Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2013

AX Holdings Limited
Report and financial statements for the year ended 31 October 2013

Contents

Director's report
for the year ended 31 October 2013

Director	Mr Angelo Xuereb
Registered Address	AX House Mosta Road Lija LJA9010 Malta

The director presents his report and the audited financial statements of the group and the company for the year ended 31 October 2013.

Principal activities

The company is a holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, construction and property development.

Business review

The AX group had a very successful year. Revenue increased by €617,985 over the previous year. The increase was across all business segments. Operating profits during the year increased by €630,352. The group's profit before taxation for the year is €9,266,609 (2012: Profit of €1,777,411), an increase of €7.5 million which is mainly due to the increase in operating profit and in the gain on investment property revaluation. As at year end, the AX Group's equity stood at €88,027,007 (2012: €80,380,572).

On 7 January 2013, Universal Supplies Limited was merged with AX Holdings Limited. During the year the group re-purchased and cancelled a number of bonds which are due for redemption in December 2013. The group will be repaying the bonds at maturity.

The director expects the group to continue to grow in all its core business segments during 2014.

Dividends and reserves

The director does not recommend payment of an ordinary dividend and proposes to transfer the profit for the year to reserves.

Events after the reporting period

There were no other particular important events affecting the group or the company which occurred since the end of the accounting period.

Director

In accordance with the company's Articles of Association, the director, who held office throughout the year, remains in office.

Director's responsibilities

The Companies Act, 1995 requires the director to prepare consolidated financial statements for each financial year, which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group and the company for that year, in accordance with the requirements of International Financial Reporting Standards as adopted by the EU. In preparing these financial statements, the director is required to:

- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and the company and to enable him to ensure that the financial statements comply with the Companies Act, 1995. The director is also responsible for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

The auditors, Nexia BT have intimated their willingness to remain in office and a resolution proposing their reappointment will be put before the members at the next annual general meeting.

This report was approved and authorised for issue by the Board of Directors on 16 December 2013, and signed on its behalf by:

Mr Angelo Xuereb
Director

Independent auditors' report
to the members of AX Holdings Limited

We have audited the accompanying consolidated financial statements, which comprise the statements of financial position of the group and the company as at 31 October 2013, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the group and the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The director is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 October 2013 and of their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995.

Mr Manuel Castagna

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN3000
Malta

Date: 16 December 2013

Statements of comprehensive income
for the year ended 31 October 2013

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**€**	€	**€**	€
Revenue	**4**	**23,778,057**	23,160,072	**1,192,549**	2,946,708
Other operating income	**5**	**124,525**	300,710	**929,666**	646,540
Other operating charges		**(9,527,676)**	(9,928,613)	**(284,905)**	(327,107)
Staff costs	**6**	**(7,082,473)**	(6,989,807)	**(242,459)**	(210,959)
Depreciation		**(2,795,617)**	(2,675,898)	**(25,821)**	(29,430)
Operating profit		**4,496,816**	3,866,464	**1,569,030**	3,025,752
Gain on investment property revaluation		**7,094,373**	-	**7,213,529**	-
Share of results of associated undertakings		**199,912**	182,761	**-**	-
Other investment income	**7**	**501**	757	**-**	-
Finance costs	**8**	**(2,524,993)**	(2,272,571)	**(689,069)**	(687,658)
Gain/ (loss) on financial assets	**9**	**-**	-	**669,689**	(699,930)
Profit before taxation	**10**	**9,266,609**	1,777,411	**8,763,179**	1,638,164
Taxation	**12**	**(2,210,530)**	1,116,535	**(1,241,830)**	710,978
Profit for the year		**7,056,079**	2,893,946	**7,521,349**	2,349,142
Attributable to:					
Owners of the parent		**7,032,167**	2,927,035		
Non-controlling interest		**23,912**	(33,089)		
		7,056,079	2,893,946		
Other comprehensive income					
Gains on property revaluation		**692,218**	28,486,907	**-**	-
Taxation	**12**	**(103,020)**	(5,138,331)	**-**	-
Other comprehensive income , net of taxation		**589,198**	23,348,576	**-**	-
Total comprehensive income		**7,645,277**	26,242,522	**7,521,349**	2,349,142
Attributable to:					
Owners of the parent		**7,474,065**	26,275,611		
Non controlling interest		**171,212**	(33,089)		
Total comprehensive income		**7,645,277**	26,242,522		

The notes on pages 11 to 41 form an integral part of these financial statements.

Statements of financial position
at 31 October 2013

		Group		Company	
		2013	2012	**2013**	2012
	Notes	**€**	€	**€**	€
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	**13**	**109,762,311**	111,060,825	**1,732,499**	1,747,961
Investment property	**14**	**28,502,228**	20,894,038	**11,927,346**	4,200,000
Investment in subsidiaries	**15**	**-**	-	**19,612,512**	18,950,146
Investment in associates	**15**	**2,774,271**	2,551,963	**13,506**	20,152
Available for sale investments	**15**	**5**	5	**5**	5
Loans to group undertakings	**15**	**-**	-	**7,165,071**	-
Deferred tax assets	**16**	**1,719,487**	1,566,272	**-**	40,100
		142,758,302	136,073,103	**40,450,939**	24,958,364
Current assets					
Inventories	**17**	**3,431,135**	3,933,138	**72,163**	627,818
Trade and other receivables	**18**	**9,386,007**	9,726,576	**11,777,336**	19,950,906
Current tax assets		**310,762**	310,762	**310,762**	352,805
Cash at bank and in hand	**26**	**1,118,600**	1,206,162	**94**	456
		14,246,504	15,176,638	**12,160,355**	20,931,985
Total assets		**157,004,806**	151,249,741	**52,611,294**	45,890,349
Current liabilities					
Trade and other payables	**20**	**9,379,977**	10,810,853	**149,652**	131,220
Debt securities in issue	**21**	**2,027,061**	-	**-**	-
Bank borrowings	**22**	**5,559,029**	6,653,784	**644,898**	1,626,910
Other financial liabilities	**23**	**5,685,556**	5,468,063	**18,235,193**	20,612,221
Current tax liabilities		**444,412**	417,274	**-**	-
		23,096,035	23,349,974	**19,029,743**	22,370,351
Non-current liabilities					
Bank borrowings	**22**	**16,835,693**	18,131,855	**181,210**	540,102
Other financial liabilities	**23**	**5,711,885**	6,060,860	**4,991,493**	3,143,448
Debt securities in issue	**21**	**11,586,563**	13,885,517	**-**	-
Deferred tax liabilities	**24**	**11,747,623**	9,440,963	**1,051,051**	-
		45,881,764	47,519,195	**6,223,754**	3,683,550
Total liabilities		**68,977,799**	70,869,169	**25,253,497**	26,053,901
Net assets		**88,027,007**	80,380,572	**27,357,797**	19,836,448

The notes on pages 11 to 41 form an integral part of these financial statements.

Statements of financial position (continued)
at 31 October 2013

	Notes	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
EQUITY					
Capital and reserves					
Share capital	**25**	**470,533**	470,533	**470,533**	470,533
Revaluation reserve		**68,726,967**	61,961,646	**7,571,503**	1,248,080
Other reserves		**886,303**	886,303	**555,551**	555,551
Capital reserve		**3,948,666**	3,948,666	**-**	-
Retained earnings		**12,526,134**	11,816,232	**18,760,210**	17,562,284
		86,558,603	79,083,380	**27,357,797**	19,836,448
Non-controlling interest		**1,468,404**	1,297,192	**-**	-
Total equity		**88,027,007**	80,380,572	**27,357,797**	19,836,448

The consolidated financial statements on pages 5 to 41 were approved by the Board of Directors on 16 December 2013 and were signed on its behalf by:

Mr Angelo Xuereb
Director

Statements of changes in equity

for the year ended 31 October 2013

Group	Share capital €	Revaluation Reserve €	Other reserves €	Capital reserve €	Retained Earnings €	Attributable to equity holders of the parent €	Non-controlling interest €	Total €
At 1 November 2011	**470,533**	**38,613,070**	**886,303**	**3,948,666**	**8,889,197**	**52,807,769**	**2,138,281**	**54,946,050**
Profit for the year	-		-	-	2,927,035	2,927,035	(33,089)	2,893,946
Minority share of dividends	-	-	-	-	-	-	(833,000)	(833,000)
Increase in share capital	-	-	-	-	-	-	25,000	25,000
Other comprehensive income for the year, net of tax	-	23,348,576	-	-	-	23,348,576	-	23,348,576
Total comprehensive income	-	23,348,576	-	-	2,927,035	26,275,611	(841,089)	25,434,522
At 31 October 2012	**470,533**	**61,961,646**	**886,303**	**3,948,666**	**11,816,232**	**79,083,380**	**1,297,192**	**80,380,572**
Profit for the year	-	-	-	-	7,032,167	7,032,167	23,912	7,056,079
Write-off of difference between share capital of subsidiary merged and investment in parent company	-	-	-	-	1,158	1,158	-	1,158
Revaluation of investment property, net of tax	-	6,323,423	-	-	(6,323,423)	-	-	-
Other comprehensive income for the year, net of tax	-	441,898	-	-	-	441,898	147,300	589,198
Total comprehensive income	-	6,765,321	-	-	709,902	7,475,223	171,212	7,646,435
At 31 October 2013	**470,533**	**68,726,967**	**886,303**	**3,948,666**	**12,526,134**	**86,558,603**	**1,468,404**	**88,027,007**

Statements of changes in equity (continued)
for the year ended 31 October 2013

Company

	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 2011	**470,533**	**1,248,080**	**555,551**	**15,213,145**	**17,487,309**
Profit for the year	-	-	-	2,349,142	2,349,142
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	2,349,142	2,329,142
At 31 October 2012	**470,533**	**1,248,080**	**555,551**	**17,562,284**	**19,836,448**
Profit for the year	-	-	-	7,521,349	7,521,349
Revaluation of investment property, net of tax	-	6,323,423	-	(6,323,423)	-
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income	-	6,323,423	-	1,197,926	7,521,349
At 31 October 2013	**470,533**	**7,571,503**	**555,551**	**18,760,210**	**27,357,797**

Statements of cash flows
for the year ended 31 October 2013

	Notes	Group 2013 €	Group 2012 €	Company 2013 €	Company 2012 €
Cash flows from operating activities					
Profit before taxation		**9,266,609**	1,777,411	**8,763,179**	1,638,164
Adjustments for:					
Depreciation		**2,795,617**	2,675,898	**25,821**	29,430
Gain on disposal of property, plant and equipment		**(55,899)**	(4,799)	**-**	-
Gain on disposal of investment property		**(88,670)**	-	**(88,670)**	-
Share of results in associated undertakings		**(199,912)**	(182,761)	**-**	-
Movement in provision for court case litigation		**-**	85,546	**-**	-
Movement in provision for bad debts		**(97,824)**	(95,871)	**-**	-
Valuation adjustments for the purchase of own bonds		**-**	(140,014)	**-**	-
Issue cost amortization		**19,413**	19,413	**-**	-
Movement in fair value of debt securities		**178,633**	75,205	**-**	-
Provision for diminution in value of financial assets		**-**	-	**(669,689)**	699,930
Write-off of difference between share capital of subsidiary merged and investment in parent company		**1,158**	-	**-**	-
Interest expense		**2,524,993**	2,272,571	**689,069**	687,658
Gain on investment property revaluation		**(7,274,761)**	-	**(7,393,917)**	-
Operating profit before working capital changes		**7,069,357**	6,482,599	**1,325,793**	3,055,182
Movement in inventories		**(42,756)**	264,004	**10,896**	51,041
Movement in trade and other receivables		**395,112**	(1,567,106)	**(110,769)**	(27,061)
Movement in trade and other payables		**(1,433,020)**	(804,909)	**24,451**	(371,093)
Cash flows from operating activities		**5,988,693**	4,374,588	**1,250,371**	2,708,069
Net interest paid		**(2,479,569)**	(2,282,601)	**(695,087)**	(686,034)
Net taxation paid		**(132,967)**	(22,222)	**(108,626)**	(118,843)
Net cash flows from operating activities		**3,376,157**	2,069,765	**446,658**	1,903,192
Cash flows (used in) /from investing activities					
Acquisition of property, plant and equipment		**(815,384)**	(1,299,132)	**(10,359)**	(2,568)
Acquisition of investment property		**-**	(96,794)	**-**	-
Acquisition of financial assets		**(22,396)**	-	**13,969**	-
Proceeds from sale of property, plant and equipment		**66,398**	477,945	**-**	-
Proceeds from sale of investment property		**300,000**	-	**300,000**	-
Purchase of own bonds		**(469,939)**	(280,815)	**-**	-
Advances to parent company		**-**	-	**(1,020)**	(1,880)
Advances (to)/from group undertakings		**-**	-	**1,072,622**	(113,259)
Advances (to)/from associated undertakings		**-**	-	**-**	(20,798)
Net cash flows (used in)/from investing activities		**(941,321)**	(1,198,796)	**1,821,870**	(138,505)
Cash flows used in financing activities					
Movement on bank borrowings		**(1,313,780)**	(726,975)	**231,772**	-
Movement on other loans		**(131,481)**	167,089	**(481,328)**	(1,867,921)
Net cash flows used in financing activities		**(1,445,261)**	(559,886)	**(249,556)**	(1,867,921)
Net movement in cash and cash equivalents		**989,575**	311,083	**1,572,314**	(103,234)
Cash and cash equivalents at start of year		**(2,592,014)**	(2,903,097)	**(1,626,454)**	(1,523,220)
Cash and cash equivalents at end of year	26	**(1,602,439)**	(2,592,014)	**(54,140)**	(1,626,454)

1 General information

AX Holdings Limited is a limited liability company incorporated in Malta. The company is a holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, construction and property development. Its registered office is at AX House, Mosta Road, Lija LJA9010, Malta.

2 Accounting policies

Accounting convention and basis of preparation

These consolidated financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the group and the company. They are prepared under the historical cost basis except for freehold land and buildings which are stated at their revalued amounts and investment property and other financial instruments which are stated at their fair values. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the group and the company's accounting policies (see note 3 - Critical accounting estimates and judgements).

Basis of consolidation

These financial statements include the results of the holding company and all entities that are controlled by the parent company; AX Holdings Limited.

Subsidiaries

Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operating policies of the subsidiary, or control the removal or appointment of a majority of the subsidiary's board of directors. Intra group balances and transactions are eliminated on consolidation.

The results of subsidiary companies acquired or sold during the year are included in the consolidated statement of comprehensive income from or to the effective date of acquisition or disposal. The acquisition of subsidiaries is accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets less liabilities incurred and equity instruments issued by the group in exchange for control plus any costs directly attributable to the business combination.

2 Accounting policies (continued)

Basis of consolidation (continued)

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. Goodwill is initially recognised at cost and is subsequently measured at cost less any impairment losses. Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognised immediately in the statement of comprehensive income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. After initial recognition, minority interest in the net assets consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Associated undertakings

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associated undertakings are accounted for in the consolidated financial statements under the equity method from the date that significant influence commences until the date that significant influence ceases. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates, less any impairment in the value of the investments. The group's share of the post-acquisition reserves is recognised directly in equity. The group's share of losses in excess of its interest in that associate is not recognised, unless the group has incurred obligations or made payments on behalf of the associated undertakings.

Property, plant and equipment

The group and the company's property, plant and equipment are classified into the following classes; land and buildings, improvement to premises, plant and machinery, motor vehicles, and furniture, fixtures and other equipment.

Property, plant and equipment are initially recorded at cost. Except for land and buildings, they are subsequently stated at cost less accumulated depreciation and impairment losses.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made for the entire class of land and buildings and with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the date of the statement of financial position. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any revaluation increase arising on the revaluation is credited to the revaluation reserve unless it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case, the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of an asset.

Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the statement of comprehensive income in the period of derecognition.

Depreciation is provided at rates intended to write down the cost of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

Buildings	1% Straight Line
Improvements to premises	10% Straight Line
Plant and machinery	4 - 33.3% Straight Line
Motor vehicles	20% Straight Line
Furniture, fixtures and other equipment	5 - 20% Straight Line

No depreciation is provided on land.

2 Accounting policies (continued)

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost can be measured reliably. Investment property is initially recognised at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value unless the investment property is classified or included in a disposal group that is classified as held for sale, in which case, the investment property is measured at the lower of its carrying amount and fair value less costs to sell. Gains or losses arising from changes in fair value of investment property are recognised in the statement of comprehensive income in the period in which the changes arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal of proceeds, if any, and the carrying amount, and are recognised in the statement of comprehensive income in the period of derecognition.

There is a claim against a property owned by a subsidiary which, if successful, may severely affect the valuation of the underlying asset in that company's financial statements. The director has obtained comfort from legal advice sought that no loss is expected to occur against this investment.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through the statement of comprehensive income.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

2 Accounting policies (continued)

Financial instruments (continued)

Financial liabilities are derecognised when they are extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

An equity instrument is any contract that evidences a residual interest in the assets of the group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument are evaluated to determine whether the financial instruments are financial liabilities or equity instruments or whether they contain both a liability and an equity component, in which case such components are classified separately as financial liabilities and equity instruments.

Available for sale investments

Available for sale investments are non-derivative financial assets, where the company does not have a significant interest, that are designated as available for sale, or which cannot be classified as held to maturity. After initial recognition, available for sale investments are measured at fair value. Gains or losses arising from changes in fair value are recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Trade and other receivables

Trade and other short-term receivables are stated at cost less specific impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are stated at nominal value.

Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are stated at amortised cost using the effective interest method.

Subsequent to initial recognition, interest-bearing bank overdrafts are stated at face value in view of their short-term maturities.

2 Accounting policies (continued)

Financial instruments (continued)

Other borrowings

Subsequent to initial recognition, other borrowings are stated at amortised cost using the effective interest method unless the effect of discounting is immaterial.

Debt securities in issue

Debt securities in issue are stated at amortised cost. Amortisation is calculated using the effective yield method and is recognised in the statement of comprehensive income over the period of the debt security.

Share capital

Ordinary shares are classified as equity. Dividends are recognised in the period in which they are declared.

Inventories

Inventories are valued at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses.

Property held for development and re-sale is stated at the lower of cost and net realisable value. The cost includes the purchase price of the property and development costs incurred to date. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing and selling.

The cost of development and common costs are apportioned on the basis of the costs absorbed during the stage of development and the cost of land is apportioned on the basis of the floor area.

Impairment

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

2 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of taxes.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Provision of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction.

Interest income

Interest income is recognised on an accruals basis.

Dividend income

Dividend income is recognised when the shareholder's right to receive payment is established.

Borrowing costs

Interest-related charges related to immovable property are capitalized and included with immovable property until construction is complete. Other interest-related charges are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the statement of financial position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse.

2 Accounting policies (continued)

Income tax (continued)

Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Assets held under finance leases are recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs. Capitalised leased assets are tested for impairment in accordance with the respective group company's accounting policy on property, plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

Dividends to holders of equity instruments are debited directly in equity.

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.

Fair value of land and buildings

Some of the land and buildings owned by the group's subsidiaries are being recognised at fair value to reflect the values attributed to the property by professional architects taking account alternative use of the property held. These valuations were adjusted by the director for inflationary increases in property in the same location. The director has made these adjustments based on his knowledge of the industry and available market data for similar property in the same location.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. At the date of the statement of financial position, the holding company had an unrecognised deferred tax asset amounting to €8,484,725 (2012: €9,154,414) and certain subsidiaries had unrecognized deferred tax assets amounting to €1,364,466 (2012: €849,638).

4. Revenue

	2013	2012
	€	€
Group		
Construction works, building materials and management services	**3,020,390**	3,300,640
Hospitality and entertainment	**19,466,665**	18,712,533
Sale of property and real estate	**905,220**	643,000
Rental income	**385,782**	503,899
	23,778,057	23,160,072

4. Revenue (continued)

	2013	2012
	€	€
Company		
Dividends receivable	**-**	1,429,043
Interest on amounts owed by subsidiaries	**989,730**	1,162,673
Management services	**112,288**	135,528
Rental income	**83,131**	179,464
Income from improvements	**7,400**	40,000
	1,192,549	2,946,708

5. Other operating income

	Group		**Company**	
	2013	2012	**2013**	2012
	€	€	**€**	€
Ancillary services	**124,525**	300,710	**24,446**	6,540
Sale of property	**-**	-	**905,220**	640,000
	124,525	300,710	**929,666**	646,540

6. Staff costs and employee information

	Group		**Company**	
	2013	2012	**2013**	2012
	€	€	**€**	€
Wages and salaries	**6,496,170**	6,501,631	**315,896**	287,098
Social security costs	**586,303**	488,176	**16,091**	13,861
Wages recharged	**-**	-	**(89,528)**	(90,000)
	7,082,473	6,989,807	**242,459**	210,959

6. Staff costs and employee information (continued)

The average monthly number of employees (including the director) during the year were:

	Group		Company	
	2013	2012	**2013**	2012
Management and administration	**95**	90	**10**	9
Operations and distribution	**387**	360	**-**	-
	482	450	**10**	9

7. Other investment income

	2013	2012
	€	€
Group		
Sundry interest receivable	**501**	757

8. Finance costs

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Interest on bank loans and overdrafts	**1,282,849**	1,257,335	**110,890**	127,865
Interest on debt securities in issue	**1,009,976**	790,708	**-**	-
Interest on amounts payable to related parties	**-**	-	**578,179**	559,793
Interest on other payables	**-**	3,914	**-**	-
Interest on other loans	**232,168**	220,614	**-**	-
	2,524,993	2,272,571	**689,069**	687,658

9. Gain/ (loss) on financial assets

	Group 2013 €	2012 €	Company 2013 €	2012 €
Investments in subsidiaries and associates				
Movement in provision for diminution in value	**-**	**-**	**669,689**	(699,930)
Write offs	**-**	**-**	**-**	-
	-	**-**	**669,689**	(699,930)

10. Profit before taxation

	Group 2013 €	2012 €	Company 2013 €	2012 €
Profit before taxation is stated after charging:				
Auditors' remuneration	**54,650**	60,640	**8,230**	8,970

11. Key management personnel compensation

	Group 2013 €	2012 €	Company 2013 €	2012 €
Director's compensation				
Short-term benefits	**103,000**	163,642	**37,159**	36,959

	Group 2013 €	2012 €	Company 2013 €	2012 €
Other key management personnel compensation				
Salaries and social security contributions	**442,382**	411,169	**176,323**	163,642

12. Taxation

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Malta Income Tax:				
Current – for the year	**121,456**	77,233	**108,626**	76,800
– losses surrendered	**-**	-	**-**	-
– under provision in respect of previous years	**38,649**	4,826	**42,043**	-
Deferred tax through Statement of Comprehensive Income	**2,050,425**	(1,198,594)	**1,091,161**	(787,778)
	2,210,530	(1,116,535)	**1,241,830**	(710,978)
Deferred tax through Other Comprehensive Income	**103,020**	5,138,331	**-**	-
Tax charge / (credit) for the year	**2,313,550**	4,021,796	**1,241,830**	**(710,978)**

The profit before taxation and tax charge / (credit) for the year are reconciled as follows:

	Group		Company	
	2013	**2012**	**2013**	2012
	€	**€**	**€**	€
Profit before taxation	**9,266,609**	1,777,411	**8,763,179**	1,638,164
Tax thereon at 35%	**3,243,313**	622,094	**3,067,113**	573,357
Tax effect of permanent difference	**(914,211)**	4,438,088	**(1,632,935)**	(493,401)
Tax effect of unrecognised temporary differences	**(54,201)**	(1,043,212)	**(234,391)**	(790,934)
Under provision in respect of previous years	**38,649**	4,826	**42,043**	-
Tax charge / (credit) for the year	**2,313,550**	4,021,796	**1,241,830**	(710,978)

13. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	€	€	€	€	€	€
Fair value/cost						
At 01.11.2011	81,701,006	435,215	15,927,706	336,008	18,541,878	116,941,813
Additions	278,720	305,738	231,127	62,789	517,570	1,395,944
Disposals	(789,067)	-	(17,396)	-	(137,746)	(944,209)
Revaluation	25,541,647	-	-	-	-	25,541,647
At 01.11.2012	106,732,306	740,953	16,141,437	398,797	18,921,702	142,935,195
Additions	99,253	29,879	337,827	17,651	330,774	815,384
Disposals	(3,837)	-	(113,260)	(8,327)	(100,000)	(225,424)
Revaluation	689,218	-	-	-	-	689,218
At 31.10.2013	**107,516,940**	**770,832**	**16,366,004**	**408,121**	**19,152,476**	**144,214,373**
Depreciation						
At 01.11.2011	5,030,892	162,387	11,919,281	315,175	15,187,042	32,614,777
Provision for the year	821,827	74,064	881,822	21,687	876,498	2,675,898
Released on revaluation	(2,945,242)	-	-	-	-	(2,945,242)
Released on disposal	(403,332)	-	(4,579)	-	(63,152)	(471,063)
At 01.11.2012	2,504,145	236,451	12,796,524	336,862	16,000,388	31,874,370
Provision for the year	1,040,000	71,935	784,531	18,973	880,178	2,795,617
Released on revaluation	(3,000)	-	-	-	-	(3,000)
Released on disposal		-	(113,260)	(1,665)	(100,000)	(214,925)
At 31.10.2013	**3,541,145**	**308,386**	**13,467,795**	**354,170**	**16,780,566**	**34,452,062**
Net book value						
At 31.10.2013	**103,975,795**	**462,446**	**2,898,209**	**53,951**	**2,371,910**	**109,762,311**
At 31.10.2012	104,228,161	504,502	3,344,913	61,935	2,921,314	111,060,825

13. Property, plant and equipment (continued)

Company

	Land and buildings €	Plant and machinery €	Motor vehicles €	Total €
Cost / Fair value				
At 01.11.2011	2,030,564	717,870	175,858	2,924,292
Additions	-	2,568	-	2,568
At 01.11.2012	2,030,564	720,438	175,858	2,926,860
Additions	-	10,359	-	10,359
At 31.10.2013	**2,030,564**	**730,797**	**175,858**	**2,937,219**
Depreciation				
At 01.11.2011	266,765	706,846	175,858	1,149,469
Provision for the year	21,516	7,914	-	29,430
At 01.11.2012	288,281	714,760	175,858	1,178,899
Provision for the year	21,516	4,305	-	25,821
At 31.10.2013	**309,797**	**719,065**	**175,858**	**1,204,720**
Net book value				
At 31.10.2013	**1,720,767**	**11,732**	**-**	**1,732,499**
At 31.10.2012	1,742,283	5,678	-	1,747,961

The fair value of the group and the company's Land and Buildings at 31 October 2013 and 31 October 2012 has been arrived at on the basis of recent valuations carried out by independent professionally qualified valuers on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuations and hence this is an appropriate estimate of fair value.

14. Investment property

	Group €	Company €
Fair value		
At 01.11.2011	20,961,589	4,200,000
Net transfer from inventory	(67,551)	-
At 01.11.2012	20,894,038	4,200,000
Revaluation	7,274,761	7,393,917
Disposals	(211,330)	(211,330)
Net transfer from inventory	544,759	544,759
At 31.10.2013	**28,502,228**	**11,927,346**

The fair value of the group and the company's investment property at 31 October 2013 and 31 October 2012 has been arrived at on the basis of recent valuations carried out by independent professionally qualified valuers on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuations and hence this is an appropriate estimate of fair value.

15. Financial assets

Group

Investments in associates

	€
Equity method	
Share of assets at 01.11.2011	2,369,202
Share of profits	182,761
Share of assets at 01.11.2012	2,551,963
Additions	22,396
Share of profits	199,912
Share of assets at 31.10.2013	**2,774,271**

Available for sale investments

	€
Cost	
At 31.10.2012 / 31.10.2013	**5**

15. Financial assets (continued)

Company

	Investment in subsidiaries	Investment in associates	Available for sale investments	Loans to group undertakings	Total
	€	€	€	€	€
Cost					
At 01.11.2012	19,679,764	78,866	5	-	19,758,635
Disposals	(13,969)	-	-		(13,969)
Movement from current to non-current	-	-	-	7,165,071	7,622,422
At 31.10.2013	19,665,795	78,866	5	7,165,071	27,367,088
Provision for diminution in value					
At 01.11.2012	729,618	58,714	-	-	788,332
Movement for the year	(676,335)	6,646	-	-	(669,689)
At 31.10.2013	53,283	65,360	-	-	118,643
Net book value					
At 31.10.2013	**19,612,512**	**13,506**	**5**	**7,165,071**	**26,791,094**
At 31.10.2012	18,950,146	20,152	5	-	18,970,303

Investment in subsidiaries

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have 31 October year ends, except for Hardrocks Limited and Construction & Demolition Waste Limited which have 31 July and 31 December year-ends respectively. Hardrocks Limited and Hardrocks Mgarr Limited are in dissolution.

15. Financial assets (continued)

The registered address of the following subsidiaries is AX House, Mosta Road, Lija LJA9010, Malta:

	Group % of ordinary capital held		Group % of preference capital held	
	2013	2012	2013	2012
AX Port Investments Company Limited	100	100	-	-
AX Construction Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Hotel Operations Limited	100	100	-	-
AX Investments p.l.c.	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
Construction & Demolition Waste Limited	51	51	51	51
Hardrocks Estates Limited	51	51	-	-
Hardrocks Limited	51	51	-	-
Hardrocks Mgarr Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Is-Simblija Developments limited	100	100	-	-
Marine World Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Oil & Construction International Limited	-	100		
Quayside Catering Ltd	100	100	-	-
Royal Hotels Limited	100	100	-	-
Skyline Developments Limited	100	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l.c.	100	100	-	-
The Constructors Limited	75	75	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Universal Supplies Limited	-	100		
Verdala Mansions Limited	100	100	-	-

During the year Oil & Construction International Limited was merged into AX Construction Limited, and Universal Supplies Limited was merged into AX Holdings Limited.

15. Financial assets (continued)

Investment in associates

	Group % of equity capital held		Group % of preference capital held	
	2013	2012	**2013**	2012
Sliema Point Co. Ltd.	25	25	-	-
Securicor Malta Limited	30	30	-	-
Valletta Cruise Port p.l.c.	22.5	22.5	-	-

16. Deferred tax assets

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**3,574**	(260)	**-**	3,576
Unabsorbed tax losses, tax credits and capital allowances	**1,614,165**	1,354,653	**-**	759,134
Provision for doubtful debts	**101,748**	161,055	**-**	25,068
Revaluation of property	**-**	50,824	**-**	(747,668)
	1,719,487	1,566,272	**-**	40,100

17. Inventories

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Property held for development and re-sale	**1,993,744**	2,529,643	**72,163**	627,818
Raw materials and consumables	**1,437,391**	1,403,495	**-**	-
	3,431,135	3,933,138	**72,163**	627,818

18. Trade and other receivables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Trade receivables	**5,880,213**	5,325,272	**153,499**	46,823
Provisions for doubtful debts	**(219,417)**	(317,241)	**-**	
Amounts owed by parent company	**76,284**	75,264	**76,284**	75,264
Amounts owed by subsidiaries	**-**	-	**7,927,221**	19,825,486
Amounts owed by other related parties	**27,611**	9,847	**3,612,917**	-
Other receivables	**1,772,946**	1,858,801	**-**	-
Indirect taxation and social security	**-**	43,280	**-**	-
Prepayments and accrued income	**1,848,370**	2,731,353	**7,415**	3,333
	9,386,007	9,726,576	**11,777,336**	19,950,906

Amounts owed by parent company and other related parties is unsecured, interest-free and have no fixed date of repayment.

Amounts owed by subsidiaries, are unsecured, bear interest between 0 – 8% per annum, and have no fixed date of repayment.

19. Construction contracts

As at year end, retentions held by customers for contract works amounted to €183,388 (2012 : €135,114).

20. Trade and other payables

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Trade payables	**3,851,705**	3,976,747	**68,924**	64,095
Other payables	**1,532,199**	2,528,545	**12,817**	10,896
Indirect taxation and social security	**456,863**	691,494	**11,347**	16,326
Accruals and deferred income	**3,539,210**	3,614,067	**56,564**	39,903
	9,379,977	10,810,853	**149,652**	131,220

21. Debt securities in issue

On 15 December 2006, a subsidiary within the group issued € 11,646,867 6.7% bonds of €233 each, redeemable at par between 2014 and 2016. On the same date, the subsidiary also issued €2,161,659 4% bonds of €233 each, redeemable at a premium of 40% in 2013. Interest on the bonds is due and payable annually in arrears on 15 December of each year at the above-mentioned rates. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by the parent company.

	2013	2012
	€	€
At 1 November	**13,885,517**	14,375,464
Purchases of own bonds	**(469,939)**	(280,815)
Valuation adjustment for the purchase of own bonds	**-**	(140,014)
Adjustment to reflect fair value of debt securities	**178,633**	75,205
	13,594,211	13,866,104
Amortization for the year	**19,413**	19,413
At 31 October	**13,613,624**	13,885,517
Falling due within one year	**2,027,061**	-
Falling due in between two and five years	**11,586,563**	13,885,517
	13,613,624	13,885,517

22. Bank borrowings

	Group 2013	Group 2012	Company 2013	Company 2012
	€	€	**€**	€
Bank overdrafts	**2,721,039**	3,798,176	**54,234**	1,626,910
Bank loans	**19,673,683**	20,987,463	**771,874**	540,102
	22,394,722	24,785,639	**826,108**	2,167,012

Bank overdrafts and loans are repayable as follows:

	Group 2013	Group 2012	Company 2013	Company 2012
	€	€	**€**	€
On demand or within one year	**5,559,029**	6,653,784	**644,898**	1,626,910
Between two and five years	**9,290,127**	9,082,641	**181,210**	540,102
After five years	**7,545,566**	9,049,214	**-**	-
	22,394,722	24,785,639	**826,108**	2,167,012
Less: amounts due for settlement within one year	**(5,559,029)**	(6,653,784)	**(644,898)**	(1,626,910)
Amounts due for settlement after one year	**16,835,693**	18,131,855	**182,210**	540,102

The group has aggregate bank facilities of € 24,521,609 (2012 : € 25,514,881). These facilities are secured by general hypothecs over the group assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the group managing director. They bear interest at 4.45% to 6.75% per annum (2012 : 4.45% to 6.5%)

The company has bank facilities of € 773,851 (2012 : € 2,229,089). These facilities are secured by general hypothecs over the company's and other assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the group managing director. The bank overdraft bears interest at 5.95% per annum (2012 : 5.95%) and the bank loans bear an interest of 3.12% and 5.95% per annum (2012 : 3.12%).

23. Other financial liabilities

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Amounts owed to subsidiaries	**-**	-	**20,537,920**	20,585,575
Amounts owed to other related parties	**-**	-	**-**	-
Amounts owed to associates	**26,646**	26,647	**26,646**	26,646
Other loans	**5,658,910**	5,441,416	**-**	-
Shareholder's loan	**5,521,518**	5,870,493	**2,662,120**	3,143,448
Other payables	**104,821**	104,821	**-**	-
Provision for liabilities and charges	**85,546**	85,546	**-**	-
	11,397,441	11,528,923	**23,226,686**	23,755,669

Other financial liabilities are repayable as follows:

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
On demand or within one year	**5,685,556**	5,468,063	**18,235,193**	20,612,221
Between two and five years	**190,367**	190,367	**-**	-
After five years	**5,521,518**	5,870,493	**4,991,493**	3,143,448
	11,397,441	11,528,923	**23,226,686**	23,755,669
Less: amounts due for settlement within one year	**(5,685,556)**	(5,468,063)	**(18,235,193)**	(20,612,221)
Amounts due for settlement after one year	**5,711,885**	6,060,860	**4,991,493**	3,143,448

The group related party balances are unsecured, interest-free and are repayable on demand.

23. Other financial liabilities (continued)

The company's related party balances are unsecured, interest-free except for an aggregate amount of €11,264,936 (2012 : €11,960,410) which bears interest between 1% and 9% per annum. They are repayable on demand except for an aggregate amount of €2,329,373 which has no fixed date of repayment.

Included in other loans is a loan from Malta Enterprise, which is secured by a general and special hypothec over selected subsidiary undertakings' assets, and by a guarantee by some of the group companies. It bears at 8% per annum (2012 : 8%). The balances on other loans are unsecured, interest-free and have no fixed date of repayment.

The shareholder's loan is unsecured, interest-free and has no fixed date of repayment.

24. Deferred tax liabilities

	Group		Company	
	2013	2012	**2013**	2012
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**(4,592)**	-	**(3,034)**	-
Unabsorbed tax losses, tax credits and capital allowances	**(2,305,696)**	(2,489,818)	**(558,621)**	-
Provision for doubtful debts	**(30,057)**	-	**(25,068)**	-
Revaluation of investment property	**9,558,007**	12,011,062	**-**	-
Revaluation of property	**4,434,203**	364,561	**1,637,774**	-
Provision for diminution in value of investments	**71,168**	(464,707)	**-**	-
Unrealised difference on exchange	**24,590**	19,865	**-**	-
	11,747,623	9,440,963	**1,051,051**	-

25. Called up issued share capital

	2013	2012
	€	€
Authorised		
202,000 ordinary shares of €2.329373 each	**470,533**	470,533

	2013	2012
	€	€
Called up issued and fully paid-up		
202,000 ordinary shares of €2.329373 each	**470,533**	470,533

Each ordinary share gives the right to one vote, participates equally in profits distributed by the company and carries equal rights upon the distribution of assets by the company in the event of a winding up.

26. Cash and cash equivalents

Cash and cash equivalents included in the cash flow statement comprise the following:

	Group		**Company**	
	2013	2012	**2013**	2012
	€	€	**€**	€
Cash at bank and in hand	**1,118,600**	1,206,162	**94**	456
Bank overdrafts	**(2,721,039)**	(3,798,176)	**(54,234)**	(1,626,910)
	(1,602,439)	(2,592,014)	**(54,140)**	(1,626,454)

27. Contingent liabilities

At 31 October 2013, the group had the following contingent liabilities, for which no provision has been made in these financial statements:

- Legal proceedings have been instituted against two subsidiaries by Malta Enterprise. Malta Enterprise is requesting that land acquired by these companies be reclaimed, on allegations that the company failed to abide by a condition in the contract requiring the company to use the land for a hotel complex. After seeking legal advice, the directors are of the opinion that this claim is unfounded and no provision has been made in these financial statements. Included in trade receivables are balances totalling €142,801 which are contingent on the favourable adjudication of this case.

27. Contingent liabilities (continued)

- The Commissioner of Lands is claiming rent over the use of land by a subsidiary. In the event that the claims made are ruled against this subsidiary, the subsidiary will be obliged to pay rent at the rate deemed appropriate by court. This case has been pending for many years, and the subsidiary is objecting these claims. A third party filed a judicial protest against the subsidiary requesting rescission of rental agreement and damages, due to notice sent by the subsidiary regarding termination of lease of a bar on the subsidiary's premises.

- No provision has been made in these financial statements for income tax amounting to € 653,455 arising from an inland revenue assessment of a subsidiary raised relating to years of assessment 1989 and 1990, which are being contested by the subsidiary.

- A third party is suing a subsidiary, claiming that a tract of land owned by the subsidiary actually belongs to this third party.

- A subsidiary is currently being sued for wrongful dismissal by a former employee.

- A third party owning neighbouring property is suing two subsidiaries for alleged violations of property rights. The subsidiaries are in turn suing the seller of its portion of property, alleging that this party is responsible for the violation of rights in respect of the owner of the neighbouring property.

- At 31 October 2013, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €340,454 (2012 : € 607,388)

- A guarantee was given in favour of a third parties amounting to €1,594,401 (2012 : €1,948,260) by one of the subsidiaries.

- As at 31 October 2013, a subsidiary acted as guarantor for the sum of € 4,192,872 (2012 : € 4,192,872) in respect of a loan originally of € 5,124,621 granted by Malta Enterprise to two related subsidiaries in connection with the purchase of Grand Hotel Verdala and nearby apartments in 1997.

As at 31 October 2012, the group had the following contingent liabilities, and were cleared by 31 October 2013:

- Claims against a subsidiary were being made by a third party amounting to €7,987 in respect of alleged services rendered which defendants were contesting. This was cleared by 31 October 2013.

- The parent company had a guarantee amounting to €440,975 in favour of third parties as at 31 October 2012, which was cleared by 31 October 2013.

28. Capital commitments

As at 31 October 2012 and 31 October 2013, a subsidiary had the following capital commitments: to undertake the refurbishment of the 3rd floor of the Sunny Coast Resort and to refurbish the indoor leisure centre area including the gym, the squash court, and the indoor pool area.

29. Related parties

During the year under review, the company entered into transactions with related parties as set our below:

	2013	2012
	€	€
Company		
Related party transactions with subsidiaries:		
Revenue	**1,102,018**	2,727,244
Rent payable	**-**	-
Other operating charges	**-**	-
Finance costs	**578,174**	559,794
Acquisition of property held for development	**-**	-
Wages recharged to subsidiaries	**89,528**	90,000
Expenses recharged to subsidiaries	**25,858**	8,639

30. Ultimate controlling party

The parent and ultimate parent company of AX Holdings Limited is Fulcrum Services Limited, which is incorporated in Malta. The group financial statements of AX Holdings Limited are incorporated in the group financial statements of Fulcrum Services Limited, the registered address of which is AX House, Mosta Road, Lija LJA9010, Malta. The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

31. Risk management objectives and policies

The company is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The company's risk management of the group and the company is co-ordinated by the director and focuses on actively securing the group and the company's short to medium term cash flows by minimizing the exposure to financial risk.

The most significant financial risks to which the company is exposed to are described below.

30. Risk management objectives and policies (continued)

The group and the company are exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The group's and the company's risk management is coordinated by the directors and focuses on actively securing the group's and the company's short term to medium term cash flows by minimising the exposure to financial risks.
The most significant financial risks to which the company are exposed to are described below.

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 15, 18 and 26.

The group and the company continuously monitor defaults of customers and other counterparts, and incorporate this information into their credit risk controls. The group and the company's policy is to deal with creditworthy counterparties.

None of the group's and the company's financial assets are secured by collateral or other credit enhancements.
The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Quoted investments are acquired after assessing the quality of the relevant investments.

Cash is placed with reliable financial institutions.

Liquidity risk

The group's and the company's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise debt securities, trade and other payables and other financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's and the company's obligations when they become due.

At 31 October 2013 and 31 October 2012, the contractual maturities on the financial liabilities of the company and the group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

30. Risk management objectives and policies (continued)

Group

	Less than 6 months 2013 €	From 6 to 12 months 2013 €	From 1 to 5 years 2013 €	More than 5 years 2013 €	Less than 6 months 2012 €	From 6 to 12 months 2012 €	From 1 to 5 years 2012 €	More than 5 years 2012 €
Bank borrowings	**2,629,739**	**1,081,044**	**10,693,824**	**8,574,755**	1,638,942	1,521,203	11,686,396	10,609,819
Other borrowings	**8,098,449**	**390,202**	**13,304,841**	**-**	5,868,316	426,900	15,930,640	-
	10,728,188	**1,471,246**	**23,998,665**	**8,574,755**	7,507,258	1,948,103	27,617,036	10,609,819

Company

	Less than 6 months 2013 €	From 6 to 12 months 2013 €	From 1 to 5 years 2013 €	More than 5 years 2013 €	Less than 6 months 2012 €	From 6 to 12 months 2012 €	From 1 to 5 years 2012 €	More than 5 years 2012 €
Bank borrowings	**574,402**	**31,494**	**199,221**	**-**	8,417	8,417	542,908	-

Foreign currency risk

Foreign currency transactions arise when the group and the company enter into transactions denominated in a foreign currency. Foreign currency transactions mainly comprise transactions in US Dollars and GB Pounds.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates.

Interest rate risk

The group and the company's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the director considers an upward or downward movement in interest of 1% to be reasonably possible.

31. Capital management policies and procedures

The group's and the company's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital. The group and the company monitor the level of debt, which includes debt securities, trade and other payables and other financial liabilities less cash and cash equivalents, against total capital on an ongoing basis.

32. Comparatives

Certain comparatives have been restated to conform with the current year presentation.