CONSOLIDATED HOLDINGS LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2021

Company Registration Number: C 1192

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2021.

Principal activities

The group's principal activity is the operation of a hotel and the holding of investments.

The parent company's principal activities, which are unchanged since last year, are that of holding investments in various subsidiary undertakings.

Review of the business

The parent company

During the current financial year the company received gross dividends amounting to €448k from its associate (2020: €1.3 million).

The Group

The Group's results are primarily influenced by the activities of its principal subsidiary The Waterfront Hotel Limited. During 2021, the hotel's revenue increased by nearly 82% over 2020, closing the year with a total revenue of €3,719,934. These positive results were attained following the easing of some of COVID – 19 restrictions in May 2021. The hotel achieved a gross profit of €1,049,843 for 2021 (2020: gross loss of €188,435) whilst administrative costs decreased to €941,472 (2020: €1,119,187). Finance costs decreased primarily due to an accelerated repayment of loans from related party forming part of Mizzi Organisation. After taking into consideration financing costs and tax the hotel ended the current financial year in a net gain of €52,113 (2020: net loss of €745,352).

During 2021, the hotel invested a further €1,213,091 in the construction and completion of a lido facility opposite the hotel, through a consortium with other parties. The facility was opened for the hotel guests and public in general in August of 2021. No other major capital expenditure was undertaken during 2021 and property, plant and equipment decreased principally due to the depreciation for the year. During the year, the hotel utilised €935,580 from existing loan facilities for part payment of the capital expenditure undertaken and also repaid bank loans and loans from related party forming part of Mizzi Organisation, for an aggregate amount of €702,253. Due to the healthy cashflows the hotel did not extend the moratorium it had obtained in 2020 beyond the agreed 1 year.

Outlook for 2022

As already noted above 2021 was once again an exceptional year with all the challenges brought about by the pandemic. With the COVID-19 vaccination roll-out both locally and abroad and with the easing of restriction on travelling by European countries, management foresees that we should experience a good pick up in business for 2022. Business on the books also indicates that there is a healthy level of appetite for people to travel which augurs well for the year.

Management is closely monitoring how the war in Ukraine is evolving from day to day and will continue to take the necessary actions in a timely manner in order to optimise business opportunities and control costs.

Although it is very difficult to predict any outcome for 2022 with certainty, it is estimated that the current levels of business will generate sufficient income to cover both payroll costs and all variable and semi variable costs to close the year once again with a positive bottom line.

In order to achieve this, management is continuously monitoring costs and taking all the necessary measures to reduce both the operational and fixed costs whilst making sure that the company benefits from all schemes issued by the government in assisting the tourism industry.

Directors' report - continued

From a cashflow point of view, the company continued to enjoy a healthy cash flow situation through the pandemic. It is forecasted that this shall remain as such for the rest of 2022 and that the company will not require any financial assistance from the parent company or from any financial institution.

With the pandemic partially behind us, new challenges are being faced by every business both locally and overseas. The unrest in Ukraine, shortage in semiconductors and other parts, shortage of labour supply in all fields, substantial increases in the prices of goods and services, and a material increase in shipping costs are all challenges which Mizzi Organisation and all its subsidiaries must face in 2022.

Notwithstanding these challenges, the different business segments have started the year on a positive note.

The Boards of Directors of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the refinancing made in 2021 and the diversity of the Organisation's business lines, the companies within the Organisation shall overcome the disruptions brought about by the pandemic, which have now been around for over 24 months, whilst monitoring and reacting to the effects of the unrest in Ukraine and Russia. The directors consider the Organisation and all Mizzi Organisation companies to be a going concern. Hence the going concern assumption in the preparation of these financial statements is considered appropriate and there are no material uncertainties which may cast significant doubt about the ability of the Organisation and its companies to continue operating as a going concern.

Financial risk management

In 2021, there has been no change in the Group's and parent company's financial risk management objectives and policies, details of which, together with further information on the Group's and the parent company's risk exposures can be found in Note 2 to the financial statements.

Results and dividends

The consolidated financial results are set out on page 11. The directors do not recommend the payment of a dividend. The directors propose that the balance of retained earnings amounting to €31,542,316 (2020: €31,319,982) for the Group and €24,626,806 (2020: €24,092,913) for the parent company, to be carried forward to the next financial year.

Directors

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

Maurice F. Mizzi
Brian R. Mizzi
Ian Mizzi
Kenneth C. Mizzi
Veronica Mizzi
Angele Calleja
Christopher Mizzi

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

Directors' report - continued

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the Group and the parent company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Consolidated Holdings Limited for the year ended 31 December 2021 are included in the Annual Report and Consolidated Financial Statements 2021, which is published in hard-copy printed form and made available on the Mizzi Organisation website (www.mizziorganisation.com). The directors of the entities constituting the Mizzi Organisation are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Organisation's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

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

30 April 2022

Independent auditor's report

To the Shareholders of Consolidated Holdings Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and Parent Company financial statements (the "financial statements") give a true and fair view of the Group and the Parent Company's financial position of Consolidated Holdings Limited as at 31 December 2021, and of the Group's and the Parent Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Consolidated Holdings Limited 's financial statements, set out on pages 9 to 61, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2021;
- the Consolidated and Parent Company statements of income and comprehensive income for the year then ended;
- the Consolidated and Parent Company statements of changes in equity for the year then ended;
- the Consolidated and Parent Company statements of cash flows for the year then ended; and
- the notes to the 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 Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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.

Other information

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

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

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

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - continued

To the Shareholders of Consolidated Holdings Limited

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 Group's and the Parent 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 Group's or the Parent 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 Group and the Parent company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the group's trade, customers, suppliers and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group 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.

Independent auditor's report - *continued*

To the Shareholders of Consolidated Holdings Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2021* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2021* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 3) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - *continued*

To the Shareholders of Consolidated Holdings Limited

Area of the *Annual Report and Financial Statements 2021* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

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

F Axisa

Fabio Axisa
Partner

30 April 2022

Statements of financial position

		At 31 December			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**20,553,059**	20,236,655	**24,839**	-
Right-of-use assets	5	**26,323**	40,686	**-**	-
Investments in subsidiaries	6	**-**	-	**7,133,992**	7,133,992
Investments in associates	7	**17,429,342**	17,869,751	**2,985,985**	2,985,984
Financial assets at FVOCI	8	**12,057**	12,057	**12,057**	12,057
Loans and advances	9	**713,352**	713,352	**713,352**	713,352
Total non-current assets		**38,734,133**	38,872,501	**10,870,225**	10,845,385
Current assets					
Inventories	10	**110,466**	73,128	**-**	-
Trade and other receivables	11	**16,563,779**	16,139,540	**13,140,846**	12,848,337
Current tax assets		**75,296**	78,252	**262**	3,217
Cash and cash equivalents	12	**2,322,636**	1,733,787	**1,744,609**	1,461,380
Total current assets		**19,072,177**	18,024,707	**14,885,717**	14,312,934
Total assets		**57,806,310**	56,897,208	**25,755,942**	25,158,319

Statements of financial position - continued

		At 31 December			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	13	**746,797**	746,797	**746,797**	746,797
Revaluation reserves	14	**13,858,858**	13,858,193	**-**	-
Other reserves	15	**1,148,286**	1,148,286	**113,592**	113,592
Retained earnings		**31,542,316**	31,319,982	**24,626,806**	24,092,913
Total equity		**47,296,257**	47,073,258	**25,487,195**	24,953,302
Non-current liabilities					
Trade and other payables	19	**8,619**	17,112	-	-
Borrowings	17	**5,847,591**	5,577,047	-	-
Lease liabilities	16	**15,996**	26,606	-	-
Deferred tax liabilities	18	**1,475,750**	1,496,108	-	-
Total non-current liabilities		**7,347,956**	7,116,873	-	-
Current liabilities					
Trade and other payables	19	**2,352,257**	1,862,220	**236,621**	192,527
Borrowings	17	**799,229**	830,324	**32,126**	12,490
Lease liabilities	16	**10,611**	14,533	**-**	-
Total current liabilities		**3,162,097**	2,707,077	**268,747**	205,017
Total liabilities		**10,510,053**	9,823,950	**268,747**	205,017
Total equity and liabilities		**57,806,310**	56,897,208	**25,755,942**	25,158,319

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 61 were authorised for issue by the Board on 30 April 2022 and were signed on its behalf by:

Maurice F. Mizzi
Director

Brian R. Mizzi
Director

Income statements

		Year ended 31 December			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Revenue	20	**3,871,547**	2,054,922	**-**	-
Cost of sales	21	**(2,809,864)**	(2,243,613)	**-**	-
Gross profit		**1,061,683**	(188,691)	**-**	-
Administrative expenses	21	**(976,173)**	(1,131,664)	**(24,008)**	(9,153)
Other operating income		**222,489**	333,225	**114,165**	-
Operating profit/(loss)		**307,999**	(987,130)	**90,157**	(9,153)
Investment and other related income	23	**1,387**	1,387	**447,629**	1,311,124
Finance costs	24	**(173,227)**	(148,834)	**(1,281)**	(500)
Share of profit of associates	7	**69,094**	855,965	**-**	-
Profit/(loss) before tax		**205,253**	(278,612)	**536,505**	1,301,471
Tax income/(expense)	25	**4,281**	376,486	**(2,612)**	(83,056)
Profit for the year		**209,534**	97,874	**533,893**	1,218,415

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year ended 31 December			
		Group		**Company**	
	Note	**2021**	2020	**2021**	2020
		€	€	**€**	€
Profit for the year		**209,534**	97,874	**533,893**	1,218,415
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
Movement in deferred tax liability on revalued land and buildings of subsidiary determined on the basis applicable to property disposals	14	**13,465**	12,033	**-**	-
Other comprehensive income for the year, net of tax		**13,465**	12,033	**-**	-
Total comprehensive income for the year		**222,999**	109,907	**533,893**	1,218,415

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Note	**Share capital** €	**Revaluation reserves** €	**Other reserves** €	**Retained earnings** €	**Total** €
Balance at 1 January 2020		746,797	13,975,275	1,148,286	34,092,993	49,963,351
Comprehensive income						
Profit for the year		-	-	-	97,874	97,874
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	14	-	12,033	-	-	12,033
Depreciation transfer, net of deferred tax	14	-	(12,800)	-	12,800	-
Share of depreciation transfer upon realisation through asset use in respect of revalued land and buildings of an associate	14	-	(116,315)	-	116,315	-
Total other comprehensive income		-	(117,082)	-	129,115	12,033
Total comprehensive income		-	(117,082)	-	226,989	109,907
Transactions with owners						
Dividends for the year	27	-	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2020		746,797	13,858,193	1,148,286	31,319,982	47,073,258
Comprehensive income						
Profit for the year		-	-	-	209,534	209,534
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	14	-	13,465	-	-	13,465
Depreciation transfer, net of deferred tax	14	-	(12,800)		12,800	-
Total other comprehensive income		-	665	-	12,800	13,465
Total comprehensive income		-	665	-	222,334	222,999
Balance at 31 December 2021		**746,797**	**13,858,858**	**1,148,286**	**31,542,316**	**47,296,257**

Statements of changes in equity - continued

Company

	Note	Share capital €	Other reserve €	Retained earnings €	Total €
Balance at 1 January 2020		746,797	113,592	25,874,498	26,734,887
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	1,218,415	1,218,415
Transactions with owners					
Dividends for the year	27	-	-	(3,000,000)	(3,000,000)
Balance at 31 December 2020		746,797	113,592	24,092,913	24,953,302
Comprehensive income					
Profit for the year					
- total comprehensive income		-	-	533,893	533,893
Balance at 31 December 2021		**746,797**	**113,592**	**24,626,806**	**25,487,195**

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from/(used in) operations	28	**1,417,053**	37,635	**(149,439)**	174,249
Dividends received		**511,390**	1,403,998	**447,629**	1,311,124
Interest paid		**(172,580)**	(147,976)	**(1,281)**	(500)
Tax refunded		**344**	3,081	**2,470**	-
Tax paid		**-**	-	**-**	(83,057)
Net cash generated from operating activities		**1,756,207**	1,296,738	**299,379**	1,401,816
Cash flows from investing activities					
Purchase of property, plant and equipment	4	**(1,391,126)**	(772,581)	**(35,785)**	-
Acquisition of investments in associate	7	**(500)**	(500)	**(1)**	-
Net cash used in investing activities		**(1,391,626)**	(773,081)	**(35,786)**	-
Cash flows from financing activities					
Proceeds from bank borrowings	17	**922,059**	467,651	**-**	-
Repayments of bank borrowings		**(482,493)**	-	**-**	-
Proceeds from borrowings from associates	17	**19,636**	-	**19,636**	
Repayments of borrowings from associate	17	**-**	(1,022,828)	**-**	(1,022,828)
Repayments of borrowings from related parties forming part of Mizzi Organisation	17	**(219,753)**	(127,596)	**-**	-
Principal element of lease liabilities	16	**(15,181)**	(16,566)	**-**	-
Dividends paid	27	**-**	(3,000,000)	**-**	(3,000,000)
Net cash generated from/(used in) financing activities		**224,268**	(3,699,339)	**19,636**	(4,022,828)
Net movements in cash and cash equivalents		**588,849**	(3,175,682)	**283,229**	(2,621,012)
Cash and cash equivalents at beginning of year		**1,733,787**	4,909,469	**1,461,380**	4,082,392
Cash and cash equivalents at end of year	12	**2,322,636**	1,733,787	**1,744,609**	1,461,380

The notes on pages 16 to 61 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Consolidated Holdings Limited and its subsidiary. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment, and financial assets measured at fair value through other comprehensive income.

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

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 Mizzi Organisation is constantly monitoring the situation and has assessed its financial projections, including different scenarios in respect of the recovery from the pandemic. In this respect detailed financial and cash flow projections covering all business lines have been prepared. These projections are based on 2022 historical financial information registered to date, and are compiled as part of the preparation of a revised business plan. The projected 2022 financial results for the core businesses within the Organisation were cautiously projected to be somewhat lower when compared to 2019 financial results. The projections also contemplate a stressed case scenario with severe business conditions prevailing throughout 2022 and with a number of years for recovery. These projections demonstrate the resilience of the Organisation, even under stressed business conditions, with a healthy liquidity buffer to withstand sudden shocks.

Even though not yet near 2019 levels, the financial results achieved during 2021 and in the first part of 2022 already demonstrate an overall significant improvement when compared to 2020 levels. The actual results for the year ended 31 December 2021 are significantly better than those forecasted. Business is picking up and business sentiment is improving. Assuming the country remains focused on the manner in which it handles the pandemic, the targets underlying the 3 year recovery envisaged by the Organisation are being attained. The Organisation is also experiencing significant cash generation and considering various investment options. The Organisation's funding requirements are predominantly already in place.

The Boards of Directors of Consolidation Holdings Limited and of the companies constituting the Mizzi Organisation feel confident that with the measures taken, the current and future financing arrangements, the solid capital base 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 two years. 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 components 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 2021

In 2021, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group'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 Group's accounting policies.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the Group's accounting periods beginning after 1 January 2021. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

1.2 **Consolidation**

(a) Subsidiaries

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

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

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

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

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

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

1.2 **Consolidation** - continued

(b) Associates

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

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

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

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

1.3 **Foreign currencies**

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment

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

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

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

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

	%
Buildings	2
Furniture, fittings and equipment	10 - 15
Operational equipment	10 - 15
Office equipment	20 - 33⅓
Motor vehicles	25

Freehold land is not depreciated as it is deemed to have an indefinite life.

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.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

1.5 Intangible assets

Goodwill

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

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

1.6 Financial assets

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

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

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

Measurement
At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. 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 Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group 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.

(b) ***Equity instruments***

The Group 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 Group'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 Group 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 Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables (see Note 3 for further details).

1. Summary of significant accounting policies - continued

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined by the first-in, first-out method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

1.8 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 Group 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.

1.9 Cash and cash equivalents

In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. The bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 Share capital

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

1.11 Financial liabilities

The Group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities are classified as financial liabilities 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 Group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, cancelled or expires.

1.12 Trade and other payables

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

1. Summary of significant accounting policies - continued

1.13 Borrowings

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

1.14 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.

1.15 Current and deferred tax

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.16 Revenue recognition

Revenues include all revenues from the ordinary business activities of the Group. 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.

(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 creates 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 Group 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 the Group 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 from goods and services

The services offered by the Group primarily relate to services within the hospitality activity. Revenue from such services 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.

1. Summary of significant accounting policies - continued

1.16 Revenue recognition - continued

The Group 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. The Group 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 Group 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.

Financing

The Group 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 Group does not adjust any of the transaction prices for the time value of money.

(b) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method.

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

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

1.17 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.

1. Summary of significant accounting policies - continued

1.17 Customer contract assets and liabilities - continued

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).

1.18 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.

The Group 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.

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 Group.

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 Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group, 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.

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

1.18 **Operating leases** - continued

To determine the incremental borrowing rate, the Group:

- 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 Group, 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 Group 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).

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group 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.

1.19 Government grants

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

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

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

1. Summary of significant accounting policies - continued

1.20 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment 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.

1.21 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group's board of directors provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

(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. The Group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro. Accordingly, the Group is not significantly exposed to foreign exchange risk and 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 Group's significant instruments which are subject to fixed interest rates comprise loans and advances to a related party (Note 9). With respect to these instruments, the Group 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 Group's interest rate risk principally arises from bank borrowings and loans from related party forming part of MO (Note 17), and balances with related parties (Note 31), subject to floating interest rates, which expose the Group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The Group's operating cash flows are substantially independent of changes in market interest rates.

(iii) Price risk

The Group is not significantly exposed to equity price risk in view of the fact that the financial assets at FVOCI held by the Group are not material.

(b) Credit risk

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

	Group		**Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans and advances (Note 9)	**713,352**	713,352	**713,352**	713,352
Trade and other receivables (Note 11)	**16,474,418**	15,966,786	**13,139,698**	12,848,337
Cash and cash equivalents (Note 12)	**2,322,636**	1,733,787	**1,744,609**	1,461,380
	19,510,406	18,413,925	**15,597,659**	15,023,069

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

Cash and cash equivalents

The Group principally banks with local 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.

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of services are effected to customers with an appropriate credit history. The Group monitors the performance of its trade and other receivables on a regular basis to identify incurred collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable.

2. Financial risk management - continued

In view of the nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. Whilst no individual customer or group of dependent customers is considered by management as a significant concentration of credit risk with respect to contractual debts, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults.

The Group manages credit limits and exposures actively in a practicable manner such that there are no significant past due amounts receivable from customers at the end of the reporting period. The Group's trade and other receivables, which are not 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 Group 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 Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

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 Group 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 trade receivables for the Group as at 31 December 2021 and 2020 was determined as follows:

31 December 2021	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+121 days past due	Total
Expected loss rate	0-4.8%	0-5.7%	0-6.3%	0-7.8%	9.9%-100%	
Gross carrying amount (€)	155,772	32,895	20,056	2,894	84,460	296,077
Loss allowance (€)	5,843	1,836	860	226	73,804	82,569

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	+121 days past due	Total
Expected loss rate	0-4.8%	0-5.7%	0-6.3%	0-7.8%	9.9%-100%	
Gross carrying amount (€)	29,035	9,615	19,468	4,283	278,783	341,184
Loss allowance (€)	1,337	448	1,219	334	213,633	216,971

2. Financial risk management - continued

As a result of the outbreak of COVID-19, the Group 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 Group has experienced significant shifts in repayment patterns post the COVID-19 outbreak and accordingly a significant deterioration in collection rates was experienced. The Group 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 Group's customers, the repayment pattern actually experienced, and the estimated life of trade receivables, as at 31 December 2020, the Group's changed the level of certain expected credit loss rates from prior years in view of changes in the relative weighting of specific asset categories within the respective buckets. As at 31 December 2021, the group retained the same expected credit loss rates as those applied as at 31 December 2020.

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 420 days or more (2020: 420 days or more).

The Group 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, credit loss allowances in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of credit loss allowances of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group 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 21.

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 Group, 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 administrative expenses under operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Ageing analysis of trade receivables

Categorisation of receivables as past due is determined by the Group 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 2021 and 2020, the Group's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the Group's trade receivables figures.

2. Financial risk management - continued

Amounts owed by related parties

The Group's receivables include amounts due from related parties, primarily from related parties forming part of Mizzi Organisation and other related parties (Note 11) arising from financing transactions that have taken place in the current and prior years. The Mizzi Organization's treasury monitors intra-Group credit exposures at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any significant losses from non-performance or default.

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

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise lease liabilities (Note 16), borrowings (Note 17) and trade and other payables (Note 19). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

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

The tables below analyse the Group's and the parent company's principal financial liabilities into relevant maturity Groupings based on the remaining term at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

2. Financial risk management - continued

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Group					
At 31 December 2021					
Lease liabilities	**11,024**	**16,217**	**-**	**-**	**27,241**
Bank borrowings	**742,446**	**742,446**	**2,227,338**	**3,410,331**	**7,122,561**
Loans from associate	**32,126**	**-**	**-**	**-**	**32,126**
Loans from related party forming part of the Mizzi Organisation	**150,795**	**-**	**-**	**-**	**150,795**
Trade and other payables	**2,444,120**	**-**	**-**	**-**	**2,444,120**
At 31 December 2020					
Lease liabilities	15,180	11,024	16,217	-	42,421
Bank borrowings	603,225	742,446	1,903,479	3,432,739	6,681,889
Loans from associate	12,490	-	-	-	12,490
Loans from related party forming part of the Mizzi Organisation	321,348	57,610	-	-	378,958
Trade and other payables	1,838,498	-	-	-	1,838,498

	Less than 1 year €	Total €
Company		
At 31 December 2021		
Loans from associate	**32,126**	**32,126**
Trade and other payables	**236,621**	**236,621**
At 31 December 2020		
Loans from associate	12,490	12,490
Trade and other payables	192,527	192,527

2. Financial risk management - continued

2.2 Capital risk management

The Group'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 GSD Marketing Limited and The General Soft Drinks Company 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 Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Company may issue new shares or adjust the amount of dividends paid to shareholders.

The Organisation also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the respective consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	2021 **€**	2020 €
Total borrowings	**108,947,257**	99,754,334
Less: cash and cash equivalents	**(28,574,456)**	(9,702,799)
Net debt	**80,372,801**	90,051,535
Total equity	**162,886,016**	156,839,203
Total capital	**243,258,817**	246,890,738
Net debt/total capital	**33%**	36%

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 Consolidated Holdings Limited, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors, taking cognisance of the Organisation's capital management programme.

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 December 2021 and 2020 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of balances with related parties which are 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 Group for similar financial instruments. The fair value of the Group's non-current advances to related parties and 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 2021, comprising lease liabilities, are reasonable estimates of their fair value. 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 required by IFRS 7, '*Financial Instruments: Disclosure*'.

3. Critical accounting estimates and judgements

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

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

As referred to in Note 4 to the financial statements, the Group's land and buildings category of property, plant and equipment are fair valued on the basis of professional advice.

4. Property, plant and equipment

Group

	Land and buildings €	Furniture, fittings and equipment €	Operational equipment €	Motor vehicles €	Assets under construction €	Total €
At 1 January 2020						
Cost or valuation	17,852,242	3,256,177	4,372,804	53,451	343,030	25,877,704
Accumulated depreciation	(2,701,899)	(1,442,997)	(1,132,628)	(51,576)	-	(5,329,100)
Net book amount	15,150,343	1,813,180	3,240,176	1,875	343,030	20,548,604
Year ended 31 December 2020						
Opening net book amount	15,150,343	1,813,180	3,240,176	1,875	343,030	20,548,604
Additions	21,435	95,240	93,073	33,522	420,345	663,615
Reclassifications	-	-	52,211	-	(52,211)	-
Depreciation charge	(210,691)	(326,912)	(427,705)	(10,256)	-	(975,564)
Closing net book amount	14,961,087	1,581,508	2,957,755	25,141	711,164	20,236,655
At 31 December 2020						
Cost or valuation	17,873,677	3,351,417	4,518,088	86,973	711,164	26,541,319
Accumulated depreciation	(2,912,590)	(1,769,909)	(1,560,333)	(61,832)	-	(6,304,664)
Net book amount	14,961,087	1,581,508	2,957,755	25,141	711,164	20,236,655
Year ended 31 December 2021						
Opening net book amount	14,961,087	1,581,508	2,957,755	25,141	711,164	20,236,655
Additions	7,257	16,778	9,249	35,785	1,213,091	1,282,160
Reclassifications	1,713,796	76,551	133,908	-	(1,924,255)	-
Depreciation charge	(225,117)	(287,038)	(434,274)	(19,327)	-	(965,756)
Closing net book amount	**16,457,023**	**1,387,799**	**2,666,638**	**41,599**	**-**	**20,553,059**
At 31 December 2021						
Cost or valuation	19,594,730	3,444,746	4,661,245	122,758	-	27,823,479
Accumulated depreciation	(3,137,707)	(2,056,947)	(1,994,607)	(81,159)	-	(7,270,420)
Net book amount	**16,457,023**	**1,387,799**	**2,666,638**	**41,599**	**-**	**20,553,059**

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

Fair valuation of property

The Group's land and buildings, within property, plant and equipment were last revalued on 31 December 2020 by an independent professionally qualified valuer and no adjustments to the carrying amounts as at 31 December 2020 were deemed necessary. The book value of the property had been adjusted to the revaluation in prior years and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 14). The directors have assessed the fair value of the property at 31 December 2021, and the fair value was deemed to approximate the carrying amount.

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 Group 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).

The Group's land and buildings consists of operational property that is owned and managed by a Group undertaking. 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 Group'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.

V*aluation processes*

The valuation of the property is 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 Group which is derived from the Group undertaking's financial systems and is subject to the entity'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.

4. Property, plant and equipment - continued

The information provided to the valuers/management, together with the assumptions and the valuation models used by the valuers, 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 Group undertaking's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

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 is usually supported by an assessment performed by the 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

At 31 December 2021 and 2020, the valuation assessments were performed using a discounted cash flow approach. Throughout this process, the highest and best use of the property 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:

- 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 hotel, but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of the Group's 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):

Description by class based on highest and best use	Valuation technique	Significant unobservable input	Range of unobservable inputs
	As at December 2021 and 2020		
Current use as commercial premises (hotel operations)	DCF approach	EBITDA	€1,677,000 in 2022 (€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%

In relation to 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.

At 31 December 2021 and 2020, the directors considered the current use of the property to be equivalent to the highest and best use.

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

	2021 **€**	2020 €
Cost	**13,383,341**	12,112,288
Accumulated depreciation	**(2,960,172)**	(2,754,748)
Net book amount	**10,423,169**	9,357,540

Bank borrowings in the name of Group undertakings and related parties forming part of Mizzi Organisation are secured on the Group's land and buildings (see Notes 17 and 30).

4. Property, plant and equipment - continued

Company

	Motor vehicles €	Total €
Year ended 31 December 2021		
Additions	35,785	35,785
Depreciation charge	(10,946)	(10,946)
Closing net book amount	**24,839**	**24,839**
At 31 December 2021		
Cost or valuation	35,785	35,785
Accumulated depreciation	(10,946)	(10,946)
Net book amount	**24,839**	**24,839**

5. Right-of-use assets

The Group's leasing activities

The Group leases motor vehicles from a related party forming part of Mizzi Organisation. Rental contracts are typically made for fixed periods of 5 to 6 years. 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. Leased assets may not be used as security for borrowing purposes.

Extension and termination options are included in the majority of the Group's motor vehicles 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 Group 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.

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

	2021 **€**	2020 €
Motor vehicles	**26,323**	40,686
Total right-of-use assets	**26,323**	40,686

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

	2021 **€**	2020 €
As at 1 January	**40,686**	56,369
Depreciation	**(14,363)**	(15,683)
As at 31 December	**26,323**	40,686

5. Right-of-use assets - continued

The income statement reflects the following amounts relating to leases:

	2021 €	2020 €
Depreciation charge of right-of-use assets		
Motor vehicles	**14,363**	15,683
Interest expense (included in finance costs)	**648**	958

6. Investments in subsidiaries

Company

	2021 €	2020 €
Year ended 31 December		
Opening and closing cost and carrying amount	**7,133,992**	7,133,992

The subsidiaries at the end of the financial reporting periods, whose results and financial position affected the figures of the Group, are shown below:

	Registered office	Class of shares held	Percentage of shares held 2021 %	Percentage of shares held 2020 %
The Waterfront Hotel Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	**100**	100
		5% Non-cumulative redeemable preference shares	**100**	100
Legacy Contractors Limited	24, Crescent Lodge, Triq Sta Marija, Zebbug Malta	Ordinary shares	**100**	100

7. Investments in associates

Group

	2021 €	2020 €
Year ended 31 December		
Opening carrying amount	**17,869,751**	18,415,796
Additions	**500**	500
Share of profit	**69,094**	855,965
Dividends received	**(510,003)**	(1,402,510)
Closing carrying amount	**17,429,342**	17,869,751

7. Investments in associates - continued

	2021	2020
	€	€
At 31 December		
Cost	**652,426**	651,926
Share of profits and reserves	**16,776,916**	17,217,825
Carrying amount	**17,429,342**	17,869,751

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

The associates at the end of the financial reporting periods, whose results and financial position affected the figures of the Group, are shown below:

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2021	2020
			%	%
Mizzi Associated Enterprises Limited	Leisure House 30 Archbishop Street Valletta Malta	Ordinary shares	**51**	51
Mellieha Bay Hotel Limited	Mellieha Bay Hotel Marfa Road, Ghadira Malta	Ordinary shares	**51**	51
AquaLuna Lido Ltd	Number 2, Geraldu Farrugia Street Zebbug Malta	Ordinary 'A' shares	**33**	33
Sliema Creek Lido Limited	Number 2, Geraldu Farrugia Street Zebbug Malta	Ordinary 'A' shares	**33**	-

The proportion of the voting power held in Mizzi Associated Enterprises Limited and Mellieha Bay Hotel 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 company as they are only entitled under the company's Memorandum and Articles of Association to elect two directors each.

The shareholding in AquaLuna Lido Ltd and Sliema Creek Lido Limited is held through The Waterfront Hotel Limited.

The impacts of the additional investments in associates during the current and preceding financial years were not material in the context of the Group's financial position as at 31 December 2021 and 2020 and the results for the year then ended.

7. Investments in associates - continued

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

Mizzi Associated Enterprises Limited's principal activity is the ownership and the development of property for trading and rental purposes. The principal activity of Mellieha Bay Hotel Limited is the ownership and operation of the Mellieha Bay Hotel. The associates' principal places of business are based in Malta.

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

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

Summarised statement of financial position

	Mellieha Bay Hotel Limited	
	2021	2020
	€	€
ASSETS		
Non-current assets	**35,849,573**	35,063,883
Current assets		
Cash and cash equivalents	**233,700**	1,077,452
Other current assets	**375,422**	506,728
Total current assets	**609,122**	1,584,180
Total assets	**36,458,695**	36,648,063
LIABILITIES		
Non-current liabilities		
Other liabilities	**4,050,863**	4,569,838
Current liabilities		
Trade and other payables	**1,359,479**	264,897
Total liabilities	**5,410,342**	4,834,735
Net assets	**31,048,353**	31,813,328

7. Investments in associates - continued

Summarised statement of financial position

	Mizzi Associated Enterprises Limited Consolidated financial statements	
	2021	2020
	€	€
ASSETS		
Non-current assets	**1,943,025**	1,976,325
Current assets		
Cash and cash equivalents	**21,359**	315,954
Other current assets	**176,301**	536,914
Total current assets	**197,660**	852,868
Total assets	**2,140,685**	2,829,193
LIABILITIES		
Current liabilities		
Trade and other payables	**106,664**	441,416
Other liabilities	**12,611**	255,128
Total liabilities	**119,275**	696,544
Net assets	**2,021,410**	2,132,649

The Group's respective share of the net assets reflected in the above tables is in substance equivalent to the carrying amount of its investment in the associates except as outlined below. The Group's share of the net assets of Mizzi Associated Enterprises Limited and Mellieha Bay Hotel Limited extracted from the respective financial statements, does not reflect the Group's carrying amount of the investments in the respective entities. The difference arises as a result of fair value adjustments effected at the time that Mizzi Associated Enterprises Limited acquired Mellieha Bay Hotel Limited in prior years.

There are no significant contingent liabilities relating to the Group's interest in the associates.

7. Investments in associates - continued

Summarised statements of comprehensive income

	Mellieha Bay Hotel Limited	
	2021	2020
	€	€
Revenue	**-**	90,300
Depreciation	**-**	(22,107)
Other expenses	**(354,952)**	(433,327)
Loss for the year - Total comprehensive income	**(354,952)**	(365,134)

	Mizzi Associated Enterprises Limited Consolidated financial statements	
	2021	2020
	€	€
Revenue	**1,204,586**	1,767,280
Depreciation	**-**	(1,498)
Interest expense	**(1,378)**	(1,252)
Profit before tax	**978,049**	1,926,434
Tax expense	**(89,268)**	(280,538)
Total comprehensive income - Profit for the year	**888,781**	1,645,896
Dividends received from associate	**446,242**	1,402,611

The other associates of the group are not deemed material, individually and in aggregate, to the Group as a reporting entity taking cognisance of the Group'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 Group.

Company

	2021	2020
	€	€
Years ended 31 December		
Opening cost and carrying amount	**2,985,984**	2,985,984
Additions	**1**	-
Closing cost and carrying amount	**2,985,985**	2,985,984

8. Financial assets at fair value through other comprehensive income

	Group and Company	
	2021	2020
	€	€
Year ended 31 December		
Opening and closing net book amount	**12,057**	12,057
At 31 December		
Cost	**93,809**	93,809
Provisions for impairment	**(81,752)**	(81,752)
Net book amount	**12,057**	12,057

The Group's and company's financial assets at FVOCI, consisting primarily of unquoted equity instruments, are fair valued annually. Fair value is mainly estimated by reference to the net asset backing of the investee. The fair value of the Group's financial assets at FVOCI at the end of the reporting period was deemed by the directors to approximate their carrying amount.

9. Loans and advances

	Group and Company	
	2021	2020
	€	€
Year ended 31 December		
Opening and closing cost and carrying amount	**713,352**	**713,352**

Loans and advances for the Group and the parent company represented redeemable preference shares issued by a related party forming part of Mizzi Organisation that were allotted to the parent company in preceding financial years and settled through a dividend distribution. These preference shares were redeemable on or before 31 December 2064 at the discretion of the issuer's Board of Directors and subject to dividends at 3.0% per annum on a non-cumulative basis. During the current financial year these preference shares were redeemed (upon a restructuring process of the issuer) and replaced by loans receivable for an equivalent amount and terms. Accordingly, there was no impact in the measurement and classification of this instrument. In the financial statements of the issuer, such redeemable preference shares were always classified as financial liabilities rather than equity, as they meet the necessary criteria for classification as financial liabilities under the requirements of IAS 32 - "*Financial Instruments*: *Presentation"*.

10. Inventories

	Group	
	2021	2020
	€	€
Goods for resale	**35,295**	10,823
Food and beverage	**75,170**	62,305
	110,465	73,128

The cost of inventories recognised as expense is appropriately disclosed in Note 21 to the financial statements.

11. Trade and other receivables

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Current				
Trade receivables	**213,508**	124,213	**-**	-
Amounts owed by related parties forming part of Mizzi Organisation	**16,077,382**	15,796,644	**13,139,698**	12,848,337
Amounts owed by associate	**22,300**	-	**-**	-
Amounts owed by other related parties	**22,345**	13,616	**-**	-
Other receivables	**138,883**	32,313	**-**	-
Indirect taxation	**-**	97,250	**-**	-
Prepayments and accrued income	**89,361**	75,504	**1,148**	-
	16,563,779	16,139,540	**13,140,846**	12,848,337

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

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Trade receivables	**82,569**	216,971	**-**	-

12. Cash and cash equivalents

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

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Cash at bank and in hand	**2,322,636**	1,733,787	**1,744,609**	1,461,380

13. Share capital

	Company 2021 €	Company 2020 €
Authorised		
500,000 ordinary shares of €2.329373 each	**1,164,687**	1,164,687
Issued and fully paid		
320,600 ordinary shares of €2.329373 each	**746,797**	746,797

14. Revaluation reserves

Group

	2021	2020
	€	€
Surplus arising on fair valuation of:		
Land and buildings of subsidiary	**4,379,847**	4,379,182
Land and buildings of associates	**9,479,011**	9,479,011
	13,858,858	13,858,193

The movements in each category are analysed as follows:

	2021	2020
	€	€
Land and buildings of subsidiary		
At beginning of year	**4,379,182**	4,379,949
Transfer upon realisation through asset use	**(19,693)**	(19,693)
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 18)	**13,465**	12,033
Deferred income taxes on realisation through asset use (Note 18)	**6,893**	6,893
At end of year	**4,379,847**	4,379,182

	2021	2020
	€	€
Land and buildings of associates		
At beginning of year	**9,479,011**	9,595,326
Transfer upon realisation through asset use - share of depreciation transfer, net of deferred tax	**-**	(116,315)
At end of year	**9,479,011**	9,479,011

The tax impact included in the revaluation reserves as at 31 December 2021, relates to deferred taxation arising on the surplus on fair valuation of land and buildings of subsidiary for an amount of €1,475,750 (2020: €1,496,108). The movements in the tax impact relating to this component of other comprehensive income during the current and preceding financial years are presented in the respective table above.

The revaluation reserves are non-distributable.

15. Other reserves

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Share of associate's incentives and benefits reserve	**1,034,694**	1,034,694	**-**	-
Capital reserves	**113,592**	113,592	**113,592**	113,592
	1,148,286	1,148,286	**113,592**	113,592

During the current and the preceding financial years there were no movements in the reserves disclosed 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.

16. Lease liabilities

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

	2021	2020
	€	€
Non-current		
Motor vehicles	**15,996**	26,606
Current		
Motor vehicles	**10,611**	14,533
Total lease liabilities	**26,607**	41,139

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

	2021	2020
	€	€
As at 1 January 2020	**41,139**	56,747
Payments	**(15,180)**	(16,566)
Interest charge	**648**	958
	26,607	41,139

The total cash outflows for leases in 2021 was €15,180 (2020: €16,566) which are all attributable to arrangements with a related party forming part of Mizzi Organisation. The contractual undiscounted cash flows attributable to lease liabilities as at 31 December are analysed in Note 2.1(c). The weighted average incremental borrowing rate applied to the lease liabilities by the Group was 3%.

17. Borrowings

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Bank loans	**617,103**	505,474	**-**	-
Loans from related party forming part of Mizzi Organisation	**150,000**	312,360		-
Loans from associate	**32,126**	12,490	**32,126**	12,490
	799,229	830,324	**32,126**	12,490
Non-current				
Bank loans	**5,847,591**	5,519,654	**-**	-
Loans from related party forming part of Mizzi Organisation	**-**	57,393		-
	5,847,591	5,577,047	**-**	-
Total borrowings	**6,646,820**	6,407,371	**32,126**	12,490

Group

The Group's banking facilities as at 31 December 2021 amounted to €8,124,542 (2020: €8,602,272). These facilities are mainly secured by:

(a) General hypothec given by the subsidiary for an amount of €9,343,000 (2020: €9,343,000) over assets, supported by a special hypothec over property for the same amount;
(b) General hypothecary guarantee by a related party forming part of Mizzi Organisation for the amount of €6,243,000 (2020: €6,243,000) over assets; and
(c) Guarantees by a related party forming part of Mizzi Organisation for €3,100,000 (2020: €3,100,000).

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

	2021	2020
Bank loans	**2%**	2%

17. Borrowings - continued

Maturity of the Group's non-current bank borrowings:

	2021	2020
	€	€
Between 1 and 2 years	**629,735**	636,446
Between 2 and 5 years	**1,967,296**	1,658,946
Over 5 years	**3,250,560**	3,224,262
	5,847,591	5,519,654

The loans from related party forming part of Mizzi Organisation are unsecured, subject to weighted average floating interest of 3.15% (2020: 3.15%) per annum and repayable as follows:

	2021	2020
	€	€
Within 1 year	**150,000**	312,360
Between 1 and 2 years	**-**	57,393
	150,000	369,753

The current loans from associate amounting to €32,126 (2020: €12,490) are unsecured, interest free and repayable on demand.

Company

The company's banking facilities as at 31 December 2021 amounted to €23,300 (2020: €23,300). These facilities are mainly secured by guarantees by a related party forming part of Mizzi Organisation.

18. Deferred taxation

Group

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2020: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 10% (2020: 10%) of the transfer value.

18. Deferred taxation - continued

The movement in the deferred tax balance is as follows:

	2021 €	2020 €
At beginning of year	**1,496,108**	1,885,112
Movement in deferred tax liability determined on the basis applicable to property disposals:		
- Property, plant and equipment - recognised in other comprehensive income (Note 14)	**(13,465)**	(12,033)
Realisation through asset use (Note 25)	**(6,893)**	(6,893)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 25)	**(19,902)**	(26,485)
Deferred income taxes attributable to unabsorbed capital allowances and tax losses (Note 25)	**19,902**	(343,593)
At end of year	**1,475,750**	1,496,108

All the amounts disclosed in the table above, which have been referenced to Note 25, are recognised in profit or loss. The other amounts referenced to Note 14, have been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2021 €	2020 €
Temporary differences arising on fair valuation of property	**1,196,225**	1,216,583
Deferred taxation arising on transfer of property from Group undertakings	**279,525**	279,525
Taxable temporary differences arising on depreciation of property, plant and equipment	**323,691**	343,593
Unutilised tax credits attributable to unabsorbed capital allowances	**(323,691)**	(312,030)
Unutilised tax credits attributable to unabsorbed tax losses	**-**	(31,563)
	1,475,750	1,496,108

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

18. Deferred taxation - continued

At 31 December 2021 and 2020, the Group had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2021	2020	**2021**	2020
	€	€	**€**	€
Unutilised tax credits arising from:				
Unabsorbed capital allowances	**215,226**	204,613	**924,832**	891,514
Unabsorbed tax losses	**129,404**	64,872	**-**	90,180
Unabsorbed capital losses	**10,701**	10,701	**-**	-
Deductible temporary differences arising on property, property, plant and equipment	**427**	1,396	**-**	-
Deductible temporary differences arising from credit loss allowances in respect of trade and other receivables	**82,569**	216,971	**-**	-
Deductible temporary differences arising from credit loss allowances in respect of financial assets at FVOCI	**81,752**	81,752	**-**	-
Taxable temporary differences arising on depreciation of property, plant and equipment	**-**	-	**(924,832)**	(981,694)

The unrecognised deferred tax assets at the end of the reporting periods have not been reflected in these financial statements due to the uncertainty of the realisation of the tax benefits. Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade.

Company

At 31 December 2021, the company had unutilised tax credits arising from unabsorbed capital allowances amounting to €200,741 (2020: €200,741). At the end of the reporting period, the company also had deductible temporary differences arising on credit loss allowances in respect of financial assets at FVOCI amounting to €81,752 (2020: €81,752). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade.

19. Trade and other payables

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Trade payables	**501,786**	348,954	**-**	-
Contract liabilities - Payments received in advance from customers	**99,708**	15,293	**-**	-
Payables in respect of capital expenditure	**352,097**	8,726	**-**	-
Amounts owed to related parties forming part of Mizzi Organisation	**1,091,958**	1,191,818	**228,522**	184,460
Amounts owed to other related parties	**19,667**	-	**-**	-
Indirect taxation	**30,843**	-	**-**	-
Deferred government grants related to assets	**8,429**	8,429	**-**	-
Other payables	**6,382**	73,658	**-**	-
Accruals and deferred income	**241,387**	215,342	**8,099**	8,067
	2,352,257	1,862,220	**236,621**	192,527
Non-current				
Deferred government grants related to assets	**8,619**	17,112	**-**	-

Deferred Government grants represent state aid in respect of the green mobility hotel scheme. 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 2021

Revenue recognised in profit or loss during the financial year ended 31 December 2021 that was included in the balances of contract liabilities as at the end of the preceding financial year amounted to €84,415 (2020: nil).

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

20. Revenue

The Group’s revenue, which is entirely derived from hotel operations in the local market.

All of the company’s revenue consists of revenue recognised at a point in time. As at 31 December 2021, the company had no unfulfilled obligations arising from contracts with customers.

21. Expenses by nature

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Employee benefit expense (Note 22)	**985,810**	1,026,843	-	-
Cost of goods purchased for resale	**139,771**	15,702	-	-
Hotel food and beverage costs	**265,249**	185,773	-	-
Hotel operating supplies, services and related expenses	**570,676**	422,982	-	-
Management fees and similar service charges	**161,676**	164,340	-	-
Depreciation of property, plant and equipment (Note 4)	**965,756**	975,564	**10,946**	-
Depreciation of right-of-use assets (Note 5)	**14,363**	15,683	-	-
Other expenses	**682,736**	568,390	**13,062**	9,153
Total cost of sales and administrative expenses	**3,786,037**	3,375,277	**24,008**	9,153

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Movement in credit loss allowances in respect of trade receivables (included in 'Administrative expenses')	**(134,402)**	39,619	**-**	-

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2021 and 2020 relate to the following:

	Group	
	2021	2020
	€	€
Annual statutory audit	**9,550**	9,550
Tax advisory and compliance services	**2,250**	2,250
Other non-audit services	**10,913**	12,683
	22,713	24,483

The auditor's remuneration for the company attributable to the year ended 31 December 2021 amounted to €3,650 (2020: €3,650).

22. Employee benefit expense

	Group 2021 €	Group 2020 €
Wages and salaries	**692,584**	827,609
Outsourced wages and salaries	**212,680**	118,254
Social security costs	**80,546**	80,980
	985,810	1,026,843

Average number of persons employed during the year:

	Group 2021	Group 2020
Direct	**43**	34
Administration	**12**	19
	55	53

The Group's personnel related expenses for the year ended 31 December 2021 included subcontracted payroll costs amounting €212,680 (2020: €118,254) as reflected in the table above.

Wages and salaries for 2021 are presented net of a payroll grant receivable from Government, under the COVID-19 wage supplement scheme, amounting to €373,801 (2020: €355,799) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

23. Investment and other related income

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Gross dividends receivable from investments in associate	**-**	-	**446,242**	1,309,737
Other gross dividends receivable	**1,387**	1,387	**1,387**	1,387
	1,387	1,387	**447,629**	1,311,124

24. Finance costs

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank interest and charges	**164,525**	136,660	**1,281**	500
Interest payable to related party forming part of Mizzi Organisation	**8,054**	11,316	**-**	-
Interest charges on lease liabilities	**648**	958	**-**	-
	173,227	148,934	**1,281**	500

25. Tax (income)/expense

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current taxation:				
Current tax expense	**485**	485	**485**	83,056
Adjustment recognised in financial period for current tax of prior periods	**2,127**	-	**2,127**	-
Deferred taxation (Note 18)	**(6,893)**	(376,971)	**-**	-
	(4,281)	(376,486)	**2,612**	83,056

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit/(loss) before tax	**205,253**	(278,612)	**536,505**	1,301,471
Tax on profit(loss) at 35%	**71,838**	(97,514)	**187,777**	455,515
Tax effect of:				
Movement in temporary differences arising on property, plant and equipment and credit loss allowances in respect of trade and other receivables	**(27,496)**	9,421	**-**	-
Expenses not deductible for tax purposes	**13,623**	7,683	**8,850**	3,378
Income exempt from tax or charged at reduced tax	**(39,957)**	-	**(196,142)**	(375,837)
Share of results of associates	**(24,183)**	(299,588)	**-**	-
Unabsorbed tax losses and capital allowances claimed during the year	**-**	3,512	**-**	-
Utilisation of unabsorbed capital allowances brought forward from previous years	**(233)**	-	**-**	-
Under provision of tax in previous years	**2,127**	-	**2,127**	-
Tax (credit)/charge in the accounts	**(4,281)**	(376,486)	**2,612**	83,056

The tax impact relating to components of other comprehensive income is presented in the tables within Note 14 to the financial statements.

26. Directors' emoluments

	Group	
	2021	2020
	€	€
Salaries and other emoluments	**105,127**	105,127

27. Dividends

	2021 €	2020 €
Final net dividends paid on ordinary shares	-	3,000,000
Dividends per share	-	9.36

28. Cash generated from/(used in) operations

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

	Group		Company	
	2021 €	2020 €	2021 €	2020 €
Operating profit/(loss)	307,999	(987,130)	90,157	(9,153)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	965,756	975,564	10,946	-
Depreciation of right-of-use assets (Note 5)	14,363	15,683	-	-
Movement in credit loss allowances in respect of trade and other receivables	(134,402)	39,619	-	-
Changes in working capital:				
Inventories	(37,337)	33,671	-	-
Trade and other receivables	(289,837)	453,505	(294,636)	183,151
Trade and other payables	590,511	(493,277)	44,094	251
Cash generated from/(used in) operations	1,417,053	37,635	(149,439)	174,249

Net debt reconciliation

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

29. Commitments

Capital commitments

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

	2021	2020
	€	€
Authorised but not contracted for	**54,063**	116,003

30. Contingent liabilities

(a) The company, together with its subsidiary and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of Group undertakings and related parties forming part of Mizzi Organisation up to a limit of €97,276,000 (2020: €91,576,000), together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees for the amount of €76,408,000 (2020: €76,408,000) over the company's assets.

A company's subsidiary, together with related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of Group undertakings and related parties forming part of Mizzi Organisation up to a limit of €53,160,000 (2020: €53,160,000), together with interest and charges thereon. These guarantees are supported by special hypothecary guarantees over the subsidiary's property for the amount of €24,000,000 (2020: €29,000,000).

(b) The company has undertaken to provide financial support to a subsidiary so as to enable the entity to meet its liabilities as they fall due. The subsidiary's profit for the year ended 31 December 2021 amounted to €52,113 (2020: loss of €745,352) and as at 31 December 2020 its current liabilities exceeded its current assets by €979,919 (2020: €998,878).

(c) At 31 December 2021, the subsidiary had contingent liabilities amounting to €2,970 (2020: €5,610) in respect of guarantees issued by the bank on its behalf in favour of third parties in the ordinary course of business.

(d) As at 31 December 2021, a subsidiary had objections filed with the Commissioner of Inland Revenue over assessments raised relating to basis years 1990 and 1993 to 1995 amounting to €2,928, in respect of which no provision has been made in these accounts.

31. Related party transactions

Consolidated Holdings Limited and its subsidiary form part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a Group of companies within the meaning of the 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.

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.

Trading transactions with these related parties would typically include interest charges, management fees, service charges and other such items which are normally encountered in a Group context.

Group

In the ordinary course of their operations, Group undertakings sell services to companies forming part of the Organisation for trading purposes and also purchase goods and services from these companies.

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

Except for transactions disclosed or referred to previously, the following significant operating transactions, which were carried out principally with related parties forming part of Mizzi Organisation, have a material effect on the operating results and financial position of the Group:

	2021	2020
	€	€
Purchases of goods and services		
Purchases of goods held for resale and services	**56,902**	67,408
Purchase of property, plant and equipment	**24,722**	57,703
Wages and salaries	**1,340,347**	1,280,136
Management fees payable	**153,905**	171,654

Upon adoption of IFRS 16, the Group recognised lease liabilities in respect of lease arrangements with related parties (refer to Note 16).

31. Related party transactions - continued

The transactions disclosed above were carried out on commercial terms. Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 11, 17 and 19 to these financial statements. These balances are repayable on demand, unsecured and interest free unless disclosed otherwise in the respective notes.

The Group's expenditure reflected in profit or loss comprises amounts recharged from related parties forming part of Mizzi Organisation of €114,067 (2020: €55,758).

Key management personnel comprise the directors of the company and of the other Group undertaking. Key management personnel compensation, consisting of directors' remuneration as disclosed in Note 26, has been recharged by a related party forming part of Mizzi Organisation.

Amounts owed to related parties as at 31 December 2021 of €121,453 (2020: €121,453) are subject to interest at 3.15% (2020: 3.15%). Interest payable to related parties is disclosed in Note 24.

Company

The company's expenditure reflected in profit or loss comprises amounts recharged from a related party forming part of Mizzi Organisation of €58,107 (2020: €7,804).

32. Statutory information

Consolidated Holdings Limited is a limited liability company and is incorporated in Malta.

33. Events after the reporting period

Uncertainties prevail in respect of the military conflict and the resulting humanitarian crisis in Ukraine. Whilst the Organisation has no direct business interest linkages to Russia and Ukraine, it is monitoring the effect that this conflict may have on the Organisation's business model and distinct business lines. Whilst it is difficult to determine and quantify the potential impacts, the Directors are cognisant of the fact that supply chain issues and higher freight costs, which will directly lead to increases in prices of raw materials, may be experienced in the short term. The medium to longer term is more unpredictable due to the strained political and commercial relationships, particularly in respect of energy related supplies from Russia. The crisis in Ukraine, shortage in semiconductors and other parts, shortage of labour supply in all fields, substantial increase in the price of goods and services, and material increase in shipping costs, are all challenges which the Mizzi Organisation and all its components will experience during 2022. The Organisation has a significant capital base and funding sources in place to withstand these pressures, taking cognisance of the diversification of its major business activities.