

MIZZI ORGANISATION LIMITED

Annual Report and
Consolidated Financial Statements
31 December 2023

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 December 2023.

Principal activities

The Group's principal activities, which are unchanged since last year, are mainly the importation and sale of motor vehicles, together with the servicing and repairs of motor vehicles; motor vehicle financing and leasing; mechanical and electrical contracting, installation and servicing of lifts, air conditioners and related supplies; the management and leasing of a shopping and commercial centre and retailing activities relating to foodstore goods, clothing and similar goods from rented premises; the operation of a food market and other food and beverage outlets in partnership with other restaurant operators. Group undertakings also derive revenues from sale of property and operating lease income from the renting out of owned property. The Group has other minority interests in other different business areas.

The company's principal activities, which are unchanged since last year, are the holding of investments and managing the affairs of the other companies within the Mizzi Organisation.

Review of business

During 2023 the Mizzi Organisation recorded improved results in most areas, with significant growth recorded in all its divisions. 2023 also saw the Arkadia food store in resuming operations in quarter three, as well as the opening of a new food store in Naxxar in quarter two.

The automotive sector experienced significant growth. This was mainly attributable to the increased post-pandemic demand for new cars and the full line-up availability of electric cars and PHEV within the brands we represent.

The Mechanical and Engineering experienced significant growth in both revenue and profitability with the conclusion of some prominent projects. 2023 was particularly a good year for the Commercial, Retail and Lifts sector.

The Group carried on growing its rental income from third parties. The directors also continued pursuing a strategy of disposing of non-core assets in order to mobilise cash and not increase borrowings further for reinvestment.

For the Retail division, apart from the enhancement of the food store business mentioned above, 2023 was a year focusing on the strategy of consolidating the current fashion business and looking into methods of incrementing turnover and improve on efficiency levels.

The Valletta Market enjoyed a record footfall in 2023 heavily affected by the high tourist arrivals resulting in higher revenue. Nonetheless the operation felt the negative impact of inflation including the increase in the cost of human resources.

The other sectors of the Mizzi Organisation which do not form part of the Mizzi Organisation Limited Group are the Beverage (The General Soft Drinks Co Limited and GSD Marketing Limited) and the Hospitality (The Waterfront Hotel Limited) sectors. The Organisation's Beverage sector presented very positive results in 2023 and the normalisation of the tourism industry played a pivotal role in the very positive results of the Group's hospitality sector.

As in previous years, the Board has continued to keep a close eye on all costs incurred by the Group. The credit control function took an important role to ensure an improved debt collection, minimising provisions at the end of the year.

Directors' report - continued

Automotive

With the pandemic and its effects that it had on the automotive sector being over, the main challenge of the automotive division during 2023 was the timely delivery of motor vehicles to its clients. The record demand for vehicles resulted in 2023 revenues exceeding €105.2 million as opposed to €78.3 million in 2022. The complete line-up of electric vehicles also played a pivotal role as the drive towards electrification keeps growing year on year. This increase in sales also had a direct impact on the results of United Acceptances Finance Limited whose improved performance is aligned to the sale of cars by the Group. The Group's credit function also tightened controls over recoverability of amounts due, which saw no major uplifts in provisions for doubtful debts.

The automotive division has maintained its high level of controls from a compliance and money laundering perspective to ensure the continuous alignment with the relative directives.

Mechanical and engineering contracting

During the current financial year, Titan International Limited ('Titan'), the subsidiary primarily dealing in the contracting, sales and servicing of lifts and air conditioners amongst others, registered revenues of €21.8 million which is an increase of 22% over 2022. This resulted in increased gross profit in absolute terms while better gross profit margins were also achieved. Bottom line increased substantially despite the increase in overhead expenses brought about by inflation as well as increased interest rates. During 2023, the credit control function also ensured appropriate monitoring to achieve a timely recovery of receivables.

Although, competition in this field has remained very aggressive, management is satisfied with the progression of its order book. Recruitment of skilled labour remains challenging and the company is having to resort to the difficulties of recruiting from overseas.

Retail

The Arkadia Commercial Centre in Gozo had a full year of operation in 2023, following the re-opening from the refurbishment project in November 2022. Footfall reached a satisfactory increase of 12% from pre-covid levels. As already mentioned, the refurbishment of the Portomaso food store was completed during the second half of the year, while the opening of a new food store in Naxxar took place earlier in the year.

For the food store business, 2023 was a continuation year from 2022, characterised by the strategic direction to refurbish existing food stores. The refurbishment of the Portomaso store and the new food store in Naxxar have enhanced the customer shopping experience, with more fresh 'ready to eat' meal offerings and a diversified product range. It is also good to point out that the food store at 'Is-Suq Tal-Belt' was a high performing store. Furthermore, our strategic partnership with Bolt Market also generated a newer revenue stream for each food store.

The fashion portfolio achieved revenue increases from all the brands. The fashion business sector in 2023 kicked off the strategic process of consolidating all the fashion operation from Arkadia Marketing Limited to another Group company, Mizzi Brothers Limited. This process was completed by the end of 2023 and this changeover also included a technology investment in a new point-of-sale system.

With respect to the 'Suq Tal-Belt' operation, despite the growth in revenue in 2023, losses from this operation are still substantial, and this negative performance required a further impairment of €2 million on the initial investment. Management continues to explore options for the operation of the first floor of this building to generate new streams of revenues and limit losses as much as possible. As noted above the food store at 'Suq Tal-Belt' continued showing positive trends following a number of operational enhancements.

Directors' report - continued

Real estate

During 2023, the Organisation's real estate business, through Mizzi Estates Limited, registered an increase in rental income of 12% from €1.7 million in 2022 to €1.9 million in 2023. This is in line with the strategy of the Board of Directors to decrease the dependency on Group companies and focus on external business.

Part of the revenue increase is attributable to the full-year effect of leasing out of some of the most recently finished projects. During the current financial year, three properties were sold, as part of the divestment plan of non-core properties. No movement in the fair value of property owned by Mizzi Estates Ltd was recorded following the valuation exercises carried out at the end of 2022.

Capital expenditure during the current financial year amounted to circa €1.4 million. A substantial amount of this was used towards the completion of the development of a six-storey residential block in Gzira as well as the payment of retentions on recently finished projects.

Towards the end of the year, the promise of sale of the former GSD factory in Qormi was further extended into 2024, in view of pending relevant permits. Management is confident that the final deed on the disposal of this property should take place towards mid-2024.

Other matters

The Group continued ensuring that all capital expenditure would entail a strong element of energy efficiency. Management continues to invest in high energy efficient refrigeration and HVAC equipment in all its refurbishments.

Management teams across the Organisation have the necessary drive and are taking action through a number of ESG initiatives that will make the Group compare highly with the industry benchmarks and targets.

The companies forming part of Mizzi Organisation have continued to support 'The Spiru Mizzi Foundation', as part of the Corporate Social Responsibility program of the Organisation. The Foundation was set up by the President of Mizzi Organisation, Chev. Maurice Mizzi, in order to support and honour the new generations born and living in Cottonera and the surrounding harbour area. Chev. Mizzi kept on supporting and financing his ideology of increasing education in the Southern part of the Island.

Headcount levels of the Group remain at more than 750 personnel, with Mizzi Organisation Limited and its subsidiaries employing the bulk of the entire Mizzi Organisation's human resources which is in excess of a thousand persons.

Outlook for 2024

In 2024, Mizzi Organisation is expecting to consolidate further the results obtained by the automotive division in 2023. In 2024, the automotive sector will continue working on the site known as the 'Hofra' in Blata l-Bajda. This is a long-term project that will be partly financed by the proceeds from the bond issue.

The engineering division aligns itself to the real estate projects on the island which seem to be at a stable position. Management is satisfied with the order book which can only grow gradually due to the shortage of skilled labour that this sector is facing. The company will continue to invest in promoting its products within the residential sector as well as being on the forefront of participating in tenders that become available to the contracts and lifts section.

The Group's real estate sector kept its positive trends. Following the uptake of two further floors at the new office block in St Julian's in 2023, an additional floor was leased out early in 2024, while it is envisaged that at least a further floor will be rented out during the rest of the year. Management is expected to finalise the sale of the site of the former GSD factory in Qormi by the end of 2024, following an extension to the promise of sale signed in 2022, due to delays in the relevant permits being issued.

Directors' report - continued

Following the refurbishment projects carried out on the Arkadia Commercial Centre in Gozo and the Portomaso food store in 2022 and 2023 respectively, as well as the opening of a new food store in Naxxar in 2023, results in the retail and fashion sectors are expected to improve in 2024. Minor works at Level 3 on the complex in Gozo, including an extension of the level are at their final stage.

The challenge for the Valletta Market in 2024 is to translate the growth in the tourist arrival into better per capita expenditure, while maximising revenue from all areas within the premises. Management will also continue to seek the most cost-effective ways of operating the business despite the challenges it faces.

Management teams across the Mizzi Organisation remain cautious vis-à-vis the inflation experienced over the past 24 months and its effect on the people's spending power. Interest rates are at their highest levels since some years and are expected to remain at similar levels in 2024.

The Boards of Directors of Mizzi Organisation Limited and of the companies constituting the Mizzi Organisation are comfortable with the financial position and performance of each company forming part of the Group. The refinancing exercises effected in prior years have given the Group a fixed exposure when it comes to a significant portion of borrowing costs. This has created a hedge which will last for a number of years, thus limiting the effects of the high interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Limited has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors had adopted an approach of carrying out only essential capital expenditure and post-pandemic, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business model of the companies within the Organisation. 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 2023, there has been no change in the Group's and company's financial risk management objectives and policies, details of which, together with further information on the Group's and the 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 14. The directors do not recommend the payment of a dividend.

The directors propose that the balance of accumulated losses of €1,944,815 (2022: €293,438) for the group and retained earnings amounting to €8,197,881 (2022: €9,927,773) for the parent company to be carried forward to the next financial year.

Directors

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

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

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 Mizzi Organisation Limited for the year ended 31 December 2023 are included in the Annual Report and Consolidated Financial Statements 2023, 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 2024



Independent auditor's report

To the Shareholders of Mizzi Organisation Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The Group financial statements and the Parent Company financial statements (the “financial statements”) of Mizzi Organisation Limited give a true and fair view of the Group and the Parent Company’s financial position as at 31 December 2023, and of their financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (‘IFRSs’) as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Mizzi Organisation Limited’s financial statements, set out on pages 12 to 111, comprise:

- the Consolidated and Parent Company statements of financial position as at 31 December 2023;
- the Consolidated and Parent Company income statement and statements of 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, comprising material accounting policy information 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.



Independent auditor's report - continued

To the Shareholders of Mizzi Organisation Limited

Other information

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

Our opinion on the financial statements does not cover the other information 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 Mizzi Organisation 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, future events or conditions may cause the Group or the Parent Company to cease to continue as a going concern.
- 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 Mizzi Organisation Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2023* 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 2023 and the related Directors' responsibilities	Our responsibilities	Our reporting
<p>Directors' report (on pages 1 to 5)</p> <p>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.</p>	<p>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.</p> <p>We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements.</p> <p>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.</p>	<p>In our opinion:</p> <ul style="list-style-type: none">the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; andthe Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). <p>We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the <i>Other information</i> section.</p>



Independent auditor's report - continued

To the Shareholders of Mizzi Organisation Limited

Area of the <i>Annual Report and Financial Statements 2023</i> and the related Directors' responsibilities	Our responsibilities	Our reporting
	<p>Other matters on which we are required to report by exception</p> <p>We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:</p> <ul style="list-style-type: none">• 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.	<p>We have nothing to report to you in respect of these responsibilities.</p>



Independent auditor's report - continued

To the Shareholders of Mizzi Organisation Limited

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.

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

Fabio Axisa
Principal

For and on behalf of

PricewaterhouseCoopers

78, Mill Street

Zone 5, Central Business District

Qormi

Malta

30 April 2024

Statements of financial position

		At 31 December			
Notes	Group	2022	Company	2022	
	2023	2022	2023	2022	
	€	€	€	€	
ASSETS					
Non-current assets					
Property, plant and equipment	4	64,110,950	62,789,787	371,657	259,983
Right-of-use assets	5	25,427,503	21,043,790	-	-
Investment property	6	108,962,509	107,836,007	5,399,071	5,399,071
Intangible assets	7	537,288	46,610	-	-
Investments in subsidiaries	8	-	-	5,764,534	5,771,621
Investments in associates	9	3,614,048	2,912,174	3,292,927	3,292,927
Financial assets at FVOCI	10	2,935,597	2,996,285	2,935,597	2,996,285
Loans and advances	11	2,729,659	6,537,032	35,422,111	36,377,548
Trade and other receivables	12	15,071,000	14,339,271	-	-
Derivative financial instruments	24	224,292	421,003	224,292	421,003
		223,612,846	218,921,959	53,410,189	54,518,438
Total non-current assets					
Current assets					
Inventories	14	51,272,302	28,626,982	-	-
Loans and advances	11	1,292,501	1,345,202	11,751,328	11,930,995
Trade and other receivables	12	29,582,913	24,872,912	37,091,381	36,887,825
Current tax assets		1,127,394	1,074,597	1,118,746	1,065,882
Cash and cash equivalents	15	5,521,077	13,904,874	163,017	6,669,976
		88,796,187	69,824,567	50,124,472	56,554,678
Total current assets					
		312,409,033	288,746,526	103,534,661	111,073,116
Total assets					

Statements of financial position - continued

		At 31 December			
Notes	Group 2023	2022	Company 2023	2022	
	€	€	€	€	
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	7,140,017	7,140,017	7,140,017	
Revaluation reserves	17	41,707,984	42,377,384	(413,652)	
Fair value gains and other reserves	18	40,741,134	40,687,350	-	
Hedging reserve	19	145,790	273,652	273,652	
(Accumulated losses)/retained earnings		(1,944,815)	(293,438)	8,197,881	
Total equity		87,790,110	90,184,965	15,070,036	
Non-current liabilities					
Trade and other payables	21	295,638	-	-	
Borrowings	22	70,618,817	74,349,879	59,824,497	
Lease liabilities	20	25,299,585	21,114,664	-	
Deferred tax liabilities	23	14,447,655	14,060,948	92,495	
Total non-current liabilities		110,661,695	109,525,491	59,916,992	
Current liabilities					
Trade and other payables	21	79,645,094	62,774,419	17,469,855	
Borrowings	22	31,081,144	24,597,286	11,077,778	
Lease liabilities	20	1,558,342	864,386	-	
Current tax liabilities		1,672,648	799,979	-	
Total current liabilities		113,957,228	89,036,070	28,547,633	
Total liabilities		224,618,923	198,561,561	88,464,625	
Total equity and liabilities		312,409,033	288,746,526	103,534,661	

The notes on pages 21 to 111 are an integral part of these consolidated financial statements.

The financial statements on pages 12 to 111 were authorised for issue by the Board on 30 April 2024 and were signed on its behalf by:


Maurice F. Mizzi
Director


Brian R. Mizzi
Director

Income statements

		Year ended 31 December			
	Notes	Group		Company	
		2023 €	2022 €	2023 €	2022 €
Revenue	25	155,734,131	119,335,991	-	-
Cost of sales	26	(118,557,763)	(90,449,108)	-	-
Gross profit		37,176,368	28,886,883	-	-
Selling and other direct expenses	26	(18,415,120)	(15,556,643)	-	-
Administrative expenses	26	(15,959,398)	(13,115,531)	(2,496,846)	(2,450,445)
Gains from changes in fair value of investment property	6	340,737	6,016,921	-	-
Impairment charges on property, plant and equipment	4	(2,000,000)	-	-	-
Other operating income	28	2,942,599	2,502,918	1,537,494	1,485,018
Operating profit/(loss)		4,085,186	8,734,548	(959,352)	(965,427)
Investment and other related income	29	177,447	102,454	282,280	2,332,333
Finance income	30	260,138	315,695	1,769,611	1,706,181
Finance costs	31	(5,467,461)	(4,064,701)	(3,024,284)	(2,940,359)
Share of profit of associates	9	701,874	304,774	-	-
(Loss)/profit before tax		(242,816)	5,392,770	(1,931,745)	132,728
Tax (expense)/income	32	(1,407,291)	(137,513)	201,853	565,873
(Loss)/profit for the year		(1,650,107)	5,255,257	(1,729,892)	698,601

The notes on pages 21 to 111 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Notes	Year ended 31 December			
		Group		Company	
		2023 €	2022 €	2023 €	2022 €
(Loss)/profit for the year		(1,650,107)	5,255,257	(1,729,892)	698,601
Other comprehensive income:					
<i>Items that will not be reclassified to profit or loss</i>					
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals					
	17	(587,623)	2,873	-	-
Losses from changes in fair value of financial assets at FVOCI					
	17	(60,688)	(328,307)	(60,688)	(328,307)
<i>Items that may be subsequently reclassified to profit or loss</i>					
Currency translation differences reclassified to profit or loss upon liquidation of subsidiary					
	18	31,425	-	-	-
Cash flow hedges, net of deferred tax					
	19	(127,862)	552,107	(127,862)	552,107
Other comprehensive income for the year, net of tax					
		(744,748)	226,673	(188,550)	223,800
Total comprehensive income for the year		(2,394,855)	5,481,930	(1,918,442)	922,401

The notes on pages 21 to 111 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Capital contribution reserve €	Revaluation reserves €	Fair value gains and other reserves €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2022		1,597,018	3,042,999	42,723,907	37,305,533	(278,455)	(2,187,970)	82,203,032
Comprehensive income								
Profit for the year		-	-	-	-	-	5,255,257	5,255,257
Other comprehensive income:								
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	17	-	-	2,873	-	-	-	2,873
Depreciation transfer, net of deferred tax	17	-	-	(21,089)	-	-	21,089	-
Losses from changes in fair value of financial assets at FVOCI	17	-	-	(328,307)	-	-	-	(328,307)
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	18	-	-	-	5,415,230	-	(5,415,230)	-
Transfer of movement in deferred tax liability on fair value gains on investment property determined on the basis applicable to property disposals	18	-	-	-	(22,559)	-	22,559	-
Realised fair value gains on investment property upon disposal, net of deferred tax movements determined on the basis applicable to property disposals	18	-	-	-	(2,010,854)	-	2,010,854	-
Cash flow hedges, net of deferred tax	19	-	-	-	-	552,107	-	552,107
Total other comprehensive income				(346,523)	3,381,817	552,107	(3,360,728)	226,673
Total comprehensive income				(346,523)	3,381,817	552,107	1,894,532	5,481,930
Transactions with owners								
Issue of ordinary shares:								
Conversion of capital contribution reserve	16	3,042,999	(3,042,999)	-	-	-	-	-
Capitalisation of amounts owed to shareholders	16	2,500,000	-	-	-	-	-	2,500,000
Total transactions with owners		5,542,999	(3,042,999)	-	-	-	-	2,500,000
Balance at 31 December 2022		7,140,017	-	42,377,384	40,687,350	273,652	(293,438)	90,184,965

Statements of changes in equity - continued

Group - continued

Notes	Share capital €	Revaluation reserves €	Fair value gains and other reserves €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2023	7,140,017	42,377,384	40,687,350	273,652	(293,438)	90,184,965
Comprehensive income						
Loss for the year	-	-	-	-	(1,650,107)	(1,650,107)
Other comprehensive income:						
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	17	(587,623)	-	-	-	(587,623)
Depreciation transfer, net of deferred tax	17	(21,089)	-	-	21,089	-
Losses from changes in fair value of financial assets at FVOCI	17	(60,688)	-	-	-	(60,688)
Transfer of fair value gains on investment property arising during the year, net of deferred tax movements determined on the basis applicable to property disposals	18	-	306,664	-	(306,664)	-
Transfer of movement in deferred tax liability on fair value gains on investment property determined on the basis applicable to property disposals	18	-	4,902	-	(4,902)	-
Realised fair value gains on investment property upon disposal, net of deferred tax movements determined on the basis applicable to property disposals	18	-	(289,207)	-	289,207	-
Currency translation differences reclassified to profit or loss upon liquidation of subsidiary	18	-	31,425	-	-	31,425
Cash flow hedges, net of deferred tax	19	-	-	(127,862)	-	(127,862)
Total other comprehensive income	-	(669,400)	53,784	(127,862)	(1,270)	(744,748)
Total comprehensive income	-	(669,400)	53,784	(127,862)	(1,651,377)	(2,394,855)
Balance at 31 December 2023	7,140,017	41,707,984	40,741,134	145,790	(1,944,815)	87,790,110

Statements of changes in equity - continued

Company

	Notes	Share capital €	Capital contribution reserve €	Revaluation reserves €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2022		1,597,018	3,042,999	(24,657)	(278,455)	9,229,172	13,566,077
Comprehensive income							
Profit for the year		-	-	-	-	698,601	698,601
Other comprehensive income:							
Losses from changes in fair value of financial assets at FVOCI	17	-	-	(328,307)	-	-	(328,307)
Cash flow hedges, net of deferred tax	19	-	-	-	552,107	-	552,107
Total other comprehensive income		-	-	(328,307)	552,107	-	223,800
Total comprehensive income		-	-	(328,307)	552,107	698,601	922,401
Transactions with owners							
Issue of ordinary shares:							
Conversion of capital contribution reserve	16	3,042,999	(3,042,999)	-	-	-	-
Capitalisation of amounts owed to shareholders	16	2,500,000	-	-	-	-	2,500,000
Total transactions with owners		5,042,999	(3,042,999)	-	-	-	2,500,000
Balance at 31 December 2022		7,140,017	-	(352,964)	273,652	9,927,773	16,988,478

Statements of changes in equity - continued

Company - continued

	Notes	Share capital €	Revaluation reserves €	Hedging reserve €	Retained earnings €	Total €
Balance at 1 January 2023		7,140,017	(352,964)	273,652	9,927,773	16,988,478
Comprehensive income						
Profit for the year		-	-	-	(1,729,892)	(1,729,892)
Other comprehensive income:						
Losses from changes in fair value of financial assets at FVOCI	17	-	(60,688)	-	-	(60,688)
Cash flow hedges, net of deferred tax	19	-	-	(127,862)	-	(127,862)
Total other comprehensive income		-	(60,688)	(127,862)	-	(188,550)
Total comprehensive income		-	(60,688)	(127,862)	(1,729,892)	(1,918,442)
Balance at 31 December 2023		7,140,017	(413,652)	145,790	8,197,881	15,070,036

The notes on pages 21 to 111 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 December			
Notes	Group		Company		
	2023 €	2022 €	2023 €	2022 €	
Cash flows from operating activities					
	34	4,309,210	3,890,379	(414,446)	(4,140,394)
		208,872	376,931	4,289,367	2,332,333
		260,138	315,695	1,769,611	1,706,181
		(4,586,697)	(3,436,976)	(2,991,388)	(2,907,463)
		(719,486)	(180,124)	(52,864)	(50,817)
		(527,963)	965,905	2,600,280	(3,060,160)
Cash flows from investing activities					
		(8,777,270)	(8,667,365)	(234,674)	(16,876)
		1,913,465	1,857,147	-	-
		(2,641,934)	(1,698,647)	-	-
	6	330,000	3,239,073	-	-
	8	-	-	-	(9,999)
	10	-	-	(11,525,000)	(6,256,170)
	10	-	-	4,800,030	11,082,311
	10	943,569	3,216,840	943,569	3,216,843
	10	401,638	66,088	401,638	66,088
	10	(545,103)	(2,259,867)	(545,103)	(2,259,867)
		-	-	-	1,000
		(8,375,635)	(4,246,731)	(6,159,540)	5,823,330
Cash flows from financing activities					
	22	3,764,552	2,134,330	-	-
	22	(8,552,092)	(5,432,106)	(7,044,608)	(6,974,144)
	22	-	-	-	130,000
	22	1,000,000	-	1,000,000	-
	20	(2,129,686)	(1,892,856)	-	-
		(5,917,226)	(5,190,632)	(6,044,608)	(6,844,144)
		(14,820,824)	(8,471,458)	(9,603,868)	(4,080,974)
		(1,848,826)	6,622,632	6,350,299	10,431,273
	15	(16,669,650)	(1,848,826)	(3,253,569)	6,350,299

The notes on pages 21 to 111 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of material accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Mizzi Organisation Limited (formerly known as Mizzi Holdings Limited) and its subsidiaries. These financial statements are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the 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, investment property, financial assets measured at fair value through profit or loss and financial assets measured at fair value through other comprehensive income.

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

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

As at 31 December 2023, the Group's current liabilities exceeded current assets by €16,708,569 (2022: €10,360,056), after excluding non-cash contract liabilities. The parent company directors take cognisance of the related party relationship with other companies forming part of Mizzi Organisation and other related parties and the formal commitment that these companies will not request payments of amounts due to them until alternative financing is available, together with the unutilised portion of the committed bank facilities that the Group can access to meet liquidity needs. On the basis of these considerations, the directors have a reasonable expectation, at the time of approving these financial statements, that the Group has adequate financial resources to continue in operational existence for the foreseeable future and that the Group will continue to manage its net current liability position effectively within the context of a normalised liquidity management stance.

The Boards of Directors of Mizzi Organisation Limited and of the companies constituting the Mizzi Organisation are comfortable with the financial position and performance of each company forming part of the Group. The refinancing exercises effected in prior years have given the Group a fixed exposure when it comes to a significant portion of borrowing costs. This has created a hedge which will last for a number of years, thus limiting the effects of the high interest rate scenario, which is currently being experienced both locally and overseas. Mizzi Organisation has over the years adopted highest levels of financial discipline which adds a layer of comfort on the Group's servicing obligations. Over the years, Mizzi Organisation Limited has taken a treasury role within the Group which helps control and monitor the Group's overall loan exposure. During the pandemic, the directors had adopted an approach of carrying out only essential capital expenditure and post-pandemic, the Board kept on exercising these cautious principles. The directors have also taken cognisance of the solid capital base and the diversity of the Organisation's business model of the companies within the Organisation. 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.

1. Summary of material accounting policies - continued

1.1 Basis of preparation - continued

Standards, interpretations and amendments to published standards effective in 2023

In 2023, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 January 2023. 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 adopted

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 2023. The Group has not early adopted any revisions to the requirements of IFRSs as adopted by the EU and the directors of the Group 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. Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed.

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.

1. Summary of material accounting policies - continued

1.2 Consolidation - continued

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

(b) Associates

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

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

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 Functional and presentation currency

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

1. Summary of material accounting policies - continued

1.3 Foreign currencies - continued

Group companies

The results and financial position of all the subsidiaries that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

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

On consolidation, exchange differences arising from the translation of the net investment in foreign operations, and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

1.4 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 to other comprehensive income and debited against the revaluation reserve; all other decreases are charged to profit or loss. Each year the difference between depreciation based on the revalued carrying amount of the asset (the depreciation charged to profit or loss) and depreciation based on the asset's original cost, net of any related deferred income taxes, is transferred from the revaluation reserve to retained earnings.

1. Summary of material accounting policies - continued

1.4 Property, plant and equipment - continued

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

	%
Buildings	1 - 2
Improvements to premises	2 - 33 $\frac{1}{3}$
Plant, machinery and operational equipment	8 $\frac{1}{3}$ - 33 $\frac{1}{3}$
Furniture, fittings, air conditioning and other equipment	10 - 33 $\frac{1}{3}$
Motor vehicles	10 - 33 $\frac{1}{3}$

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

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

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

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Property, plant and equipment that suffered an impairment is reviewed for possible reversal of the impairment at the end of each reporting period.

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

1.5 Investment property

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

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

1. Summary of material accounting policies - continued

1.5 Investment property – continued

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

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

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

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

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost for subsequent accounting purposes. When the group decides to dispose of an investment property without development, the group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

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

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

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

1. Summary of material accounting policies - continued

1.6 Intangible assets

Franchise and licence rights

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

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

1.7 Financial assets

Classification

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

- those to be measured subsequently at fair value (through other comprehensive income), 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 be recorded in other comprehensive income (OCI). For investments in equity instruments that are not held for trading, the Group is allowed to make 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 financial assets, comprising debt instruments 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 organisation. 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.

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.

1. Summary of material accounting policies - continued

1.7 Financial assets - continued

(a) Debt instruments

Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are subsequently 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.

Accordingly the Group subsequently measures its financial assets comprising of loans and advances, trade and other receivables and cash and cash equivalent at amortised cost.

(b) Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group'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.

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).

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

1.7.1 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. Summary of material accounting policies - continued

1.7 Financial assets - continued

1.7.2 Amounts receivable from hire purchase debtors

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

Amounts receivable from hire purchase debtors are covered by bills of exchange for the face value of the debts financed together with the amount of the hire purchase interest element which would be earned over the entire period of credit. The interest element of the bills of exchange is accounted for as income and as a receivable from hire purchase debtors over the credit period as interest accrues with the passage of time. Acquired receivables are initially recognised at the face value or cost of the hire purchase debts financed. Subsequent to initial recognition, amounts receivable from hire purchase debtors are carried at the face value of the debts financed adjusted for the recognition of hire purchase interest income, less credit loss allowance in respect of these receivables. A provision for impairment of hire purchase receivables is further described in Note 2.

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

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

1.7.3 Cash and cash equivalents

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

1. Summary of material accounting policies - continued

1.8 Inventories

Goods held for resale

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

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

The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

Property held for development and resale

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

1.9 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.

1.10 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, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The 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.

1.10.1 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 material accounting policies - continued

1.10 Financial liabilities - continued

1.10.2 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.

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

1.11 Derivative financial instruments and hedging

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

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

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

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

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

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

1. Summary of material accounting policies - continued

1.11 Derivative financial instruments and hedging - continued

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

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

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

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

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

1.12 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.

1.13 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 the latter 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.

1. Summary of material accounting policies - continued

1.13 Current and deferred tax – continued

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.

1.14 Provisions

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

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

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

1.15 Revenue recognition

Revenues include all sales from the ordinary business activities of the Group. Ordinary activities do not only refer to the core businesses but also to other recurring sales of goods or rendering of services. Revenues are recorded net of value added tax. The Group's business includes various activities as disclosed in Note 26 'Revenue'.

(a) Sale of goods and services

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

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promise 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.

1. Summary of material accounting policies - continued

1.15 Revenue recognition - continued

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before an entity forming part of the 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 of goods - retail

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

Sales from services

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

Revenue from services is generally recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. Revenue 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 material accounting policies - continued

1.15 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.

Customer loyalty programme

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

Property for development and resale

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

1. Summary of material accounting policies - continued

1.15 Revenue recognition - continued

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) Rental income

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

(c) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues using the effective interest method. Bill commission income received upon commencement of a hire purchase agreement is in part refundable to the customer, in case of prepayments, on a proportional basis. Accordingly, these refundable fees are recognised in profit or loss on a straight-line basis over the term of the agreements.

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

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

1.16 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 purposes. The recoverability of contract assets is also assessed, especially to address the risk of impairment should the contract be interrupted.

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

1. Summary of material accounting policies - continued

1.17 Leases

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

A 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.

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, e.g. 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.

1. Summary of material accounting policies – continued

1.17 Leases – continued

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).

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

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

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

A Group undertaking is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases recognised in profit or loss on a straight-line basis over the lease term. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of the new leasing standard.

1.18 Borrowing costs

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

1. Summary of material accounting policies - continued

1.19 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk, cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The parent company's Board of directors provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The Group uses derivative financial instruments to hedge certain interest rate risk exposures.

(a) Market risk

(i) *Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the Group's purchases are denominated in US dollar, Japanese yen and sterling, and accordingly the Group is exposed to foreign exchange risk arising from such purchases. The exposures from financial instruments attributable to such purchases and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the Group's figures.

The Group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, except as outlined above. As outlined previously, management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies to be significant. Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the respective undertakings manage the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices. 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 primarily consist of certain loans and advances (Note 11), amounts receivable from hire purchase debtors (Note 13), lease liabilities (Note 20), bonds issued to the general public (Note 22) and certain bank loans as disclosed in Note 22. The company's fixed interest instruments comprise borrowings from subsidiaries (Note 22). In this respect, the Group and the company are potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

2. Financial risk management - continued

The group's interest rate risk principally arises from bank and other borrowings (Note 22), including bills of exchange factored out to bank, issued at variable rates together with advances to and balances with related parties, subject to floating interest rates, which expose the Group to cash flow interest rate risk. The company is exposed to cash flow interest rate risk in relation to loans and advances to subsidiaries and related parties, subject to variable interest rates. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. In prior years, the parent company entered into cash flow hedging agreements in respect of variability of future floating interest payments on particular bank facilities. As at 31 December 2023, the notional amount of the outstanding interest rate swap contracts was €7.1 million (2022: €9.9 million) – refer to Note 24.

Based on this analysis, considering the extent of net floating rate instruments post hedging, 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, applied to the net floating rate instruments as at 31 December 2023, 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 exposed to equity securities price risk in view of investments held by the Group which have been classified in the statement of financial position as financial assets at FVOCI. The Group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the Group diversifies its portfolio in terms of listing status and business sectors of investees.

A portion of the Group's investments are quoted on the Malta Stock Exchange (refer to Note 10) and are accordingly incorporated in the MSE equity index. The impact of a reasonable possible shift in the MSE equity index on the Group's income statement and revaluation reserve is not deemed significant in the context of the Group's reported figures. The analysis is based on the assumption that the equity indices had increased/decreased by 5% at the end of the reporting period, with all other variables held constant, and that all the equity instruments listed on the Malta Stock Exchange moved according to the historical correlation with the respective index. Another portion of the Group's investments are in unlisted private companies (refer to Note 10), which portion is not deemed to be significant in the context of the group's statement of financial position.

(b) Credit risk

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Financial assets measured at amortised cost:				
Loans and advances (Note 11)	4,022,160	7,882,234	51,173,439	48,308,543
Trade and other receivables (Note 12)	41,777,555	35,853,717	36,976,391	36,735,303
Cash and cash equivalents (Note 15)	5,521,077	13,904,874	163,017	6,669,976
	51,320,792	57,640,825	88,312,847	91,713,822

2. Financial risk management - continued

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Financial assets measured at fair value:				
Derivative instruments	224,292	421,003	224,292	421,003

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

Derivative financial instruments

As noted in Note 2.1(a) the parent company entered into interest rate swap agreements with a local financial institution having a high quality standard or rating. The resultant fair value asset as at 31 December 2023 exposes the group to credit risk but no credit losses are expected with respect to the cash inflows arising from these hedging arrangements taking into account the credit quality of the counterparty. Information about the undiscounted cash inflows is disclosed in Note 2.1(c).

Cash and cash equivalents

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

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

The Group's and the Company's receivables include loans advanced to subsidiaries, related parties forming part of Mizzi Organisation, associates and other related parties (refer to Note 11) and other amounts owed by subsidiaries, related parties forming part of Mizzi Organisation, associates and other related parties (refer to Note 12). The Group monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall 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.

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

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

With respect to loans receivable from and amounts owned by all related parties forming part of the Mizzi Organisation, the Organisation has pledged to manage recovery of these exposures at a central level, also taking into account the financial backing of the ultimate shareholders.

2. Financial risk management - continued

Trade and other receivables (including contract assets)

The Group's debtors comprise trade receivables arising from its core operations and amounts receivable from hire purchase debtors in respect of financing provided by a group undertaking. 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 products, sales of services and financing transactions are effected with customers with an appropriate credit history. The Group monitors the performance of its trade and hire purchase receivables on a regular basis to identify incurred and expected collection losses, which are inherent in the Group's debtors, taking into account historical experience in collection of accounts receivable.

In view of the nature of the Group's activities and the markets in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables, particularly in respect of amounts receivable from hire purchase debtors. Generally, these customers trade frequently with the Group and are deemed by management to have a positive credit standing historically, usually taking cognisance of the performance history without defaults.

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

Impairment of trade receivables (including contract assets)

The 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.

2. Financial risk management - continued

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The 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 2023 and 2022 was determined as follows:

As at 31 December 2023	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+120 days past due	Total
Expected loss rate	0.2% - 1.9%	0.3% - 2.1%	0.4% - 2.5%	0.6% - 25%	1% - 100%	
Gross carrying amount (€)	6,846,562	2,014,987	706,411	857,340	4,051,159	14,476,459
Loss allowance (€)	215,634	25,439	11,766	12,937	1,662,063	1,927,839
As at 31 December 2022	Up to 30 days past due	31 to 60 days past due	61 to 90 days past due	91 to 120 days past due	+120 days past due	Total
Expected loss rate	0.2% - 1.9%	0.3% - 2.1%	0.4% - 2.5%	0.6% - 25%	1% - 100%	
Gross carrying amount (€)	4,620,495	882,206	727,626	344,375	3,894,521	10,469,223
Loss allowance (€)	95,369	15,090	14,424	13,123	1,454,446	1,592,452

The Group engages in routine monitoring of the account activity and repayment patterns of its trade receivables. Customers are segmented based on shared credit risk characteristics predominantly by economic sector, and accordingly receivables pertaining to certain higher risk segments are subjected to more rigorous monitoring. The Group also engages in monitoring information available on macroeconomic factors affecting customer repayment ability, with a view to also assess the respective actual and projected repayment ability of the customers serviced by the Group. The Group determines expected credit loss rates by 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 2023, the Group retained the same expected credit loss rates as those applied as at 31 December 2022.

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

2. Financial risk management - continued

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, provisions for impairment in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The 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 26.

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

As at 31 December 2023, trade receivables of €1,407,568 (2022: €2,098,365) were past due but not credit impaired. Such past due debtors comprise mainly debts allocated to the over 180 days past due. These past due debtors mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due trade debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above.

Categorisation of trade receivables as past due is determined by the 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 2023 and 2022, the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated is not deemed material in the context of the Group's trade receivables figures.

Impairment of hire purchase debtors

An entity within the Group that carries hire purchase debtors assesses on a forward-looking basis the expected credit losses ('ECL') on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition as summarised below:

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

2. Financial risk management - continued

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

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

The entity determines that a receivable is in default (or credit impaired and accordingly Stage 3 for IFRS 9 purposes) by considering relevant objective evidence, primarily whether contractual payments of either principal or interest are past due for more than 180 days (2022: 180 days) for any material credit obligations and there are other indicators that the debtor is unlikely to pay.

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

Explanation of inputs

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

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

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

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

2. Financial risk management - continued

The loss allowance for hire purchase receivables as at 31 December 2023 and 2022 was determined as follows:

As at 31 December 2023	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	5%	22.5%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	22,139,585	5,293,020	6,397,260	33,829,865
Loss allowance (€)	1,017,871	1,190,930	6,397,260	8,606,061

As at 31 December 2022	Stage 1	Stage 2	Stage 3	Total
Probability of default (PD)	5%	22.5%	100%	
Loss given default (LGD)	100%	100%	100%	
Gross carrying amount (EAD) - €	20,568,312	4,488,907	6,367,519	31,424,738
Loss allowance (€)	1,031,782	1,010,004	6,367,519	8,409,305

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

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of hire purchase debtors. The individually credit impaired receivables mainly relate to a number of independent debtors which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Reversals of provisions for impairment of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The 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 26.

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

2. Financial risk management - continued

Ageing analysis of hire purchase debtors

As at 31 December 2023, amounts receivable from hire purchase debtors of €4,102,090 (2022: €3,478,903) were past due but not credit impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Categorisation of hire purchase receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers.

The ageing analysis of these past due but not credit impaired hire purchase receivables is as follows:

	2023 €	2022 €
Up to 3 months	3,269,983	2,795,087
4 to 5 months	832,107	683,816
	4,102,090	3,478,903

(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 20), borrowings (Note 22) and trade and other payables (Note 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

The Group's liquidity risk is actively managed by ensuring that net cash inflows from the Group's trading operations are monitored in relation to cash outflows arising from the Group's borrowings, principally bonds and bank borrowings, covering principal and interest payments as reflected in the table below. The key objective of the Group's liquidity management process is that of channelling a regular stream of net cash flows to fund bond and other borrowing interest and capital repayment obligations, and strengthening the Group's reserves with the residual amounts.

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 also considers the fact that the Group has significant amounts payable to related parties in respect of property and financing transactions that have taken place in the current and prior years. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other intra-organisation financing that it can access. As at 31 December 2023 and 2022, the Group's current liabilities exceeded current assets by €16,708,569 (2022: €10,360,056), after excluding non-cash contract liabilities. The parent company directors have taken cognisance of the related party relationship with other companies forming part of Mizzi Organisation and the formal commitment that these companies will not request payments of amounts due to them until alternative financing is available. The unutilised portion of the Group's committed bank facilities and other financing that the Group can access to meet liquidity needs are considered an important factor as is the assessment of the Group's working capital position. In this respect management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

2. Financial risk management - continued

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

Group	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 December 2023					
Lease liabilities	2,456,882	2,488,465	7,719,994	32,192,862	44,858,203
Bank borrowings	38,861,940	12,812,211	17,862,170	959,714	70,496,035
Bonds issued to the general public	1,642,500	1,642,500	4,927,500	49,927,500	58,140,000
Loan from related parties forming part of Mizzi Organisation	-	-	-	713,353	713,353
Loan from other related party	600,000	-	-	-	600,000
Trade and other payables	69,170,679	-	-	-	69,170,679
At 31 December 2022					
Lease liabilities	1,741,658	1,611,109	5,636,676	31,552,942	40,542,385
Bank borrowings	28,713,776	9,594,590	24,307,224	2,978,967	65,594,557
Bonds issued to the general public	1,642,500	1,642,500	4,927,500	51,570,000	59,782,500
Loan from related parties forming part of Mizzi Organisation	-	-	-	713,353	713,353
Loan from other related party	600,000	-	-	-	600,000
Trade and other payables	52,974,403	-	-	-	52,974,403

2. Financial risk management - continued

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
Company					
At 31 December 2023					
Bank borrowings	7,214,090	7,240,646	7,389,322	-	21,844,058
Loans from subsidiary	2,396,300	1,896,300	5,688,900	49,788,900	59,770,400
Trade and other payables	16,434,274	-	-	-	16,434,274
At 31 December 2022					
Bank borrowings	6,977,189	7,074,822	20,598,611	1,406,419	36,057,041
Loans from subsidiary	2,396,300	1,896,300	5,688,900	51,685,200	61,666,700
Trade and other payables	19,985,376	-	-	-	19,985,376

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

	Less than one year €	Between 1 and 2 years €	Between 2 and 5 years €	Total €
At 31 December 2023				
Interest rate swaps - Inflows	184,026	56,908	15,289	256,223
At 31 December 2022				
Interest rate swaps - Inflows	129,255	217,016	117,685	463,956

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 The General Soft Drinks Company Limited, GSD Marketing Limited and Mizzi EV 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 Group'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 parent company may issue new shares or adjust the amount of dividends paid to shareholders.

2. Financial risk management - continued

The Organisation 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 statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective consolidated statement of financial position, plus net debt. The aggregated figures in respect of the Organisation's equity and borrowings are reflected below:

	2023	2022
	€	€
Total borrowings	105,522,882	105,632,457
Less: cash and cash equivalents	(7,891,663)	(18,087,552)
Net debt	97,631,219	87,544,905
Total equity	182,488,183	179,931,028
Total capital	280,119,402	267,475,933
Net debt/total capital	35%	33%

The Organisation manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of Mizzi Organisation Limited, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the Group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors. The company's equity as disclosed in the stand-alone financial statements is attributable to corporate expenditure incurred to support the overall operations of the Mizzi Organisation and accordingly the stand-alone figures do not reflect the Group's capital management policy.

2.3 Fair values of financial instruments

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

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

2.3.1 Financial instruments carried at fair value

The Group's and the company's interest rate swap agreements (refer to Note 24), are fair valued on the basis of a valuation technique based on discounted cash flows determined by reference to forward interest rates at the end of the reporting period. Accordingly, the derivative financial instruments are categorised as Level 2 instruments since initial recognition.

2. Financial risk management - continued

The fair value of financial assets at FVOCI, consisting of equity securities traded in active markets, is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the group is the current bid price. The fair value of financial assets at FVOCI consisting of equity securities that are not traded in an active market (for instance, investments in unlisted local private companies) is mainly estimated by reference to the net asset backing of the investee and the use of valuation techniques, principally discounted cash flow models. When the group uses valuation techniques, it makes assumptions that are based on market conditions existing at the end of each reporting period. The underlying objective is that valuation techniques used are supported by observable market prices or rates, as much as possible, since their variables would include only data from observable markets. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3.

The Group's financial assets comprising equity securities with a carrying amount of €825,364 (2022: €886,054) are categorised as level 1 instruments since these investments are listed in an active market. These assets have been categorised as level 1 since initial recognition. With respect to investments with a carrying amount of €2,110,233 (2022: €2,110,233) the fair value is determined by reference to level 2 categorisation and is deemed to approximate carrying amounts.

2.3.2 Financial instruments not carried at fair value

At 31 December 2023 and 2022 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of advances to related parties and other balances with related parties which are short-term or repayable on demand is equivalent to their carrying amounts.

The fair value of non-current financial instruments for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's and the company's non-current advances to related parties and the Group's non-current hire purchase receivables fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's and the company's non-current bank borrowings and borrowings from related parties, at the end of the reporting period is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 December 2023, 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. Information on the fair value of the bonds issued to the general public is disclosed in Note 22 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in term of the requirements of IAS 1.

As referred to in Notes 4 and 6 to the financial statements, the Group's land and buildings category of property, plant and equipment and investment property are fair valued on the basis of professional advice.

4. Property, plant and equipment

Group

	Land and buildings and improvements to premises €	Furniture, fittings, and office equipment €	Plant, machinery and operational equipment €	Motor vehicles €	Assets in the course of construction €	Total €
At 1 January 2022						
Cost or valuation	82,659,920	19,242,283	14,206,371	15,964,049	145,187	132,217,810
Accumulated depreciation and impairment losses	(19,839,575)	(14,936,439)	(10,508,417)	(9,518,601)	-	(54,803,032)
Net book amount	62,820,345	4,305,844	3,697,954	6,445,448	145,187	77,414,778
Year ended 31 December 2022						
Opening net book amount	62,820,345	4,305,844	3,697,954	6,445,448	145,187	77,414,778
Additions	422,321	1,785,326	206,414	2,780,476	6,177,844	11,372,381
Reclassifications	6,014,130	308,901	-	-	(6,323,031)	-
Transfer to investment property	(20,723,499)	-	-	-	-	(20,723,499)
Disposals	(65,407)	(1,098,327)	(799,899)	(2,138,477)	-	(4,102,110)
Depreciation charge	(684,893)	(965,930)	(466,952)	(1,645,296)	-	(3,763,071)
Depreciation released on disposals	10,466	969,299	659,919	951,624	-	2,591,308
Closing net book amount	47,793,463	5,305,113	3,297,436	6,393,775	-	62,789,787
At 31 December 2022						
Cost or valuation	68,307,465	20,238,183	13,612,886	16,606,048	-	118,764,582
Accumulated depreciation and impairment losses	(20,514,002)	(14,933,070)	(10,315,450)	(10,212,273)	-	(55,974,795)
Net book amount	47,793,463	5,305,113	3,297,436	6,393,775	-	62,789,787

4. Property, plant and equipment - continued

Group

	Land and buildings and improvements to premises €	Furniture, fittings, and office equipment €	Plant, machinery and operational equipment €	Motor vehicles €	Total €
Year ended 31 December 2023					
Opening net book amount	47,793,463	5,305,113	3,297,436	6,393,775	62,789,787
Additions	113,492	3,256,473	284,581	5,107,537	8,762,083
Disposals	-	(696,657)	(432,936)	(3,012,959)	(4,142,552)
Impairment charges – recognised in profit or loss	(2,000,000)	-	-	-	(2,000,000)
Depreciation charge	(662,855)	(1,123,945)	(537,121)	(1,830,713)	(4,154,634)
Depreciation released on disposals	-	682,023	398,456	1,775,787	2,856,266
Closing net book amount	45,244,100	7,423,007	3,010,416	8,433,427	64,110,950
At 31 December 2023					
Cost or valuation	68,420,957	22,797,999	13,464,531	18,700,626	123,384,113
Accumulated depreciation and impairment losses	(23,176,857)	(15,374,992)	(10,454,115)	(10,267,199)	(59,273,163)
Net book amount	45,244,100	7,423,007	3,010,416	8,433,427	64,110,950

4. Property, plant and equipment - continued

Fair valuation of property

The principal elements of the Group's land and buildings, within property, plant and equipment, were last revalued in preceding financial years by independent professionally qualified valuers. The book value of these properties had been adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, had been credited to the revaluation reserve in shareholders' equity (Note 17). These 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, within property, plant and equipment, consists of operational premises that are owned and managed by group undertakings. The Group's investment property comprises property that is held for long-term rental yields or for capital appreciation or both, and that is not occupied by group undertakings (refer to Note 6). All the recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The 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 and in Note 6 for investment property.

Property classified within property, plant and equipment having a carrying amount of €700,000 (2022: €710,000) and other property classified within investment property with a carrying amount of €14,000,000 (2022: €13,300,000) for the group and €5,400,000 (2022: €5,400,000) for the company, have not been revalued since acquisition or initial recognition. The directors have assessed the fair values of these properties at 31 December 2023 and 2022, which fair value was deemed to fairly approximate its carrying amount.

4. Property, plant and equipment - continued

Structural and ancillary integral improvements to a particular property in Valletta are categorised within the land, buildings and improvements to premises category in property, plant and equipment. During the current financial year, the carrying amount of these improvements has been impaired by a further €2,000,000 (2022: nil), which was recognised in profit or loss. Such impairment, similarly to the other impairment charges recognised in prior years, is attributable to reductions in the carrying amount of the said improvements so as to reflect the recoverable amount of the related assets. The recoverable amount of the assets was determined by reference to their value in use on the basis of discounted cash flows emanating from operations attributable to these assets. The principal assumptions used in the discounted cash flows were a negative EBITDA of €492,000 in 2023 which increases to a positive EBITDA of €156,000 by 2024 and to €378,000 by 2029. The free cash flows were discounted at a rate ranging from 8.4% and 10.3% after also considering working capital movements and capital expenditure. This property in Valletta is subject to a 65 year emphyteutical grant entered into in 2016. Management's assessment was based on a series of initiatives that the directors are contemplating to enhance the business operations in the forthcoming years but in the context of the current operational set up. Should the property be operated in a different way from its present use, with a different mode of operation, the recoverable amount of the property could give rise to a higher value. The recoverable amount might also be higher in the event of a disposal transaction, taking cognisance of the property's potential, but this is not supported by sufficient observable evidence and has not yet been sufficiently tested in the market. As at 31 December 2023 the carrying amount of the said structural and integral improvements amounted to €0.4 million (2022: €2.5 million), whilst the carrying amount of other operational equipment and fittings within the same property amounted to €3.9 million (2022: €4.3 million).

Valuation processes

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

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

The information provided to the valuers utilised by management, together with the assumptions and the valuation models used by the valuers/management, are reviewed by designated officers within the Mizzi Organisation. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report assessment is appropriate, the report is recommended to the Board of directors. The Board then considers the 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 or assessment. This analysis is usually supported by an assessment performed by the third party property valuers or management depending on the complexity of the property being valued. The officers report to the Board on the outcome of this assessment, which might indicate the requirement of a valuation report by third party valuers.

4. Property, plant and equipment - continued

Valuation techniques

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

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

- Adjusted sales comparison approach: a sales price per square metre related to transactions in comparable properties located in proximity to the respective property, with significant adjustments for differences in the size, age, exact location and condition of the property. The term airspace is a conceptual unit representing a packet of three-dimensional accessible, usable and developable space. The concept of sales price factor per airspace or square metre is the value expected to be fetched on the open market and represents the present value of the property after deduction of all development, refurbishment and related costs.
- Yield methodology: an annual rent rate per square metre (also related to comparable properties or transactions and adjusted as described above) together with a market capitalisation rate utilised for capitalisation of rental income streams. Where applicable, costs to completion (determined by reference to cost per square metre), which must be incurred for the property to generate the envisaged rental income streams, are also taken into account.
- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the property, but prior to depreciation and financing charges;
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Growth rate	based on management's estimated average growth of EBITDA levels, mainly determined by projected growth in income streams;
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4. Property, plant and equipment - continued

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.

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2023 for the Group's entire property portfolio

Description by class based on highest and best use	Fair value at 31 December 2023 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	510	Adjusted sales comparison approach	Sales price per square metre (€)	700 - 2,000 (1,670)
	32,230	Yield methodology	Annual rent per square metre (€)	31 – 320 (190)
			Capitalisation rate (%)	6.5 - 9.0 (6.8)
	21,200	DCF approach	EBITDA Growth rate Discount rate Perpetuity yield	€1,700,000 3% per annum 9% (post tax) 7%
Redevelopment into residential/commercial premises	27,450	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 - 1,630 (1,470)
			Residential: sales price factor per square metre (€)	560 - 1,220 (770)
			Commercial: sales price factor per square metre (€)	540 - 1,550 (1,270)
Marketed for residential use	11,100	Adjusted sales comparison approach	Sales price per residential unit (€)	155,000 – 335,000 (236,000)
Development for commercial use	3,800	Adjusted sales comparison approach	Sales price per square metre (€)	1,100 – 3,600 (2,000)

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2023 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Developable land for residential/commercial use	15,900	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	450
			Sales price per car parking space (€)	22,000
Extended commercial premises	17,550	Yield methodology	Annual rent per square metre (€)	110 - 1,200 (900)
			Capitalisation rate (%)	7.5
	10,150	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	300
			Commercial: sales price factor per square metre (€)	660

4. Property, plant and equipment - continued

Information about fair value measurements using significant unobservable inputs (Level 3) as at 31 December 2022 for the Group's entire property portfolio

Description by class based on highest and best use	Fair value at 31 December 2022 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Current use as commercial premises	520	Adjusted sales comparison approach	Sales price per square metre (€)	700 - 2,000 (1,670)
	32,940	Yield methodology	Annual rent per square metre (€)	31 – 320 (190)
			Capitalisation rate (%)	6.5 - 9.0 (6.8)
	20,700	DCF approach	EBITDA Growth rate Discount rate Perpetuity yield	€1,700,000 3% per annum 9% (post tax) 7%
Redevelopment into residential/commercial premises	27,490	Adjusted sales comparison approach	Residential: airspace sales price per square metre (€)	150 - 1,630 (1,470)
			Residential: sales price factor per square metre (€)	560 - 1,220 (770)
			Commercial: sales price factor per square metre (€)	540 - 1,550 (1,270)
Marketed for residential use	11,100	Adjusted sales comparison approach	Sales price per residential unit (€)	155,000 – 335,000 (236,000)
Development for commercial use	3,800	Adjusted sales comparison approach	Sales price per square metre (€)	1,100 – 3,600 (2,000)

4. Property, plant and equipment - continued

Description by class based on highest and best use	Fair value at 31 December 2022 €000	Valuation technique	Significant unobservable input	Range of unobservable inputs (weighted average)
Developable land for residential/commercial use	15,900	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	800
			Commercial: sales price factor per square metre (€)	450
			Sales price per car parking space (€)	22,000
Extended commercial premises	17,730	Yield methodology	Annual rent per square metre (€)	110 - 1,200 (900)
			Capitalisation rate (%)	7.5
	10,150	Adjusted sales comparison approach	Residential: sales price factor per square metre (€)	300
			Commercial: sales price factor per square metre (€)	660

4. Property, plant and equipment - continued

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

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

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

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

The Group's land and buildings within property, plant and equipment are primarily classified in the following categories reflected within the tables above:

	2023	2022
	€000	€000
Class as presented in tables above		
Current use as commercial premises	13,330	13,510
Redevelopment into residential/commercial premises	2,930	2,970
Extended commercial premises	27,700	27,880
	43,960	44,360

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

	2023	2022
	€	€
Cost	22,938,256	22,824,764
Accumulated depreciation and impairment losses	(18,159,548)	(15,529,137)
Net book amount	4,778,708	7,295,627

Bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the Group's land and buildings - refer to Notes 22 and 36(a).

Other disclosures

The transfer from property, plant and equipment to investment property during the preceding financial year related to the change in use of a specific property with its business model impacted by the respective entity management's decision to utilise the asset principally for the purpose of deriving rentals from its operations, as evidenced by commencement of operating lease arrangements.

4. Property, plant and equipment - continued

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

	At 31 December 2023 €	At 31 December 2022 €	At 1 January 2023 €
Cost	11,373,036	10,891,200	10,943,390
Accumulated depreciation	(6,308,176)	(6,420,017)	(5,884,323)
Net book amount	5,064,860	4,471,183	5,059,067

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

	2023 €	2022 €
Year ended 31 December		
Opening net book amount	4,471,183	5,059,067
Additions	2,271,683	1,115,452
Disposals	(1,789,847)	(1,167,641)
Depreciation charge	(1,116,303)	(1,114,628)
Depreciation released on disposals	1,228,144	578,933
Closing net book amount	5,064,860	4,471,183

4. Property, plant and equipment - continued

Company	Furniture, fittings and office equipment €	Motor vehicles €	Total €
At 1 January 2022			
Cost	1,777,012	681,702	2,458,714
Accumulated depreciation	(1,442,337)	(654,841)	(2,097,178)
Net book amount	334,675	26,861	361,536
Year ended 31 December 2022			
Opening net book amount	334,675	26,861	361,536
Additions	16,876	-	16,876
Disposals	(24,989)	(100,225)	(125,214)
Depreciation charge	(91,568)	(26,861)	(118,429)
Depreciation released on disposals	24,989	100,225	125,214
Closing net book amount	259,983	-	259,983
At 31 December 2022			
Cost	1,768,899	581,477	2,350,376
Accumulated depreciation	(1,508,916)	(581,477)	(2,090,393)
Net book amount	259,983	-	259,983
Year ended 31 December 2023			
Opening net book amount	259,983	-	259,983
Additions	35,490	199,184	234,674
Disposals	-	(127,500)	(127,500)
Depreciation charge	(73,204)	(49,796)	(123,000)
Depreciation released on disposals	-	127,500	127,500
Closing net book amount	222,269	149,388	371,657
At 31 December 2023			
Cost	1,804,389	653,161	2,457,550
Accumulated depreciation	(1,582,120)	(503,773)	(2,085,893)
Net book amount	222,269	149,388	371,657

5. Right-of-use assets

The Group's leasing activities

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

5. Right-of-use assets – continued

The Group's leasing activities

Extension and termination options are included in the majority of the Group's property leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In respect of the principal 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:

	2023	2022
	€	€
Properties - Total right-of-use assets	25,427,503	21,043,790

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

	2023	2022
	€	€
As at 1 January	21,043,790	16,063,087
Additions	6,231,108	2,207,484
Impacts of lease modifications	-	4,321,577
Depreciation	(1,847,395)	(1,548,358)
As at 31 December	25,427,503	21,043,790

The impacts of lease modifications reflected during 2022 relate to the extension in the lease term for two property leases, together with a change in the respective lease payments, which factors were not part of the original terms and conditions of the original lease contracts. These modifications gave rise to an increase in right-of-use assets and lease liabilities for an equivalent amount of €4,321,577. With respect to the impacts of lease modification reflected during the preceding financial year, the group had renegotiated the lease arrangement in relation to another property which gave rise to the derecognition of portions of the right-of-use assets and the related lease liabilities, with net impact in profit or loss that was not considered significant.

Amounts recognised in profit or loss

The income statement reflects the following amount relating to leases:

	2023	2022
	€	€
<i>Depreciation charge of right-of-use assets</i>		
- Properties	1,847,395	1,548,358
<i>Interest expense (included in finance costs)</i>	777,455	527,036

Other amounts recognised in profit or loss are disclosed in Note 26.

6. Investment property

Group	2023 €	2022 €
Year ended 31 December		
Opening carrying amount	107,836,007	83,235,179
Transfer from property plant and equipment	-	20,723,499
Additions resulting from subsequent expenditure	1,115,765	1,099,481
Gains from changes in fair value (Note 18)	340,737	6,016,921
Disposals	(330,000)	(3,239,073)
	108,962,509	107,836,007
At 31 December		
Cost	48,492,101	47,405,376
Fair value gains	60,470,408	60,430,631
	108,962,509	107,836,007

The transfer from property, plant and equipment to investment property during the preceding financial year related to the change in use of a specific property with its business model impacted by the respective entity management's decision to utilise the asset principally for the purpose of deriving rentals from its operations, as evidenced by commencement of operating lease arrangements.

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

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

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

	2023 €	2022 €
Cost	48,492,101	47,405,376
Accumulated depreciation	(5,577,557)	(4,695,945)
	42,914,544	42,709,431

6. Investment property - continued

As at 31 December 2023, bank borrowings in the name of group undertakings and related parties forming part of Mizzi Organisation are secured on the Group's investment property with a fair value of €71,486,000 (2022: €71,486,000) - refer to Notes 22 and 36(a).

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

	At 31 December 2023 €	At 31 December 2022 €	At 1 January 2022 €
Cost	7,290,495	7,289,979	7,276,092
Fair value gains	7,791,691	7,791,691	7,206,499
Carrying amount	15,082,186	15,081,670	14,482,591

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

	2023 €	2022 €
Year ended 31 December		
Opening carrying amount	15,081,670	14,482,591
Additions resulting from subsequent expenditure	516	16,216
Gains from changes in fair value	-	585,192
Disposals	-	(2,329)
Closing carrying amount	15,082,186	15,081,670

Company

	2023 €	2022 €
Years ended 31 December		
Opening and closing cost and carrying amount	5,399,071	5,399,071

If the investment property was stated on the historical cost basis the amounts at the end of the reporting period would be as disclosed in the table above. These properties have not been revalued since initial recognition. The directors have assessed the fair value at the end of the financial reporting period, which fair value was determined to fairly approximate the carrying amount.

7. Intangible assets

Group	Franchise and licence rights	
	2023	2022
	€	€
At 1 January		
Cost	219,547	219,547
Accumulated amortisation	(172,937)	(151,615)
Net book amount	46,610	67,932
Year ended 31 December		
Opening net book amount	46,610	67,932
Additions	500,000	-
Amortisation charge	(9,322)	(21,322)
Closing net book amount	537,288	46,610
At 31 December		
Cost	719,547	219,547
Accumulated amortisation	(182,259)	(172,937)
Net book amount	537,288	46,610

Additions during the year consist of the consideration payable for the acquisition of a franchise right within the automotive business segment of the Organisation to represent a specific automotive international brand in Malta through importation and sale of motor vehicles and spare parts, as well as servicing. Amortisation of this intangible asset will commence as from the forthcoming financial year when the main activities and sales relating to the franchise will initiate.

8. Investments in subsidiaries

	Company	
	2023	2022
	€	€
Year ended 31 December		
Opening carrying amount	5,771,621	5,762,622
Additions	-	9,999
Capital contribution arising from loans to subsidiary which have been waived	4,000,000	-
Impairment charges	(4,000,000)	-
Disposals	-	(1,000)
Derecognition of carrying amount upon dissolution of subsidiary:		
- impact on cost	(384,926)	-
- impact on provisions for impairment	377,839	-
	5,764,534	5,771,621
At 31 December		
Cost	16,576,807	12,961,733
Provisions for impairment	(10,812,273)	(7,190,112)
	5,764,534	5,771,621

During the current financial year, loans to subsidiary for an amount of €4,000,000 were waived by the parent company and converted to capital contribution in Arkadia Marketing Limited. Such investment was subsequently impaired and written down to nil in view of the net liability position of the respective entity.

Furthermore, during the current financial year the parent company derecognised the carrying amount of an overseas subsidiary upon dissolution. Impairment losses with respect to this investment were recognised in prior years. Accordingly, the impacts of this derecognition on the current year's consolidated and stand-alone financial results and financial position of Mizzi Organisation Limited are insignificant.

Additions during the preceding year consisted of the investment in share capital of Arkadia Retail Limited, which was a newly incorporated entity. Disposals during 2022 represented a reduction in the shareholding in Mizzi Electric Auto Ltd, which holding was transferred to a related party forming part of Mizzi Organisation. As at 31 December 2022 Mizzi Organisation Limited has retained de facto control over the said entity taking cognisance of the rights to appoint all the members of the Board and of the actual composition of the Board of Mizzi Electric Auto Ltd. The impact of the non-controlling interest in Mizzi Electric Auto Ltd on the Group's financial results and financial position is deemed to be insignificant. The effects of the changes referred to above on the consolidated and stand-alone financial results and financial position of Mizzi Organisation Limited are also insignificant.

The subsidiaries at 31 December 2023 and 2022, whose results and financial position affected the figures of the Group, are shown below:

8. Investments in subsidiaries - continued

(a) Held directly by Mizzi Organisation Limited

	Registered office	Class of shares held	Percentage of shares held	
			2023 %	2022 %
Mizzi Brothers Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Muscats Motors Limited	Muscats Garage Rue D' Argens Gzira Malta	Ordinary shares	100	100
Mizzi Estates Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Mizzi Organisation Finance p.l.c.	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Industrial Motors Limited	Antonio Bosio Street Msida Malta	Ordinary shares	100	100
United Acceptances Finance Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
St. Paul's Court Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Titan International Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Continental Cars Limited	Continental Garage Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100

8. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held	
			2023 %	2022 %
Nissan Motor Sales Limited	Industrial House National Road Blata I-Bajda Malta	Ordinary shares	100	100
Arkadia Marketing Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares 5% Non-cumulative redeemable preference shares	100 100	100 100
Arkadia Foodstores Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Mizzi Lease Limited	Mizzi Lease Rue D'Argens Gzira Malta	Ordinary shares	100	100
Hubbalit Developments Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Continental Cars (Imports) Limited	Continental Garage Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Mizzi Motors Limited	200, Rue D'Argens Gzira Malta	Ordinary shares	100	100
Mizzi Electric Auto Ltd.	203, BMW Building Rue D'Argens Gzira Malta	Ordinary 'A' shares	40	40

The latter entity is consolidated in these financial statements because it is deemed that Mizzi Organisation Limited has de facto control over the said entity taking cognisance of the rights to appoint all the members of the Board and of the actual composition of its Board.

	Registered office	Class of shares held	Percentage of shares held	
			2023 %	2022 %
Arkadia Retail Ltd	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100

8. Investments in subsidiaries - continued

(b) Held through Nissan Motor Sales Limited, Continental Cars Limited and Muscats Motors Limited, in equal proportions of 33¹/₃% each:

	Registered office	Class of shares held	Percentage of shares held	
			2023 %	2022 %
All About Car Parts Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100
Mizzi Automotive Services Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	100	100

9. Investments in associates

Group

	2023 €	2022 €
Year ended 31 December		
Opening carrying amount	2,912,174	2,881,877
Share of profits	701,874	304,774
Dividends received	-	(274,477)
Closing carrying amount	3,614,048	2,912,174
	2023 €	2022 €
At 31 December		
Cost	3,372,808	3,372,808
Provisions for impairment	(10,000)	(10,000)
Share of profits and reserves	251,240	(450,634)
Carrying amount	3,614,048	2,912,174

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

9. Investments in associates - continued

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	
			2023 %	2022 %
Aqubix Limited	10, Oratory Street, Naxxar Malta	Ordinary shares	50	50
Primax Limited	Mizzi Organisation Corporate Office Testaferrata Street Ta' Xbiex Malta	Ordinary shares	50	50
Institute of English Language Studies Limited	IELS Matthew Pulis Street, Sliema Malta	Ordinary shares	50	50
The Players Group Limited	8/1, Magazines Junction Floriana Malta	Ordinary 'B' shares	25	25
Finopz Limited	111, Park Street, Mayfair London W1K 7JF United Kingdom	Ordinary shares	50	50
St. Julians Maritime Finance Limited	3201, Portomaso Portomaso Avenue Portomaso Complex St. Julians STJ 4011 Malta	Ordinary shares	25	25

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

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

Institute of English Language Studies Limited's ("IELS") principal activity is the provision of English language courses to foreign students and other related activities; whilst The Players Group Limited's ("TPG") principal activity is the holding of an investment in Maltco Lotteries Limited, which is currently non-operating. St Julian's Maritime Finance Ltd ("SJMF") is an independent and licensed European yacht leasing company, managed by experienced staff and supported by strong local and international shareholders, banks, and business partners. Aqubix is an IT consultancy and experienced solution for offering a flexible approach in business analysis and technical architecture. Finopz is a company based in London, set up to focus on automating operations within the financial sector. All the associates' principal place of business is based in Malta, except for Finopz.

9. Investments in associates - continued

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

Summarised balance sheets

	IELS		TPG	
	2023	2022	2023	2022
	€	€	€	€
ASSETS				
Non-current assets	5,386,902	5,499,512	960,000	2,292,103
Current assets				
Cash and cash equivalents	229,682	260,051	9,488	11,917
Other current assets	289,454	251,181	-	-
Total current assets	519,136	511,232	9,488	11,917
Total assets	5,906,038	6,010,744	969,488	2,304,020
LIABILITIES				
Non-current liabilities				
Financial liabilities	546,827	1,095,978	960,000	2,292,103
Total non-current liabilities	546,827	1,095,978	960,000	2,292,103
Current liabilities				
Trade and other payables	951,260	1,080,179	3,124	3,124
Other financial liabilities	934,367	980,773	-	-
Total current liabilities	1,885,627	2,060,952	3,124	3,124
Total liabilities	2,432,454	3,156,930	963,124	2,295,227
Net assets	3,473,584	2,853,814	6,364	8,793

9. Investments in associates - continued

Summarised balance sheets

	Aqubix		Finopz	
	2023	2022	2023	2022
	€	€	€	€
ASSETS				
Non-current assets	665,586	684,228	3,479,598	3,482,488
Current assets				
Cash and cash equivalents	136,064	221,359	506,129	356,443
Other current assets	466,169	460,712	347,389	284,723
Total current assets	602,233	682,071	853,518	641,166
Total assets	1,267,819	1,366,299	4,333,116	4,123,654
LIABILITIES				
Non-current liabilities				
Financial liabilities	378,044	322,598	-	-
Total non-current liabilities	378,044	322,598	-	-
Current liabilities				
Trade and other payables	335,389	177,705	144,932	194,715
Other financial liabilities	184,758	302,097	-	-
Total current liabilities	520,147	479,802	144,932	194,715
Total liabilities	898,191	802,400	144,932	194,715
Net assets	369,628	563,899	4,188,184	3,928,939

9. Investments in associates - continued

Summarised balance sheets

	SJMF	
	2023	2022
	€	€
ASSETS		
Non-current assets	24,079,449	11,220,330
Current assets		
Cash and cash equivalents	179,681	645,434
Other current assets	4,823,747	4,989,043
Total current assets	5,003,428	5,634,477
Total assets	29,082,877	16,854,807
LIABILITIES		
Non-current liabilities		
Financial liabilities	22,498,876	10,753,718
Total non-current liabilities	22,498,876	10,753,718
Current liabilities		
Trade and other payables	255,837	97,743
Other financial liabilities	3,443,140	3,531,855
Total current liabilities	3,698,977	3,629,598
Total liabilities	26,197,853	14,383,316
Net assets	2,885,024	2,471,491

The Group's respective share of the net assets reflected in the above tables in respect of Institute of English Language Studies Limited, The Players Group Limited and St. Julian's Maritime Finance Limited is in substance equivalent to the carrying amount of its investment in the associates. The Group's share of the net assets of Aquibix Limited and Finopz Limited extracted from the respective financial statements, does not reflect the Group's carrying amount of these investments in the respective entities. The difference is principally attributable to the transfer of intellectual property at its fair value between these entities giving rise to value shifting, together with recognised goodwill.

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

The financial statements of Institute of English Language Studies Limited used in applying the equity method are attributable to the financial year ended 31 October 2023, which year end is different from that of the reporting entity. The statutory financial year end for Institute of English Language Studies Limited is 31 October and accordingly the financial information made available to shareholders relates to the financial year ended 31 October 2023.

9. Investments in associates - continued

Summarised statements of comprehensive income

	IELS		TPG	
	2023	2022	2023	2022
	€	€	€	€
Revenue	4,455,950	3,088,511	-	-
Depreciation	(270,499)	(288,626)	-	-
Interest expense	(18,212)	(26,591)	-	-
Profit/(loss) before tax	619,770	516,225	(2,429)	1,686,129
Tax expense	-	-	-	(591,182)
Profit/(loss) for the year - total comprehensive income	619,770	516,225	(2,429)	1,094,947
Dividends received from associate	-	-	-	274,477

	Aqubix		Finopz	
	2023	2022	2023	2022
	€	€	€	€
Revenue	2,293,522	733,091	1,528,949	1,788,036
Depreciation	(127,168)	-	(221,967)	(201,714)
Interest expense	(22,401)	(31,585)	(750)	(336)
Profit/(loss) before tax	108,561	(39,363)	(68,871)	(24,224)
Tax expense	-	-	-	(15,472)
Profit/(loss) for the year - total comprehensive income	108,561	(39,363)	(68,871)	(39,696)

9. Investments in associates - continued

	SJMF	
	2023	2022
	€	€
Revenue	2,113,546	2,227,345
Depreciation	-	(117,397)
Interest expense	(1,298)	(25,995)
Profit for the year		
- total comprehensive income	363,533	516,948

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

Company

	2023	2022
	€	€
Year ended 31 December		
Opening and closing carrying amounts	3,292,927	3,292,927
	2023	2022
	€	€
At 31 December		
Cost	3,302,927	3,302,927
Provisions for impairment	(10,000)	(10,000)
Carrying amount	3,292,927	3,292,927

10. Financial assets at fair value through other comprehensive income

Equity investments

	Group and Company	
	2023	2022
	€	€
Opening carrying amount	2,996,285	3,324,592
Net losses from changes in fair value (Note 17)	(60,688)	(242,751)
Additional provisions for impairment (Note 17)	-	(85,556)
	2,935,597	2,996,285
At 31 December		
Cost	3,982,183	3,982,183
Fair value losses	(230,613)	(169,925)
Provisions for impairment	(815,973)	(815,973)
Carrying amount	2,935,597	2,996,285

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

	2023	2022
	€	€
Plaza Centres p.l.c.	825,364	886,052
BNF Bank p.l.c.	1,750,000	1,750,000
Manoel Island Yacht Yard Limited	360,000	360,000
Other equity investments	233	233
	2,935,597	2,996,285

The Group's and Company's equity investments consist of:

	Group and Company	
	2023	2022
	€	€
Investments listed on the Malta Stock Exchange	825,364	886,052
Investment in local unlisted credit institution	1,750,000	1,750,000
Other investments in unlisted local private companies	360,233	360,233
	2,935,597	2,996,285

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

The Group's and Company's investments, consisting of equity instruments, are fair valued annually. For investments traded on the Malta Stock Exchange, fair value is determined by reference to quoted market prices. For other unlisted investments, fair value is mainly estimated by reference to the net asset backing of the investee and the use of valuation techniques, principally discounted cash flow models. The cost of these principal other unlisted investments approximates fair value and no movements have been recognised in equity. In prior years, impairment losses had been recognised in respect of certain investments in unlisted companies which were in unexpected adverse trading and operating conditions. During the preceding year, the carrying amount of one such investment has been written down to nil in view of deterioration in its financial results and financial performance. Impairment charges in respect of this investment had also been reflected during the previous financial year.

11. Loans and advances

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Non-current				
Loans to subsidiaries	-	-	32,692,452	29,507,489
Loans to related parties forming part of				
Mizzi Organisation	2,499,250	3,477,616	2,499,250	3,477,616
Loans to associates	230,409	544,549	230,409	877,576
Loans to other related party	-	2,514,867	-	2,514,867
	2,729,659	6,537,032	35,422,111	36,377,548
Current				
Loans to subsidiaries	-	-	10,458,827	10,918,820
Loans to related parties forming part of				
Mizzi Organisation	978,361	943,564	978,361	943,564
Loans to associates	314,140	401,638	314,140	68,611
	1,292,501	1,345,202	11,751,328	11,930,995

The Group's and the Company's loans to related parties forming part of Mizzi Organisation are unsecured, subject to variable interest rates with a weighted average interest rate of 4.3% (2022: 3.21%) effective as at 31 December 2023, and repayable as follows:

	2023	2022
	€	€
Within 1 year	978,361	943,564
Between 1 and 2 years	1,014,986	978,362
Between 2 and 5 years	1,484,264	2,461,673
Over 5 years	-	37,581
	3,477,611	4,421,180

11. Loans and advances - continued

The loans to associates represent advances that the Group and the company made by way of shareholder's loans. The purpose of these advances is to fund the respective associate's financial commitments in respect of specific business ventures. These loans are unsecured, subject to a fixed interest rate of 3.75% (2022: 3.75%) and repayable as follows:

	2023	2022
	€	€
Within 1 year	314,140	401,638
Between 1 and 2 years	73,946	314,140
Between 2 and 5 years	156,463	230,409
	544,549	946,187

During the current financial year, loans to subsidiary for an amount of €4,000,000 were waived by the parent company and converted to capital contribution in Arkadia Marketing Limited (refer to Note 8).

The company's loans to subsidiaries are unsecured, subject to variable interest rates with a weighted average interest rate of 3.5% (2022: 3.25%) effective as at 31 December 2023, and repayable as follows:

	2023	2022
	€	€
Within 1 year	10,458,827	10,918,820
Between 1 and 2 years	3,904,643	3,375,841
Between 2 and 5 years	12,597,464	8,944,583
Over 5 years	16,190,345	17,187,065
	43,151,279	40,426,309

As at 31 December 2022, non-current loans to other related party were unsecured, repayable at the discretion of the borrower and subject to floating interest rates linked to Euribor. During the current financial year, such loans and advances increased by a further €545,133 to a total of €3,060,000, and thereafter were assigned to a related party forming part of Mizzi Organisation and were offset against amounts owed by the transferee to the same related party – refer to Note 21.

12. Trade and other receivables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current				
Trade receivables	9,657,800	7,100,387	-	-
Amounts receivable from hire purchase debtors (Note 13)	10,152,805	8,676,162	-	-
Contract assets				
Gross amounts due from customers for contract work	2,890,820	1,776,384	-	-
Amounts owed by subsidiaries	-	-	35,914,708	35,850,842
Amounts owed by related parties forming part of Mizzi Organisation	2,566,657	3,057,914	811,452	778,569
Amounts owed by associates	471,049	382,650	176,022	33,774
Amounts owed by other related parties	215,572	207,386	74,209	72,118
Advance payments to suppliers	306,112	277,663	-	-
Other receivables	751,852	313,563	-	-
Indirect taxation	1,585,266	1,558,279	-	-
Prepayments	984,980	1,522,524	114,990	152,522
	29,582,913	24,872,912	37,091,381	36,887,825
Non-current				
Amounts receivable from hire purchase debtors (Note 13)	15,071,000	14,339,271	-	-

12. Trade and other receivables - continued

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Trade receivables	1,874,170	1,534,205	-	-
Gross amounts due from customers for contract work	51,566	56,144	-	-
Amounts owed by subsidiaries	-	-	520,861	520,861
Other receivables	2,103	2,103	2,103	2,103
	1,927,839	1,592,452	522,964	522,964

Credit loss allowances in respect of amounts receivable from hire purchase debtors are disclosed separately in Note 13.

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

The aggregate amount of costs incurred and recognised profits (less recognised losses) to date for contracts in progress at the end of the reporting period amounts to €7,371,038 (2022: €6,170,247). Gross amounts due from and to customers in respect of these contracts are disclosed in the table above and in Note 21 respectively.

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

13. Amounts receivable from hire purchase debtors

	2023	2022
	€	€
Current		
Debtors on whom bills of exchange were drawn	17,660,253	16,086,147
Credit loss allowances	(7,507,449)	(7,409,985)
	10,152,804	8,676,162
Non-current		
Debtors on whom bills of exchange were drawn	16,169,612	15,338,591
Credit loss allowances	(1,098,612)	(999,320)
	15,071,000	14,339,271
Total amounts receivable from hire purchase debtors	25,223,804	23,015,433

13. Amounts receivable from hire purchase debtors - continued

Amounts receivable from hire purchase debtors relate to trade receivables arising from the sale of goods and services by the Group, which are acquired and financed by United Acceptances Finance Limited, an entity within the Group. These receivables are transferred to the company upon origination, once hire purchase terms are granted, at their face value with no right of recourse whatsoever. Accordingly credit loss allowances in respect of amounts receivable from hire purchase debtors, disclosed in the table above, are recognised in profit or loss.

During the current financial year, a group undertaking has financed receivables with a face value amounting to €16,326,783 (2022: €16,751,429). Amounts receivable from hire purchase debtors are subject to an effective interest rate of 5.5% (2022: 5.5%).

Receivables covered by bills of exchange factored out to bank with an option to repurchase them as they fall due are not derecognised from the group's statement of financial position. The amounts advanced under this facility are treated as collateralised borrowings (disclosed as distinct liabilities) amounting to the face value of the bills factored out (Note 22). Receivables covered by bills of exchange factored out to banks without an option to repurchase them as they fall due are derecognised by the group. The entity would retain credit risk in these receivables through the bank's right of recourse which would be limited to 15% of the value of the bills factored in the preceding six months. During the current and preceding financial years, no receivables have been factored out in the latter manner.

14. Inventories

	2023	2022
	€	€
Property being developed with a view to sale	417,545	423,433
<hr/>		
Goods held for resale		
Motor vehicles, spare parts and related supplies	33,030,249	14,494,046
Other goods purchased for resale	8,828,151	7,646,986
Goods in transit	6,628,814	4,669,493
Contract and other work in progress	549,712	881,744
Payments on account in respect of motor vehicles and spare parts	1,817,831	511,280
	50,854,757	28,203,549
<hr/>		
Total inventories	51,272,302	28,626,982
<hr/>		

The cost of inventories recognised as expense is appropriately disclosed in Note 26 to the financial statements. During the year ended 31 December 2023, net inventory write-downs amounted to €574,044 (2022: €509,681). These amounts have been included in 'Cost of sales' in profit or loss.

15. Cash and cash equivalents

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cash at bank and in hand	5,521,077	13,904,874	163,017	6,669,976
Bank overdrafts (Note 22)	(19,813,720)	(14,319,284)	(3,416,586)	(319,677)
Bills of exchange factored out to bank (Note 22)	(2,377,007)	(1,434,416)	-	-
	(16,669,650)	(1,848,826)	(3,253,569)	6,350,299

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

16. Share capital and Capital contribution reserve

Share capital

	Group and Company	
	2023	2022
	€	€
Authorised		
12,000,000 (2022: 12,000,000) ordinary shares of €1 each	12,000,000	12,000,000
Issued and fully paid		
7,140,017 (2022: 7,140,017) ordinary shares of €1 each	7,140,017	7,140,017

Changes in share capital and capital contribution reserve during the preceding financial year are described below:

Redenomination of share capital

By virtue of an extraordinary resolution dated 28 December 2022, the shareholders resolved that the nominal value of the parent company's ordinary shares is to be redenominated from a nominal value of €2.329373 per share to a nominal value of €1 per share.

Increase in share capital

Subsequently, on the same date i.e. 28 December 2022, the shareholders further resolved to increase the company's authorised share capital to 12,000,000 ordinary shares of €1 each. Furthermore, the shareholders also resolved to increase the issued share capital of the company through the issue and allotment of 5,542,999 fully paid ordinary shares of €1 each. The consideration amounting to €5,542,999 consisted of the capitalisation of the capital contribution reserve amounting to €3,042,999 (see Note below), together with the amount of €2,500,000 reflecting the capitalisation of amounts owed to the company's shareholders.

16. Share capital and Capital contribution reserve - continued

Capital contribution reserve

In prior years, the parent company's shareholders had waived amounts of €3,042,999 which were due to them by the company and such amounts had been converted to a capital contribution reserve. During the year ended 31 December 2022, the capital contribution reserve was capitalised as the consideration for an increase in the company's issued share capital.

17. Revaluation reserves

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Surplus arising on fair valuation of:				
Land and buildings of subsidiaries	42,121,636	42,730,348	-	-
Financial assets at FVOCI	(413,652)	(352,964)	(413,652)	(352,964)
	41,707,984	42,377,384	(413,652)	(352,964)

The movements in each category are analysed as follows:

	Group	
	2023	2022
	€	€
Land and buildings of subsidiaries		
At beginning of year	42,730,348	42,748,564
Transfer upon realisation through asset use	(32,444)	(32,444)
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 23)	(587,623)	2,873
Deferred income taxes on realisation through asset use (Note 23)	11,355	11,355
At end of year	42,121,636	42,730,348
	Group and Company	
	2023	2022
	€	€
Financial assets at FVOCI		
At beginning of year	(352,964)	(24,657)
Net losses from changes in fair value (Note 10)	(60,688)	(328,307)
At end of year	(413,652)	(352,964)

The tax impact included in the revaluation reserves as at 31 December 2023, relates to deferred taxation arising on the surplus on fair valuation of land and buildings of subsidiaries for an amount of €6,847,831 (2022: €6,271,563). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial years are presented in the respective table above.

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

The revaluation reserves are non-distributable.

18. Fair value gains and other reserves

	Group	
	2023	2022
	€	€
Fair value gains reserve in respect of investment property	40,532,609	40,510,250
Translation reserve	-	(31,425)
Other capital reserves	208,525	208,525
	40,741,134	40,687,350

The movements in each category are analysed as follows:

	Group	
	2023	2022
	€	€
Fair value gains reserve in respect of investment property		
At beginning of year	40,510,250	37,128,433
Fair value gains arising during the year (Note 6)	340,737	6,016,921
Transfer of fair value gains on property upon realisation through disposal	(322,207)	(2,334,761)
Deferred income taxes on fair value gains arising during the year (Note 23)	(34,073)	(601,691)
Deferred income taxes attributable to transfer of fair value gains on property upon realisation through disposal, determined on the basis applicable to property disposals	33,000	323,907
Movement in deferred tax liability determined on the basis applicable to property disposals	4,902	(22,559)
At end of year	40,532,609	40,510,250
Translation reserve		
At beginning of year	(31,425)	(31,425)
Currency translation differences reclassified to profit or loss upon liquidation of subsidiary	31,425	-
At end of year	-	(31,425)
Other capital reserves		
At beginning and end of year	208,525	208,525

The tax impact included in fair value gains and other reserves as at 31 December 2023, relates to deferred taxation arising on the fair value gains reserve in respect of property of subsidiaries for an amount of €7,483,872 (2022: €7,492,520). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial years are presented in the respective table above.

18. Fair value gains and other reserves - continued

Gains from changes in fair value of investment property, net of deferred tax movements, which are unrealised at the end of the reporting periods, would be recognised in profit or loss in accordance with the Group's accounting policy for investment property. These amounts are transferred from retained earnings to the fair value gains reserve since these gains are not considered by directors to be available for distribution. Any write-downs of the carrying amount of non-current assets held for sale, which were previously classified as investment property and fair valued in prior years before being transferred upon a change in intended use, are treated in the same way as outlined above.

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

The amounts recognised in the translation reserve related to exchange differences resulting from translating the results and financial position of an entity that formed part of the group that had a functional currency which was different from the Group's presentation currency, in accordance with the group's accounting policy.

19. Hedging reserve

Group and Company

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

	Interest rate swaps	
	2023	2022
	€	€
At 1 January		
Gross amounts of gains/(losses)	421,003	(428,392)
Deferred income tax (Note 23)	(147,351)	149,937
	273,652	(278,455)
Movements during the year ended 31 December		
Net (losses)/gains from changes in fair value	(232,102)	839,541
Deferred income tax (Note 23)	81,236	(293,839)
	(150,866)	545,702
Reclassified to profit or loss as a reclassification adjustment	35,391	9,854
Deferred income tax (Note 23)	(12,387)	(3,449)
	23,004	6,405
At 31 December		
Gross amounts of gains	224,292	421,003
Deferred income tax (Note 23)	(78,502)	(147,351)
	145,790	273,652

19. Hedging reserve - continued

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

The net fair value gains as at 31 December 2023 and 2022 on open interest rate swap agreements which hedge anticipated future interest rate fluctuations on borrowings will be reclassified from the hedging reserve to profit or loss as a reclassification adjustment when the forecast transactions occur, at various dates up to four years from the end of the reporting period.

20. Lease liabilities

Group

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

	2023	2022
	€	€
Non-current		
Properties	25,299,585	21,114,664
Current		
Properties	1,558,342	864,386
Total lease liabilities	26,857,927	21,979,050

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

	2023	2022
	€	€
As at 1 January	21,979,050	16,815,809
Additions	6,231,108	2,207,484
Impact of lease modification	-	4,321,577
Payments	(2,129,686)	(1,892,856)
Interest charge	777,455	527,036
As at 31 December	26,857,927	21,979,050

The total cash outflows for leases in 2023 were €2,226,075 (2022: €2,028,417). The contractual undiscounted cash flows attributable to lease liabilities as at 31 December 2023 and 2022 are analysed in Note 2.1(c). The weighted average incremental borrowing rate applied to the lease liabilities by the Group was 3%.

21. Trade and other payables

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current				
Trade payables	33,631,704	15,441,045	-	-
Amounts payable in respect of capital expenditure	2,165,244	3,706,600	-	-
Contract liabilities:				
Payments received on account from customers	6,414,839	6,519,400	-	-
Gross amounts owed to customers for contract work	1,342,703	1,516,808	-	-
Deferred income	388,623	398,991	-	-
Attributable to customer loyalty programme	306,307	416,248	-	-
Amounts owed to subsidiaries	-	-	951,170	2,150,358
Amounts owed to related parties forming part of Mizzi Organisation	22,762,637	24,995,426	14,560,024	17,074,715
Other payables	955,439	987,875	409,547	280,846
Indirect taxation and social security	1,670,943	597,570	1,035,581	120,840
Accrued interest on bonds	351,000	351,000	-	-
Other accruals	9,655,655	7,843,456	513,533	479,457
	79,645,094	62,774,419	17,469,855	20,106,216
Non-current				
Other payables	295,638	-	-	-

Current other payables include an amount of €155,169 (2022: €155,169) representing the face value of the bonds, and related interest thereon, that have been issued and redeemed by the company in prior years and have not been claimed by the respective bondholders upon redemption.

At 31 December 2023, current and non-current other payables of €95,000 and €295,638 respectively comprise amounts due to third party suppliers in relation to contractual arrangements entered into with these parties. The related non-current amounts are payable within five years from the end of the reporting period. Such balances are subject to interest at a rate of 3.4%.

Contract liabilities - recognised in revenue during 2023

Revenue recognised in profit or loss during the financial year ended 31 December 2023 that was included in the balances of contract liabilities as at the end of the preceding financial year amounted to €6,619,274 (2022: €4,212,409).

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

22. Borrowings

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current				
Bank overdrafts	19,813,720	14,319,284	3,416,586	319,677
Bills of exchange factored out to bank	2,377,007	1,434,416	-	-
Bank loans	8,290,417	8,243,586	7,161,192	7,070,390
Loans from subsidiaries	-	-	500,000	500,000
Loans from other related parties	600,000	600,000	-	-
	31,081,144	24,597,286	11,077,778	7,890,067
Non-current				
Bills of exchange factored out to bank	5,454,336	2,118,201	-	-
Bank loans	19,101,231	27,238,841	14,724,497	21,827,011
450,000 3.65% bonds 2028-2031 issued in 2021	44,349,897	44,279,484	-	-
Loans from subsidiaries	-	-	44,100,000	44,100,000
Loans from related parties forming part of Mizzi Organisation	713,353	713,353	-	-
Loans from other related parties	1,000,000	-	1,000,000	-
	70,618,817	74,349,879	59,824,497	65,927,011
Total borrowings	101,699,961	98,947,165	70,902,275	73,817,078

Group

By virtue of the Prospectus dated 24 September 2021, Mizzi Organisation Finance p.l.c. (a group undertaking) issued for subscription by the general public 450,000 bonds for an amount of €45,000,000. The bonds have a nominal value of €100 per bond and have been issued at par. The bonds are subject to a fixed interest rate of 3.65% per annum payable annually in arrears on 15 October of each year.

The bonds are redeemable at par (€100 for each bond) and at the latest are due for redemption on 20 October 2031, unless they are redeemed earlier in whole or in part at the undertaking's sole discretion on any date falling between and including 15 October 2028 and 14 October 2031 (Early Redemption Dates).

22. Borrowings - continued

Mizzi Organisation Limited, Consolidated Holdings Limited, The General Soft Drinks Company Limited and GSD Marketing Limited, the guarantors, are jointly and severally with the undertaking and between themselves, guaranteeing the repayment of the nominal value of the bonds on the redemption date and of the interest amounts of the bonds on each interest payment date. The guarantors irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the undertaking under the bonds.

Under the terms and conditions of the 2021 Prospectus, the bond proceeds have been advanced to Mizzi Organisation Limited for the purposes outlined further below in this note, pursuant to, and subject to, the terms and conditions in the offering memorandum.

The bonds have been admitted to the Official List of the Malta Stock Exchange on 25 October 2021. The quoted market price of the bonds at 31 December 2023 was €94.00 (2022: €94.00), which in the opinion of the directors fairly represented the fair value of these financial liabilities.

At the end of the reporting period, bonds having a face value of €505,000 (€2022: €505,000) were held by directors of the undertaking and persons closely associated with them, whilst bonds with a face value of €1,000,000 (2022: €1,030,000) were held by directors of the guarantors and persons closely associated with them. Additionally, bonds with a face value of €30,000 (2022: €80,000) were held by other officers of companies forming part of the Mizzi Organisation and persons closely associated with these individuals.

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

	2023 €	2022 €
3.65% bonds 2028 – 2031		
Original face value of bonds issued	45,000,000	45,000,000
Bond issue costs		
Gross amount of bond issue costs	(802,675)	(802,675)
Amortisation of gross amount of bond issue costs:		
Accumulated amortisation at beginning of year	82,159	14,368
Amortisation charge for the year	70,413	67,791
Accumulated amortisation at end of year	152,572	82,159
Unamortised bond issue costs	(650,103)	(720,516)
Amortised cost and Closing carrying amount of the bonds	44,349,897	44,279,484

The group's banking facilities as at 31 December 2023 amounted to €77,992,000 (2022: €86,665,000). These facilities are mainly secured by:

- (a) a general hypothec on the parent company's assets for €85,808,000 (2022: €85,808,000);
- (b) special hypothecary guarantees over property of group undertakings and related parties forming part of Mizzi Organisation for the amount of €82,108,000 (2022: €82,108,000);
- (c) general hypothecary guarantees from group undertakings and related parties forming part of Mizzi Organisation for the amount of €106,522,000 (2022: €106,522,000);
- (d) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €146,000 to €66,540,000 (2022: €146,000 to €66,540,000); and
- (e) pledge over bills of exchange drawn.

22. Borrowings - continued

These banking facilities include an amount of €1,100,000 (2022: €1,100,000) in respect of the recourse element of the face value of bills of exchange factored out to the bank with an option to repurchase them as they fall due up to a limit of €9,000,000 (2022: €9,000,000). At 31 December 2023, the total value of outstanding bills, which had been factored out under this facility amounted to €7,831,343 (2022: €3,552,614) as referred to in Note 13. This banking facility may also be utilised to factor out bills of exchange without an option to repurchase them as they fall due (see Note 13). The facility amount covers the recourse element of 15% of the value of bills factored out in this manner.

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

The interest rate exposure of the bank borrowings of the group is as follows:

	2023	2022
	€	€
Total borrowings:		
At fixed rates	14,943,826	19,216,541
At floating rates	40,092,885	34,137,787
	55,036,711	53,354,328

Borrowings at floating rates, with a principal amount of €7.1 million (2022: €9.9 million), with interest rates computed using a margin over the three-month Euribor, are hedged through receive floating, pay fixed interest rate swap agreements (refer to Note 24).

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

	2023	2022
	€	€
Face value of bank loans as at 31 December	27,482,092	35,605,767
Gross amount of bank borrowings issue costs	(301,543)	(301,543)
Amortisation of gross amount of bank borrowings issue costs:		
Accumulated amortisation at the beginning of the year	178,203	145,307
Amortisation charge for the current year (Note 31)	32,896	32,896
Accumulated amortisation at the end of the year	211,099	178,203
Unamortised bank borrowings issue costs	(90,444)	(123,240)
Amortised cost and Closing carrying amount of bank loans as at 31 December	27,391,648	35,482,427

22. Borrowings - continued

The group's floating rate 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:

	2023	2022
	%	%
Bank overdrafts	5.4	2.9
Bills of exchange factored out to bank	3.3	2.8
Bank loans	4.5	3.0

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

	2023	2022
	€	€
Between 1 and 2 years	11,038,721	9,303,830
Between 2 and 5 years	12,581,330	18,867,652
Over 5 years	935,516	1,185,560
	24,555,567	29,357,042

Bank borrowings taken out by group undertakings in the preceding financial years amounting to €12,000,000 (2022: €12,000,000) consisted of banking facilities granted under the Malta Development Bank COVID-19 Guarantee Scheme for the purposes of covering the shortfall in operating cash flow arising from the COVID-19 outbreak. These loans are repayable within six years and the terms include moratorium on capital and on interest commencing from the initial drawdown, as reflected within the liquidity risk management disclosures in Note 2.1(c). As at 31 December 2023 and 2022, all the loans have been fully utilised, and included in these bank borrowings is an amount of €7,200,000 taken out by the company. These facilities are subject to interest at prevailing market rates and are secured by a guarantee issued by the Government of Malta to the Malta Development Bank together with guarantees by related parties forming part of Mizzi Organisation.

Loans from related party forming part of Mizzi Organisation amounting to €713,353 (2022: €713,353), represented redeemable preference shares that were issued by a group undertaking (which was subsequently merged into another group undertaking). In prior years, these preference shares were redeemed (upon the merger referred to above) and were replaced by loans payable issued by the surviving entity to the related party referred to previously, for an equivalent amount. As at 31 December 2023 and 2022, these loans are unsecured, interest free and have no fixed date of repayment, but are not repayable within one year from the end of the reporting period.

The Group's current loan from other related party is unsecured, repayable on demand and non-interest bearing.

The Group's and the Company's non-current loans from other related parties represent advances made by way of shareholder loans. These advances are unsecured, interest free, and not repayable within one year as they are earmarked for capitalisation, i.e. conversion into ordinary share capital.

22. Borrowings - continued

Company

The company's banking facilities as at 31 December 2023 amounted to €35,457,000 (2022: €44,513,000). These facilities are mainly secured by:

- (a) a general hypothec on the company's assets for €85,808,000 (2022: €85,808,000);
- (b) special hypothecary guarantees over property of group undertakings and related parties forming part of Mizzi Organisation for the amount of €78,608,000 (2022: €78,608,000);
- (c) general hypothecary guarantees from group undertakings and related parties forming part of Mizzi Organisation for the amount of €76,408,000 (2022: €76,408,000); and
- (d) guarantees by group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €22,696,000 to €66,540,000 (2022: €22,696,000 to €66,540,000).

The interest rate exposure of the bank borrowings of the company is as follows:

	2023 €	2022 €
Total borrowings:		
At fixed rates	9,507,052	12,722,722
At floating rates	15,795,225	16,494,356
	25,302,277	29,217,078

Borrowings at floating rates, with a principal amount of €7.1 million (2022: €9.9 million), with interest rates computed using a margin over the three-month Euribor, are hedged through receive floating, pay fixed interest rate swap agreements (refer to Note 24).

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

	2023 €	2022 €
Face value of bank loans as at 31 December	21,976,135	29,020,741
Gross amount of bank borrowings issue costs	(301,543)	(301,543)
Amortisation of gross amount of bank borrowings issue costs:		
Accumulated amortisation at the beginning of the year	178,203	145,307
Amortisation charge for the current year (Note 31)	32,896	32,896
Accumulated amortisation at the end of the year	211,099	178,203
Unamortised bank borrowings issue costs	(90,444)	(123,340)
Amortised cost and Closing carrying amount of bank loans as at 31 December	21,885,691	28,897,401

22. Borrowings - continued

The company's floating rate 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:

	2023	2022
	%	%
Bank overdrafts	6	2.8
Bank loans	5	2.5

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

	2023	2022
	€	€
Between 1 and 2 years	7,357,196	7,197,263
Between 2 and 5 years	7,367,301	14,629,748
	14,724,497	21,827,011

Under the terms and conditions of the 2021 Prospectus, the net proceeds of the bond issue for an amount of €44,100,000 have been advanced to Mizzi Organisation Limited for the purposes, and subject to the terms and conditions in the offering memorandum dated 24 September 2021. These funds are being utilised by the Mizzi Organisation for various projects and financing needs as specified in the prospectus.

Mizzi Organisation Limited, Consolidated Holdings Limited, The General Soft Drinks Company Limited and GSD Marketing Limited, the guarantors in respect of the bond issue, have jointly and severally between themselves and with the company as borrower irrevocably undertaken to repay all interest and principal amounts that will become due and payable by the borrower to Mizzi Organisation Finance p.l.c. pursuant to the loans. The loans amounting to €44,100,000 are subject to fixed interest at a rate of 4.3% per annum and are repayable by not later than 15 days before the redemption date of the bonds, as referred to previously.

Furthermore, current loans from subsidiary amounting to €500,000 (2022: €500,000) are unsecured, repayable on demand and subject to interest at 3.4% per annum.

23. 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% (2022: 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. primarily tax effect of 8 - 10% (2022: 8 - 10%) of the transfer value.

The movement on the deferred tax account is as follows:

	2023	2022
	€	€
At beginning of year	14,060,948	13,318,291
Movement in deferred tax liability determined on the basis applicable to property disposals:		
- Investment property and other assets - recognised in profit or loss (Note 32)	(9,721)	32,299
- Property, plant and equipment and other assets - recognised in other comprehensive income (Note 17)	587,623	(2,873)
Deferred income taxes on fair value gains on investment property arising during the year (Note 32)	34,073	601,691
Realisation through asset disposal (Note 32)	(33,000)	(323,907)
Realisation through asset use (Notes 18 and 32)	(11,355)	(11,355)
Deferred income taxes on temporary differences arising on depreciation of property, plant and equipment (Note 32)	192,333	268,432
Deferred income taxes attributable to unabsorbed capital allowances (Note 32)	(304,397)	(118,918)
Deferred income taxes on temporary differences arising from fair valuation of derivative instruments (Note 19)	(68,849)	297,288
At end of year	14,447,655	14,060,948

All the amounts disclosed in the table above, which have been referenced to Note 32, are recognised in profit or loss. The other amounts, referenced to Note 17 and Note 19, have been recognised directly in equity in other comprehensive income.

23. Deferred taxation - continued

The balance at 31 December represents:

	2023	2022
	€	€
Temporary differences arising on fair valuation of property	14,331,703	13,764,083
Temporary differences arising on depreciation of property, plant and equipment	1,392,808	1,721,363
Temporary differences arising on fair valuation of derivative instruments	78,502	147,351
Unutilised tax credits attributable to unabsorbed capital allowances	(1,355,358)	(1,571,849)
	14,447,655	14,060,948
<hr/>		
Disclosed as follows:		
Deferred tax liabilities	14,447,655	14,060,948
	<hr/>	

The recognised deferred tax liabilities are expected to be settled principally after twelve months.

At 31 December 2023 and 2022, the group had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2023	2022	2023	2022
	€	€	€	€
Unutilised tax credits arising from:				
Unabsorbed capital allowances	8,029,687	7,284,661	3,872,449	4,490,997
Unabsorbed capital losses	43,100	43,100	-	-
Deductible temporary differences arising on:				
Depreciation of property, plant and equipment	126,320	59,645	-	-
Credit loss allowances in respect of trade and other receivables	8,395,014	7,720,005	-	-
Provisions for impairment on investments in associates and investments at FVOCI	825,973	825,973	-	-
Taxable temporary differences arising on:				
Depreciation of property, plant and equipment	-	-	(3,979,451)	(4,918,180)
Fair valuation of derivative instruments	-	-	(224,292)	(421,003)
	<hr/>			

The temporary differences arising on credit loss allowances in respect of trade and other receivables include those arising on credit loss allowances in respect of amounts receivable from hire purchase debtors (see Note 13).

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. Capital losses have no expiry date but may be utilised solely to offset future capital gains.

23. Deferred taxation - continued

Company

	2023	2022
	€	€
At beginning of year	161,344	(135,944)
Tax effect of temporary differences arising on fair valuation of derivative instruments (Note 19)	(68,849)	297,288
At end of year	92,495	161,344

The amount disclosed in the table above, which has been referenced to Note 19, has been recognised directly in equity in other comprehensive income.

The balance at 31 December represents:

	2023	2022
	€	€
Deferred tax liabilities		
Deferred taxation arising on transfer of property from related party	13,993	13,993
Temporary differences arising on fair valuation of derivative instruments	78,502	147,351
	92,495	161,344

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

The deferred income tax provision arising on transfer of property from a related party has been recognised in prior financial years in view of the transfer of property from a company forming part of the Mizzi Organisation.

At 31 December 2023, the company had unutilised tax credits arising from unabsorbed capital allowances amounting to €2,054,524 (2022: €1,961,120). At the end of the reporting period, the company also had deductible temporary differences arising on depreciation of property, plant and equipment, provisions for impairment of investments and provisions for impairment of receivables, amounting to €12,657,870 (2022: €8,427,977). The related deferred tax assets have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits.

24. Derivative financial instruments

Group and Company

	Fair value - Asset 2023 €	Fair value - Asset 2022 €
At 31 December		
Non-current:		
Interest rate swap agreements	224,292	421,003

The parent company is a party to receive floating, pay fixed interest rate swap contracts to mitigate the variability of future floating interest payments based on the applicable three-month Euribor on specific borrowings. The fair value movement attributable to the derivative financial instruments during the year is recognised in the cash flow hedging reserve (refer to Note 19). Gains and losses on the derivatives are subsequently reclassified to profit or loss and presented within finance costs. The notional amount of the outstanding interest rate swap contracts, which expire by 31 December 2026, as at 31 December 2023 is €7.1 million (2022: €9.9 million).

25. Revenue

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

	Group 2023 €	2022 €
By category		
Sale of motor vehicles, spare parts and provision of ancillary services	104,889,644	77,860,591
Sale of foodstore goods, clothing and other goods from shopping complex and rented premises	21,770,242	18,161,737
Activities in the power, heating and ventilation equipment sectors	21,096,989	16,858,964
Operating lease rental income:		
- motor vehicles	2,056,576	2,016,904
- property	3,627,082	2,357,661
Income from hire purchase financing	2,264,098	2,080,134
Sale of property developed with a view to sale	29,500	-
	155,734,131	119,335,991

The group's revenue that is recognised over time amounts to €12,643,369 (2022: €8,136,169) which arises from the activities in the power, heating and ventilation equipment sectors.

Unfulfilled performance obligations, which are the services that the group is obliged to provide to customers during the remaining fixed term of the respective contract, as at 31 December 2023 relate to the amounts disclosed under 'contract liabilities' in Note 21 to the financial statements.

26. Expenses by nature

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Cost of property sold	8,469	-	-	-
Cost of goods sold	111,894,521	84,664,481	-	-
Employee benefit expense (Note 27)	21,477,219	18,882,026	1,555,734	1,467,844
Depreciation of property, plant and equipment (Note 4):				
- owned assets	3,020,446	2,592,252	123,000	118,429
- owned assets (motor vehicles) leased out under operating leases	1,134,188	1,153,696	-	-
Depreciation of right-of-use assets (Note 5)	1,847,395	1,548,358	-	-
Amortisation of intangible assets (Note 7)	9,322	21,322	-	-
Impairment charges on property, plant and equipment (Note 4)	2,000,000	-	-	-
Expense relating to other use of property	64,909	125,085	29,200	29,200
Expense relating to variable lease payments	96,389	135,561	-	-
Movement in credit loss allowances in respect of:				
- hire purchase receivables (included in 'Administrative expenses')	50,413	137,268	-	-
- trade and other receivables (included in 'Administrative expenses')	333,217	(86,454)	-	-
Amounts written off in respect of:				
- hire purchase receivables (included in 'Administrative expenses')	31,926	49,743	-	-
Marketing, business promotion and related expenses	2,490,217	1,853,348	-	-
Other expenses	10,473,650	8,044,596	788,912	834,972
Total cost of sales; selling and other direct expenses; and administrative expenses	154,932,281	119,121,282	2,496,846	2,450,445

Operating profit is stated after crediting the following:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Exchange differences	(8,827)	(14,790)	-	-
Profit on disposal of property, plant and equipment	(627,179)	(346,346)	-	-

26. Expenses by nature - continued

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 December 2023 and 2022 relate to the following:

	Group	
	2023	2022
	€	€
Annual statutory audit	313,250	276,000
Tax advisory and compliance services	5,200	13,710
Other non-audit services	13,235	12,500
	331,685	302,210

The auditor's remuneration for the company attributable to the year ended 31 December 2023 amounted to €11,500 (2022: €11,500).

During the current year, fees in relation to non-assurance services have been charged by connected undertakings of the group's auditor as follows:

	Group	
	2023	2022
	€	€
Tax advisory and compliance services	40,645	13,290
Other non-audit services	47,450	3,250
	88,095	16,540

27. Employee benefit expense

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Wages and salaries	19,814,825	17,298,291	1,401,093	1,294,268
Outsourcing payroll costs	338,064	370,288	-	-
Social security costs	1,324,330	1,213,447	154,641	173,576
	21,477,219	18,882,026	1,555,734	1,467,844

27. Employee benefit expense - continued

Average number of persons employed during the year:

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Direct	612	579	-	-
Administration	181	165	35	30
	792	746	35	30

The Group's personnel related expenses for the year ended 31 December 2023 included subcontracting payroll costs amounting to €338,064 (2022: €370,288) as reflected in the table above.

Wages and salaries are presented net of a payroll grant receivable from the Government, under the COVID-19 wage supplement scheme, amounting to €4,659 (2022: €166,743) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

28. Other operating income

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Management fees and similar recharges	344,917	335,705	1,489,481	1,430,793
Income which is incidental to the group's key operations, including profit on disposal of specific assets which were surplus to the Group's requirements	2,597,682	2,167,213	48,013	54,225
	2,942,599	2,502,918	1,537,494	1,485,018

29. Investment and other related income

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Gross dividends receivable from investments in subsidiaries	-	-	4,080,495	1,807,607
Gross dividends receivable from investments in associates	-	-	-	422,272
Gross dividends receivable from financial assets at FVOCI	208,872	102,454	208,872	102,454
Impairment charges on investment in subsidiary	-	-	(4,000,000)	-
Losses upon dissolution of overseas subsidiary	(31,425)	-	(7,087)	-
	177,447	102,454	282,280	2,332,333

30. Finance income

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Interest receivable from subsidiaries	-	-	1,533,325	1,424,586
Interest receivable from related parties forming part of Mizzi Organisation	149,515	251,752	149,515	251,752
Interest receivable from associate	12,713	15,236	12,713	15,236
Interest receivable from other related parties	74,058	14,607	74,058	14,607
Bank and other interest receivable	23,852	34,100	-	-
	260,138	315,695	1,769,611	1,706,181

31. Finance costs

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Interest payable to subsidiaries	-	-	1,913,304	1,909,401
Interest payable to related parties forming part of Mizzi Organisation	-	2,548	-	2,548
Bank interest and charges, including amortisation of bank loan issue costs	2,413,727	1,678,425	1,110,980	1,028,410
Bond interest expense, including amortisation of bond issue costs	1,712,913	1,710,291	-	-
Interest charges on lease liabilities	777,455	527,036	-	-
Other interest payable	563,366	146,401	-	-
	5,467,461	4,064,701	3,024,284	2,940,359

32. Tax expense/(income)

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Current taxation:				
Current tax expense	1,245,134	647,002	-	-
Adjustment recognised in financial period for current tax of prior periods	294,224	(957,731)	-	(265,088)
Deferred taxation:				
Deferred tax charge/(credit) (Note 23)	(132,067)	448,242	-	-
Losses surrendered for group relief purposes	-	-	(201,853)	(249,815)
Adjustment recognised in financial period relating to losses surrendered for group relief purposes attributable to prior period	-	-	-	(50,970)
	1,407,291	137,513	(201,853)	(565,873)

During the preceding financial year, the group benefitted from a Government scheme that enabled a group undertaking to convert €1 million in the form of capital allowances, that were claimed but not utilised during the COVID-19 pandemic, into tax losses. These losses were available for surrendering in relation to group relief purposes between group undertakings, resulting in an over provision of current tax charge recognised in preceding financial years.

The tax impact relating to components of other comprehensive income is presented in the tables within Notes 17, 18 and 19 to the financial statements.

32. Tax expense/(income) - continued

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
(Loss)/profit before tax	(242,816)	5,392,770	(1,931,745)	132,728
Tax on (loss)/profit at 35%	(84,986)	1,887,467	(676,111)	46,454
Tax effect of:				
Unrecognised temporary differences and other movements, mainly attributable to property, plant and equipment and credit loss allowances in respect of trade and other receivables	372,533	385,573	9,146	12,479
Unabsorbed capital allowances claimed during the year	401,079	507,388	32,691	28,972
Unabsorbed tax losses arising during the year	163,775	19,768	-	-
Utilisation of unabsorbed tax losses and capital allowances brought forward from previous years	(116,824)	(99,325)	-	-
Income exempt from tax or charged at reduced rates	(1,416,792)	(3,779)	(983,112)	(348,835)
Share of results of associates	(245,656)	(106,671)	-	-
Determination of deferred taxation on fair value gains on investment property and other properties on the basis applicable to property disposals	(19,904)	(1,144,979)	-	-
Maintenance allowance claimed on rented property	(103,863)	(102,435)	(2,100)	(2,100)
Application of provisions of tax legislation to sale of property	(123,668)	(387,010)	-	-
Rental income charged at 15% final withholding tax	(420,126)	(367,398)	-	-
Expenses not deductible for tax purposes	2,707,499	506,645	1,417,633	13,215
Under/(over) provision of tax in previous years	294,224	(957,731)	-	(265,088)
Losses surrendered for group relief relating to prior period	-	-	-	(50,970)
Tax charge/(credit) in the accounts	1,407,291	137,513	(201,853)	(565,873)

33. Directors' emoluments

	Group	
	2023	2022
	€	€
Salaries and other emoluments:		
Non-executive directors (included in 'Other expenses' – Note 26)	110,715	98,988
Executive directors (included in 'Employee benefit expense' – Note 27)	666,104	672,269

During the current year, the company has recharged out directors' emoluments amounting to €260,990 (2022: €314,409) and €728,812 (2022: €674,447) to subsidiaries and other related parties forming part of Mizzi Organisation respectively, which amounts are not included in the table above.

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

34. Cash generated from/(used in) operations

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Operating profit/(loss)	4,085,186	8,734,548	(959,352)	(965,427)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	4,154,634	3,763,071	123,000	118,429
Depreciation of right-of-use assets (Note 5)	1,847,395	1,548,358	-	-
Amortisation of intangible assets (Note 7)	9,322	21,322	-	-
Profit on disposal of property, plant and equipment	(627,179)	(346,346)	-	-
Movement in credit loss allowances in respect of trade and other receivables	383,630	50,814	-	-
Amounts written off in respect of trade and other receivables	31,926	49,743	-	-
Net gains from changes in fair value of investment property	(340,737)	(6,016,921)	-	-
Impairment charges on property, plant and equipment (Note 4)	2,000,000	-	-	-
Changes in working capital:				
Inventories	(22,645,320)	(4,137,676)	-	-
Trade and other receivables	(5,857,286)	152,676	(1,703)	(6,440,430)
Trade and other payables	21,267,639	70,790	423,609	3,147,034
Cash generated from/(used in) operations	4,309,210	3,890,379	(414,446)	(4,140,394)

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.

35. Commitments

Group

Capital commitments

Commitments for capital expenditure in relation to property development (Notes 4, 6 and 14) not provided for in these financial statements are as follows:

	2023	2022
	€	€
Authorised but not contracted	4,723,000	5,080,000
Contracted but not provided for	236,000	413,000
	4,959,000	5,493,000

Operating lease commitments – where a group undertaking is the lessor

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

	2023	2022
	€	€
Not later than one year	3,328,411	2,744,299
Later than one year and not later than five years	6,409,878	4,621,461
Later than five years	3,900,843	452,636
	13,639,132	7,818,396

Group undertakings are party to non-cancellable operating lease arrangements relating to property, entered into on commercial terms. The non-cancellable term of the main lease agreements principally expires within a period of 2 to 5 years from the end of the financial reporting period.

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

	2023	2022
	€	€
Not later than one year	2,163,001	1,947,330
Later than one year and not later than five years	4,840,937	3,225,353
Later than five years	434,137	46,200
	7,438,075	5,218,883

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

36. Contingent liabilities

- (a) The company, together with certain other subsidiaries and related parties forming part of Mizzi Organisation, is jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation up to a limit of €65,940,000 (2022: €64,891,000) together with interest and charges thereon. These guarantees are supported by a general hypothecary guarantee for the amount of €29,113,000 (2022: €35,355,000) over the company's assets.

The principal subsidiaries, together with related parties forming part of Mizzi Organisation, are jointly and severally liable in respect of guarantees given to secure the banking facilities of group undertakings and related parties forming part of Mizzi Organisation for amounts ranging from €25,441,000 to €72,252,000 (2022: €25,441,000 to €69,452,000), together with interest and charges thereon. These guarantees are supported by general hypothecary guarantees by the group undertakings for the amounts ranging from €1,165,000 to €53,647,000 (2022: €1,165,000 to €86,930,000) and by special hypothecary guarantees over property by group undertakings for the amounts ranging from €27,090,000 to €86,930,000 (2022: €27,090,000 to €86,930,000).

- (b) At 31 December 2023, the company has given guarantees totalling €7,792,111 (2022: €6,779,161) in the name of subsidiaries in favour of third parties.
- (c) At 31 December 2023, subsidiaries had contingent liabilities amounting to €2,321,121 (2022: €3,451,588) in respect of guarantees issued by the bank on their behalf in favour of third parties in the ordinary course of business.
- (d) No provision has been made in these consolidated financial statements for disputed income tax amounting to €403,715 (2022: €403,715) arising from assessments raised in terms of Section 44 of the Income Tax Act, (Cap. 123). Objections have been filed on the said assessments. The directors of the respective entities are confident that no material future liability will arise beyond the amounts which are acknowledged as properly due, which amounts have been fully provided for.

Further, objections have been filed by the group with the Commissioner of Inland Revenue over assessments raised relating to basis years from 1985 to 1996 amounting to €28,541 (2022: €28,541), in respect of which no provision has been made in these accounts.

- (e) The company has undertaken to provide financial support to a number of subsidiaries so as to enable these entities to meet their liabilities as they fall due. As at 31 December 2023, subsidiaries whose total liabilities exceeded their total assets by an aggregate amount of €6,957,313 (2022: €5,191,181), incurred an aggregate loss of €5,149,598 (2022: €2,440,429) for the year then ended. Furthermore, subsidiaries whose current liabilities exceeded their current assets, as at 31 December 2023, by an aggregate amount of €50,051,208 (2022: €48,861,336), registered on aggregate profit of €2,316,260 (2022: €7,359,186) for the year then ended.

37. Related party transactions

Mizzi Organisation Limited and its subsidiaries form part of the Mizzi Organisation. The Mizzi Organisation is not a legal entity and does not constitute a group of companies within the meaning of the 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, GSD Marketing Limited and Mizzi EV Limited.

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

37. Related party transactions - continued

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

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

Group

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

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

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

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Sales of goods and services				
Sales of goods held for resale and provision of services:				
- Associates	1,115	2,020	-	-
- Related parties forming part of Mizzi Organisation	193,928	187,568	-	-
- Other related parties	155,459	90,290	-	-
Management fees receivable:				
- Subsidiaries	-	-	722,881	685,654
- Related parties forming part of Mizzi Organisation	199,020	189,958	190,320	181,260
Property operating lease rental income receivable:				
- Related parties forming part of Mizzi Organisation	3,178	5,510	-	-
- Subsidiaries	-	-	30,000	10,800
Transfer of property, plant and equipment:				
- Related parties forming part of Mizzi Organisation	145,248	20,339	-	-
- Other related parties	-	23,975	-	-
	697,948	519,660	943,201	877,714

37. Related party transactions - continued

	Group		Company	
	2023	2022	2023	2022
	€	€	€	€
Purchases of goods and services				
Purchases of goods held for resale and services				
- Related parties forming part of Mizzi Organisation	685,353	575,912	-	-
- Subsidiaries	-	-	3,340	4,665
Expense relating to the use of property:				
- Subsidiaries	-	-	29,200	40,000
Purchases of property, plant and equipment:				
- Subsidiaries	-	-	199,183	-
	685,353	575,912	231,723	44,665

Year-end balances with related parties, arising principally from the transactions referred to previously, are disclosed in Notes 10, 12, 21 and 22 to these financial statements. Such balances are unsecured, interest free and repayable on demand unless otherwise stated in the respective notes or below. Furthermore, as at 31 December 2023, amounts owed by related parties forming part of Mizzi Organisation of €51,884 were subject to interest at 3.6% and amounts owed to related parties forming part of Mizzi Organisation of €7,042,798 were subject to interest at 3.15%. Interest receivable from related parties and interest payable to related parties are disclosed in Notes 30 and 31 respectively.

During the financial year ended 31 December 2023, expenditure amounting to €143,120 (2022: €252,330) and €5,639 (2022: €2,560) has been recharged by the parent company and subsidiaries, respectively, to related parties forming part of Mizzi Organisation. The parent company has also recharged expenditure to other related parties as follows:

	2023	2022
	€	€
- Subsidiaries	543,072	772,395
- Associates	16,198	27,667
- Other related parties	648	53,276

Key management personnel comprise the directors of the company and of the other group undertakings. Information on key management personnel compensation has been disclosed in Note 33.

37. Related party transactions - continued

Company

As at 31 December 2023, amounts owed by and to subsidiaries and related parties forming part of Mizzi Organisation were unsecured, repayable on demand and interest free.

As at 31 December 2022:

- with respect to balances owed by subsidiaries, amounts of €931,502 were subject to interest at 3.6% and amounts of €206,025 were subject to interest at 3.15%;
- with respect to balances owed by related parties forming part of Mizzi Organisation, amounts of €51,884 were subject to interest at 3.6% and amounts of €53,082 were subject to interest at 3.15%;
- with respect to balances owed to subsidiaries, amounts of €1,447,789 were subject to interest at 3.15%;
- with respect to balances owed to related parties forming part of Mizzi Organisation, amounts of €7,042,798 were subject to interest at 3.15%.

Amounts owed by related parties as at 31 December 2023 include amounts due from shareholders of €22,599 (2022: €25,768). These amounts are unsecured, interest free and repayable on demand.

38. Statutory information

Mizzi Organisation Limited is a limited liability company and is incorporated in Malta.