MIZZI ORGANISATION FINANCE p.l.c.

Annual Report and Financial Statements
31 December 2019

Company Registration Number: C 29506

Directors' report

The directors present their report and the audited financial statements for the financial year ended 31 December 2019.

Principal activity

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

Review of the business

In 2019, the company did not have significant financing activities with its parent and other companies forming part of Mizzi Organisation. As a result of this, in 2019, the company only earned interest income of €12,860 (2018: €13,380) on advances to its parent undertaking. After deducting expenses amounting to €23,286 (2018: €23,029), the loss for the year before taxation amounted to €10,426 (2018: €9,649). For the forthcoming year, the directors will continue to consider investment and financing opportunities for the Mizzi Organisation as they arise.

Information relating to the Company's use of financial instruments is disclosed in Note 2 - "Financial risk management" to the financial statements.

Outlook for 2020

With effect from March 2020 onwards, the outbreak of COVID-19 impacted negatively a number of operations of companies within the Mizzi Organisation. Whilst some sectors and certain companies were hit worse than others, Group management invested substantial efforts to safeguard as many jobs as possible and ensure survival of all the respective companies within the Organisation.

All companies forming part of the Organisation embarked on a cost-cutting exercise in areas such as payroll costs, direct departmental costs together with selling and administrative expenses. Particular emphasis has also been placed on the credit control function so as to ensure cash receipts from customers and debtors are flowing in regularly and in a sustained manner in order to meet cash outflows. Revised favourable credit term arrangements were negotiated with a number of suppliers, though substantially no concessions were granted to the Organisation by its property lessors.

On a group wide basis, the Mizzi Organisation took a number of initiatives to ensure effective management of available liquidity to fund the requirements of all operations impacted by COVID-19. The Organisation managed to secure favourable arrangements with banks in relation to the postponement of bank loan repayments and with suppliers in relation to the postponement of major capital expenditure payments. A number of Organisation companies have taken advantage of available Government aid, such as the deferral of VAT and tax payments, wage supplement schemes and quarantine leave supplements. The Organisation also encouraged utilisation of vacation leave to decrease accruals in this regard.

Directors' report - continued

In view of the current situation brought about by the COVID-19 pandemic, the Organisation has prepared detailed financial and cash flow projections covering all its business lines for the financial years ended 31 December 2020 and 2021, based on historical financial information registered to date during 2020 and forecasts, factoring in the disorder created by the COVID-19 pandemic. These projections have been compiled as part of the preparation of a revised business plan. The projections are based on pessimistic assumptions for the base case scenario, reflecting the anticipated dismal performance during 2020 of specific Organisation business lines referred to above, with a gradual recovery in performance for the automotive, hotel, retail and catering businesses throughout 2021. The projected 2021 financial results for the core businesses within the Organisation are assumed to be significantly lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with sever business conditions throughout 2021. The cash flow projections take into account the financial support secured by the Organisation under the COVID-19 guarantee scheme managed by the Malta Development Bank. The sanction letters in the name of Mizzi Organisation Limited for the secured additional facilities amounting to €12 million in aggregate, have been approved and issued by the respective banks. These funds will assist the Organisation in honouring committed capital expenditure and commitments with trade creditors.

The forecast for 2020 contemplates the projected existence of a significant liquidity buffer at the end of the year notwithstanding the expected adverse financial results, whilst positive cash flow generation is anticipated for 2021. The directors are further encouraged that as at the date of approval of these financial statements, all the business units of the Group are back in business and fully operational within the restrictions and guidelines issued by the Health Authorities. Furthermore, as business started to pick up gradually during the recent months, it was noted that actual performance across all business segments has been better than that forecasted within the 2020 projection.

Assuming stressed conditions are experienced throughout 2021, such that the projected financial results from the automotive business, the hotel, the retail and catering businesses are subdued in line with 2020 performance, whilst simultaneously projected property sales do not materialise, the Organisation would still be in a position to fund its group wide operations taking cognisance of liquidity available.

The Boards of Directors of Mizzi Organisation Limited and of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the secured financing arrangements and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by this pandemic. The directors consider the Organisation and all Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

Results and dividends

The financial results of the company are set out on page 10. The directors do not recommend the payment of dividend.

Directors

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

Mr Andrew Manduca - resigned 12 August 2020
Dr Louis Camilleri Preziosi
Mr Carmel J. Farrugia
Mr Brian R. Mizzi
Mr Kenneth C. Mizzi
Mr Maurice F. Mizzi

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

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

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

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

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

The financial statements of Mizzi Organisation Finance p.l.c. for the year ended 31 December 2019 are included in the Annual Report 2019, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

- the financial statements give a true and fair view of the financial position of the company as at 31 December 2019, and of its financial performance and its cash flows for the year then ended, in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company faces.

Going concern basis

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

Directors' report - continued

Auditors

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

On behalf of the board

Kenneth C. Mizzi
Director

Maurice F. Mizzi
Director

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

28 October 2020

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Mizzi Organisation Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 December 2019, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Mizzi Organisation Finance p.l.c.'s financial statements, set out on pages 9 to 24, comprise:

- the statement of financial position as at 31 December 2019;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report - continued

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

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information, including the directors' report.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers, suppliers and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Independent auditor's report - continued

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

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.

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

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Fabio Axisa
Partner

28 October 2020

Statement of financial position

	Notes	As at 31 December 2019 €	2018 €
ASSETS			
Current assets			
Loans and advances	4	**400,000**	425,000
Receivables	5	**10,178**	21,354
Cash and cash equivalents	6	**21,493**	636
Total assets		**431,671**	446,990
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**232,937**	232,937
(Accumulated losses)/retained earnings		**(5,684)**	1,093
Total equity		**227,253**	234,030
Current liabilities			
Payables	8	**204,418**	212,960
Total liabilities		**204,418**	212,960
Total equity and liabilities		**431,671**	446,990

The notes on pages 13 to 24 are an integral part of these financial statements.

The financial statements on pages 9 to 24 were authorised for issue by the Board on 28 October 2020 and were signed on its behalf by:

Kenneth C. Mizzi
Director

Maurice F. Mizzi
Director

Statement of comprehensive income

	Notes	Year ended 31 December	
		2019	2018
		€	€
Interest income	9	**12,860**	13,380
Administrative expenses	10	**(23,286)**	(23,029)
Loss before tax		**(10,426)**	(9,649)
Tax income	11	**3,649**	7,974
Loss for the year - total comprehensive income		**(6,777)**	(1,675)

The notes on pages 13 to 24 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	(Accumulated losses)/ retained earnings €	Total €
Balance at 1 January 2018	232,937	2,768	235,705
Comprehensive income			
Loss for the year			
- total comprehensive income	-	(1,675)	(1,675)
Balance at 31 December 2018	232,937	1,093	234,030
Comprehensive income			
Loss for the year			
- total comprehensive income	-	(6,777)	(6,777)
Balance at 31 December 2019	**232,937**	**(5,684)**	**227,253**

The notes on pages 13 to 24 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 December 2019 €	2018 €
Cash flows from operating activities			
Interest received		**23,090**	6,690
Bonds and interest paid to bond holders	8	**-**	(41,463)
Cash paid to service providers		**(31,828)**	(24,965)
Tax refund		**4,595**	7,974
Net cash used in operating activities		**(4,143)**	(51,764)
Cash flows from investing activities			
Repayments of loans to parent company		**25,000**	-
Net cash generated from investing activities		**25,000**	-
Net movement in cash and cash equivalents		**20,857**	(51,764)
Cash and cash equivalents at beginning of year		**636**	52,400
Cash and cash equivalents at end of year	6	**21,493**	636

The notes on pages 13 to 24 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements are prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, 1995. They have been prepared under the historical cost convention.

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

Standards, interpretations and amendments to published standards effective in 2019

In 2019, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 January 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies impacting the company's financial performance and position.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 January 2019. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1.2 Foreign currencies

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.3 Financial assets

(a) Classification

The company classifies its financial assets in the measurement category to be measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

The company reclassifies debt investments when and only when its business model for managing those assets changes.

(b) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

(c) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the company's business model for managing the asset and the cash flow characteristics of the asset. The company's measurement category into which it classifies its debt instruments is amortised cost:

- Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets are included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented separate line item in the statement of profit or loss.

(d) Impairment

The company assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

1. **Summary of significant accounting policies** - continued

1.4 Cash and cash equivalents

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

1.5 Share capital

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

1.6 Financial liabilities

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

1.7 Payables

Payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

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

1.8 Borrowings

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

1.9 Offsetting financial instruments

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

1. Summary of significant accounting policies - continued

1.10 Current and deferred tax

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

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

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

1.11 Interest income and expense

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

1.12 Dividend distribution

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

1.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions. The Board considers the company to constitute one reportable segment in view of its activities.

2. Financial risk management

2.1 Financial risk factors

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

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

(a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign exchange risk because its principal assets and liabilities are denominated in euro. The company's interest income, interest expense and other operating expenses are also denominated in euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Fair value interest rate risk

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

(b) Credit risk

Credit risk arises from loans and advances to parent company, cash and cash equivalents and other receivables. The company's exposures to credit risk are analysed as follows:

	2019	2018
	€	€
Financial assets measured at amortised cost:		
Loans to parent company (Note 4)	**400,000**	425,000
Amounts owed by related parties (Note 5)	**10,178**	21,354
Cash and cash equivalents (Note 6)	**21,493**	636
	431,671	446,990

The maximum exposure to credit risk at the end of the reporting period in respect of these financial assets is equivalent to their carrying amount. The company does not hold any collateral in this respect.

2. Financial risk management - continued

2.1 Financial risk factors - continued

Cash and cash equivalents

The company's cash and cash equivalents are held with local financial institutions with high quality standing or rating. While cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Loans receivable from parent company and amounts owed by related parties

The company's receivables include loans and advances to the company's parent and other amounts owed by related parties forming of Mizzi Organisation (Notes 4 and 5). The company monitors intra-group credit exposures at individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The company assesses the credit quality of these related parties taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

Loans receivable from parent company are categorised as Stage 1 for IFRS 9 purposes (i.e. performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12-month probability of default, capturing 12-month expected losses and hence are considered insignificant.

Since the other balances owed by related parties are repayable on demand, expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which as at 31 December 2019 and 2018 mainly comprise payables (Note 8). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's liquidity risk is managed actively by ensuring that the cash inflows, arising from expected maturities of the company's advances to parent company, match cash outflows.

The company's payables are all repayable within twelve months. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

2.2 Capital risk management

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

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2019 and 2018, the carrying amounts of loans and advances, cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments.

3. Critical accounting estimates and judgments

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

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

4. Loans and advances

	2019	2018
	€	€
Loans to parent company	**400,000**	425,000

The loans to parent company disclosed in the table above are unsecured, repayable on demand and subject to fixed interest at 3.15% per annum.

5. Receivables

	2019	2018
	€	€
Current		
Interest receivable from parent company	**3,150**	13,380
Amounts owed by fellow subsidiaries	**7,028**	7,974
	10,178	21,354

6. Cash and cash equivalents

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

	2019	2018
	€	€
Cash at bank	**21,493**	636

7. Share capital

	2019 €	2018 €
Authorised		
5,000 ordinary shares of €232.9373 each	**1,164,687**	1,164,687
Issued and fully paid		
1,000 ordinary shares of €232.9373 each	**232,937**	232,937

8. Payables

	2019 €	2018 €
Current		
Amounts owed to parent company	**8,204**	16,746
Face value of bonds payable to bondholders	**155,755**	155,755
Interest on bonds payable to bondholders	**30,800**	30,800
Other payables	**5,256**	5,256
Accruals	**4,403**	4,403
	204,418	212,960

The bonds and interest payable to bond holders disclosed above, represent the face value of the redeemed bonds and interest thereon, which as at 31 December 2019 and 2018, have not been transferred from the company to the respective bondholder's bank accounts.

Amounts owed to parent company are unsecured, interest free and repayable on demand, unless otherwise stated in these financial statements.

9. Interest income

	2019 €	2018 €
Loans receivable from parent company	**12,860**	13,380

10. Administrative expenses

The company's administrative expenses comprise director's fees (see Note 12), recharged salaries from parent company amounting to €2,900 (2018: €2,906) and such other expense items incurred in the administration of the company's activities.

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2019 and 2018 relate to the following:

	2019	2018
	€	€
Annual statutory audit	**2,204**	2,204
Tax advisory and compliance services	**370**	370
Other non-audit services	**2,045**	1,755
	4,619	4,329

11. Tax income

	2019	2018
	€	€
Deferred taxation:		
Losses surrendered for Group relief purposes	**(3,649)**	(7,974)
	(3,649)	(7,974)

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

	2019	2018
	€	€
Loss before tax	**(10,426)**	(9,649)
Tax on loss at 35%	**(3,649)**	(3,377)
Tax effect of:		
Utilisation of tax losses brought forward from previous years	**-**	(4,597)
Tax credit	**(3,649)**	(7,974)

12. Directors' emoluments

	2019	2018
	€	€
Fees	**14,500**	14,500

13. Contingencies

The company, together with certain other group undertakings and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of various group undertakings and related parties forming part of Mizzi Organisation up to a limit of €25,958,000 (2018: €25,958,000) together with interest and charges thereon.

14. Related party transactions

Mizzi Organisation Finance p.l.c. forms part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the Companies Act, Cap. 386 of the laws of Malta. The Organisation is a conglomerate of companies principally comprising Consolidated Holdings Limited and Mizzi Organisation Limited, together with all their respective subsidiaries, The General Soft Drinks Company Limited and GSD Marketing Limited. Mizzi Organisation Limited is the company's immediate and ultimate controlling party (see Note 16).

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

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

Transactions with companies forming part of Mizzi Organisation principally include the advances affected by the company, as disclosed in Note 4 to the financial statements. Interest income earned from these transactions is disclosed in Note 9 and year-end balances in this respect are disclosed in Note 5 to the financial statements. Other amounts owed to related parties are disclosed in Note 8.

The company's expenditure reflected in profit or loss comprises amounts recharged from the parent company amounting to €14,519 (2018: €16,142).

Key management personnel comprises the directors of the company. Key management personnel compensation, consisting of remuneration and other compensation to the company's directors, has been disclosed in Note 12.

15. Events after the reporting period

With effect from March 2020 onwards, the outbreak of COVID-19 impacted negatively a number of operations of companies within the Mizzi Organisation. Whilst some sectors and certain companies were hit worse than others, Group management invested substantial efforts to safeguard as many jobs as possible and ensure survival of all the respective companies within the Organisation.

All companies forming part of the Organisation embarked on a cost-cutting exercise in areas such as payroll costs, direct departmental costs together with selling and administrative expenses. Particular emphasis has also been placed on the credit control function so as to ensure cash receipts from customers and debtors are flowing in regularly and in a sustained manner in order to meet cash outflows. Revised favourable credit term arrangements were negotiated with a number of suppliers, though substantially no concessions were granted to the Organisation by its property lessors.

15. Events after the reporting period - continued

On a group wide basis, the Mizzi Organisation took a number of initiatives to ensure effective management of available liquidity to fund the requirements of all operations impacted by COVID-19. The Organisation managed to secure favourable arrangements with banks in relation to the postponement of bank loan repayments and with suppliers in relation to the postponement of major capital expenditure payments. A number of Organisation companies have taken advantage of available Government aid, such as the deferral of VAT and tax payments, wage supplement schemes and quarantine leave supplements. The Organisation also encouraged utilisation of vacation leave to decrease accruals in this regard.

In view of the current situation brought about by the COVID-19 pandemic, the Organisation has prepared detailed financial and cash flow projections covering all its business lines for the financial years ended 31 December 2020 and 2021, based on historical financial information registered to date during 2020 and forecasts, factoring in the disorder created by the COVID-19 pandemic. These projections have been compiled as part of the preparation of a revised business plan. The projections are based on pessimistic assumptions for the base case scenario, reflecting the anticipated dismal performance during 2020 of specific Organisation business lines referred to above, with a gradual recovery in performance for the automotive, hotel, retail and catering businesses throughout 2021. The projected 2021 financial results for the core businesses within the Organisation are assumed to be significantly lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with sever business conditions throughout 2021. The cash flow projections take into account the financial support secured by the Organisation under the COVID-19 guarantee scheme managed by the Malta Development Bank. The sanction letters in the name of Mizzi Organisation Limited for the secured additional facilities amounting to €12 million in aggregate, have been approved and issued by the respective banks. These funds will assist the Organisation in honouring committed capital expenditure and commitments with trade creditors.

The forecast for 2020 contemplates the projected existence of a significant liquidity buffer at the end of the year notwithstanding the expected adverse financial results, whilst positive cash flow generation is anticipated for 2021. The directors are further encouraged that as at the date of approval of these financial statements, all the business units of the Group are back in business and fully operational within the restrictions and guidelines issued by the Health Authorities. Furthermore, as business started to pick up gradually during the recent months, it was noted that actual performance across all business segments has been better than that forecasted within the 2020 projection.

Assuming stressed conditions are experienced throughout 2021, such that the projected financial results from the automotive business, the hotel, the retail and catering businesses are subdued in line with 2020 performance, whilst simultaneously projected property sales do not materialise, the Organisation would still be in a position to fund its group wide operations taking cognisance of liquidity available.

The Boards of Directors of Mizzi Organisation Limited and of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the secured financing arrangements and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by this pandemic. The directors consider the Organisation and all Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

16. Statutory Information

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

The immediate and ultimate parent company of Mizzi Organisation Finance p.l.c. is Mizzi Organisation Limited a company registered in Malta, with its registered address at Mizzi Organisation Corporate Office, Testaferrata Street, Ta' Xbiex.