doubt.

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

1.23 Long-term contracts

When the outcome of a contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that it is probable will be recoverable; and contract costs are recognised when incurred.

When the outcome of a contract can be estimated reliably and it is probable that the contract will be profitable, contract revenue and contract costs are recognised over the period of the contract, respectively, as revenue and expenses. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

The Organisation uses the ‘percentage of completion method’ to determine the appropriate amount of revenue and costs to recognise in a given period. The stage of completion is measured by reference to the proportion of contract costs incurred for work performed up to the end of the reporting period in relation to the estimated total costs for the contract. Costs incurred during the year that relate to future activity on a contract are excluded from contract costs in determining the stage of completion and are shown as contract work in progress.

1. Summary of significant accounting policies - continued

1.23 Long-term contracts - continued

The aggregate of the costs incurred and the profit or loss recognised on each contract is compared against the progress billings up to the end of the reporting period. The Organisation shows as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred and recognised profits (less recognised losses) exceed progress billings, under trade and other receivables. The Organisation shows as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred and recognised profits (less recognised losses), under trade and other payables.

1.24 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Organisation will comply with all attached conditions. Government grants related to costs are deferred and recognised in the income statement 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 the income statement 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 the income statement as a deduction in reporting ‘Cost of sales’ when stocks affect the cost of goods sold in the income statement.

1.25 Operating leases

(a) An undertaking is the lessee

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

(b) An undertaking is the lessor

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

1. Summary of significant accounting policies - continued

1.26 Finance leases

(a) An undertaking is the lessor

When assets are leased out under a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income.

Lease income is recognised over the term of the lease using the net investment method, which reflects a constant periodic rate of return.

1.27 Borrowing costs

Borrowing costs incurred on funds borrowed specifically for the construction or development of qualifying assets are capitalised, during the period of time that is required to complete and prepare the asset for its intended use, as part of the cost of the asset. All other borrowing costs are expensed. Interest expense is 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 net proceeds and redemption value in respect of the Organisation’s interest-bearing borrowings.

1.28 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The Organisation’s activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Organisation’s overall risk management, covering risk exposures for all companies constituting the Mizzi Organisation, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Organisation’s financial performance. The board of directors governing all Mizzi Organisation entities provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Organisation did not make use of derivative financial instruments (as defined by, and falling within the scope of, IAS 39) to hedge certain risk exposures during the years ended 31 December 2008 and 2007.

2. Financial risk management - continued

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the Organisation's purchases are denominated in US dollar, sterling and Japanese yen, and accordingly the Organisation is exposed to foreign exchange risk arising from such purchases. A number of entities domiciled overseas (see accounting policy 1.3(a)) have a functional currency which is different from the euro and from the currencies in which their purchases are denominated as outlined above. These companies are also subject to currency risk in respect of borrowings and intra-Organisation balances denominated in euro amounting to €3,163,303. The exposures from such instruments are not deemed material in the context of the overall Organisation's figures especially in view of the change in the functional currency of one entity to euro with effect from 1 January 2009. The Organisation's main risk exposures reflecting the carrying amount of payables denominated in foreign currencies as at the end of the reporting periods was in sterling as follows:

	2008	2007
	€	€
Trade and other payables		
GBP	544,900	1,227,772

The Organisation's risk exposures reflecting the carrying amount of payables denominated in other foreign currencies as at the end of the reporting periods were not significant.

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

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

(ii) Cash flow and fair value interest rate risk

The Organisation's significant instruments which are subject to fixed interest rates comprise amounts receivable under finance lease arrangements (Note 10), amounts receivable from hire purchase debtors (Note 11), non–cumulative redeemable preference shares (Note 18) and the bonds issued to the general public (Note 18). In this respect, the Organisation is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

2. Financial risk management - continued

The Organisation's interest rate risk principally arises from bank borrowings, including bills of exchange factored out to bank, issued at variable rates (Note 18) which expose the Organisation to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in the income statement in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The Organisation's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

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

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

(b) Credit risk

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

	2008	2007
	€	€
Loans and receivables category:		
Trade and other receivables (Note 10)	38,489,421	36,978,151
Loans and advances (Note 8)	575,938	575,938
Cash and cash equivalents	3,075,404	2,318,697
	42,140,763	39,872,786

2. Financial risk management - continued

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

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

The Organisation's debtors comprise trade receivables arising from the core operations of the Mizzi Organisation companies and amounts receivable from hire purchase debtors in respect of financing provided by an undertaking. The Organisation assesses the credit quality of its customers, taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products, services and financing transactions are effected with customers with an appropriate credit history. The Organisation monitors the performance of its trade, hire purchase and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Organisation's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Organisation's activities and the markets in which it operates, a limited number of customers account for a certain percentage of the Organisation's trade and other receivables, particularly in respect of amounts receivable from hire purchase debtors. With respect to trade receivables 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 still monitored rigorously and reported upon frequently. These customers trade frequently with the respective entities and are deemed by management to have excellent credit status in view of the performance history without defaults. The Organisation has a significant concentration of credit risk with respect to hire purchase receivables because the receivables from two customers constitute €2,828,126 (2007: €2,870,456) of the Organisation's hire purchase receivables. The Organisation has a significant concentration of credit risk with respect to finance lease debts because the receivables from three (2007: two) customers constitute 98% (2007: 96%) of the Organisation's finance lease receivables (see Note 10). These customers trade frequently with the Organisation and they are deemed by management to have adequate credit standing, usually taking cognisance of the performance history without defaults. These exposures are monitored and reported more frequently and rigorously.

The Organisation manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Organisation's trade and hire purchase receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers for whom there is no recent history of default. Management does not expect any losses from non-performance by these customers.

The Organisation's loans referred to in the table above consist of advances to an associate of the Organisation and the Organisation's trade and other receivables include significant amounts due from related parties. The Organisation's treasury monitors related party credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall liquidity management. The Organisation assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Organisation takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

2. Financial risk management - continued

As at 31 December 2008, hire purchase receivables of €5,623,583 (2007: €2,865,791) were impaired and the amount of the provisions in this respect are €2,332,957 (2007: €2,134,321). The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. It was assessed that a significant portion of these receivables is expected to be recovered. The Organisation does not hold any significant collateral as security in respect of the impaired hire purchase receivables.

The movement in provisions for impairment of hire purchase receivables is as follows:

	2008 €	2007 €
At beginning of year	2,134,321	1,978,609
Reversals of provisions which are no longer required	(371,829)	(290,536)
Increase in provisions	570,465	446,248
At end of year	2,332,957	2,134,321

Reversals of provisions for impairment arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayments obligations including accrued interest. The movements in these provisions are disclosed in Note 23 and are included in "Administrative expenses" in the Organisation's income statement.

As at 31 December 2008, trade receivables of €1,834,320 (2007: €1,659,671) and other receivables of €2,061,155 (2007: €1,863,655) 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 Organisation does not hold any collateral as security in respect of the impaired assets. The movements in provisions for impairment of these receivables are disclosed in Note 23.

As at 31 December 2008, amounts receivable from hire purchase debtors of €3,173,056 (2007: €4,315,854) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Organisation's past due hire purchase debts, management has not identified any major concerns with respect to concentration of credit risk. Categorisation of hire purchase receivables as past due is determined by the Organisation on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

The ageing analysis of these past due hire purchase receivables is as follows:

	2008 €	2007 €
Up to 3 months	1,503,159	481,416
3 to 6 months	931,157	481,444
6 to 12 months	496,531	1,676,191
12 months and over	242,209	1,676,803
	3,173,056	4,315,854

2. Financial risk management - continued

As at 31 December 2008, trade receivables of €1,981,481 (2007: €1,758,186) were past due but not impaired. These mainly relate to a number of independent trade customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Organisation's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of trade receivables as past due is determined by the Organisation on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these past due trade receivables is as follows:

	2008 €	2007 €
Up to 3 months	1,458,647	1,145,379
Over 3 months	522,834	612,807
	1,981,481	1,758,186

At 31 December 2008 and 2007, the carrying amount of financial assets that would otherwise be past due or impaired whose terms have been renegotiated is not deemed to be significant.

(c) Liquidity risk

The Organisation is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 18) and trade and other payables (Note 20). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Organisation's obligations.

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

2. Financial risk management - continued

The tables below analyse the Organisation's principal financial liabilities into relevant maturity groupings based on the remaining term at the end of the reporting period to the contractual maturity date, whereby maturity in relation to the bonds is based on the assumption that the bonds will be redeemed at the earliest optional redemption date i.e. 31 May 2010 considered the earliest contractual maturity date for disclosure purposes. The amounts disclosed in the tables are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2008					
Bank and other borrowings	26,416,807	4,282,615	14,055,761	18,032,518	62,787,701
Bonds	1,560,680	23,944,017	-	-	25,504,697
Trade and other payables	21,454,722	-	-	-	21,454,722
Loans from related parties	344,182	-	-	-	344,182
Redeemable preference shares	-	-	-	815,281	815,281
	49,776,391	28,226,632	14,055,761	18,847,799	110,906,583
At 31 December 2007					
Bank and other borrowings	23,356,857	2,395,227	8,033,490	10,675,269	44,460,843
Bonds	1,560,680	1,560,680	23,944,017	-	27,065,377
Trade and other payables	28,415,407	-	-	-	28,415,407
Loan from related party	370,717	-	-	-	370,717
Redeemable preference shares	-	-	-	815,281	815,281
	53,703,661	3,955,907	31,977,507	11,490,550	101,127,625

2.2 Capital risk management

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

2. Financial risk management - continued

The Organisation also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the statement of financial position, plus net debt.

The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	2008 €	2007 €
Total borrowings	78,396,557	62,285,214
Less: cash and cash equivalents	(3,075,404)	(2,318,697)
Net debt	75,321,153	59,966,517
Total equity	86,706,951	86,254,555
Total capital	162,028,104	146,221,072
Net debt/total capital	46%	41%

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital, as reflected above with a view to managing the cost of capital. The level of capital of the Organisation, as reflected in the combined statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the Organisation's activities and the extent of borrowings or debt, the capital level as at the end of the reporting period determined by reference to the combined financial statements is deemed adequate by management.

2.3 Fair values of financial instruments

At 31 December 2008 and 2007 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the combined financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to associate and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

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. The quoted market price used for financial assets held by the Organisation is the current bid price. The fair value of available-for-sale equity securities that are not traded in an active market is determined by using valuation techniques, principally discounted cash flow models. When the Organisation uses valuation techniques, it makes assumptions that are based on market conditions existing at the end of each reporting period. The valuation techniques used are supported by observable market prices or rates since their variables include only data from observable markets.

2. Financial risk management - continued

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

3. Critical accounting estimates and judgements

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

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

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

4. Property, plant and equipment

	Assets in course of construction and payments on account €	Land, buildings and improvements to premises €	Plant, machinery and operational equipment €	Furniture, fittings, and office equipment €	Motor vehicles €	Total €
At 1 January 2007						
Cost or valuation	1,133,371	56,955,319	23,857,395	12,340,305	6,769,146	101,055,536
Accumulated depreciation and impairment losses	-	(4,983,826)	(19,158,171)	(9,670,053)	(3,625,747)	(37,437,797)
Net book amount	1,133,371	51,971,493	4,699,224	2,670,252	3,143,399	63,617,739
Year ended 31 December 2007						
Opening net book amount	1,133,371	51,971,493	4,699,224	2,670,252	3,143,399	63,617,739
Revaluation surplus arising during the year (Note 16)	-	6,758,795	-	-	-	6,758,795
Additions	14,118,644	1,946,230	1,582,258	1,233,739	3,389,691	22,270,562
Disposals	-	(60,580)	(13,885)	(37,156)	(1,209,045)	(1,320,666)
Depreciation charge	-	(777,527)	(2,157,469)	(1,113,270)	(1,341,184)	(5,389,450)
Depreciation released on disposals	-	18,812	-	31,241	504,094	554,147
Exchange differences	-	-	15,865	12,497	1,735	30,097
Reclassification from assets classified as held for sale (Note 14)	-	557,158	-	-	-	557,158
Reclassification to assets classified as held for sale (Note 14)	-	(456,136)	-	-	-	(456,136)
Closing net book amount	15,252,015	59,958,245	4,125,993	2,797,303	4,488,690	86,622,246
At 31 December 2007						
Cost or valuation	15,252,015	65,954,060	25,555,472	13,644,276	8,993,958	129,399,781
Accumulated depreciation and impairment losses	-	(5,995,815)	(21,429,479)	(10,846,973)	(4,505,268)	(42,777,535)
Net book amount	15,252,015	59,958,245	4,125,993	2,797,303	4,488,690	86,622,246

4. Property, plant and equipment - continued

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

The Organisation’s land and buildings were last revalued on 31 December 2008 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 (see Note 16).

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

	2008 €	2007 €
Cost	39,252,430	24,095,810
Accumulated depreciation and impairment losses	(4,877,871)	(4,902,182)
Net book amount	34,374,559	19,193,628

Bank borrowings in the name of undertakings forming part of the Organisation are secured on the Organisation’s land and buildings (refer to Note 18).

4. Property, plant and equipment - continued

The impairment charges recognised in equity during the year ended 31 December 2008 are attributable to reductions in the carrying amount of property so as to reflect the recoverable amount of these assets. The impairment charges recognised in the income statement during the year ended 31 December 2008 arose on improvements to premises and operational equipment attributable to overseas outlets utilised by the Organisation for retailing of clothing and similar goods, in view of the resolution of the directors of the respective entity to cease operations from these outlets. The recoverable amount of the assets (the higher of the value in use and net selling price) was determined at the individual asset level and represents the net selling price, determined by reference to market prices for equivalent assets.

During the financial year ended 31 December 2008, the directors of two entities forming part of the Mizzi Organisation have reviewed the estimated remaining useful life of particular asset categories within property, plant and equipment. The useful life of certain components of the plant, machinery and operational equipment category has been revised from 6 to 10 years, whilst the useful life of a particular component of the motor vehicles category has been revised from 4 to 5 years. The effect of these changes in accounting estimates on the financial results of the Organisation for the year ended 31 December 2008 and on the financial position as at the end of the reporting period was a decrease in the depreciation charge on the plant, machinery and operational equipment category of €345,889 and a decrease of €313,114 in relation to the motor vehicles category. These changes in accounting estimates have also resulted in an equivalent aggregate increase of €659,003 in the net assets of the Organisation. The resultant decreased depreciation charge has been included in the determination of the financial results for the year ended 31 December 2008 in accordance with the requirements of IAS 8. This change in accounting estimate affects the depreciation charge in each period during the remaining useful life of the assets and these will be recognised in the future periods accordingly.

During the financial year ended 31 December 2007, the Organisation capitalised borrowing costs amounting to €72,250 utilising a capitalisation rate of 5.25%. This amount is included in ‘Additions’ to assets in course of construction and payments on account in the table above.

4. Property, plant and equipment - continued

The category of motor vehicles disclosed above comprises motor vehicles leased out by the Organisation under operating leases with the following carrying amounts:

	At 31 December 2008 €	At 31 December 2007 €	At 1 January 2007 €
Cost	4,067,946	3,619,306	2,104,328
Accumulated depreciation	(1,222,713)	(874,188)	(441,570)
Net book amount	2,845,233	2,745,118	1,662,758

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

	2008 €	2007 €
Opening net book amount	2,745,118	1,662,758
Additions	778,093	1,889,520
Disposals	(329,453)	(374,542)
Depreciation charge	(452,889)	(545,942)
Depreciation released on disposals	104,364	113,324
Closing net book amount	2,845,233	2,745,118

5. Investment property

	2008 €	2007 €
Year ended 31 December		
Opening carrying amount	16,722,098	15,160,066
Additions resulting from subsequent expenditure	435,989	155,671
Additions resulting from acquisitions	23,294	-
Gains from changes in fair value (Note 17)	-	1,464,595
Reclassification from property plant and equipment (Note 4)	5,258,593	-
Disposals	-	(58,234)
Closing carrying amount	22,439,974	16,722,098

	2008 €	2007 €
At 31 December		
Cost	7,461,938	5,358,969
Fair value gains	14,978,036	11,363,129
Carrying amount	22,439,974	16,722,098

5. Investment property - continued

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

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

	2008 €	2007 €
Cost	7,461,938	5,358,969
Accumulated depreciation	(812,070)	(53,294)
Net book amount	6,649,868	5,305,675

As at 31 December 2008, bank borrowings in the name of undertakings forming part of the Mizzi Organisation are secured on the Organisation's investment property with a fair value of €11,746,000 (2007: €6,127,000).

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

Investment property disclosed above includes property leased out under operating leases with a carrying amount of €2,581,639 as at 31 December 2008:

	€
At 31 December 2008, 2007 and 2006	
Cost	1,756,549
Fair value gains	825,090
Carrying amount	2,581,639

6. Intangible assets

	Franchise rights €
At 31 December 2008, 2007 and 2006	
Cost	46,587
Accumulated amortisation	(46,587)
Net book amount	-

7. Investments in associates

	2008 €	2007 €
Year ended 31 December		
Opening carrying amount	15,967,400	15,507,739
Additions at cost	-	18,294
Share of profit	962,037	705,830
Share of revaluation surplus on land and buildings arising during the year (Note 16)	82,356	-
Redemption of capitalised ground rents (Note 17)	(2,276)	(1,013)
Share of reversal of revaluation reserve on disposal of interest in subsidiary held by associate (Note 16)	-	(42,430)
Dividends received	(514,061)	(221,020)
Closing carrying amount	16,495,456	15,967,400

	2008 €	2007 €
At 31 December		
Cost	1,826,026	1,826,026
Provisions for impairment	(62,020)	(62,020)
Share of profits and reserves	14,731,450	14,203,394
Carrying amount	16,495,456	15,967,400

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

During the year ended 31 December 2007, the Organisation acquired a 20% interest in FirstUnited Insurance Management Limited. The impact of this acquisition on these financial statements i.e. the difference between the cost of the acquisition and the fair value of the Organisation's share of the net identifiable assets at acquisition date, was not deemed material for the sake of disclosure. The impact was included within the share of results for the year ended 31 December 2007.

7. Investments in associates - continued

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

	Assets	Liabilities	Revenues	Profit/(loss)
	€	€	€	€
2008				
FirstUnited Insurance Brokers Limited	1,008,354	802,366	414,701	52,421
FirstUnited Insurance Management Limited	44,560	3,900	39,938	13,109
FirstUnited Investments Limited	16,043	1,674	676	(186)
Institute of English Language Studies Limited	4,052,013	2,979,182	2,237,820	194,308
Lada Motors Limited	44,433	1,236	-	54
Mizzi Associated Enterprises Limited	17,768,205	2,894,201	2,957,374	483,170
The Players Group Limited	599,524	573,343	-	219,161
	23,533,132	7,255,902	5,650,509	962,037

	Assets	Liabilities	Revenues	Profit/(loss)
	€	€	€	€
2007				
FirstUnited Insurance Brokers Limited	1,499,758	1,289,220	414,519	69,972
FirstUnited Insurance Management Limited	30,151	1,558	17,731	10,715
FirstUnited Investments Limited	17,964	2,379	224	(5,779)
Institute of English Language Studies Limited	1,836,168	957,650	2,362,644	329,863
Lada Motors Limited	44,412	1,270	-	(208)
Mizzi Associated Enterprises Limited	18,130,298	3,595,129	3,335,225	105,830
The Players Group Limited	772,714	573,343	-	195,437
	22,331,465	6,420,549	6,130,343	705,830

7. Investments in associates - continued

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

	Assets	Liabilities	Revenues	Loss
	€	€	€	€
2008	786	(25,622)	-	(114)
2007	1,132	(25,854)	-	(2,227)

8. Loans and advances: non-current amounts

As at the end of the reporting period the Organisation had advanced an amount of €575,938 (2007: €575,938) by way of shareholder's loan to an associate. These advances do not bear interest and do not have any fixed date of repayment. The purpose of these advances is to fund the associate's financial commitments in respect of a business venture. In accordance with the formal terms of the financing arrangement, the amounts advanced as shareholders' loans are earmarked for capitalisation i.e. conversion into ordinary share capital. As at the end of the reporting period, in the opinion of the directors of the respective entity forming part of the Mizzi Organisation, the fair value of this asset approximates its carrying amount.

9. Available-for-sale financial assets

	2008	2007
	€	€
Year ended 31 December		
Opening carrying amount	2,016,073	1,999,250
Additions at cost	30,393	386,122
Losses from changes in fair value (Note 16)	(431,097)	(23,240)
Increase in provisions for impairment (Note 26)	-	(232,935)
Release of provisions for impairment in respect of investments written off (Note 26)	-	15,190
Disposals	-	(113,124)
Cost of investments written off (Note 26)	-	(15,190)
Closing carrying amount	1,615,369	2,016,073

	2008	2007
	€	€
At 31 December		
Cost	2,139,744	2,109,351
Fair value (losses)/gains	(198,351)	232,746
Provisions for impairment	(326,024)	(326,024)
Carrying amount	1,615,369	2,016,073

9. Available-for-sale financial assets - continued

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

	2008 €	2007 €
Investments listed on the Malta Stock Exchange	639,344	963,606
Investments listed on other stock exchanges	118,700	195,709
Other investments in unlisted local private companies	857,325	856,758
	1,615,369	2,016,073

The Organisation's available-for-sale investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange and other stock exchanges, fair value is determined by reference to quoted market prices. For other investments, fair value is mainly estimated by reference to the net asset backing of the investee and the use of valuation techniques, principally discounted cash flow models. The cost of these other investments approximates fair value and no movements have been recognised in equity. An impairment loss has been recognised during the year ended 31 December 2007 in respect of an investment in an unlisted company which is in unexpected adverse trading and operating conditions.

10. Trade and other receivables

	2008 €	2007 €
Current		
Trade receivables	10,358,878	11,899,519
Amounts receivable from hire purchase debtors (Note 11)	6,073,112	7,346,804
Gross amounts due from customers for contract work	837,665	1,158,099
Finance lease receivables (net of unearned finance income)	238,567	115,905
Amounts owed by associates	382,646	294,482
Amounts owed by other related parties	1,266,581	172,002
Government grants receivable	93,479	223,799
Amounts recoverable in respect of capital expenditure	1,347,822	1,213,599
Advance payments to suppliers	167,305	93,555
Other receivables	3,308,878	2,546,544
Indirect taxation	1,184,056	931,617
Prepayments and accrued income	3,466,755	3,445,352
	28,725,744	29,441,277

	2008 €	2007 €
Non-current		
Amounts receivable from hire purchase debtors (Note 11)	7,336,390	5,961,915
Finance lease receivables (net of unearned finance income)	1,249,250	577,403
Other receivables	915,838	879,024
Prepayments and accrued income	262,199	118,532
	9,763,677	7,536,874

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

10. Trade and other receivables - continued

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

	2008 €	2007 €
Trade receivables	1,834,320	1,659,671
Finance lease receivables	53,056	-
Other receivables: current amounts	1,485,102	1,455,150
Other receivables: non current amounts	492,170	377,678
Amounts owed by related parties	30,827	30,827
	3,895,475	3,523,326

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

The aggregate amount of costs incurred and recognised profits (less recognised losses) to date for contracts in progress at the end of the reporting period amounts to €2,832,836 (2007: €525,805). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above on page 48 and in Note 20 respectively.

An undertaking forming part of the Mizzi Organisation enters into motor vehicle finance lease arrangements with third party customers, whereby the contractual terms essentially transfer all risks and rewards incidental to ownership of the motor vehicles. These arrangements do not include significant unguaranteed residual values accruing to the benefit of the lessor. Gross receivables from finance leases as at the end of the reporting period are analysed as follows:

	2008 €	2007 €
Gross finance lease receivables:		
Not later than one year	408,845	175,013
Later than one year and not later than five years	1,420,571	637,836
Later than five years	33,878	62,339
	1,863,294	875,188
Unearned future finance income on finance leases	(322,421)	(181,880)
Provisions for impairment of finance lease receivables	(53,056)	-
Net investment in finance leases	1,487,817	693,308

The net investment in finance leases is analysed as follows:

	2008 €	2007 €
Not later than one year	238,567	115,905
Later than one year and not later than five years	1,216,071	517,664
Later than five years	33,179	59,739
	1,487,817	693,308

Amounts receivable from finance lease debtors are subject to an effective interest rate of 8% (2007: 8%).

10. Trade and other receivables - continued

Government grants receivable as at the end of the reporting period, disclosed in the table above on page 48, relate to state aid in respect of importation of raw materials. A corresponding adjustment to the carrying amount of the related inventories is recorded upon receipt and accordingly these grants are recognised in the income statement when inventories affect the cost of goods sold reported in the income statement. The impact of such grants on the income statement for the year ended 2008 amounted to €410,707 (2007: €565,015).

Amounts recoverable in respect of capital expenditure were the subject matter of arbitration proceedings in respect of which an award, which was adverse to the Organisation, was handed down. An appeal has been lodged and subsequent to the end of the reporting period judgement was delivered in favour of the entity forming part of the Mizzi Organisation.

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

11. Amounts receivable from hire purchase debtors

	2008 €	2007 €
Current		
Debtors on whom bills of exchange were drawn	8,070,891	9,160,985
Provisions for impairment	(1,997,779)	(1,814,181)
	6,073,112	7,346,804
Non-current		
Debtors on whom bills of exchange were drawn	7,671,568	6,282,055
Provisions for impairment	(335,178)	(320,140)
	7,336,390	5,961,915
Total amounts receivable from hire purchase debtors	13,409,502	13,308,719

Amounts receivable from hire purchase debtors relate to trade receivables arising from the sale of goods and services by companies forming part of the Mizzi Organisation, which are acquired and financed by an entity within the Organisation. These receivables are transferred to the company upon origination, once hire purchase terms are granted, at their face value with no right of recourse whatsoever. Accordingly, provisions for impairment of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in the Organisation's income statement.

During the financial year under review, the entity has financed receivables with a face value amounting to €6,439,408 (2007: €7,657,426). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 8% (2007: 8%).

11. Amounts receivable from hire purchase debtors - continued

Receivables covered by bills of exchange factored out to bank with an option to repurchase them as they fall due are not derecognised from the Organisation's statement of financial position. The amounts advanced under this facility are treated as collateralised borrowings (disclosed as distinct liabilities) amounting to the face value of the bills factored out (Note 18). Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the Organisation. The entity would retain credit risk in these receivables through the bank's right of recourse which would be limited to 15% of the value of the bills factored in the preceding six months. During the years ended 31 December 2008 and 2007 no receivables have been factored out in this manner.

12. Inventories

	2008 €	2007 €
Motor vehicles, spare parts and related supplies	11,664,176	14,599,898
Other goods purchased for resale	3,933,044	3,876,322
Raw materials and manufactured finished goods	2,777,507	2,799,843
Containers (carried at net realisable value)	321,295	265,066
Goods in transit	305,131	1,187,408
Contract and other work in progress	169,326	90,726
	19,170,479	22,819,263

The cost of inventories recognised as expense is appropriately disclosed in Note 23 of the financial statements. During the year ended 31 December 2008, inventory write-downs amounted to €1,136,377 (2007: €1,083,294). These amounts have been included in 'Cost of sales' in the income statement.

Bank borrowings in the name of an entity forming part of the Mizzi Organisation are secured on inventories with a carrying amount of €4,450,000 (see Note 18).

13. Cash and cash equivalents

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

	2008 €	2007 €
Cash at bank and in hand	3,075,404	2,318,697
Bank overdrafts (Note 18)	(22,366,944)	(18,905,721)
Bills of exchange factored out to bank (Note 18)	(996,308)	(1,207,608)
	(20,287,848)	(17,794,632)

The current portion of the factoring facility in respect of bills of exchange factored out to bank (Note 18) is treated as cash equivalent since this facility forms an integral part of the Organisation's cash management.

14. Assets classified as held for sale

	2008 €	2007 €
Property classified as held for sale		
Opening carrying amount	543,792	645,459
Additions resulting from subsequent expenditure	52,936	-
Reclassification from property, plant and equipment (Note 4)	-	456,136
Reclassification to property, plant and equipment (Note 4)	-	(557,158)
Disposals	-	(645)
Closing carrying amount	596,728	543,792

During the financial year ended 31 December 2007, the Organisation transferred property previously classified as held for sale to property, plant and equipment in view of a change in the intended use of the property and commencement of owner-occupation. Also, property originally classified as property, plant and equipment due to construction for future intended use as investment property, had been reclassified to assets classified as held for sale in view of the Organisation's intentions as at 31 December 2007 to dispose of the property. Subsequent to 31 December 2008, the Organisation's management resolved to retain the completed property for rental and capital appreciation purposes, and accordingly it was reclassified to investment property.

15. Share capital

	2008 €	2007 €
Authorised		
1,571,998 (2007: 1,571,998) ordinary shares of €2.329373 each	3,661,771	3,661,771
Issued and fully paid		
1,059,700 (2007: 1,059,700) ordinary shares of €2.329373 each	2,468,437	2,468,437

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

As a result of Malta's adoption of the euro, with effect from 1 January 2008 the Organisation's aggregated share capital has been redenominated to euro at the Irrevocably Fixed Conversion Rate of €1:Lm0.429300. Accordingly, the Organisation's aggregated authorised share capital of Lm1,571,998, consisting of 1,571,998 ordinary shares with a nominal value of Lm1 per share has been redenominated into 1,571,998 shares with a nominal value of €2.329373 per share amounting to €3,661,771. The aggregated issued share capital of Lm1,059,700, consisting of 1,059,700 ordinary shares with a nominal value of Lm1 per share, has been converted to €2,468,437 representing 1,059,700 shares with a converted nominal value of €2.329373 per share.

16. Revaluation reserves

	2008 €	2007 €
Surplus arising on fair valuation of:		
Land and buildings of entities forming part of the Mizzi Organisation	32,185,472	31,106,741
Land and buildings of associates	5,897,128	5,995,115
Available-for-sale financial assets	(198,351)	232,746
	37,884,249	37,334,602

The movements in each category are analysed as follows:

	2008 €	2007 €
Land and buildings of entities forming part of the Mizzi Organisation		
At beginning of year	31,106,741	25,373,382
Revaluation surplus arising during the year (Note 4)	1,657,313	6,758,795
Impairment charges (Note 4)	(233,217)	-
Transfer upon realisation through asset use	(126,580)	(126,580)
Deferred income taxes on revaluation surplus arising during the year (Note 19)	(198,879)	(811,055)
Deferred income taxes on realisation through impairment charges (Note 19)	27,986	-
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 19)	(92,193)	(132,102)
Deferred income taxes on realisation through asset use (Note 19)	44,301	44,301
At end of year	32,185,472	31,106,741

	2008 €	2007 €
Land and buildings of associates		
At beginning of year	5,995,115	6,037,545
Share of reversal on disposal of interest in subsidiary held by associate (Note 7)	-	(42,430)
Share of revaluation surplus arising during the year (Note 7)	82,356	-
Transfer upon realisation through asset use – share of depreciation transfer, net of deferred tax	(180,343)	-
At end of year	5,897,128	5,995,115

16. Revaluation reserves - continued

	2008 €	2007 €
Available-for-sale financial assets		
At beginning of year	232,746	301,127
Losses from changes in fair value (Note 9)	(431,097)	(23,240)
Net gains transferred to income statement upon disposal (Note 26)	-	(45,141)
At end of year	(198,351)	232,746

Gains and losses arising from changes in fair value of available-for-sale financial assets are recognised directly in equity through the revaluation reserve in accordance with the Organisation's accounting policy. When the assets are disposed of, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, are transferred to the income statement as gains and losses from available-for-sale financial assets.

The revaluation reserves are non-distributable.

17. Fair value gains and other reserves

	2008 €	2007 €
Fair value gains reserve in respect of investment property	9,950,690	9,999,664
Share of associate's incentives and benefits reserve	310,548	340,091
Capital reserves	322,115	322,115
Share of associate's capital reserve	200,962	203,238
Translation reserve	(171,321)	(34,836)
	10,612,994	10,830,272

The movements in each category are analysed as follows:

	2008 €	2007 €
Fair value gains reserve in respect of investment property		
At beginning of year	9,999,664	8,790,194
Fair value gains arising during the year (Note 5)	-	1,464,595
Transfer upon realisation through asset disposal	-	(52,658)
Deferred income taxes on fair value gains arising during the year (Note 19)	-	(175,751)
Movement in deferred tax liability determined on the basis applicable to capital gains (Note 19)	(48,974)	(33,704)
Deferred income taxes on realisation through asset disposal (Note 19)	-	6,988
At end of year	9,950,690	9,999,664

17. Fair value gains and other reserves - continued

	2008 €	2007 €
Share of associated undertaking's incentives and benefits reserve		
At beginning of year	340,091	275,826
Share of transfer (to)/from retained earnings	(29,543)	64,265
At end of year	310,548	340,091
Capital reserves		
At beginning and end of year	322,115	322,115
Share of associate's capital reserve		
At beginning of year	203,238	204,251
Redemption of capitalised ground rents (Note 7)	(2,276)	(1,013)
At end of year	200,962	203,238
Translation reserve		
At beginning of year	(34,836)	(4,773)
Currency translation differences arising during the year	(136,485)	(30,063)
At end of year	(171,321)	(34,836)

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 the Organisation's income statement in accordance with the Organisation's accounting policy for investment property. These amounts are transferred from retained earnings to the fair value gains reserve since these gains are not considered by the directors of the respective entities to be available for distribution.

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

The capital reserves are not considered by the directors of the respective entities to be available for distribution.

The amounts recognised in the translation reserve relate to exchange differences resulting from translating the results and financial position of those entities forming part of the Mizzi Organisation that have a functional currency different from the Organisation's presentation currency in accordance with the Organisation's accounting policy.

18. Borrowings

	2008 €	2007 €
Current		
Bank overdrafts	22,366,944	18,905,721
Bills of exchange factored out to bank (Note 11)	996,308	1,207,608
Bank loans	1,506,329	1,396,769
Loans from related party	324,022	370,717
Loans from associate	20,160	-
Other borrowings	-	12,700
	25,213,763	21,893,515
Non-current		
Bills of exchange factored out to bank (Note 11)	1,977,490	2,241,307
Bank loans	27,264,217	14,252,642
232,937 6.7% bonds 2009 – 2012	23,125,806	23,078,637
Redeemable preference shares	815,281	815,281
Other borrowings	-	3,832
	53,182,794	40,391,699
Total borrowings	78,396,557	62,285,214

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

As a result of Malta's adoption of the euro, the face value of each bond remains of 100 whilst the number of bonds in issue has been restructured utilising the Irrevocably Fixed Conversion Rate of €1:Lm0.429300. Accordingly, the entity's bonds consisting of 100,000 bonds with a face value of Lm100 per bond, have been restructured to 232,937 bonds with a face value of €100 per bond.

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

All bonds are redeemable at par (€100 for each bond) on 31 May 2012 unless otherwise redeemed in whole or in part at the option of the issuer on each of 31 May 2009, 31 May 2010 and 31 May 2011 (each an Optional Redemption Date).

Consolidated Holdings Limited, Kastell Limited, Mizzi Holdings Limited and The General Soft Drinks Company Limited, the guarantors, are jointly and severally with the 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.

18. Borrowings - continued

The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the issuer.

The proceeds of the bond issue by Mizzi Organisation Finance p.l.c. had been advanced by the company to Consolidated Holdings Limited, Kastell Limited and Mizzi Holdings Limited for the principal purposes of re-financing existing banking facilities of the respective company or of an operating subsidiary of that company, and for the general corporate funding purposes of the companies mentioned above or of operating subsidiaries of these companies. The bonds had been admitted to the Official List of the Malta Stock Exchange. The quoted market price of the bonds as at 31 December 2008 was 101.50 (2007: 101.50), which in the opinion of the directors of the issuer fairly represented the fair value of these financial liabilities.

At the end of the reporting period, bonds with a face value of €137,800 (2007: €216,632) were held by related parties, principally consisting of directors and other officers of companies forming part of the Mizzi Organisation together with close family members of these individuals.

All expenses incurred in the preparation and implementation of the bond issue, amounting to €395,858, were at the charge of the guarantors in proportion to the respective share of the proceeds of the bond issue advanced to each of them.

The bonds are measured at the amount of net proceeds adjusted for the amortisation of bond issue costs and amortisation of the discounts in respect of bonds issued under the terms of the Employee Offering using the effective interest method as follows:

	2008 €	2007 €
Original face value of bonds	23,293,734	23,293,734
Gross amount of bond issue costs	(395,858)	(395,858)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of period	187,565	148,060
Amortisation charge for the current period (Note 28)	42,446	39,505
Accumulated amortisation at end of period	230,011	187,565
Unamortised bond issue costs	(165,847)	(208,293)
Gross amount of discounts in respect of bonds issued under the terms of the Employee Offering	(28,222)	(28,222)
Amortisation of gross amount of discounts:		
Accumulated amortisation at beginning of period	21,418	16,993
Amortisation charge for the current period (Note 28)	4,723	4,425
Accumulated amortisation at end of period	26,141	21,418
Unamortised amount of discounts	(2,081)	(6,804)
Amortised cost and closing carrying amount of bonds	23,125,806	23,078,637

18. Borrowings - continued

The Organisation's banking facilities as at 31 December 2008 amounted to €65,628,000 (2007: €71,946,000). These facilities are mainly secured by:

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

These banking facilities include an amount of €1,398,000 (2007: €2,795,000) in respect of the recourse element of 15% of the face value of bills of exchange factored out to the bank with an option to repurchase them as they fall due up to a limit of €9,317,000 (2007: €18,634,000). This facility is secured by a pledge over bills of exchange drawn. At 31 December 2008, the total value of outstanding bills, which had been factored out under this facility, amounted to €2,973,798 (2007: €3,448,915) as disclosed above. This banking facility may also be utilised to factor out bills of exchange without an option to repurchase them as they fall due. The facility amount covers the recourse element of 15% of the value of bills factored out in this manner. At 31 December 2007, the banking facilities included an amount of €525,000 in respect of the recourse element of the value of bills factored out without an option to repurchase them as they fall due up to a limit of €3,495,000.

The long-term portion of the factoring facility in respect of bills of exchange factored out provides financing for working capital on a long-term basis and accordingly has been classified as a non-current liability.

The Organisation's bank borrowings are subject to floating rates of interest. Bank borrowings amounting to €6,726,000 (2007: €3,676,000) are subject to variable interest rates linked to Euribor. The weighted average effective interest rates for bank borrowings as at the end of the reporting period are as follows:

	2008 %	2007 %
Bank overdrafts	4.0	5.1
Bills of exchange factored out to bank	4.0	5.8
Bank loans	4.0	5.3

Maturity of Organisation's non-current bank borrowings:

	2008 €	2007 €
Between 1 and 2 years	2,298,572	1,588,935
Between 2 and 5 years	9,696,295	6,214,952
Over 5 years	17,246,840	8,690,062
	29,241,707	16,493,949

18. Borrowings - continued

An entity forming part of the Mizzi Organisation has been granted other short-term advances of €324,022 (2007: €370,717) from a related party, which are repayable on demand, interest free and secured by the undertaking's property for the amount of €431,000 (2007: €431,000).

The short-term loans from an associate amounting to €20,160 (2007: nil) are repayable on demand, unsecured and interest free.

In prior years, an undertaking was a recipient company in respect of the division of a fully owned subsidiary of an associate of another company forming part of the Mizzi Organisation. As a result of this division, the undertaking acquired investment property in exchange for the issue of redeemable preference shares for the amount of €815,281. These redeemable preference shares are mandatorily redeemable on or before 31 December 2064, which redemption date is to be determined by the issuer, and pay dividends at 3% annually on a non-cumulative basis. These liabilities are not expected to be settled within twelve months after the end of the reporting period. In the opinion of the directors of the entity, these redeemable preference shares meet the criteria established by IAS 32, Financial Instruments: Presentation, for classification as financial liabilities rather than equity.

19. Deferred taxation

Deferred income taxes are calculated on 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% (2007: 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:

	2008 €	2007 €
At beginning of year	8,707,825	7,407,480
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 16)	198,879	811,055
Deferred income tax on impairment charges on property, plant and equipment arising during the year (Note 16)	(27,986)	-
Deferred income taxes on fair value gains on investment property arising during the year (Note 29)	-	175,751
Movement in deferred tax liability determined on the basis applicable to capital gains:		
- property, plant and equipment – recognised in equity (Note 16)	92,193	132,102
- investment property (Note 29)	50,374	19,060
Realisation through asset use (Note 29)	(44,301)	(44,301)
Realisation through disposal of investment property (Note 29)	-	(6,988)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 29)	67,351	83,389
Deferred income taxes attributable to unabsorbed capital allowances (Note 29)	33,955	130,277
At end of year	9,078,290	8,707,825

19. Deferred taxation - continued

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

The balance at 31 December represents:

	2008	2007
	€	€
Temporary differences arising on fair valuation of property, plant and equipment	9,555,859	9,286,700
Temporary differences arising on fair valuation of property, plant and equipment reclassified to property classified as held for sale	9,783	9,783
Temporary differences arising on depreciation of property, plant and equipment	167,319	99,968
Unabsorbed capital allowances	(654,671)	(688,626)
	9,078,290	8,707,825

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

At 31 December 2008 and 2007, the Organisation had the following unutilised tax credits and temporary differences:

	Unrecognised	
	2008	2007
	€	€
Unutilised tax credits arising from:		
Unabsorbed tax losses	2,670,134	651,183
Unabsorbed capital allowances	3,537,204	3,118,230
Investment tax credits	15,163,300	4,286,643
Unabsorbed capital losses	76,278	76,278
Deductible temporary differences arising on:		
Depreciation of property, plant and equipment	8,127,601	4,841,618
Provisions for impairment of trade and other receivables	6,228,432	5,657,647
Provisions for impairment of shares in associates and available-for-sale financial assets	388,044	388,044
Provisions for liabilities and other charges	137,433	102,492

Under the Business Promotion Regulations 2001, two entities forming part of Mizzi Organisation (The General Soft Drinks Company Limited and Bevmed Co. Limited) are entitled to investment tax credits on “qualifying” capital expenditure, the full amount of which would be available for set off against the respective undertaking’s tax liability. The balance of unutilised investment tax credits increases annually at the end of the financial year. At 31 December 2008, these credits increased by 5.36% (2007: 7%).

19. Deferred taxation - continued

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 and unutilised investment tax credits are forfeited upon cessation of the trade. Capital losses may be utilised solely to offset future capital gains.

20. Trade and other payables

	2008	2007
	€	€
Current		
Trade payables	8,834,055	14,858,093
Payments received on account	1,089,279	1,138,824
Amounts payable in respect of capital expenditure	1,302,672	3,353,263
Amounts owed to customers for contract work	147,426	299,953
Advances from customers for contract work	361,511	171,861
Amounts owed to associate	570,279	406,713
Other payables	1,950,241	2,781,271
Indirect taxation	1,529,911	1,264,067
Deferred government grants related to assets	14,756	29,504
Accruals and deferred income	5,654,592	4,111,858
	21,454,722	28,415,407

21. Provisions for other liabilities and charges: current amounts

	Provisions for legal claims
	€
Year ended 31 December 2008	
At beginning of year	102,492
Increase in provisions	34,941
At end of year	137,433
Year ended 31 December 2007	
At beginning and end of year	102,492

The amounts shown above comprise gross provisions in respect of legal claims brought against the Organisation. In the opinion of the directors of the respective entities, after taking appropriate legal advice, the outcome of the outstanding legal claims will not give rise to any significant loss beyond the amounts provided at the end of the reporting period. The amount of the provisions at 31 December 2008 is expected to be fully utilised during the financial year ending 31 December 2009.

22. Revenue

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

	2008	2007
	€	€
By category of business		
Sale of motor vehicles, spare parts and provision of ancillary services	44,952,430	63,510,645
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	25,554,086	21,792,639
Bottling of soft drinks, mineral water and sale of other beverages	25,348,201	20,691,242
Activities in the power, heating and ventilation equipment sectors	9,335,879	9,512,718
Hotel operations	2,945,708	2,619,723
Income from hire purchase financing	1,488,484	1,356,061
Finance lease income – motor vehicle lease arrangements	26,632	24,102
Operating lease rental income:		
- property	549,514	478,321
- motor vehicles	936,886	713,725
	111,137,820	120,699,176

Revenue from activities in the power, heating and ventilation equipment sectors includes contract revenue amounting to €6,208,086 (2007: €6,760,925).

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

	2008	2007
	€	€
By geographical segment		
Malta	107,818,910	117,319,050
Other countries, principally in Europe	3,318,910	3,380,126
	111,137,820	120,699,176

23. Expenses by nature

	2008 €	2007 €
Cost of goods purchased for resale	63,155,922	77,205,344
Raw materials and other consumables used	9,006,380	7,149,802
Changes in inventory of manufactured finished goods	399,432	(486,026)
Hotel food and beverage costs	451,770	333,970
Hotel operating supplies, services and related expenses	429,908	468,968
Depreciation of property, plant and equipment (Note 4)	5,430,417	5,389,450
Impairment charges on property, plant and equipment (included in 'Administrative expenses' - Note 4)	501,237	-
Employee benefit expense (Note 24)	16,547,780	14,934,712
Interest payable and financing costs (included in 'Cost of sales')	207,862	177,847
Marketing, business promotion and related expenses	3,123,664	3,431,928
Property operating lease rentals payable	1,581,424	1,490,188
Movement in provisions for impairment of receivables:		
- hire purchase (included in 'Administrative expenses')	198,636	155,712
- trade and other (included in 'Selling and other direct expenses')	180,268	100,335
- trade and other (included in 'Administrative expenses')	191,881	50,710
Other expenses	7,132,278	6,989,364
Total cost of sales; selling and other direct expenses; and administrative expenses	108,538,859	117,392,304

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

	2008 €	2007 €
Amounts written off in respect of receivables:		
- trade and other (included in 'Selling and other direct expenses')	142,906	9,529
- trade and other (included in 'Administrative expenses')	-	23,429
Exchange differences	(512,537)	(166,869)
Profit on disposal of property, plant and equipment	(78,134)	(201,040)

24. Employee benefit expense

	2008 €	2007 €
Wages and salaries	15,418,167	13,850,119
Social security costs	1,129,613	1,084,593
	16,547,780	14,934,712

Average number of persons employed during the year:

	2008	2007
Direct	726	681
Administration	191	188
	917	869

25. Other operating income

	2008 €	2007 €
Gains on disposal of specific assets, including assets which were surplus to the Organisation’s requirements	569,037	78,929
Income which is incidental to the Organisation’s key operations	752,592	827,233
Compensation received by the Organisation in relation to a claim for damages sustained	153,737	-
Government grants	14,748	14,752
	1,490,114	920,914

Other Government grants recognised in the income statement are disclosed in Note 10 to the financial statements.

26. Investment and other related income

	2008 €	2007 €
Income/(expense) from available-for-sale financial assets:		
Gross dividends receivable	52,844	56,286
Net gains on disposal (Note 16)	-	45,141
Increase in provisions for impairment (Note 9)	-	(232,935)
Release of provisions for impairment in respect of investments written off (Note 9)	-	15,190
Cost of investments written off (Note 9)	-	(15,190)
	52,844	(131,508)

27. Finance income

	2008 €	2007 €
Bank interest receivable	34,618	24,570
Commissions receivable	-	28,020
Other interest receivable	21,845	38,755
	56,463	91,345

28. Finance costs

	2008 €	2007 €
Coupon interest payable on bonds	1,560,747	1,560,697
Amortisation of difference between net proceeds and redemption value of bonds (Note 18)	47,169	43,930
Bank interest and charges	2,561,109	1,334,024
Other interest payable	30,761	49,965
	4,199,786	2,988,616

29. Tax expense

	2008 €	2007 €
Current taxation:		
Current tax expense	139,002	255,073
Adjustment recognised in financial period for current tax of prior period	61,848	(994)
Deferred taxation (Note 19)	107,379	357,188
	308,229	611,267

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

	2008 €	2007 €
Profit before tax	960,633	3,369,432
Tax on profit at 35%	336,222	1,179,301
Tax effect of:		
Unrecognised temporary differences and other movements, mainly attributable to property, plant and equipment and provisions for impairment of trade and other receivables	(638,210)	1,006,382
Incentives in respect of investment tax credits	(60,144)	(1,068,424)
Unabsorbed capital allowances claimed during the year	737,711	86,308
Unabsorbed tax losses incurred during the year	221,823	311,395
Utilisation of unabsorbed tax losses and capital allowances brought forward from previous years	(39,405)	(340,334)
Income not subject to tax or charged at reduced rates	(17,404)	(24,727)
Share of results of associates	(336,712)	(247,042)
Reversal of dividends subject to different tax rates	-	123,208
Determination of deferred taxation on fair value gains on investment property on the basis applicable to capital gains	131,998	(316,718)
Maintenance allowance claimed on rented property	(129,870)	(117,871)
Application of provisions of tax legislation to profit on disposal of assets classified as held for sale	-	(1,381)
Expenses not deductible for tax purposes	30,859	22,164
Under/(over) provision of tax in previous years	61,848	(994)
Reversal of deferred tax recognised in prior years	9,513	-
Tax charge in the accounts	308,229	611,267

30. Directors' emoluments

	2008	2007
	€	€
Salaries and other emoluments	546,930	606,901

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

31. Earnings per share

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

	2008	2007
Net profit attributable to equity holders of the Organisation	€652,404	€2,758,165
Weighted average number of ordinary shares in issue	1,059,700	1,059,700
Earnings per share	€0.62	€2.60

32. Dividends

	2008	2007
	€	€
Final dividends paid on ordinary shares:		
Gross	1,054,261	1,105,558
Tax at source	(180,745)	(232,042)
Net	873,516	873,516
Dividends per share	0.82	0.82

33. Cash generated from operations

Reconciliation of operating profit to cash generated from operations:

	2008	2007
	€	€
Operating profit	4,089,075	5,692,381
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	5,430,417	5,389,450
Impairment charges of property, plant and equipment (Note 4)	501,237	-
Profit on disposal of tangible assets:		
- property, plant and equipment	(128,104)	(273,626)
- assets classified as held for sale	-	(6,343)
Gains from changes in fair value of investment property (Note 5)	-	(1,464,595)
Movement in provisions for impairment of available-for-sale financial assets (Note 9)	-	(15,190)
Cost of available-for-sale financial assets written off (Note 9)	-	15,190
Movement in provisions for impairment of trade and other receivables	570,785	306,757
Changes in working capital:		
Inventories	3,648,784	(7,486,938)
Trade and other receivables	(2,082,055)	(2,213,997)
Trade and other payables	(6,960,685)	7,544,297
Cash generated from operations	5,069,454	7,487,386

34. Commitments

Capital commitments

Commitments for capital expenditure not provided for in these financial statements are as follows:

	2008	2007
	€	€
Authorised but not contracted	1,065,000	1,860,000
Contracted but not provided for	1,425,000	10,570,000
	2,490,000	12,430,000

34. Commitments - continued

Operating lease commitments – where an undertaking is the lessor

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

	2008 €	2007 €
Not later than one year	453,870	494,955
Later than one year and not later than five years	1,062,950	1,187,233
Later than five years	1,244,114	1,664,585
	2,760,934	3,346,773

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

	2008 €	2007 €
Not later than one year	802,234	792,900
Later than one year and not later than five years	1,731,367	1,991,996
Later than five years	22,027	57,067
	2,555,628	2,841,963

Operating lease commitments – where an undertaking is the lessee

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

	2008 €	2007 €
Not later than one year	409,370	1,115,514
Later than one year and not later than five years	1,322,881	1,700,060
Later than five years	8,102,882	6,226,685
	9,835,133	9,042,259

34. Commitments - continued

Other commitments

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

35. Contingencies

(a) At 31 December 2008, the Organisation had contingent liabilities amounting to €5,985,526 (2007: €4,959,500) in respect of guarantees issued by the bank on behalf of entities forming part of the Mizzi Organisation in favour of third parties in the ordinary course of business.

(b) No provision has been made in these combined accounts for disputed income tax amounting to €404,749 (2007: €404,749) arising from assessments raised in terms of Section 44 of the Income Tax Act, Cap. 123. Objections have been filed on the said assessments. The directors of the respective entities are confident that no material future liability will arise beyond the amounts which are acknowledged as properly due, which amounts have been fully provided for.

Objections have been filed by the Organisation with the Commissioner of Inland Revenue over assessments raised relating to basis years from 1985 to 1996 amounting to €38,127 (2007: €38,127), in respect of which no provision has been made in these accounts.

(c) The guarantors had been named as defendants in court proceedings instituted by two individual members of the Mizzi family. The claims of these individuals, which involved unfair prejudice and similar grounds, were for an unquantified amount. The First Hall Civil Court rejected the claims made by plaintiffs and delivered judgement in favour of the guarantors. As at 31 December 2007, the judgement was subject to appeal. During the financial year ended 31 December 2008, the Court of Appeal confirmed the judgement of the First Hall and the guarantors have been released as defendants.

36. Related party transactions

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

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

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

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

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

The transactions referred to above were carried out on commercial terms. Year-end balances with related parties are disclosed in Notes 8, 10, 18 and 20 to these combined financial statements.

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