MIZZI ORGANISATION

Combined Financial Statements
for the financial year ended 31 December 2020

Independent auditor's report

To the Owners of Mizzi Organisation

Report on the audit of the financial statements

Our opinion

In our opinion:

- The combined financial statements give a true and fair view of the financial position of the entities constituting the Mizzi Organisation, as set out in Note 1.1 – Basis of preparation, as at 31 December 2020, and of their financial performance and cash flows for the year then ended, in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU and on the basis set out in the said Note 1.1 to the combined dinancial statements.

What we have audited

The Mizzi Organisation's combined financial statements, set out on pages 4 to 96, comprise:

- the combined statement of financial position as at 31 December 2020;
- the combined income statement and combined statement of comprehensive income for the year then ended;
- the combined statement of changes in equity for the year then ended;
- the combined statement of cash flows for the year then ended; and
- the notes to the combined financial statements, which include significant accounting policies and other explanatory information.

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 Mizzi Organisation in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board of 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 Owners of Mizzi Organisation

Emphasis of the 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 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.

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

The directors of the entities constituting the Mizzi Organisation are responsible for the preparation of these combined financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and on the basis set out in Note 1.1 – Basis of preparation, 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 combined financial statements, the directors are responsible for assessing the Mizzi Organisation'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 Organisation or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for ensuring the Organisation's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the combined 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.

Independent auditor's report *- continued*

To the Owners of Mizzi Organisation

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 Mizzi Organisation's ability to continue as a going concern. In particular, it is difficult to evaluate all the potential implications that COVID-19 will have on the Organisation's trade, customers and 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Organisation to express an opinion on the combined financial statements. We are responsible for the direction, supervision and performance of the Organisation audit. We remain solely responsible for our audit opinion.

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.

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

Fabio Axisa
Partner

6 September 2021

a) The maintenance and integrity of the Mizzi Organisation website is the responsibility of the directors of the entities constituting the Mizzi Organisation; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the combined financial statements since they were initially presented on the website.
b) Legislation in Malta governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Combined statement of financial position

	Notes	At 31 December 2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	4	**125,539,672**	122,904,504
Right-of-use assets	5	**20,663,614**	22,414,778
Investment property	6	**71,460,661**	67,904,930
Intangible assets	7	**89,254**	110,576
Deferred tax assets	24	**271,632**	289,110
Investments in associates	8	**20,648,780**	21,893,784
Financial assets at FVOCI	10	**3,739,820**	4,638,224
Loans and advances	9	**1,013,438**	1,075,938
Trade and other receivables	11	**18,601,916**	18,715,589
Total non-current assets		**262,028,787**	259,947,433
Current assets			
Inventories	13	**28,831,245**	33,699,477
Loans and advances	9	**62,500**	-
Trade and other receivables	11	**32,540,739**	42,848,779
Current tax assets		**847,403**	1,271,743
Financial assets at FVPL	14	**-**	221,520
Cash and cash equivalents	15	**9,702,799**	12,482,058
		71,984,686	90,523,577
Assets classified as held for sale	16	**2,580**	2,580
Total current assets		**71,987,266**	90,526,157
Total assets		**334,016,053**	350,473,590

Combined statement of financial position - continued

	Notes	At 31 December 2020 €	2019 €
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	17	**2,471,437**	2,468,437
Capital contribution reserve	17	**3,042,999**	3,042,999
Revaluation reserves	18	**60,662,278**	56,333,246
Fair value gains and other reserves	19	**28,720,592**	26,877,370
Hedging reserve	20	**(504,459)**	(536,918)
Retained earnings		**62,446,356**	74,370,749
Total equity		**156,839,203**	162,555,883
Non-current liabilities			
Trade and other payables	21	**24,254**	8,034
Borrowings	22	**69,634,275**	67,813,230
Lease liabilities	23	**19,886,236**	21,186,718
Deferred tax liabilities	24	**13,232,386**	12,291,858
Derivative financial instruments	25	**776,091**	826,028
Employee benefit obligations	26	**700,000**	-
Total non-current liabilities		**104,253,242**	102,125,868
Current liabilities			
Trade and other payables	21	**41,371,566**	55,297,334
Current tax liabilities		**58,894**	95,372
Borrowings	22	**30,120,059**	29,053,914
Lease liabilities	23	**1,373,089**	1,345,219
Total current liabilities		**72,923,608**	85,791,839
Total liabilities		**177,176,850**	187,917,707
Total equity and liabilities		**334,016,053**	350,473,590

The notes on pages 11 to 96 are an integral part of these combined financial statements.

The combined financial statements on pages 4 to 96 were authorised for issue by the boards of directors of the entities constituting the Mizzi Organisation on 6 September 2021 and were signed on their behalf by:

Maurice F. Mizzi
Director
Consolidated Holdings Limited
GSD Marketing Limited
Mizzi EV Limited
Mizzi Organisation Limited
The General Soft Drinks Company Limited

Brian R. Mizzi
Director
Consolidated Holdings Limited
GSD Marketing Limited
Mizzi Organisation Limited
The General Soft Drinks Company Limited

Combined income statement

	Notes	Year ended 31 December 2020 €	2019 €
Revenue	27	**139,686,164**	175,247,332
Cost of sales	28	**(104,973,853)**	(127,101,317)
Gross profit		**34,712,311**	48,146,015
Selling and other direct expenses	28	**(23,051,579)**	(24,863,137)
Administrative expenses	28	**(16,141,245)**	(17,506,522)
Gains from changes in fair value of investment property	6	**3,753,532**	453,538
Impairment charges on property, plant and equipment	4	**(4,953,978)**	-
Other operating income	30	**2,195,595**	2,405,392
Operating (loss)/profit		**(3,485,364)**	8,635,286
Investment and other related income	31	**289,040**	182,189
Finance income	32	**81,360**	88,683
Finance costs	33	**(3,936,751)**	(4,064,214)
Share of profits of associates	8	**456,107**	14,378,396
(Loss)/profit before tax		**(6,595,608)**	19,220,340
Tax expense	34	**(666,619)**	(2,323,146)
(Loss)/profit for the year		**(7,262,227)**	16,897,194

The notes on pages 11 to 96 are an integral part of these combined financial statements.

Combined statement of comprehensive income

	Notes	Year ended 31 December 2020 €	2019 €
(Loss)/profit for the year		**(7,262,227)**	16,897,194
Other comprehensive income:			
Items that will not be reclassified to profit or loss			
Revaluation surplus on land and buildings arising during the year, net of deferred tax	18	**4,629,074**	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	**12,520**	(18,540)
Losses from changes in fair value of financial assets at FVOCI	18	**(131,506)**	(23,098)
Items that may be subsequently reclassified to profit or loss			
Cash flow hedges, net of deferred tax	20	**32,459**	(30,674)
Other comprehensive income for the year, net of tax		**4,542,547**	(72,312)
Total comprehensive income for the year		**(2,719,680)**	16,824,882

The notes on pages 11 to 96 are an integral part of these combined financial statements.

Combined statement of changes in equity

	Notes	Share capital €	Capital contribution reserve €	Hedging reserve €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2019		2,468,437	3,042,999	(506,244)	56,525,088	27,487,566	58,813,155	147,831,001
Comprehensive income								
Profit for the year		-	-	-	-	-	16,897,194	16,897,194
Other comprehensive income:								
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	-	-	-	(18,540)	-	-	(18,540)
Depreciation transfer, net of deferred tax	18	-	-	-	(33,889)	-	33,889	-
Losses from changes in fair value of financial assets at FVOCI	18	-	-	-	(23,098)	-	-	(23,098)
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	19	-	-	-	-	408,184	(408,184)	-
Transfer of movement in deferred tax liability on fair value gains on investment property determined on the basis applicable to property disposals	19	-	-	-	-	(195,860)	195,860	-
Realised fair value gains on property upon disposal, net of deferred tax movements determined on the basis applicable to property disposals	19	-	-	-	-	(822,520)	822,520	-
Cash flow hedges, net of deferred tax	20	-	-	(30,674)	-	-	-	(30,674)
Share of other comprehensive income of associates:								
Share of depreciation transfer upon realisation through asset use in respect of revalued land and buildings of an associate	18	-	-	-	(116,315)	-	116,315	-
Total other comprehensive income		-	-	(30,674)	(191,842)	(610,196)	760,400	(72,312)
Total comprehensive income		-	-	(30,674)	(191,842)	(610,196)	17,657,594	16,824,882
Transactions with owners								
Dividends relating to 2019	36	-	-	-	-	-	(2,100,000)	(2,100,000)
Balance at 31 December 2019		2,468,437	3,042,999	(536,918)	56,333,246	26,877,370	74,370,749	162,555,883

Combined statement of changes in equity - continued

	Notes	Share capital €	Capital contribution reserve €	Hedging reserve €	Revaluation reserves €	Fair value gains and other reserves €	Retained earnings €	Total €
Balance at 1 January 2020		2,468,437	3,042,999	(536,918)	56,333,246	26,877,370	74,370,749	162,555,883
Comprehensive income								
Loss for the year		-	-	-	-	-	(7,262,227)	(7,262,227)
Other comprehensive income:								
Revaluation surplus on land and buildings arising during the year, net of deferred tax	18	-	-	-	4,629,074	-	-	4,629,074
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	18	-	-	-	12,520	-	-	12,520
Depreciation transfer, net of deferred tax	18	-	-	-	(33,889)	-	33,889	-
Losses from changes in fair value of financial assets at FVOCI	18	-	-	-	(131,506)	-	-	(131,506)
Transfer of fair value gains on disposal of equity investments at FVOCI	18	-	-	-	(30,852)	-	30,852	-
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	19	-	-	-	-	2,983,982	(2,983,982)	-
Transfer of movement in deferred tax liability on fair value gains on investment property determined on the basis applicable to property disposals	19	-	-	-	-	(112,401)	112,401	-
Realised fair value gains on property upon disposal, net of deferred tax movements determined on the basis applicable to property disposals	19	-	-	-	-	(1,028,359)	1,028,359	-
Cash flow hedges, net of deferred tax	20	-	-	32,459	-	-	-	32,459
Share of other comprehensive income of associates:								
Share of depreciation transfer upon realisation through asset use in respect of revalued land and buildings of an associate	18	-	-	-	(116,315)	-	116,315	-
Total other comprehensive income		-	-	32,459	4,329,032	1,843,222	(1,662,166)	4,542,547
Total comprehensive income		-	-	32,459	4,329,032	1,843,222	(8,924,393)	(2,719,680)
Transactions with owners								
Issue of ordinary shares	17	3,000	-	-	-	-	-	3,000
Dividends relating to 2020	36	-	-	-	-	-	(3,000,000)	(3,000,000)
Total transactions with owners		3,000	-	-	-	-	(3,000,000)	(2,997,000)
Balance at 31 December 2020		**2,471,437**	**3,042,999**	**(504,459)**	**60,662,278**	**28,720,592**	**62,446,356**	**156,839,203**

The notes on pages 11 to 96 are an integral part of these combined financial statements.

Combined statement of cash flows

	Notes	2020 €	2019 €
		Year ended 31 December	
Cash flows from operating activities			
Cash generated from operations	37	**14,375,410**	17,903,156
Dividends received		**1,991,985**	2,346,674
Interest received	32	**81,360**	88,683
Interest paid		**(3,214,970)**	(3,395,161)
Tax refunded/(paid)		**138,993**	(2,939,245)
Net cash generated from operating activities		**13,372,778**	14,004,107
Cash flows from investing activities			
Payments for property, plant and equipment		**(11,698,236)**	(10,942,509)
Proceeds from disposal of property, plant and equipment		**1,867,714**	1,460,552
Payments for investment property		**(6,826,802)**	(3,314,409)
Proceeds from disposal of investment property		**1,754,000**	1,090,000
Payments for investments in associates	8	**(500)**	(800,000)
Proceeds from disposal of associates	8	**-**	13,858,593
Advances to associate	9	**-**	(300,000)
Proceeds from disposal of financial assets at FVOCI	10	**766,898**	-
Purchase of financial assets at FVPL	14	**-**	(78,635)
Proceeds from disposal of financial assets at FVPL	14	**220,186**	1,115,867
Proceeds from disposal of assets classified as held for sale		**-**	144,000
Net cash (used in)/generated from investing activities		**(13,916,740)**	2,233,459
Cash flows from financing activities			
Proceeds from bank borrowings	22	**10,610,001**	5,150,000
Repayments of bank borrowings	22	**(6,339,017)**	(7,361,468)
Proceeds from borrowings from associate	22	**-**	171,489
Repayments of borrowings from associate	22	**(1,022,828)**	(150,000)
Proceeds from issue of share capital	17	**3,000**	-
Principal element of lease liabilities	23	**(2,092,591)**	(2,066,197)
Dividends paid	36	**(3,000,000)**	(2,100,000)
Net cash used in financing activities		**(1,841,435)**	(6,356,176)
Net movements in cash and cash equivalents		**(2,385,397)**	9,881,390
Cash and cash equivalents at beginning of year		**(6,909,687)**	(16,791,077)
Cash and cash equivalents at end of year	15	**(9,295,084)**	(6,909,687)

The notes on pages 11 to 96 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.

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, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

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 the Mizzi Organisation to exercise their judgement in the process of applying the Organisation's accounting policies (see Note 3 - Critical accounting estimates and judgements).

Appropriateness of the going concern assumption in the preparation of the financial statements

In view of the current situation brought about by the COVID-19 pandemic, the Organisation is constantly monitoring the situation and has assessed various financial projections including different scenarios in respect of the recovery from Covid-19 pandemic. In this respect detailed financial and cash flow projections covering all business lines for years 2021 till 2030 have been prepared. These projections are based on historical financial information registered to date, and compiled as part of the preparation of a revised business plan. The projected 2021 financial results for the core businesses within the Organisation were cautiously projected to be significantly lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with severe business conditions prevailing throughout 2021 and with a number of years for recovery.

In fact, even though nowhere near 2019 levels, the financial results achieved in the first part of 2021 already demonstrate an overall significant improvement when compared to 2020 levels. Business is picking up gradually. Assuming that no further full or partial lockdowns take place, whilst at the same the country remains focused on the manner in which it handles the pandemic, the 3 year recovery envisaged by the Group is on the right track. The Group is also experiencing cash generation and also considering investment options. The Group's estimated funding requirements are mainly already in place and the projected actions in respect of securing other funding are proceeding according to plan.

The Boards of Directors of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the current and future refinancing arrangements and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by this pandemic, which have now been around for over 18 months. The directors consider the Organisation and its separate components 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2020

In 2020, the Organisation adopted new standards, amendments and interpretations to existing standards that are mandatory for the Organisation's accounting period beginning on 1 January 2020. 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 the Organisation's accounting periods beginning after 1 January 2020. The Organisation has elected to early adopt the IFRS 16 COVID19-related rent concessions amendment which has been adopted by the EU. The amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods. The impact of the adoption of this amendment is disclosed in Note 28. The Organisation has not early adopted any other revisions to the requirements of IFRSs as adopted by the EU and the Organisation's directors 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.

The Mizzi Organisation

The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the Maltese Companies Act (Cap. 386). 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. During 2020, a newly incorporated company, Mizzi EV Limited, was also set up, which is considered to be an integral part of the Organisation's automotive business activity.

Ultimately, common individuals forming part of the Mizzi family and/or common individual companies owned by these individuals equally own the entities disclosed above. However these entities do not form a legal group and fail to meet the definition of a 'group' under the requirements of IFRSs as adopted by the EU. The financial results and financial position of these entities are not consolidated into the financial statements of a single legal company on a statutorily required basis, since no individual company owns or controls them. The companies constituting the Mizzi Organization 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.

The combined financial statements for the Mizzi Organisation have been prepared by aggregating the consolidated financial statements of the 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.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 Consolidated Holdings Limited, Mizzi EV Limited, Mizzi Organisation Limited, The General Soft Drinks Company Limited and GSD Marketing Limited.

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.

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

(i) Consolidated Holdings Limited

The principal activity of Consolidated Holdings Limited is the holding of investments. The registered address of the holding company is Mizzi Organisation corporate office, Testaferrata Street, Ta' Xbiex, Malta. The subsidiaries held directly by Consolidated Holdings Limited is as follows:

Name	**Principal activity**	**Registered office**	**Class of shares held**	**Percentage of shares held**	
				2020	2019
				%	%
The Waterfront Hotel Limited	Owner and operator of 'The Waterfront Hotel'	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
			5% Non-cumulative redeemable preference shares	**100**	100
Legacy Contractors Limited	Importation and sale of domestic appliances and spare parts, together with the provision of other ancillary services	24, Crescent Lodge, Santa Marija Street Zebbug Malta	Ordinary shares	**100**	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(ii) Mizzi Organisation Limited

The principal activity of Mizzi Organisation Limited is the holding of investments and managing the affairs of the other companies within the Mizzi Organisation. In recent years this undertaking also adopted a financing function to the companies forming part of the Organisation. The registered address of the holding company is Mizzi Organisation Corporate office, Testaferrata Street, Ta' Xbiex, Malta. The principal subsidiaries held directly by Mizzi Organisation Limited are as follows:

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held	
				2020	2019
				%	%
Mizzi Brothers Limited	Sale of clothes and similar goods from rented premises	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Estates Limited	Renting out of property, mainly to other companies forming part of the Mizzi Organisation, and sale of property development	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Organisation Finance p.l.c.	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 Organisation Corporate Office Testaferrata Street Ta' Xbiex 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	Muscats Garage Rue D' Argens Gzira Malta	Ordinary shares	**100**	100
Industrial Motors 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
United Acceptances Finance Limited	Finance company which entails granting and administering hire purchase agreements	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	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 2020 %	2019 %
Arkadia Marketing Limited	Owner and operator of shopping and commercial centres and the sale of foodstore and other goods	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	**100** **100**	100 100
Arkadia Foodstores Ltd	Operator of a number of foodstore outlets (still non-trading in 2020)	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**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	Continental Garage Testaferrata Street Msida Malta	Ordinary shares	**100**	100
Mizzi Lease Limited	Provision of holiday related services and involvement in the administration of the car leasing operations	Mizzi Lease Rue D'Argens Gzira Malta	Ordinary shares	**100**	100
Hubbalit Developments Limited	Owner of site for development (non-trading)	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Organisation International s.r.o. (in dissolution)	Non-trading	Palisady 29 Bratislava 811 06 Slovakia	Ordinary shares	**100**	100
Nissan Motor Sales 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
St. Paul's Court Limited	Owner of property (non-trading)	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	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** **2020** **%**	2019 %
Titan International Limited	Importation, sale and servicing of power, heating and ventilation equipment and lifts	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
Mizzi Motors Limited	Sale and leasing out of motor vehicles	200, Rue D'Argens Gzira Malta	Ordinary shares	**100**	100
CIE Recruitment International Limited	Recruitment agency	Mizzi Organisation Corporate Office Testaferrata Street Malta	Ordinary shares	**60**	60

The impact of the non-controlling interest in CIE Recruitment International Limited on the Organisation's financial results and financial position is insignificant.

The subsidiary held by Mizzi Organisation Limited through Mizzi Lease Limited is as follows:

Name	**Principal activity**	**Registered office**	**Class of shares held**	**Percentage of shares held** **2020** **%**	2019 %
Malta Farmhouses Limited (merged in Mizzi Estates Limited with effect from 27 July 2021)	Owner of property for development (non-trading)	Mizzi Organisation Corporate Office Testaferrata Street Malta	Ordinary shares	**100**	100

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

The subsidiaries held by Mizzi Organisation Limited through Nissan Motor Sales Limited, Continental Cars Limited and Muscats Motors Limited, in equal shareholding proportions of 33$^{1}/_{3}$% each, are as follows:

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2020 %	2019 %
All About Car Parts Limited	Importation and sale of motor vehicle spare parts	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex 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 Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100

(iii) The General Soft Drinks Company Limited

The principal activity of The General Soft Drinks Company Limited is the bottling of soft drinks, mineral water and other beverages. The registered address of the company is Marsa Industrial Estate, Marsa, Malta.

(iv) GSD Marketing Limited

The principal activity of GSD Marketing Limited 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.

(v) Mizzi EV Limited

Mizzi EV Limited was newly incorporated during 2020 with an ordinary share capital of €3,000. The company is still non-trading but the principal activity of Mizzi EV Limited will be the importation and sale of electrical motor vehicles and spare parts. The registered address of the company is Mizzi EV, Rue D'Argens, Gzira, Malta.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 2020 %	2019 %
Mizzi Associated Enterprises Limited	The ownership and operation of hotels, and the development of property for trading and rental purposes	Leisure House, 30, Archbishop Street Valletta Malta	Ordinary shares	**51**	51
Mellieha Bay Hotel Limited	Owner and operator of the 'Mellieha Bay Hotel'	Mellieha Bay Hotel Marfa Road, Ghadira Malta	Ordinary shares	**51**	51
AquaLuna Lido Ltd	Operator of a lido and related facilities (still non-trading in 2020)	Number 2, Geraldu Farrugia Street Zebbug Malta	Ordinary 'A' shares	**33**	-

The shareholding in AquaLuna Lido Ltd is held through The Waterfront Hotel Limited. All the other shareholdings are held directly by Consolidated Holdings Limited.

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(ii) Mizzi Organisation Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2020 %	2019 %
Institute of English Language Studies Limited	The provision of English language courses to foreign students and other related activities	IELS, Matthew Pulis Street, Sliema Malta	Ordinary shares	**50**	50
The Players Group Limited	Holding of investment in Maltco Lotteries Limited	8/1, Magazines Junction Floriana Malta	Ordinary shares	**25**	25
Primax Limited	Holding of investments	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**50**	50
Aquibix Limited	To deliver IT solutions and create and sell IT products	St. Michael's Farmhouse Triq l-Arznu, Maghtab Naxxar Malta	Ordinary shares	**50**	50
Finopz Limited	To deliver IT solutions and create and sell IT products	Palladium House 1-4 Argyll Street London W1F 7LD United Kingdom	Ordinary shares	**50**	50
Dial-a-Cab Limited (in dissolution)	The provision of taxi services	Capital Business Centre Taz-Zwejt Street, San Gwann Malta	Ordinary shares	**50**	50
St. Julian's Maritime Finance Limited	The provision of lease contracts involving motor and sailing yachts and other maritime vessels	Level 2, Regional Business Centre, University Heights, Msida Malta	Ordinary shares	**25**	25

The shareholding in Institute of English Language Studies Limited is held through Mizzi Lease Limited, a subsidiary of Mizzi Organisation Limited. All the other shareholdings are held directly by Mizzi Organisation Limited.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

(iii) The General Soft Drinks Company Limited

Name	Principal activity	Registered office	Class of shares held	Percentage of shares held 2020 %	2019 %
Malta Deposit and Return System Limited (struck off)	Non-trading - in liquidation	Mizzi House National Road Blata l-Bajda Malta	Ordinary shares	-	35½
			Redeemable preference shares	-	35½

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

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

Intra-Organisation 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.

(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 identified on acquisition, net of any accumulated impairment losses.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

The Organisation's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the 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 currencies

(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.

(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.

(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 performance 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 rates on 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. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

1. Summary of significant accounting policies - continued

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 already 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.

1.5 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 and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying asset are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

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 profit or loss during the financial period in which they are incurred.

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

1. Summary of significant accounting policies - continued

1.5 Property, plant and equipment - continued

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	1 - 2
Improvements to premises	2 - 33⅓
Plant, machinery and operational equipment	5 - 33⅓
Furniture, fittings and office equipment	5 - 33⅓
Motor vehicles	10 - 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 profit or loss.

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

1.6 Investment property

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

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

1. Summary of significant accounting policies - continued

1.6 Investment property - continued

These valuations are reviewed regularly by a professional valuer. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Organisation and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the 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 during the redevelopment.

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

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

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

1. Summary of significant accounting policies - continued

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/associate at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'Intangible assets'. Goodwill on acquisitions of associates is included in 'Investments in associates'. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Franchise and licence rights

Franchise rights and licence rights are measured initially at historical cost. Franchise and licence 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 and licence 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.

1.8 Financial assets

Classification

The Organisation classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those 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. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Organisation has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI).

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

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

Recognition and derecognition
The Organisation recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Organisation. 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 the risks and rewards of ownership or has not retained control of the asset.

Measurement
At initial recognition, the Organisation 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. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

(a) Debt instruments
Subsequent measurement of debt instruments depends on the Organisation's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Organisation may classify its debt instruments:

- 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 is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss. Impairment losses are presented in the statement of profit or loss.

- FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss. Interest income from these financial assets is included in finance income using the effective interest rate method. Impairment losses are presented in the statement of profit or loss.

- FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss in the period in which it arises.

1. Summary of significant accounting policies - continued

1.8 Financial assets - continued

(b) Equity instruments
The Organisation subsequently measures all equity investments at fair value. Where the Organisation's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Organisation's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment
The Organisation assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and FVOCI. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Organisation applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For hire purchase debtors and other receivables, the Organisation assesses on a forward-looking basis the expected credit losses ('ECL') on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition.

1.9 Inventories

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

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

The cost of inventories, including that of new materials, comprises the invoiced value of goods and, in general, includes transport and handling costs. The cost of manufactured finished goods comprises raw materials, direct labour, other direct costs and related production overheads.

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. Summary of significant accounting policies - continued

1.9 Inventories - continued

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

1.10 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Organisation holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1. Summary of significant accounting policies - continued

1.11 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, credit loss allowances attributable to amounts receivable from hire purchase debtors are recognised in the entity's profit or loss.

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 credit loss allowances in respect of these receivables. Provision for impairment of hire purchase receivables is further described in Note 2.

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 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.

Receivables covered by bills of exchange factored out to bankers without an option to repurchase them as they fall due are derecognised by the subsidiary 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. A financial liability would be recognised in this respect at fair value.

1.12 Cash and cash equivalents

In the statement of cash flows, 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. Summary of significant accounting policies - continued

1.13 Non-current assets (or disposal groups) held for sale

Non-current assets (or disposal groups) 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 continuing use, and a sale is considered highly probable. These assets may be a component of an entity, a disposal group or an individual non-current asset.

1.14 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. The composition of the share capital for the purpose of these combined financial statements is described in the Basis of preparation in the Note 1.1.

1.15 Financial liabilities

The Organisation recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Organisation's financial liabilities, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. 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 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.

1.16 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.

1.17 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 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 profit or loss as interest expense.

1.18 Derivative financial instruments

The Organisation elected to retain the provisions and accounting policies for derivative financial instruments that applied under IAS 39.

Derivative financial instruments consisting mainly of interest rate swap agreements, are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured at their fair value. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

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

1.18 Derivative financial instruments - continued

All derivatives are carried as assets when fair value is positive and as liabilities when fair value is negative. The full fair value of hedging derivatives is classified as a non-current asset or liability if the remaining maturity of the hedged item is more than twelve months, and as a current asset or liability if the remaining maturity of the hedged item is less than twelve months. Trading derivatives are classified as a current asset or liability.

On the date a derivative contract is entered into, the Organisation designates certain derivatives as a hedge of a future cash flow attributable to a recognised asset or liability or a forecast transaction (cash flow hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met. Under the requirements of IAS 39, the criteria for a derivative instrument to be accounted for as a cash flow hedge include:

- formal documentation of the hedging instrument, hedging item, hedging objective, strategy and relationship is prepared before hedge accounting is applied;
- the hedge is documented showing that it is expected to be highly effective in offsetting the risk in the hedged item throughout the reporting period; and
- the hedge is effective on an ongoing basis.

Accordingly, the Organisation documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objective and strategy for undertaking various hedge transactions. This process includes linking all derivatives designated as hedges to specific assets and liabilities or to specific forecast transactions. The Organisation also documents its assessment, both at the hedge inception and on an on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items.

Changes in the fair value of derivatives that are designated and qualify as cash flow hedges and that prove to be highly effective in relation to the hedged risk, are recognised in the hedging reserve in equity.

Where the forecast transaction results in the recognition of a non-financial asset or of a non-financial liability, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability. Otherwise amounts deferred in equity are transferred to the income statement and classified as revenue or expense in the periods during which the hedged forecast transaction affects the income statement.

Certain derivative transactions, while providing effective economic hedges under the Organisation’s risk management policies, do not qualify for hedge accounting under the specific rules in IAS 39 and are therefore treated as derivatives held for trading. Changes in the fair value of any derivative instruments that do not qualify for hedge accounting under IAS 39 are recognised immediately in profit or loss.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting under IAS 39, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in profit or loss when the hedged forecast transaction affects profit or loss. However, if a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

The fair values of derivative instruments held for hedging purposes are disclosed in Note 25 to the financial statements.

1. Summary of significant accounting policies - continued

1.19 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.

1.20 Current and deferred tax

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

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

The principal temporary differences arise from the fair valuation of land and buildings category 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 tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit and loss.

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

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

1.21 Provisions

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

Costs related to the ongoing activities of the 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. Summary of significant accounting policies - continued

1.22 Revenue recognition

Revenues include all revenues from the ordinary business activities of the Organisation. Ordinary activities do not only refer to the core business but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The Organisation's business includes various activities as disclosed in Note 27 'Revenue'.

(a) Sale of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if an entity forming part of the Organisation recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before - irrespective of when payment is due - the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before an entity forming part of the Organisation fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative - possibly estimated - standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

Sales of beverages - wholesale

The Organisation manufactures and sells a range of beverage products in the wholesale market (including imported finished goods). Sales are recognised when control of the products has transferred, being when the products are delivered to the wholesaler, the wholesaler has full discretion over the channel and price to sell the products, and there is no unfulfilled obligation that could affect the wholesaler's acceptance of the products. Delivery occurs when the products have been delivered to the specific location, the risks of obsolescence and loss have been transferred to the wholesaler, and either the wholesaler has accepted the products in accordance with the sales contract, the acceptance provisions have lapsed, or the Organisation has objective evidence that all criteria for acceptance have been satisfied.

The beverage goods are also sold with retrospective volume discounts based on aggregate sales over a 12 months period. Revenue from these sales is recognised based on the price specified in the contract, net of the estimated volume discounts. Accumulated experience is used to estimate and provide for the discounts, using the expected value method, and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur. A refund liability (within trade and other payables) would be recognised for expected volume discounts payable to customers in relation to sales made until the end of the reporting period. No element of financing is deemed present.

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

Sales of goods - retail

The Organisation sells goods on a retail basis across a number of business categories primarily motor vehicles and related spare parts, foodstore goods, clothing and other goods, and other equipment within the power, heating and ventilation sector. Sales of goods are recognised when the Organisation has delivered products to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products. Retail sales for foodstore goods, clothing and other goods is usually in cash or by credit card. Other sales can be either in cash or on credit.

Sales from services

The services offered by the Organisation, apart from services within the hospitality activity, are primarily those intrinsic to the goods sold on a retail basis noted above such as motor vehicles service and repair, and maintenance and repair services to the equipment within the power, heating and ventilation sector.

Revenue from services is generally recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue arising from hospitality activities is recognised when the service is performed and/or when the goods (primarily food and beverage relating to restaurant and bar sales) are supplied upon performance of the service. Revenue is usually in cash, credit card or on credit.

Contracts - where revenue is recognised over time

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 within inventories.

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.

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

The Organisation presents as a contract asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings, within trade and other receivables. The Organisation presents as a contract liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses), within trade and other payables.

IFRS 15 provides more detailed guidance on how to account for contract modifications. Changes must be accounted for either as a retrospective change (creating either a catch up or deferral of previously recorded revenues), prospectively with a reallocation of revenues amongst identified performance obligations, or prospectively as separate contracts which will not require any reallocation.

Customer loyalty programme

An organisation undertaking operates a loyalty programme where retail customers accumulate points for purchases made which entitle them to discounts on future purchases. A contract liability for the award points is recognised at the time of the sale. Revenue is recognised when the points are redeemed or when they are forfeited.

Property for development and resale

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Accordingly, revenue is recognised at a point in time when the legal title has passed to the customer. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership have not been transferred to the purchaser, are treated as contract liabilities – payments received in advance from customers and presented within trade and other payables.

Financing

The Organisation does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the Organisation does not adjust any of the transaction prices for the time value of money.

(b) Rental income

Rents receivable and premia charged to clients are included in the financial statements as revenue. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to profit or loss on a straight-line basis over the period of the lease.

(c) Interest income

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

1. Summary of significant accounting policies - continued

1.22 Revenue recognition - continued

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

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

1.23 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet (previously recognised in deferred income).

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 profit or loss over the period necessary to match them with the costs they are intended to compensate.

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

Grants related to income are presented as a deduction in reporting the related expense.

1.25 Operating leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or a series of payment, the right to use an asset for an agreed period of time.

An undertaking is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

1. Summary of significant accounting policies - continued

1.25 Operating leases- continued

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Organisation.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:
- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Organisation under residual value guarantees;
- the exercise price of a purchase option if the Organisation is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Organisation exercising that option.

Where property leases contain variable payment terms that are linked to sales generated from respective outlets, the related variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Organisation, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Organisation:
- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the Organisation, where there is no third party financing; and
- makes adjustments specific to the lease, eg term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:
- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Organisation is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1. Summary of significant accounting policies - continued

1.25 Operating leases - continued

For leases of properties, the following factors are normally the most relevant in considering to extend (or not terminate):

- if there are significant penalties to terminate (or not extend), the group undertaking is typically reasonably certain to extend (or not terminate); and
- if any leasehold improvement are expected to have a significant remaining value, the group undertaking is typically reasonably certain to extend (or not terminate).
- Otherwise, the group undertaking considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Organisation becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

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 Note 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 profit or loss on a straight-line basis over the lease term. The Organisation did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of the new leasing standard.

1.26 Borrowing costs

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

1.27 Employee benefits

The Organisation has set up a post-employment scheme in the form of a defined benefit plan. A defined benefit plan defines an amount of post-employment benefit that an employee will receive on retirement. In the case of the company, this amount is dependent on an employee's final compensation upon resignation/end of contract, as well as completed months/years of service. The liability recognised in the statement of financial position in respect of a defined benefit plan is the present value of the defined benefit obligation at the end of the reporting period, together with adjustments for unrecognised past-service costs. A defined benefit obligation is calculated annually using the projected unit credit method. The present value of a defined benefit obligation is determined by discounting the estimated future cash outflows using interest rate yields of government or high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related post-employment benefit liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to equity in other comprehensive income in the period in which they arise. Past-service costs are recognised immediately in profit or loss.

1. Summary of significant accounting policies - continued

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 uses derivative financial instruments to hedge certain interest rate risk exposures.

(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. The exposures from financial instruments attributable to such purchases and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the Organisation's figures.

The Organisation's main risk exposure reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period was 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, except as outlined above. As outlined previously, management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies to be significant. Accordingly, a sensitivity analysis for foreign exchange risk, disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period, is not deemed necessary.

(ii) Cash flow and fair value interest rate risk

The Organisation's significant instruments which are subject to fixed interest rates primarily consist of certain loans and advances (Note 9), amounts receivable from hire purchase debtors (Note 12) and certain bank loans as disclosed in Note 22. 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 and other borrowings (Note 22), including bills of exchange factored out to bank, issued at variable rates, which expose the Organisation to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. In prior years, the principal holding company of the Organisation entered into a cash flow hedging agreement in respect of the variability of future floating interest payments on particular bank facilities. As at 31 December 2020, the notional amount of the outstanding interest rate swap contract was €15.5 million (2019: €18.3 million) - refer to Note 25.

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 financial assets at FVOCI and financial assets at FVPL. 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 investments are quoted on the Malta Stock Exchange (refer to Notes 10 and 14) 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 income statement and revaluation reserve is not deemed significant in the context of the Organisation's reported figures. 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 (refer to Note 10).

2. Financial risk management - continued

(b) Credit risk

Credit risk principally 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 at the end of the reporting period are analysed as follows:

	2020	2019
	€	€
Financial assets measured at amortised cost:		
Loans and advances (Note 9)	**1,075,938**	1,075,938
Trade and other receivables (Note 11)	**44,904,018**	55,657,280
Cash and cash equivalents (Note 15)	**9,702,799**	12,482,058
	55,682,755	69,215,276

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 significant collateral as security in this respect. The figures disclosed in the table above in respect of trade and other receivables exclude advance payments to suppliers, prepayments and indirect taxation.

Cash and cash equivalents

Entities forming part of the Mizzi Organisation principally bank with local and European financial institutions with high-quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss is insignificant.

Loans receivable from associates and other amounts owed by associates and other related parties

The Organisation's receivables include loans receivable from associates and other amounts owed by associates and other related parties (Notes 9 and 11). The Organisation monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Organisation 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 significant losses from non-performance or default.

The loans to associates 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 associates and other 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.

2. Financial risk management - continued

<u>Trade and other receivables (including contract assets)</u>

The Organisation's debtors mainly comprise trade receivables arising from the core operations of the Mizzi Organisation companies, amounts receivable from hire purchase debtors in respect of financing provided by an undertaking and other receivables from customers in relation to contractual obligations. The Organisation assesses the credit quality of its customers, the majority of which are unrated, taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products, sales of 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 and the other receivables from customers in relation to contractual obligations. Generally, these customers trade frequently with the respective entities forming part of the Mizzi Organisation and are deemed by management to have a positive credit standing, usually taking cognisance of the performance history without defaults.

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 receivables, which are not credit 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.

Impairment of trade receivables (including contract assets)

The Organisation applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Organisation has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

2. Financial risk management - continued

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Organisation adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. On that basis, the loss allowance for the Organisation as at 31 December 2020 and 2019 was determined as follows:

As at 31 December 2020	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+120 days past due	Total
Expected loss rate	0.2% - 4.6%	0.3% - 5.7%	0.4% - 6.3%	0.5% - 25%	1% - 100%	
Gross carrying amount (€)	8,512,669	1,999,440	1,337,222	980,153	9,143,848	21,973,332
Loss allowance (€)	**165,992**	**18,797**	**17,565**	**23,677**	**3,911,955**	**4,137,986**

As at 31 December 2019	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+120 days past due	Total
Expected loss rate	0.2% - 1.6%	0.3% - 1.9%	0.4% - 2.1%	0.6% - 21%	1% - 100%	
Gross carrying amount (€)	16,209,205	2,266,303	1,809,048	1,422,171	9,011,698	30,718,425
Loss allowance (€)	165,336	22,307	21,513	25,578	3,329,348	3,564,082

As a result of the outbreak of COVID-19, the Organisation engaged in routine monitoring of the account activity and repayment patterns of its trade receivables. For this purpose, customers were segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to those segments which have been impacted by COVID-19 were subjected to more rigorous monitoring. With respect to customers in particular economic sectors, the Organisation has experienced significant shifts in repayment patterns post the COVID-19 outbreak and accordingly a significant deterioration in collection rates was experienced. The Organisation also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the Group and accordingly on their repayment ability. As a result of these assessments and taking cognisance of the projected impact on the repayment ability of the Organisation's customers, the repayment pattern actually experienced, and the estimated life of trade receivables, as at 31 December 2020, the Organisation changed the level of certain expected credit loss rates from prior year in view of changes in the relative weighting of specific asset categories within the respective buckets.

The expected loss rates disclosed in the tables above reflect the fact that the 100% loss rate is triggered for receivables which are primarily past due by 365 days or more.

The Organisation established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Organisation does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed in Note 28.

2. Financial risk management - continued

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Organisation, and a failure to make contractual payments for a period of greater than a year past due. Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Ageing analysis of trade receivables

As at 31 December 2020, trade receivables of €7,508,626 (2019: €8,543,195) were past due but not credit impaired. Such past due debtors comprise mainly debts allocated to the over 180 days past due category. These past due debtors 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 debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above.

Categorisation of 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. At 31 December 2020 and 2019, the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated is not deemed material in the context of the Organisation's trade receivables figures.

Impairment of hire purchase debtors and other receivables

Entities within the Mizzi Organisation that carry hire purchase debtors and other receivables, assess on a forward-looking basis the expected credit losses ('ECL') on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition as summarised below:

- Hire purchase debtors and other receivables that are not credit impaired on initial recognition are classified in 'Stage 1' and their credit risk is continuously monitored by the Organisation. Their ECL is measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the receivables are moved to 'Stage 2' but are not yet deemed to be credit impaired.
- If the receivables are credit impaired, they are then moved to 'Stage 3'.
- Instruments in 'Stage 2' or 'Stage 3' have their ECL measured based on expected credit losses on a lifetime basis. A description of inputs and assumptions used in measuring the ECL are outlined below.

The assessment of SICR incorporates forward-looking information and is reviewed on a periodic basis. As required by IFRS 9, the respective entities presumptively consider that a SICR generally occurs when an asset is more than 30 days past due. The entities determine days past due by counting the number of days since the earliest elapsed due date in respect of which full payment has not been received. The probability of default (PD) is also derived from internally compiled statistics and other historical data, adjusted to reflect forward-looking information.

2. Financial risk management - continued

2.1 Financial risk factors - continued

The assessment to determine the extent of increase in credit risk attributable to hire purchase debtors and other receivables since initial recognition is performed by considering the change in the risk of default occurring over the remaining life of the receivable. As a result, the definition of default is important and considers qualitative (such as non-adherence to terms and conditions of agreement) and quantitative (such as overdue status) factors where appropriate.

As a result of the outbreak of COVID-19, the Organisation engaged in routine monitoring of the account activity and repayment patterns of its hire purchase debtors and other receivables. For this purpose, customers were segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to those segments which have been impacted by COVID-19 were subjected to more rigorous monitoring. The Organisation has experienced significant shifts in repayment patterns post the COVID-19 outbreak and accordingly a significant deterioration in collection rates was experienced. The Organisation also engaged in monitoring information available on macro-economic factors affecting customer repayment ability, with a view to also assess the actual and projected impact of the pandemic on the business models of the customers serviced by the Group and accordingly on their repayment ability. As a result of these assessments and taking cognisance of the projected impact on the repayment ability of the Organisation's hire purchase debtors and other receivables, the repayment pattern actually experienced, and the estimated life of these receivables, as at 31 December 2020, the Organisation changed the level of the probability of default rates from prior year.

The entities determine that a receivable is in default (or credit impaired and accordingly stage 3 for IFRS 9 purposes) by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 180 days (2019: 180 days) for any material credit obligations and there are other indicators that the debtor is unlikely to pay.

The default definition has been applied consistently to model the probability of default (PD), exposure at default (EAD) and Loss Given Default (LGD) throughout the respective entity's expected loss calculations. The LGD represents an entity's expectation of the extent of loss on a defaulted exposure.

Explanation of inputs

The ECL is measured on either a 12-month or on a lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the product of the PD, EAD and LGD.

The PD represents the likelihood of a customer defaulting on its financial obligation either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation. Accordingly, the 12-month and lifetime PDs represent the probability of default occurring over the next 12 months and the remaining maturity of the receivable, respectively.

EAD represents the expected exposure in the event of a default. The EAD of a financial asset is the gross carrying amount at default. The 12-month and lifetime EADs are determined based on the expected payment profiles.

LGD represents management's expectation of the extent of loss on a defaulted exposure. Hence, the LGD represents expected credit losses on the EAD given the event of default, taking into account, among other attributes, the mitigating effect of any collateral value at the time it is expected to be realised and the time value of money.

2. Financial risk management - continued

The loss allowance for hire purchase receivables and other receivables from customers in relation to contractual arrangements as at 31 December 2020 and 2019 was determined as follows:

Hire purchase debtors

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	5.1% - 5.5%	22.5%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	15,109,467	3,757,849	6,105,268	24,972,584
Loss allowance (€)	**805,035**	**845,516**	**6,105,268**	**7,755,819**

As at 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	5.1% - 5.5%	15%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	15,712,739	4,606,500	5,361,878	25,681,117
Loss allowance (€)	842,522	690,975	5,361,878	6,895,375

2. Financial risk management - continued

Other receivables from customers in relation to contractual arrangements

As at 31 December 2020	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	7.5%	20%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	3,323,693	3,505,145	1,794,118	8,622,956
Loss allowance (€)	**249,277**	**701,029**	**1,794,118**	**2,744,424**

As at 31 December 2019	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	6.3%	12.6%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	4,692,215	1,943,715	1,429,437	8,065,367
Loss allowance (€)	294,610	244,908	1,429,437	1,968,955

Credit loss allowances include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

The Organisation established an allowance for impairment that represented its estimate of expected credit losses in respect of hire purchase debtors and other receivables. The individually credit impaired receivables mainly relate to a number of independent debtors which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Organisation does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed in Note 28.

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Organisation, and a failure to make contractual payments for a period of greater than a year past due. Credit losses are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

2. Financial risk management - continued

Ageing analysis of hire purchase debtors

As at 31 December 2020 amounts receivable from hire purchase debtors of €2,912,333 (2019: €3,915,525) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. 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 but not credit impaired hire purchase receivables is as follows:

	2020	2019
	€	€
Up to 3 months	**2,218,310**	3,057,645
4 to 5 months	**694,023**	857,880
	2,912,333	3,915,525

Ageing analysis of other receivables from customers in relation to contractual arrangements

As at 31 December 2020 other receivables from customers in relation to contractual arrangements of €2,804,116 (2019: €1,685,201) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of other receivables from customers in relation to contractual arrangements 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.

(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 22), trade and other payables (Note 21) and lease liabilities (Note 23). 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.

2. Financial risk management - continued

In this respect management does not consider liquidity risk to the Organisation as significant taking into account the liquidity management process referred to above.

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. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year €	**Between 1 and 2 years** €	**Between 2 and 5 years** €	**Over 5 years** €	**Total** €
At 31 December 2020					
Lease liabilities	**2,103,787**	**1,950,738**	**3,935,273**	**31,744,189**	**39,733,987**
Bank borrowings	**30,011,333**	**16,263,824**	**41,559,554**	**17,846,386**	**105,681,097**
Loans from associate and other related party	**612,490**	**-**	**-**	**-**	**612,490**
Trade and other payables	**35,502,565**	**-**	**-**	**-**	**35,502,565**

	Less than 1 year €	**Between 1 and 2 years** €	**Between 2 and 5 years** €	**Over 5 years** €	**Total** €
At 31 December 2019					
Lease liabilities	2,125,553	2,089,168	4,766,294	32,604,370	41,585,385
Bank borrowings	29,267,578	13,272,672	42,060,599	19,270,702	103,871,551
Loans from associate and other related party	1,635,318	-	-	-	1,635,318
Trade and other payables	49,545,646	-	-	-	49,545,646

2. Financial risk management - continued

The table below analyses the Organisation's derivative financial liabilities that will be settled on a net basis into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table below are the contractual undiscounted cash flows.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2020					
Interest rate swap	**282,440**	**185,360**	**273,511**	**15,922**	**757,233**

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2019					
Interest rate swap	277,912	191,374	294,760	37,472	801,518

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 and Mizzi Organisation Limited together with the financial statements of Mizzi EV Limited, The General Soft Drinks Company Limited and GSD Marketing 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.

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:

	2020 €	2019 €
Total borrowings	**99,754,334**	96,867,144
Less: cash and cash equivalents	**(9,702,799)**	(12,482,058)
Net debt	**90,051,535**	84,385,086
Total equity	**156,839,203**	162,555,883
Total capital	**246,890,738**	246,940,969
Net debt/total capital	**36%**	34%

2. Financial risk management - continued

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of 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 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

The Organisation is required by IFRS 7, 'Financial instruments: Disclosures' to disclose for financial instruments that are measured in the statement of financial position at fair value, fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets (level 1).

- Inputs other than quoted prices included within level 1 that are observable for the asset or liability either directly i.e. as prices, or indirectly i.e. derived from prices (level 2).

- Inputs for the asset or liability that are not based on observable market data i.e. unobservable inputs (level 3).

2.3.1 Financial instruments carried at fair value

The Organisation's interest rate swap agreement (refer to Note 25) is fair valued on the basis of a valuation technique base on discounted cash flows determined by reference to forward interest rates at the end of the reporting period. Accordingly, the derivative financial instruments are categorised as level 2 instruments since initial recognition.

The fair value of financial assets at FVOCI and FVPL, consisting of listed equity securities traded in active markets, is based on quoted market prices at the end of each reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Organisation is the current bid price. The fair value of equity securities that are not traded in an active market (for instance, investments in unlisted local private companies) is mainly estimated by reference to the net asset backing of the investee and the use of 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. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The Organisation's financial assets comprising equity securities with a carrying amount of €1,434,491 (2019: €2,554,415) are categorised as level 1 instruments since these investments are listed in an active market. These assets have been categorised as level 1 since initial recognition. With respect to investments with a carrying amount of €2,305,329 (2019: €2,305,329) the fair value is determined by reference to level 2 categorisation and is deemed to approximate carrying amounts.

2.3.2 Financial instruments not carried at fair value

At 31 December 2020 and 2019 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.

2. Financial risk management - continued

The fair value of advances and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amount.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Organisation for similar financial instruments. The carrying amount of the Organisation's non-current advances to associates and non-current hire purchase receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Organisation's non-current bank borrowings at the end of the reporting periods is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 December 2020, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the Organisation's incremental borrowing rate since the date of transition to IFRS 16. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy.

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 6 to this combined financial information, the Organisation's land and buildings category of property, plant and equipment and investment property are fair valued on 31 December on the basis of professional advice.

4. Property, plant and equipment

	Land, buildings and improvements to premises €	Plant, machinery and operational equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Assets in the course of construction and payments on account €	Total €
At 1 January 2019						
Cost or valuation	111,700,712	40,961,306	30,518,263	17,189,502	281,355	200,651,138
Accumulated depreciation and impairment losses	(18,132,842)	(29,856,935)	(20,977,588)	(9,916,624)	-	(78,883,989)
Net book amount	93,567,870	11,104,371	9,540,675	7,272,878	281,355	121,767,149
Year ended 31 December 2019						
Opening net book amount	93,567,870	11,104,371	9,540,675	7,272,878	281,355	121,767,149
Additions	1,309,416	881,044	2,229,813	3,749,962	1,689,124	9,859,359
Reclassifications	-	11,183	120,286	-	(131,469)	-
Disposals	-	(299)	(104,000)	(1,746,009)	-	(1,850,308)
Depreciation charge	(1,628,897)	(1,677,353)	(2,322,442)	(1,962,895)	-	(7,591,587)
Depreciation released on disposals	-	225	27,247	692,419	-	719,891
Closing net book amount	93,248,389	10,319,171	9,491,579	8,006,355	1,839,010	122,904,504
At 31 December 2019						
Cost or valuation	113,010,128	41,853,234	32,764,362	19,193,455	1,839,010	208,660,189
Accumulated depreciation and impairment losses	(19,761,739)	(31,534,063)	(23,272,783)	(11,187,100)	-	(85,755,685)
Net book amount	93,248,389	10,319,171	9,491,579	8,006,355	1,839,010	122,904,504

4. Property, plant and equipment - continued

	Land, buildings and improvements to premises €	Plant, machinery and operational equipment €	Furniture, fittings and office equipment €	Motor vehicles €	Assets in the course of construction and payments on account €	Total €
Year ended 31 December 2020						
Opening net book amount	93,248,389	10,319,171	9,491,579	8,006,355	1,839,010	122,904,504
Additions	602,150	1,080,728	1,520,422	3,128,228	4,896,664	11,228,192
Revaluation surplus arising during the year (Note 18)	5,164,372	-	-	-	-	5,164,372
Reclassifications	5,922,331	102,178	-	-	(6,024,509)	-
Reclassification from inventory	-	-	-	694,485	-	694,485
Disposals	(20,559)	(466,956)	(1,550,900)	(2,610,271)	-	(4,648,686)
Impairment charges - recognised in profit or loss	(4,953,978)	-	-	-	-	(4,953,978)
Depreciation charge	(1,731,604)	(1,720,671)	(2,436,471)	(2,153,203)	-	(8,041,949)
Depreciation released on disposals	3,892	459,286	1,539,939	1,189,615	-	3,192,732
Closing net book amount	**98,234,993**	**9,773,736**	**8,564,569**	**8,255,209**	**711,165**	**125,539,672**
At 31 December 2020						
Cost or valuation	124,678,422	42,569,184	32,733,884	20,405,897	711,165	221,098,552
Accumulated depreciation and impairment losses	(26,443,429)	(32,795,448)	(24,169,315)	(12,150,688)	-	(95,558,880)
Net book amount	**98,234,993**	**9,773,736**	**8,564,569**	**8,255,209**	**711,165**	**125,539,672**

Fair valuation of property

A specific element of the Organisation's land and buildings, within property, plant and equipment, with a carrying amount of €15 million was revalued on 31 December 2020 utilising the discounted cash flow approach to determine open market value. The carrying amount of this property was adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, was credited to the revaluation reserve in shareholders' equity (Note 18).

The other principal elements of the Organisation's land and buildings, within property, plant and equipment, were last revalued in preceding financial years by independent professionally qualified valuers. The book value of these properties had been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 18). Valuations were made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

The Organisation is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

4. Property, plant and equipment - continued

The Organisation's land and buildings, within property, plant and equipment, consists of operational premises that are owned and managed by companies forming part of the Organisation. The Organisation's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the companies constituting the Organisation (refer to Note 6). All the recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The Organisation's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above and in Note 6 for investment property.

Property classified within property, plant and equipment having a carrying amount of €18,530,000 (2019: €14,160,000) and other property classified within investment property with a carrying amount of €18,100,000 (2019: €21,750,000), have not been revalued since acquisition or initial recognition. The directors have assessed the fair values of these properties at 31 December 2020 and 2019, which fair values were deemed to fairly approximate the carrying amounts.

Structural and ancillary integral improvements to a particular property in Valletta are categorised within the land, buildings and improvements to premises category in property, plant and equipment. The carrying amount of these improvements has been impaired during the current financial year. The impairment charge amounting to €4,953,978, which was recognised in profit or loss, is attributable to reductions in the carrying amount of the said improvements so as to reflect the recoverable amount of the related assets. The recoverable amount of the assets was determined by reference to their value in use on the basis of discounted cash flows emanating from operations attributable to these assets. The principal assumptions used in the discounted cash flows were a negative EBITDA of €894,000 in 2021 which increases to a positive EBITDA of €937,000 by 2026 and to €1,120,000 by 2030, and discounted at a rate of 8.3% after also considering working capital movements and capital expenditure. This property in Valletta is subject to a 65 year emphyteutical grant entered into in 2016. As at 31 December 2020 the carrying amount of the said structural and integral improvements amounted to €4.8 million (2019: €9.9 million) whilst the carrying amount of other operational equipment and fittings within the same property amounted to €5.8 million (2019: €6.5 million).

V*aluation processes*

The valuations of the properties are performed regularly on the basis of valuation reports prepared by third party qualified valuers and other valuation assessments prepared by management. These reports are based on both:

- information provided by the Organisation which is derived from the respective company's financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers/ management; with assumptions being typically market related and based on professional judgement and market observation.

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers/ management, are reviewed by designated officers within the Mizzi Organisation. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective company's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

4. Property, plant and equipment - continued

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last valuation report. This analysis may be supported by an assessment performed by third party property valuers depending on the complexity of the property being valued. The officers report to the Board on the outcome of this assessment.

Valuation techniques

The external valuations of the Level 3 property as at 31 December, have been performed using a multi-criteria approach, with every property being valued utilising the valuation technique considered by the external valuer to be the most appropriate for the respective property. In those instances where the valuation technique applied to a specific property's fair valuation has been modified, this change was effected to attain a more representative measurement of fair value. Throughout this process, the highest and best use of certain properties has been revised taking cognisance of the outcome of the valuation method applied.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals in the local market, the valuations have been performed using unobservable inputs. The significant inputs to the approaches used are generally those described below:

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.

- Yield methodology: an annual rent rate per square metre (also related to comparable properties or transactions and adjusted as described above) together with a market capitalisation rate utilised for capitalisation of rental income streams. Where applicable, costs to completion (determined by reference to cost per square metre), which must be incurred for the property to generate the envisaged rental income streams, are also taken into account.

- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

4. **Property, plant and equipment** - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2020

Description by class based on highest and best use	Fair value at 31 December 2020 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	**580**	Adjusted sales comparison approach	Sales price per square metre (€)	700 - 2,000 (1,670)
	20,550	Yield methodology	Annual rent per square metre (€)	31 - 180 (100)
			Capitalisation rate (%)	5.0 - 9.0 (7.2)
	15,000	DCF approach	EBITDA	€708,000
			Growth rate	3% per annum
			Discount rate	7.1% (post tax)
			Perpetuity yield	4.1%
	15,000	DCF approach	EBITDA	€1,567,000 in 2021, increasing gradually until reaching €1,760,000 in 2023
			Growth rate	5% per annum after 2023
			Discount rate	9.5% (post-tax)
			Perpetuity yield	8.2%
Redevelopment into residential/commercial premises	**20,515**	Adjusted sales comparison approach	Residential and Commercial airspace sales price per square metre (€)	150 - 1,630 (1,460)
			Residential: sales price factor per square metre (€)	200 – 1,220 (700)
			Commercial: sales price factor per square metre (€)	880 - 1,550 (1,180)

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2020 €000	Valuation technique	Significant unobservable input	Range of unobservable Inputs (weighted average)
Marketed for residential use	**10,825**	Adjusted sales comparison approach	Sales price per residential unit (€)	96,000 – 335,000 (204,000)
Development for commercial use	**660**	Adjusted sales comparison approach	Sales price per square metre (€)	450 – 3,588 (2,180)
Developable land for residential/commercial use	**4,730**	Yield methodology	Annual rent per square metre (€)	225 - 275 (240)
			Capitalisation rate (%)	7.3 – 8.0 (7.8)
	13,130	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	510
Extended commercial premises	**18,000**	Yield methodology	Annual rent per square metre (€)	110 – 1,200 (900)
			Capitalisation rate (%)	7.5
	10,150	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	300
			Commercial: sales price factor per square metre (€)	660

4. **Property, plant and equipment** - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2019

Description by class based on highest and best use	**Fair value at 31 December 2019 €000**	**Valuation technique**	**Significant unobservable input**	**Range of unobservable inputs (weighted average)**
Current use as commercial premises	**10,468**	Adjusted sales comparison approach	Sales price per square metre (€)	700 - 2,000 (2,000)
	20,351	Yield methodology	Annual rent per square metre (€)	30 - 180 (100)
			Capitalisation rate (%)	5.0 - 9.0 (7.2)
	15,150	DCF approach	EBITDA	€4,000,000
			Growth rate	2% per annum
			Discount rate	7.45% (post-tax)
			Perpetuity yield	6%
Redevelopment into residential/commercial premises	**21,696**	Adjusted sales comparison approach	Residential and Commercial airspace sales price per square metre (€)	150 - 1,630 (1,400)
			Residential: sales price factor per square metre (€)	200 – 1,220 (700)
			Commercial: sales price factor per square metre (€)	880 - 1,550 (1,180)
Marketed for residential use	**3,400**	Adjusted sales comparison approach	Sales price per residential unit (€)	96,000 – 210,000 (174,000)
Development for commercial use	**350**	Adjusted sales comparison approach	Sales price per square metre (€)	450 – 1,250 (1,000)

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2019 €000	Valuation technique	Significant unobservable input	Range of unobservable Inputs (weighted average)
Developable land for residential/commercial use	**3,752**	Yield methodology	Annual rent per square metre (€)	225 - 275 (240)
			Capitalisation rate (%)	7.3 – 8.0 (7.8)
	13,100	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	500
Extended commercial premises	**17,750**	Yield methodology	Annual rent per square metre (€)	110 – 1,200 (900)
			Capitalisation rate (%)	7.5
	10,150	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	300
			Commercial: sales price factor per square metre (€)	660

4. Property, plant and equipment - continued

With respect to the adjusted sales comparison approach, the higher the sales price per square metre, the sales price per residential unit, or the sales price factor per square metre, the higher the resultant fair valuation.

In relation to the yield methodology, the higher the rental amount per square metre, the higher the resultant fair valuation, but conversely, the lower the market capitalisation rate and the costs to completion per square metre (where applicable), the higher the resultant fair valuation.

Regarding the DCF approach, an increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

With the exception of the first and third property classes presented in the tables above, the highest and best use of the Organisation's properties differs from their current use taking cognisance of the potential for development, redevelopment or further development of the respective properties.

The Organisation's revalued land and buildings within property, plant and equipment are primarily classified in the following categories:

	2020	2019
	€000	€000
Class as presented in tables above		
Current use as commercial premises	**44,630**	39,550
Redevelopment into residential/commercial premises	**3,000**	3,000
Extended commercial premises	**28,510**	28,200
	76,140	70,750

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

	2020	2019
	€	€
Cost	**56,505,995**	55,903,845
Accumulated depreciation and impairment losses	**(18,663,608)**	(16,984,141)
Net book amount	**37,842,387**	38,919,704

Bank borrowings in the name of undertakings forming part of the Mizzi Organisation are secured on the major assets constituting the Organisation's land and buildings category.

Other disclosures

The reclassification to property, plant and equipment from inventory during the current financial year is attributable to the change in use of the related motor vehicles.

4. Property, plant and equipment - continued

The category of motor vehicles disclosed in the main 'Property, plant and equipment' table above comprises motor vehicles leased out under operating leases as follows:

	At 31 December 2020 €	At 31 December 2019 €	At 1 January 2019 €
Cost	**11,325,104**	10,424,765	8,472,628
Accumulated depreciation	**(5,273,340)**	(4,638,232)	(3,620,420)
Net book amount	**6,051,764**	5,786,533	4,852,208

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

	2020 €	2019 €
Year ended 31 December		
Opening net book amount	**5,786,533**	4,852,208
Additions	**2,220,582**	2,470,891
Disposals	**(1,320,243)**	(518,754)
Depreciation charge	**(1,256,726)**	(1,120,559)
Depreciation released on disposals	**621,618**	102,747
Closing net book amount	**6,051,764**	5,786,533

5. Right-of-use assets

The Organisation's leasing activities

The Organisation leases various properties from third parties. Rental contracts are typically made for a fixed period ranging from 4 to 12 years but may have extension options to renew the base after the original period as described below. The Organisation also has two 65 year emphyteutical grants: for land in Marsa entered into in 2005 and for a particular property in Valletta entered into in 2016. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets are not used as security for borrowing purposes.

Extension and termination options are included in the majority of the Organisation's property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Organisation and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

5. Right-of-use assets - continued

The statement of financial position reflects the following assets relating to leases:

	2020	2019
	€	€
Properties – Total right of-use assets	**20,663,614**	22,414,778

The movement in the carrying amount of these assets is analysed in the following table:

	2020	2019
	€	€
As at 1 January	**22,414,778**	19,757,405
Additions	**572,585**	4,456,789
Impact of derecognition of leased assets upon termination of lease	**(381,961)**	-
Depreciation	**(1,941,788)**	(1,799,416)
As at 31 December	**20,663,614**	22,414,778

Amounts recognised in profit or loss

The income statement reflects the following amounts relating to leases:

	2020	2019
	€	€
Depreciation charge of right-of-use assets		
Properties	**1,941,788**	1,799,416
Interest expense (included in finance costs)	**645,729**	636,157

Other amounts recognised in profit or loss are disclosed in Note 28.

6. Investment property

	2020 €	2019 €
Year ended 31 December		
Opening carrying amount	**67,904,930**	59,948,097
Additions of newly acquired property	**-**	6,219,065
Additions resulting from subsequent expenditure	**1,556,199**	2,374,230
Gains from changes in fair value (Note 19)	**3,753,532**	453,538
Disposals	**(1,754,000)**	(1,090,000)
Closing carrying amount	**71,460,661**	67,904,930
At 31 December		
Cost	**33,084,631**	34,208,515
Fair value gains	**38,376,030**	33,696,415
Carrying amount	**71,460,661**	67,904,930

The Organisation's investment properties are valued annually on 31 December at fair value, by professionally qualified valuers having appropriate recognised professional qualifications and experience in the location and category of the property being valued. Valuations are determined on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area and, whenever possible, having regard to recent market transactions for similar properties in the same location.

Disclosures required in terms of IFRS 13 in relation to fair value measurements attributable to investment property are presented in Note 4. The Organisation's investment property is reflected within all classes presented in the table in Note 4, with the exception of the class representing extended commercial premises.

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

	2020 €	2019 €
Cost	**33,084,631**	34,208,516
Accumulated depreciation	**(3,186,833)**	(2,588,861)
Net book amount	**29,897,798**	31,619,655

As at 31 December 2020, 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 €36,940,000 (2019: €36,426,000).

6. Investment property - continued

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

	At 31 December 2020 €	At 31 December 2019 €	At 1 January 2019 €
Cost	**7,308,133**	7,280,237	7,262,257
Fair value gains	**4,423,552**	4,423,552	4,423,552
Carrying amount	**11,731,685**	11,703,789	11,685,809

The movement in the carrying amount of leased property is analysed as follows:

	2020 €	2019 €
Year ended 31 December		
Opening carrying amount	**11,703,789**	11,685,809
Additions resulting from subsequent expenditure	**27,896**	17,980
Closing carrying amount	**11,731,685**	11,703,789

7. Intangible assets

	Franchise and licence rights 2020 €	2019 €
At 1 January		
Cost	**199,807**	199,807
Accumulated amortisation	**(89,231)**	(67,909)
Net book amount	**110,576**	131,898
Year ended 31 December		
Opening net book amount	**110,576**	131,898
Amortisation charge	**(21,322)**	(21,322)
Closing net book amount	**89,254**	110,576
At 31 December		
Cost	**199,807**	199,807
Accumulated amortisation	**(110,553)**	(89,231)
Net book amount	**89,254**	110,576

8. Investments in associates

	2020	2019
	€	€
Year ended 31 December		
Opening carrying amount	**21,893,784**	22,791,582
Additions	**500**	800,000
Share of profit	**456,107**	1,442,853
Dividends received	**(1,701,611)**	(2,217,601)
Derecognition of carrying amount upon disposal of associates	**-**	(923,050)
Closing carrying amount	**20,648,780**	21,893,784

	2020	2019
	€	€
At 31 December		
Cost	**2,035,108**	2,096,628
Share of profits and reserves	**18,623,672**	19,869,176
Provisions for impairment	**(10,000)**	(72,020)
Carrying amount	**20,648,780**	21,893,784

The Organisation's share of profit of the associates, disclosed in the tables above and in profit or loss, is after tax and non-controlling interests in the associates.

The impacts of the additional investments in newly incorporated entities AquaLuna Lido Ltd and St. Julian's Maritime Finance Limited during the current and preceding financial years respectively, were not material in the context of the Organisation's financial position as at 31 December 2020 and 2019 and the financial results for the years then ended.

During the current financial year, the investment in Malta Deposit and Return System Limited has been derecognised from the Organisation's financial statements upon dissolution of the company. The carrying amount in this associate had been fully provided for in prior years and the derecognition did not have any impact on the Organisation's financial position as at 31 December 2020 and the financial results for the year then ended.

During the preceding financial year, the Organisation sold its shareholding in Kemmuna Limited and FirstUnited Insurance Brokers Limited. As a result, the carrying amount of the investment in the respective associate has been derecognised from the Organisation's financial statements upon disposal. The resultant aggregate gain of €12,935,543 has been recognised in profit or loss and presented within 'Share of profit of associates'.

Disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities'

Institute of English Language Studies Limited's ("IELS") principal activity is the provision of English language courses to foreign students and other related activities; whilst The Players Group Limited's ("TPG") principal activity is the holding of an investment in Maltco Lotteries Limited. Mizzi Associated Enterprises Limited's ("MAE") principal activity is the ownership and development of property for trading and rental purposes. The principal activity of Mellieha Bay Hotel Limited ("MBH") is the ownership and operation of the Mellieha Bay Hotel. All the associates' principal place of business is based in Malta.

The above investments provide strategic partnerships for the Mizzi Organisation providing economies of scale and depth within business sectors which are targeted by the Organisation for diversification or consolidation purposes.

8. Investments in associates - continued

The investments in these associates, which are unlisted private companies, are measured using the equity method in accordance with the Organisation's accounting policy. Summarised financial information for these associates is set out below:

Summarised balance sheets

	MAE		MBH	
	2020	2019	**2020**	2019
	€	€	**€**	€
ASSETS				
Non-current assets	**1,976,325**	1,847,399	**34,057,380**	33,335,007
Current assets				
Cash and cash equivalents	**315,954**	3,541	**1,618,705**	2,443,055
Other current assets	**536,914**	2,605,149	**2,389,849**	1,927,691
Total current assets	**852,868**	2,608,690	**4,008,554**	4,370,746
Total assets	**2,829,193**	4,456,089	**38,065,934**	37,705,753
LIABILITIES				
Non-current liabilities				
Other liabilities	**-**	-	**3,834,934**	3,834,934
Current liabilities				
Trade and other payables	**441,416**	779,486	**945,309**	1,291,792
Other financial liabilities	**-**	314	**-**	-
Other liabilities	**255,128**	439,536	**-**	-
Total current liabilities	**696,544**	1,219,336	**945,309**	1,291,792
Total liabilities	**696,544**	1,219,336	**4,780,243**	5,126,726
Net assets	**2,132,649**	3,236,753	**33,285,691**	32,579,027

8. Investments in associates - continued

Summarised balance sheets

	IELS		TPG	
	2020	2019	**2020**	2019
	€	€	**€**	€
ASSETS				
Non-current assets	**6,103,738**	6,630,878	**2,292,103**	2,292,103
Current assets				
Cash and cash equivalents	**128,077**	470,372	**341,906**	331,124
Other current assets	**820,276**	1,344,770	**-**	-
Total current assets	**948,353**	1,815,142	**341,906**	331,124
Total assets	**7,052,091**	8,446,020	**2,634,009**	2,623,227
LIABILITIES				
Non-current liabilities				
Financial liabilities	**370,051**	412,800	**2,292,103**	2,292,103
Total non-current liabilities	**370,051**	412,800	**2,292,103**	2,292,103
Current liabilities				
Trade and other payables	**1,950,716**	2,035,149	**325,961**	315,725
Other financial liabilities	**2,223,063**	2,385,475	**-**	-
Total current liabilities	**4,173,779**	4,420,624	**325,961**	315,725
Total liabilities	**4,543,830**	4,833,424	**2,618,064**	2,607,828
Net assets	**2,508,261**	3,612,596	**15,945**	15,399

The Organisation's respective share of the net assets reflected in the above disclosures is in substance equivalent to the carrying amount of its investment in the associates except as outlined below. The Organisation's share of the net assets of MAE and MBH extracted from the respective financial statements, does not reflect the Organisation's carrying amount of the investments in the respective entities. The difference arises as a result of fair value adjustments made at the time that MAE acquired MBH in prior years.

Furthermore, there are no significant contingent liabilities relating to the Organisation's interest in the associates.

The statutory financial year end for Institute of English Language Studies Limited is 31 October and accordingly the financial information made available to shareholders relates to financial year ended 31 October 2020. Accordingly, the financial statements of Institute of English Language Studies Limited used in applying the equity method are attributable to the financial year ended 31 October 2020, which year end is different from that of the reporting entity.

8. Investments in associates - continued

Summarised statements of comprehensive income

	MAE		MBH	
	2020	2019	**2020**	2019
	€	€	**€**	€
Revenue	**1,767,280**	3,089,109	**1,247**	8,373,091
Depreciation	**(1,498)**	(1,498)	**-**	(1,747,523)
Interest expense	**(1,252)**	(1,225)	**(958)**	(20,811)
Profit before tax	**1,926,434**	2,986,753	**31,231**	915,700
Tax expense	**(280,538)**	(454,607)	**-**	(384,713)
Profit for the year - Total comprehensive income	**1,645,896**	2,531,146	**31,231**	530,987
Dividends received from associate	**1,402,611**	1,799,601	**-**	-

	IELS		TPG	
	2020	2019	**2020**	2019
	€	€	**€**	€
Revenue	**1,815,249**	6,269,678	**-**	-
Depreciation	**(496,251)**	(460,904)	**-**	-
Interest expense	**(45,384)**	(86,265)	**-**	-
(Loss)/profit before tax	**(1,104,335)**	301,873	**1,599,180**	2,257,145
Tax expense	**-**	(131,769)	**(402,634)**	(579,176)
(Loss)/profit for the year - Total comprehensive income	**(1,104,335)**	170,104	**1,196,546**	1,677,696
Dividends received from associate	**-**	-	**299,000**	418,000

8. Investments in associates - continued

The other associates of the Organisation are not deemed material, individually and in aggregate, to the Organisation as a reporting entity taking cognisance of the Organisation's financial position and aggregate assets. Accordingly, the disclosure requirements emanating from IFRS 12 'Disclosure of interests in other entities', were not deemed necessary for the user's understanding of the financial results and the financial position of the Organisation. The results of the other principal associates and their assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Results €
2020				
Aquibix Limited	1,343,755	1,325,570	1,122,206	33,103
Finopz Limited	3,843,710	147,606	1,037,073	56,934
St. Julians Maritime Finance Limited	4,298,206	1,777,390	133,305	(120,729

	Assets €	Liabilities €	Revenues €	Results €
2019				
Aquibix Limited	1,327,315	1,342,233	802,435	(142,912)
Finopz Limited	4,224,150	157,514	390,835	135,378
St. Julians Maritime Finance Limited	2,656,722	15,177	2,850	(308,455

Primax Limited is considered by the directors to be non-operating and the Organisation's share of the associate's assets and liabilities are not deemed material for the purposes of disclosure.

9. Loans and advances

	2020	2019
	€	€
Non-current	**1,013,438**	1,075,938
Current	**62,500**	-
Total loans and advances	**1,075,938**	1,075,938

The loans and advances disclosed above represent advances that the Organisation made by way of shareholder's loans to associates. The purpose of these advances is to fund the respective associate's financial commitments in respect of specific business ventures.

As at 31 December 2020, an amount of €575,938 (2019: €575,938) of these advances is not repayable within one year and is earmarked for capitalisation, i.e. conversion into ordinary share capital in accordance with the formal terms of the financing arrangement.

The remaining €500,000 (2019: €500,000) are unsecured, subject to an interest rate of 3.75% (2019: 3.75%) and repayable as follows:

	2020	2019
	€	€
Within 1 year	**62,500**	-
Between 1 and 2 years	**62,500**	62,500
Between 2 and 5 years	**187,500**	187,500
Over 5 years	**187,500**	250,000
	500,000	500,000

At the end of the reporting period, in the opinion of the directors, the fair value of these assets approximates the carrying amount.

10. Financial assets at fair value through other comprehensive income

Equity investments	**2020**	2019
	€	€
Year ended 31 December		
Opening carrying amount	**4,638,224**	4,661,322
Net losses from changes in fair value (Note 19)	**(131,506)**	(23,098)
Disposals	**(766,898)**	-
Closing carrying amount	**3,739,820**	4,638,224
At 31 December		
Cost	**4,293,492**	5,029,538
Fair value gains	**161,015**	323,373
Provisions for impairment	**(714,687)**	(714,687)
Carrying amount	**3,739,820**	4,638,224

The carrying amount of equity investments at FVOCI at 31 December comprise the following individual investments:

	2020	2019
	€	€
Plaza Centres p.l.c.	**1,434,491**	2,332,895
BNF Bank p.l.c.	**1,750,000**	1,750,000
Manoel Island Yacht Yard Limited	**360,000**	360,000
Cleves Sofia Holdings Ltd	**183,039**	183,039
Other equity investments	**12,290**	12,290
	3,739,820	4,638,224

The Organisation's equity investments consist of:

	2020	2019
	€	€
Investments listed on the Malta Stock Exchange	**1,434,491**	2,332,895
Investments in local unlisted financial institution	**1,750,000**	1,750,000
Other investments in unlisted local private companies	**555,329**	555,329
	3,739,820	4,638,224

10. Financial assets at fair value through other comprehensive income - continued

The Organisation's investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices. For other unlisted 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 the other unlisted investments approximates fair value and no movements have been recognised in equity. In prior years, impairment losses had been recognised in respect of investments in unlisted companies which were in unexpected adverse trading and operating conditions.

11. Trade and other receivables

	2020	2019
	€	€
Current		
Trade receivables	**15,853,803**	23,880,125
Amounts receivable from hire purchase debtors (Note 12)	**4,657,953**	5,118,758
Contract assets		
Gross amounts due from customers for contract work	**1,981,543**	3,274,218
Amounts owed by associates	**712,107**	1,023,992
Amounts owed by other related parties	**466,358**	265,154
Advance payments to suppliers	**862,177**	1,164,556
Other receivables	**2,630,338**	3,379,444
Indirect taxation	**2,171,774**	2,198,295
Prepayments	**3,204,686**	2,544,237
	32,540,739	42,848,779
Non-current		
Amounts receivable from hire purchase debtors (Note 12)	**12,558,812**	13,666,984
Other receivables	**6,043,104**	5,048,605
	18,601,916	18,715,589

11. Trade and other receivables - continued

Receivables above are disclosed net of credit loss allowances as follows:

	2020	2019
	€	€
Trade receivables	**4,076,186**	3,527,848
Gross amounts due from customers for contact work	**61,800**	36,234
Other receivables: current amounts	**2,007,647**	1,555,328
Other receivables: non-current amounts	**736,777**	413,627
Amounts owed by associate	**287,500**	287,500
	7,169,910	5,820,537

Credit loss allowances in respect of amounts receivable from hire purchase debtors are disclosed separately in Note 12.

Current and non-current other receivables mainly comprise amounts receivable from the Organisation’s customers in relation to contractual arrangements entered into with these parties.

Non-current amounts in respect of amounts receivable from hire purchase debtors and other receivables are principally receivable within five years from the end of the reporting period.

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 €8,328,199 (2019: €6,936,216). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above and in Note 21 respectively.

All movements in contract assets during the current and the preceding financial years related to business variations.

12. Amounts receivable from hire purchase debtors

	2020	2019
	€	€
Current		
Debtors on whom bills of exchange were drawn	**11,577,454**	11,143,154
Credit loss allowances	**(6,919,501)**	(6,024,396)
	4,657,953	5,118,758
Non-current		
Debtors on whom bills of exchange were drawn	**13,395,130**	14,537,963
Credit loss allowances	**(836,318)**	(870,979)
	12,558,812	13,666,984
Total amounts receivable from hire purchase debtors	**17,216,765**	18,785,742

12. Amounts receivable from hire purchase debtors - continued

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 United Acceptances Finance Limited, 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 credit loss allowances in respect of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in profit or loss.

During the current financial year, the entity has financed receivables with a face value amounting to €8,613,629 (2019: €13,993,962). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 5.5% (2019: 5.5%).

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 22). 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 current and preceding financial years no receivables have been factored out in this manner.

13. Inventories

	2020 **€**	2019 €
Property being developed with a view to sale	**431,902**	448,839
Goods held for resale		
Motor vehicles, spare parts and related supplies	**13,102,202**	15,265,481
Other goods purchased for resale	**7,907,494**	9,538,908
Raw materials and manufactured finished goods	**2,641,137**	2,993,100
Containers (carried at net realisable value)	**336,420**	346,410
Goods in transit	**3,893,560**	4,365,177
Contract and other work in progress	**347,219**	278,642
Payments on account in respect of motor vehicles and spare parts	**171,311**	462,920
	28,399,343	33,250,638
Total inventories	**28,831,245**	33,699,477

The cost of inventories recognised as expense is appropriately disclosed in Note 28 of the financial statements. During the year ended 31 December 2020, net inventory write-downs amounted to €913,852 (2019: €1,477,130). These amounts have been included within 'Cost of sales' in profit or loss.

14. Financial assets at fair value through profit or loss

Equity investments	**2020**	2019
	€	€
Opening carrying amount	**221,520**	1,205,636
Additions at cost	**-**	78,635
Net (losses)/gains from changes in fair value (Note 31)	**(1,334)**	53,116
Disposals	**(220,186)**	(1,115,867)
Closing carrying amount	**-**	221,520
At 31 December		
Cost	**-**	120,256
Fair value gains	**-**	101,264
Carrying amount	**-**	221,520

The Organisation's equity investments consist of:

	2020	2019
	€	€
Investments listed on the Malta Stock Exchange	**-**	221,520
	-	221,520

The Organisation's equity investments are fair valued annually and fair value is determined by reference to quoted market prices.

15. Cash and cash equivalents

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

	2020	2019
	€	€
Cash at bank and in hand	**9,702,799**	12,482,058
Bank overdrafts (Note 22)	**(16,557,135)**	(16,684,294)
Bills of exchange factored out to bank (Note 22)	**(2,440,748)**	(2,707,451)
	(9,295,084)	(6,909,687)

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

16. Assets classified as held for sale

	2020 €	2019 €
Property classified as held for sale		
Opening carrying amount	**2,580**	3,548
Disposals	**-**	(968)
Closing carrying amount	**2,580**	2,580

17. Share capital and Capital contribution reserve

Share capital

	2020 €	2019 €
Authorised		
Ordinary shares	**3,661,770**	3,661,770
Issued and fully paid		
Ordinary shares	**2,471,437**	2,468,437

The total authorised, issued and fully paid up share capital for the combined financial statements has been assumed to be principally the aggregate of all of the authorised, issued and fully paid up share capital of each of Consolidated Holdings Limited, Mizzi EV Limited, Mizzi Organisation Limited, The General Soft Drinks Company Limited and GSD Marketing Limited. Mizzi EV Limited is a newly incorporated company, during the current financial year, with an authorised, issued and fully paid up share capital of €3,000 (refer to Note 1.1 (v)).

Capital contribution reserve

In prior years, the Organisation's shareholders have waived amounts of €3,042,999 which were due to them by Mizzi Organisation Limited. Such amounts have been converted to a capital contribution reserve.

18. Revaluation reserves

	2020	2019
	€	€
Surplus arising on fair valuation of:		
Land and buildings of entities forming part of the Mizzi Organisation	**51,022,251**	46,414,546
Land and buildings of associates	**9,479,012**	9,595,327
Financial assets at FVOCI	**161,015**	323,373
	60,662,278	56,333,246

The movements in each category are analysed as follows:

	2020	2019
	€	€
Land and buildings of entities forming part of the Mizzi Organisation		
At beginning of year	**46,414,546**	46,466,975
Revaluation of surplus arising during the year (Note 4)	**5,164,372**	-
Transfer upon realisation through asset use	**(52,137)**	(52,137)
Deferred income taxes on revaluation surplus arising during the year (Note 24)	**(535,298)**	-
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 24)	**12,520**	(18,540)
Deferred income taxes on realisation through asset use (Note 24)	**18,248**	18,248
At end of year	**51,022,251**	46,414,546

	2020	2019
	€	€
Land and buildings of associates		
At beginning of year	**9,525,327**	9,711,642
Transfer upon realisation through asset use - share of depreciation transfer, net of deferred tax	**(116,315)**	(116,315)
At end of year	**9,409,012**	9,595,327

	2020	2019
	€	€
Financial assets at FVOCI		
At beginning of year	**323,373**	346,471
Net losses from changes in fair value (Note 10)	**(131,506)**	(23,098)
Transfer of fair value gains on disposal of equity investments at FVOCI	**(30,852)**	-
At end of year	**161,015**	323,373

18. Revaluation reserves - continued

The tax impact included in the revaluation reserves as at 31 December 2020, relates to deferred taxation arising on the surplus on fair valuation of land and buildings of entities forming part of the Mizzi Organisation for an amount of €7,822,178 (2019: €7,317,648). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial years are presented in the respective table above.

Gains and losses arising from changes in fair value of financial assets at FVOCI are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the Organisation's accounting policy. When the equity investments are disposed of, the cumulative gain or loss recognised in OCI remains in equity.

The revaluation reserves are non-distributable.

19. Fair value gains and other reserves

	2020	2019
	€	€
Fair value gains reserve in respect of property	**27,395,207**	25,551,985
Share of associate's incentives and benefits reserve	**1,034,695**	1,034,695
Other capital reserves	**322,115**	322,115
Translation reserve	**(31,425)**	(31,425)
	28,720,592	26,877,370

The movements in each category are analysed as follows:

	2020	2019
	€	€
Fair value gains reserve in respect of property		
At beginning of year	**25,551,985**	26,162,181
Fair value gains arising during the year (Note 6)	**3,753,532**	453,538
Transfer of fair value gains on property upon realisation through disposal, net of deferred tax movements determined on the basis applicable to property disposals	**(1,028,359)**	(822,520)
Deferred income taxes on fair value gains arising during the year (Note 25)	**(769,550)**	(45,354)
Movement in deferred tax liability determined on the basis applicable to property disposals	**(112,401)**	(195,860)
At end of year	**27,395,207**	25,551,985
Share of associate's incentives and benefits reserve		
At beginning and end of the year	**1,034,695**	1,034,695
Other capital reserves		
At beginning and end of the year	**322,115**	322,115

19. Fair value gains and other reserves - continued

	2020	2019
	€	€
Translation reserve		
At beginning and end of the year	**(31,425)**	(31,425)

The tax impact included in fair value gains and other reserves as at 31 December 2019, relates to deferred taxation arising on the fair value gains reserve in respect of property of entities forming part of the Mizzi Organisation for an amount of €5,410,208 (2019: €4,676,981). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial years are presented in the respective table above.

Gains from changes in fair value of investment property, net of deferred tax movements, which are unrealised at the end of the reporting periods, would be recognised in profit or loss in accordance with the 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. Any write-downs of the carrying amount of non-current assets held for sale, which were previously classified as investment property and fair valued in prior years before transferred upon a change in intended use, are treated in the same way as outlined above.

In accordance with Articles 24B and 36 of the Business Promotion Act, transfers are effected 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. The incentives and benefits reserve is not distributable and shall be retained for a period of eight years, which expire at the latest on 31 December 2021, 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 an entity forming part of the Mizzi Organisation that has a functional currency which is different from the Organisation's presentation currency, in accordance with the Organisation's accounting policy.

20. Hedging reserve

The fair value changes attributable to cash flow hedging instruments are recorded in the hedging reserve, in a separate category of equity, as shown below:

	Interest rate swaps	
	2020	2019
	€	€
At 1 January		
Gross amounts of losses	**(826,028)**	(778,837)
Deferred income tax (Note 24)	**289,110**	272,593
	(536,918)	(506,244)
Movements during the year ended 31 December		
Net losses from changes in fair values	**(202,770)**	(328,402)
Deferred income tax (Note 24)	**70,969**	114,941
	(131,801)	(213,461)
Reclassified to profit or loss as a reclassification adjustment	**252,707**	281,211
Deferred income tax (Note 24)	**(88,447)**	(98,424)
	164,260	182,787
At 31 December		
Gross amounts of losses	**(776,091)**	(826,028)
Deferred income tax (Note 24)	**271,632**	289,110
	(504,459)	(536,918)

The tax impacts relating to this component of other comprehensive income are presented in the above tables.

The net fair value losses as at 31 December 2020 and 2019 on open interest rate swap agreements which hedge anticipated future interest rate fluctuations on borrowings will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to one year from the end of the reporting period.

21. Trade and other payables

	2020	2019
	€	€
Current		
Trade payables	**18,914,545**	26,118,732
Amounts payable in respect of capital expenditure	**2,094,828**	7,813,366
Contract liabilities		
Payments received in advance from customers	**2,097,785**	3,533,773
Gross amounts owed to customers for contract work	**953,558**	1,100,175
Attributable to customer loyalty programme	**383,343**	381,412
Deferred income	**379,443**	493,769
Face value of bonds and interest thereon payable to bond holders	**155,169**	186,555
Amounts owed to associate		-
Amounts owed to other related parties	**904,691**	937,219
Other payables	**1,739,908**	2,004,411
Indirect taxation and social security	**2,999,109**	1,341,842
Deferred Government grants related to assets	**9,321**	892
Accruals	**10,739,866**	11,385,188
	41,371,566	55,297,334
Non-current		
Deferred Government grants related to assets	**25,254**	8,034

Amounts payable to bondholders disclosed in the table above represent amounts relating to the face value of the bonds redeemed in 2016 and interest thereon, unclaimed by the respective bondholders.

Deferred Government grants represent state aid in respect of the green mobility hotel and energy grant schemes. The amount of the liability is reflected in profit or loss on a straight-line basis over the expected lives of the related assets and is presented within 'Other operating income'.

Contract liabilities recognised in revenue during 2020

Revenue recognised in profit or loss during the financial year ended 31 December 2020 that was included in the balances of contract liabilities as at the end of the preceding financial year amounted to €5,852,354 (2019: €4,347,401).

All movements in contract liabilities during the current and preceding financial years related to business variations.

22. Borrowings

	2020 €	2019 €
Current		
Bank overdrafts	**16,557,135**	16,684,294
Bills of exchange factored out to bank	**2,440,748**	2,707,451
Bank loans	**10,509,686**	8,026,851
Loans from associate	**12,490**	1,035,318
Loans from related party	**600,000**	600,000
	30,120,059	29,053,914
Non-current		
Bills of exchange factored out to bank	**2,355,570**	3,998,430
Bank loans	**67,278,705**	63,814,800
	69,634,275	67,813,230
Total borrowings	**99,754,334**	96,867,144

The Organisation's banking facilities as at 31 December 2020 amounted to €135,000,000 (2019: €116,800,000). 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.

These banking facilities include an amount of €1,050,000 (2019: €1,050,000) 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 €7,000,000 (2019: €7,000,000). At 31 December 2020, the total value of outstanding bills, which had been factored out under this facility, amounted to €4,796,318 (2019: €6,709,881). 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.

22. Borrowings - continued

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 interest rate exposure of the bank borrowings of the Organisation is as follows:

	2020	2019
	€	€
Total borrowings:		
At fixed rates	**31,880,316**	33,732,412
At floating rates	**67,261,528**	61,499,414
	99,141,844	95,231,826

Borrowings at floating rates, with a notional amount of €15.5 million (2019: €18.3 million), with interest rates computed using a margin over the three-month Euribor, are hedged through a receive floating, pay fixed interest rate swap agreement (refer to Note 25).

The proceeds from bank borrowings are measured at the amount of net proceeds adjusted for the amortisation of the difference between net proceeds and the face value of the bank borrowings using the effective interest method as follows:

	2020	2019
	€	€
Face value of bank loans	**77,977,523**	72,063,679
Gross amount of bank borrowings issue costs	**(301,543)**	(301,543)
Amortisation of gross amount of bank borrowings issue costs:		
Accumulated amortisation at beginning of year	**79,515**	46,619
Amortisation charge for the current year (Note 33)	**32,896**	32,896
Accumulated amortisation at end of year	**112,411**	79,515
Unamortised bank borrowings issue costs	**(189,132)**	(222,028)
Amortised cost and closing carrying amount of bank loans as at 31 December	**77,788,391**	71,841,651

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

	2020	2019
	%	%
Bank overdrafts	**2.6**	2.5
Bills of exchange factored out to bank	**2.8**	2.8
Bank loans	**2.8**	2.8

22. **Borrowings** - continued

Maturity of Organisation's non-current bank borrowings:

	2020 €	2019 €
Between 1 and 2 years	**14,377,494**	11,476,019
Between 2 and 5 years	**38,384,694**	38,438,521
Over 5 years	**16,872,087**	17,898,690
	69,634,275	67,813,230

The short-term loans from a related party amounting to €600,000 (2019: €600,000) are unsecured, interest free and repayable on demand.

The short-term loans from associate amounting to €12,490 (2019: €1,035,318) are unsecured, interest free and repayable on demand.

23. **Lease liabilities**

The lease liabilities associated with the recognised right-of-use assets are analysed below:

	2020 €	2019 €
Non-current		
Properties	**19,886,236**	21,186,718
Current		
Properties	**1,373,089**	1,345,219
Total lease liabilities	**21,259,325**	22,531,937

The movement in the carrying amount of these liabilities is analysed in the following table:

	2020 €	2019 €
As at 1 January	**22,531,937**	19,505,188
Additions	**562,830**	4,456,790
Payments	**(2,092,591)**	(2,066,198)
Impact of derecognition of lease liabilities upon termination of lease	**(431,736)**	-
Interest charge	**688,885**	636,157
As at 31 December	**21,259,325**	22,531,937

The total cash outflows for leases in 2020 was €2,092,591 (2019: €2,066,198). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December 2020 are analysed in Note 2.1(c). The weighted average incremental borrowing rate applied to the lease liabilities by the Mizzi Organisation entities was consistent with prior years at 3%.

24. Deferred taxation

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2019: 35%), with the exception of deferred taxation on the fair valuation of property which is computed on the basis applicable to property disposals i.e. tax effect of 8% - 10% (2019: 8% - 10%) of the transfer value.

The movement on the deferred tax account is as follows:

	2020	2019
	€	€
At beginning of year	**12,002,748**	12,022,315
Movement in deferred tax liability determined on the basis applicable to property disposals:		
- Investment property and other assets - recognised in profit or loss (Note 34)	**(36,323)**	(17,765)
- Property, plant and equipment and other assets - recognised in other comprehensive income (Note 18)	**(12,520)**	18,540
Deferred income taxes on revaluation surplus on property, plant and equipment arising during the year (Note 18)	**535,298**	-
Deferred income taxes on fair value gains on investment property arising during the year (Note 34)	**769,550**	45,354
Realisation through asset use (Notes 18 and 34)	**(18,248)**	(18,248)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 34)	**298,420**	364,966
Deferred income taxes attributable to unabsorbed capital allowances and tax losses (Note 34)	**(599,172)**	(297,605)
Deferred income taxes attributable to investment tax credits (Note 34)	**3,523**	(98,292)
Deferred income taxes on temporary differences arising on fair valuation of derivative instruments (Note 20)	**17,478**	(16,517)
At end of year	**12,960,754**	12,002,748

All the amounts disclosed in the table above, which have been referenced to Note 34, are recognised in profit or loss. The other amounts, referenced to Notes 18 and 20, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2020	2019
	€	€
Temporary differences arising on fair valuation of property	**13,232,386**	11,994,629
Temporary differences arising on depreciation of property, plant and equipment	**1,341,738**	1,043,318
Temporary differences arising on fair valuation of derivative instruments	**(271,632)**	(289,110)
Unutilised tax credits attributable to unabsorbed capital allowances and tax losses	**(1,246,969)**	(647,797)
Unutilised investment tax credits	**(94,769)**	(98,292)
	12,960,754	12,002,748
Disclosed as follows:		
Deferred tax assets	**(271,632)**	(289,110)
Deferred tax liabilities	**13,232,386**	12,291,858

24. Deferred taxation - continued

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

At 31 December 2020 and 2019, the Organisation had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2020	2019	**2020**	2019
	€	€	**€**	€
Unutilised tax credits arising from:				
Unabsorbed capital allowances	**1,392,596**	2,210,781	**3,472,590**	1,850,849
Unabsorbed tax losses	**64,872**	106,529	**90,180**	-
Unabsorbed capital losses	**117,048**	117,048	**-**	-
Investment tax credits	**12,104,798**	12,529,169	**270,769**	280,835
Deductible temporary differences arising on:				
Depreciation of property, plant and equipment	**366,681**	503,631	**-**	-
Credit loss allowances in respect of trade and other receivables	**12,991,274**	10,750,634	**-**	-
Credit loss allowances on investments in associates and investments at FVOCI	**786,707**	786,707	**-**	-
Fair valuation of derivative instruments	**-**	-	**776,091**	826,029
Taxable temporary differences arising on depreciation of property, plant and equipment	**-**	-	**(3,833,537)**	(2,980,909)

Under the Business Promotion Regulations 2001, an entity forming part of Mizzi Organisation (The General Soft Drinks Company Limited) is entitled to investment tax credits on “qualifying” capital expenditure, the full amount of which would be available for set-off against the undertaking’s tax liability.

The temporary differences arising on credit loss allowances in respect of trade and other receivables include those arising on credit loss allowances in respect of amounts receivable from hire purchase debtors (see Note 12).

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 related 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 have no expiry but may be utilised solely to offset future capital gains.

25. Derivative financial instruments

	Fair value liabilities	
	2020	2019
	€	€
At 31 December		
Interest rate derivative		
- interest-rate swap	**766,091**	826,028

In prior years, Mizzi Organisation Limited entered into receive floating, pay fixed interest rate swap contracts to mitigate the variability of future floating interest payments based on the applicable three-month Euribor rate on the specific borrowings. The fair value movement attributable to the derivative contract during the respective year is recognised in the cash flow hedge reserve (refer to Note 20). Realised gains and losses on the derivative are subsequently transferred to profit or loss and presented within finance costs. The notional amount of the outstanding interest rate swap contracts as at 31 December 2020 is €15.5 million (2019: €18.3 million).

26. Employee benefit obligations

	Post-employment benefits	
	2020	2019
	€	€
Non-current		
Charged to profit or loss:		
- Current service cost	**50,000**	-
- Past service cost	**650,000**	-
At 31 December	**700,000**	-

The Organisation has set up a post-employment scheme in the form of a defined benefit plan. The provision disclosed above represents the present value of post-employment benefits for one or more employees under the category of a defined benefit plan within the scope of IAS 19, '*Employee Benefits*'. Accordingly, the Organisation has measured such obligations using the accounting rules applicable to defined benefit plans. A defined benefit plan defines an amount of benefit that an employee will receive on retirement, which in the case of the Organisation is dependent on an employee's final compensation upon retirement, as well as completed years of service. For the purposes of IAS 19, the current financial year is deemed to be the accounting period in which the introduction of the defined benefit plan occurred.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions during the current financial period are not deemed to be material for the purpose of disclosure.

27. Revenue

The Organisation's revenue, which is entirely derived from the local market, is analysed by category of business as follows:

	2020	2019
	€	€
By category of business		
Sale of motor vehicles, spare parts and provision of ancillary services	**55,298,389**	68,098,874
Bottling of soft drinks, mineral water and sale of other beverages	**37,125,552**	46,123,663
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	**21,744,486**	31,459,512
Activities in the power, heating and ventilation equipment sectors	**17,897,139**	17,091,032
Hotel operations	**2,041,045**	6,917,634
Operating lease rental income:		
- property	**1,866,362**	2,071,367
- motor vehicles	**1,908,687**	1,738,265
Income from hire purchase financing	**1,764,504**	1,603,952
Sale of ground rents and other property developed with a view to sale	**40,000**	143,033
	139,686,164	175,247,332

The Organisation's revenue that is recognised over time amounts to €11,554,841 (2019: €9,876,789) which arises from the activities in the power, heating and ventilation equipment sectors.

Unfulfilled performance obligations, which are the services that the Organisation is obliged to provide to customers during the remaining fixed term contract, as at 31 December 2020, relate to the amounts disclosed under 'contract liabilities' in Note 21 to the financial statements.

28. Expenses by nature

	2020	2019
	€	€
Cost of property sold	**16,938**	-
Cost of goods purchased for resale	**78,633,815**	97,890,044
Raw materials and other consumables used	**10,922,302**	12,581,694
Changes in inventory of manufactured finished goods	**378,846**	89,431
Hotel food and beverage costs	**185,773**	406,715
Hotel operating supplies, services and related expenses	**422,982**	1,089,374
Depreciation of property, plant and equipment (Note 4)		
- owned assets	**6,785,223**	6,471,028
- owned assets (motor vehicles) leased out under operating leases	**1,256,726**	1,120,559
Depreciation of right-of-use assets (Note 5)	**1,941,788**	1,799,418
Amortisation of intangible assets	**21,322**	21,322
Employee benefit expense (Note 29)	**24,573,126**	28,938,580
Marketing, business promotion and related expenses	**3,423,532**	3,301,930
Expense relating to short-term leases	**98,822**	285,727
Expense relating to the use of property	**140,654**	102,515
Expense relating to variable lease payments	**(85,372)**	56,657
Movement in credit loss allowances in respect of the following receivables:		
- hire purchase (included in 'Administrative expenses')	**893,059**	65,004
- trade and other (included in 'Selling and other direct expenses')	**1,079,240**	(19,048)
- trade and other (included in 'Administrative expenses')	**310,950**	210,010
Amounts written off in respect of the following receivables:		
- hire purchase (included in 'Administrative expenses')	**70,397**	8,911
- trade and other (included in 'Administrative expenses')	**75,132**	10,438
Reversal of amounts written off in prior years in respect of trade and other receivables (included in 'Administrative expenses')	**(153,142)**	-
Other expenses	**13,174,564**	15,040,667
Total cost of sales; selling and other direct expenses; and administrative expenses	**144,166,677**	169,470,976

The variable lease payments amounting to a credit of €85,372 (2019: nil) disclosed in the table above are stated net of lease payment concessions amounting to €267,045 (2019: nil). Such concessions represent discounts granted by the company's lessors as a result of the COVID-19 impact. In this respect, the Organisation applied the practical expedient permitted by the IFRS 16 COVID-19-related rent concessions amendment to all its rent concessions, and has presented these rent concessions netted off from the variable lease payments in accordance with the amendment's provisions.

Operating profit is stated after crediting the following:

	2020	2019
	€	€
Exchange differences	**(27,603)**	(18,514)
Profit on disposal of property, plant and equipment	**(411,760)**	(330,135)

29. Employee benefit expense

	2020 €	2019 €
Wages and salaries	**22,165,963**	25,813,441
Social security costs	**1,588,909**	1,705,918
	23,754,872	27,519,359
Post-employment benefits (Note 26)	**700,000**	-
	24,454,872	27,519,359

Further to the amounts disclosed in the table above, the group's personnel related expenses for the year ended 31 December 2020, included subcontracted payroll costs amounting to €118,254 (2019: €1,419,221).

Wages and salaries for 2020 are presented net of payroll grants receivable from Government, under the COVID-19 wage supplement scheme, amounting to €2,134,248 (2019: nil) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expenses.

Average number of persons employed during the year:

	2020	2019
Direct	**781**	866
Administration	**284**	283
	1,065	1,149

30. Other operating income

	2020 €	2019 €
Income which is incidental to the Organisation's key operations, including profit on disposal of specific assets which were surplus to the Organisation's requirements	**2,175,485**	2,404,500
Government grants	**20,110**	892
	2,195,595	2,405,392

31. Investment and other related income

	2020 €	2019 €
Gross dividends receivable from financial assets at FVOCI	**198,459**	83,686
Gross dividends receivable from financial assets at FVPL	**-**	44,000
Other gross dividends receivable	**91,915**	1,387
Net fair value (losses)/gains on financial assets at FVPL	**(1,334)**	53,116
	289,040	182,189

32. Finance income

	2020	2019
	€	€
Bank interest receivable	**49,409**	71,851
Interest receivable from associate	**31,951**	16,832
	81,360	88,683

33. Finance costs

	2020	2019
	€	€
Bank interest and charges	**3,079,589**	3,217,207
Amortisation of difference between initial net proceeds from and face value of bank loans (Note 24)	**32,896**	32,896
Interest charges on lease liabilities	**688,883**	636,157
Other finance costs	**135,383**	177,954
	3,936,751	4,064,214

34. Tax expense

	2020	2019
	€	€
Current taxation:		
Current tax expense	**264,173**	2,315,776
Adjustment recognised in financial period for current tax of prior periods	**(15,304)**	28,960
Deferred taxation (Note 24)	**417,750**	(21,590)
	666,619	2,323,146

34. Tax expense - continued

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

	2020	2019
	€	€
(Loss)/profit before tax	**(6,595,608)**	19,220,340
Tax on (loss)/profit at 35%	**(2,308,463)**	6,727,119
Tax effect of:		
Unrecognised temporary differences and other movements, mainly attributable to property, plant and equipment and credit loss allowances in respect of trade and other receivables	**874,345**	167,026
Incentives in respect of investment tax credits	**(440,745)**	(1,663,491)
Unabsorbed capital allowances claimed during the year	**890,795**	850,874
Unabsorbed tax losses incurred during the year	**3,173**	37,285
Utilisation of unabsorbed tax losses and capital allowances brought forward from previous years	**-**	(76,470)
Income not subject to tax or charged at reduced rates	**(5,279)**	(3,462,566)
Share of results of associates	**(159,637)**	(504,999)
Determination of deferred taxation on fair value gains of investment property and other properties on the basis applicable to property disposals	**(291,034)**	16,234
Maintenance allowance claimed on rented property	**(157,932)**	(178,387)
Application of provisions of tax legislation to sale of property	**(173,187)**	(70,190)
Expenses not deductible for tax purposes	**2,449,887**	451,751
(Over)/under provision of tax in previous years	**(15,304)**	28,960
Tax charge in the accounts	**666,619**	2,323,146

The tax impact relating to components of other comprehensive income is presented in the tables within Notes 18, 19 and 20 to the financial statements.

35. Directors' emoluments

	2020	2019
	€	€
Salaries and other emoluments	**941,681**	1,025,376
Fees	**14,500**	14,500
	956,181	1,039,876

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

36. Dividends

	2020	2019
	€	€
Final dividends paid on ordinary shares:		
Net	**3,000,000**	2,100,000
Dividends per share	**2.82**	1.98

37. Statement of cash flows

Cash generated from operations

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

	2020	2019
	€	€
Operating (loss)/profit	**(3,485,364)**	8,635,286
Adjustments for:		
Depreciation of property, plant and equipment (Note 4)	**8,041,949**	7,591,587
Depreciation of right-of-use assets (Note 5)	**1,941,788**	1,799,416
Amortisation of intangible assets (Note 7)	**21,322**	21,322
Profit on disposal of property, plant and equipment	**(411,760)**	(330,135)
Profit on disposal of assets classified as held for sale	**-**	(143,032)
Net gain on termination of leases	**(49,775)**	-
Other gains from disposal of property	**-**	(773,250)
Movement in credit loss allowances in respect of trade and other receivables	**2,283,249**	255,966
Amounts written off in respect of trade and other receivables	**145,529**	19,349
Reversal of amounts written off in prior years in respect of trade and other receivables	**(153,142)**	-
Net gains from changes in fair value of investment property	**(3,753,532)**	(453,538)
Impairment charges on property, plant and equipment	**4,953,978**	-
Movement in provisions for post-employment benefits	**700,000**	-
Changes in working capital:		
Inventories	**4,173,747**	(3,086,683)
Trade and other receivables	**8,136,322**	(3,280,162)
Trade and other payables	**(8,168,901)**	7,647,030
Cash generated from operations	**14,375,410**	17,903,156

Net debt reconciliation

The principal movements in the Organisation's net debt relate to cash inflows and outflows presented as part of financing activities within the statement of cash flows.

38. Commitments

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 6 and 13) not provided for in these financial statements are as follows:

	2020	2019
	€	€
Authorised but not contracted	**356,000**	1,849,000
Contracted but not provided for	**2,826,000**	6,625,000
	3,182,000	8,474,000

Operating lease commitments – where an undertaking is the lessor

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

	2020	2019
	€	€
Not later than one year	**1,367,574**	1,110,539
Later than one year and not later than five years	**3,612,575**	2,290,938
Later than five years	**1,218,236**	1,621,744
	6,198,385	5,023,221

Entities forming part of the Organisation are party to non-cancellable operating lease arrangements relating to property, entered into on commercial terms. The non-cancellable term of the principal property lease agreements expire within a 4 to 5 years period from the end of the financial reporting period.

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

	2020	2019
	€	€
Not later than one year	**1,647,263**	1,477,038
Later than one year and not later than five years	**3,921,918**	3,684,532
Later than five years	**125,864**	139,759
	5,695,045	5,301,329

An entity's principal business is the leasing out of motor vehicles on commercial terms under operating lease agreements with terms of 5 to 6 years.

39. Contingencies

(a) At 31 December 2020, the Organisation had contingent liabilities amounting to €8,489,331 (2019: €6,128,496) 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 €403,715 (2019: €403,715) 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 €28,541 (2019: €28,541), in respect of which no provision has been made in these accounts.

40. 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, 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.

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 disclosure is not deemed necessary 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 9, 11, 21 and 22 to these combined financial statements.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 35.

41. Events after the reporting period

In late August 2021, an undertaking within the Organisation received a garnishee order for an amount of €1 million on a potential dispute with a third party, relating to importation rights of certain products. The matter is still in its early stages and the Organisation's entity vigorously believes that there is no valid claim and is currently in the process of compiling its reply which will be filed in the short-term.