Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2014

Contents

Directors' report
for the year ended 31 October 2014

Executive directors	Mr Angelo Xuereb Ms Claire Zammit Xuereb (appointed on 30 January 2014) Mr Richard Xuereb (appointed on 30 January 2014) Ms Denise Xuereb (appointed on 30 January 2014) Mr Michael Warrington (appointed on 30 January 2014)
Non-executive directors	Mr John Soler (appointed on 30 January 2014) Dr Matthew Paris (appointed on 30 January 2014)
Registered Address	AX House Mosta Road Lija LJA 9010 Malta

The directors present their report and the audited financial statements of the group and the company for the year ended 31 October 2014.

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 €2.3 million over the previous year. The increase was derived from the main business segments being construction and hospitality. Operating profits during the year increased by €189,722. The group's profit before taxation for the year is €5,047,454 (2013: Profit of €9,266,609), a decrease of €4.2 million. This decrease was mainly attributed to the €7 million gain on investment property revaluation recognised in the previous year. As at year end, the AX Group's equity stood at €102,171,230 (2013: €88,027,007).

The directors expect the group to continue to grow in all its core business segments during 2015.

Dividends and reserves

The directors do not recommend payment of an ordinary dividend and propose 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.

Directors

In accordance with the company's Articles of Association, the present directors remain in office.

Directors' responsibilities

The Companies Act, 1995 requires the directors 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 directors are 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 directors are 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 them to ensure that the financial statements comply with the Companies Act, 1995. The directors are 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 23 January 2015, and signed on its behalf by:

Mr Angelo Xuereb	**Mr Michael Warrington**
Director	**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 2014, and the statements of profit or loss and other 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.

Directors' Responsibility for the Financial Statements

The directors are 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.

Independent auditors' report (continued)

to the members of AX Holdings Limited

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 2014 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 SGN 3000
Malta

Date: 23 January 2015

Statements of profit or loss and other comprehensive income
for the year ended 31 October 2014

		Group		Company	
		2014	2013	**2014**	2013
	Notes	**€**	€	**€**	€
Revenue	**4**	**26,036,893**	23,778,057	**1,833,795**	1,192,549
Other operating income	**5**	**157,240**	124,525	**37,401**	929,666
Other operating charges		**(11,038,539)**	(9,527,676)	**(542,030)**	(284,905)
Staff costs	**6**	**(7,843,727)**	(7,082,473)	**(341,756)**	(242,459)
Depreciation		**(2,628,329)**	(2,795,617)	**(32,177)**	(25,821)
Operating profit		**4,683,538**	4,496,816	**955,233**	1,569,030
Gain/(loss) on investment property revaluation		**-**	7,094,373	**(7,132,588)**	7,213,529
Share of results of associated undertakings		**226,107**	199,912	**-**	-
Other investment income	**7**	**2,751,926**	501	**-**	-
Finance costs	**8**	**(2,614,117)**	(2,524,993)	**(581,105)**	(689,069)
Gain on financial assets	**9**	**-**	-	**512**	669,689
Profit/(loss) before taxation	**10**	**5,047,454**	9,266,609	**(6,757,948)**	8,763,179
Taxation	**12**	**42,805**	(2,210,530)	**880,672**	(1,241,830)
Profit/(loss) for the year		**5,090,259**	7,056,079	**(5,877,276)**	7,521,349
Attributable to:					
Owners of the parent		**5,082,590**	7,032,167		
Non-controlling interest		**7,669**	23,912		
		5,090,259	7,056,079		
Other comprehensive income					
Gains on property revaluation		**9,260,605**	692,218	**-**	-
Taxation	**12**	**(174,580)**	(103,020)	**-**	-
Other comprehensive income, net of taxation		**9,086,025**	589,198	**-**	-
Total comprehensive income/ (expense)		**14,176,284**	7,645,277	**(5,877,276)**	7,521,349
Attributable to:					
Owners of the parent		**14,196,174**	7,474,065		
Non controlling interest		**(19,890)**	171,212		
Total comprehensive income		**14,176,284**	7,645,277		

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

Statements of financial position
at 31 October 2014

		Group		Company	
		2014	2013	**2014**	2013
ASSETS AND LIABILITIES	**Notes**	**€**	€	**€**	€
Non-current assets					
Property, plant and equipment	**13**	**130,244,987**	109,762,311	**1,725,817**	1,732,499
Investment property	**14**	**20,824,882**	28,502,228	**4,250,000**	11,927,346
Investment in subsidiaries	**15**	**-**	-	**19,599,970**	19,612,512
Investment in associates	**15**	**3,425,803**	2,774,271	**25,000**	13,506
Available for sale investments	**15**	**5**	5	**5**	5
Loans to group undertakings	**15**	**-**	-	**11,321,501**	7,165,071
		154,495,677	141,038,815	**36,922,293**	40,450,939
Current assets					
Inventories	**16**	**3,094,087**	3,431,135	**72,163**	72,163
Financial assets at fair value through profit or loss	**17**	**16,874,478**	-	**-**	-
Trade and other receivables	**18**	**11,199,497**	9,386,007	**10,731,120**	11,777,336
Current tax assets		**-**	-	**313,576**	310,762
Cash at bank and in hand	**26**	**2,713,815**	1,118,600	**429**	94
		33,881,877	13,935,742	**11,117,288**	12,160,355
Total assets		**188,377,554**	154,974,557	**48,039,581**	52,611,294
Current liabilities					
Trade and other payables	**20**	**10,039,572**	9,379,977	**157,031**	149,652
Debt securities in issue	**21**	**1,673,651**	2,027,061	**-**	-
Bank borrowings	**22**	**3,401,814**	5,559,029	**-**	644,898
Other financial liabilities	**23**	**5,903,050**	5,685,556	**21,673,129**	18,235,193
Current tax liabilities		**68,982**	133,650	**-**	-
		21,087,069	22,785,273	**21,830,160**	19,029,743
Non-current liabilities					
Bank borrowings	**22**	**11,611,973**	16,835,693	**-**	181,210
Other financial liabilities	**23**	**4,184,785**	5,711,885	**4,558,521**	4,991,493
Debt securities in issue	**21**	**39,415,985**	11,586,563	**-**	-
Deferred tax liabilities	**24**	**9,906,512**	10,028,136	**170,379**	1,051,051
		65,119,255	44,162,277	**4,728,900**	6,223,754
Total liabilities		**86,206,324**	66,947,550	**26,559,060**	25,253,497
Net assets		**102,171,230**	88,027,007	**21,480,521**	27,357,797

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

Statements of financial position (continued)
at 31 October 2014

		Group		Company	
		2014	2013	**2014**	2013
EQUITY	**Notes**	**€**	€	**€**	€
Capital and reserves					
Share capital	**25**	**470,533**	470,533	**470,533**	470,533
Revaluation reserve		**87,194,913**	68,726,967	**438,916**	7,571,503
Other reserves		**886,303**	886,303	**555,551**	555,551
Capital reserve		**3,948,666**	3,948,666	**-**	-
Retained earnings		**8,222,301**	12,526,134	**20,015,521**	18,760,210
		100,722,716	86,558,603	**21,480,521**	27,357,797
Non-controlling interest		**1,448,514**	1,468,404	**-**	-
Total equity		**102,171,230**	88,027,007	**21,480,521**	27,357,797

The consolidated financial statements on pages 5 to 41 were approved by the Board of Directors on 23 January 2015 and were signed on its behalf by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

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

Statements of changes in equity
for the year ended 31 October 2014

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 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**
Profit for the year	-	-	-	-	5,082,590	5,082,590	7,669	5,090,259
Write-off of share capital of non-controlling interest	-	-	-	-	-	-	(32,061)	(32,061)
Revaluation of investment property, net of tax	-	9,386,423	-	-	(9,386,423)	-	-	-
Other comprehensive income for the year, net of tax	-	9,081,523	-	-	-	9,081,523	4,502	9,086,025
Total comprehensive income/ (expense)	-	18,467,946	-	-	(4,303,833)	14,164,113	(19,890)	14,144,223
At 31 October 2014	**470,533**	**87,194,913**	**886,303**	**3,948,666**	**8,222,301**	**100,722,716**	**1,448,514**	**102,171,230**

Statements of changes in equity (continued)
for the year ended 31 October 2014

Company

	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 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**
Loss for the year	-	-	-	(5,877,276)	(5,877,276)
Revaluation of investment property, net of tax	-	(7,132,587)	-	7,132,587	-
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive (expense)/ income	-	(7,132,587)	-	1,255,311	(5,877,276)
At 31 October 2014	**470,533**	**438,916**	**555,551**	**20,015,521**	**21,480,521**

Statements of cash flows
for the year ended 31 October 2014

		Group		Company	
		2014	2013	**2014**	2013
Cash flows from operating activities	**Notes**	**€**	€	**€**	€
Profit/(loss) before taxation		**5,047,454**	**9,266,609**	**(6,757,948)**	**8,763,179**
Adjustments for:					
Depreciation		**2,628,329**	**2,795,617**	**32,180**	**25,821**
Gain on disposal of property, plant and equipment		**(1,500)**	**(55,899)**	**-**	**-**
Gain on disposal of investment property		**(347,545)**	**(88,670)**	**-**	**(88,670)**
Share of results of associates		**(226,107)**	**(199,912)**	**-**	**-**
Capitalisation of bonds issued		**(622,339)**	**-**	**-**	**-**
Movement in provision for bad debts		**(56,439)**	**(97,824)**	**-**	**-**
Issue cost amortization		**96,888**	**19,413**	**-**	**-**
Movement in fair value of debt securities		**(1,973,363)**	**178,633**	**-**	**-**
Provision for diminution in value of financial assets		**-**	**-**	**(512)**	**(669,689)**
Write-off of difference between share capital of subsidiary merged and investment in parent company		**-**	**1,158**	**-**	**-**
Interest expense		**2,614,117**	**2,524,993**	**581,105**	**689,069**
Write-off of share capital of non-controlling interest		**(32,061)**	**-**	**-**	**-**
(Gain)/loss on investment property revaluation		**-**	**(7,274,761)**	**7,132,588**	**(7,393,917)**
Operating profit before working capital changes		**7,127,434**	**7,069,357**	**987,413**	**1,325,793**
Movement in inventories		**337,048**	**(42,756)**	**-**	**10,896**
Movement in trade and other receivables		**(1,757,051)**	**395,112**	**1,046,217**	**(110,769)**
Movement in trade and other payables		**(291,749)**	**(1,433,020)**	**3,913,886**	**24,451**
Cash flows from operating activities		**5,415,682**	**5,988,693**	**5,947,516**	**1,250,371**
Net interest paid		**(1,571,982)**	**(2,479,569)**	**(583,258)**	**(695,087)**
Net taxation paid		**(318,067)**	**(132,967)**	**(2,814)**	**(108,626)**
Net cash flows from operating activities		**3,525,633**	**3,376,157**	**5,361,444**	**446,658**
Cash flows (used in) /from investing activities					
Acquisition of property, plant and equipment		**(6,192,741)**	**(815,384)**	**(25,498)**	**(10,359)**
Acquisition of investment property		**-**	**-**	**544,759**	**-**
Acquisition of financial assets		**(425,425)**	**(22,396)**	**1,560**	**13,969**
Proceeds from sale of property, plant and equipment		**21,187**	**66,398**	**-**	**-**
Proceeds from sale of investment property		**3,121,799**	**300,000**	**-**	**300,000**
Purchase of own bonds		**(11,647)**	**(469,939)**	**-**	**-**
Advances to parent company		**-**	**-**	**-**	**(1,020)**
Issue of new bonds		**30,040,173**	**-**	**-**	**-**
Bonds redeemed		**(2,027,063)**	**-**	**-**	**-**
Advances (to)/from group undertakings		**-**	**-**	**(4,156,430)**	**1,072,622**
Acquisition of investments		**(17,675,369)**	**-**	**-**	**-**
Net cash flows (used in)/from investing activities		**6,850,914**	**(941,321)**	**(3,635,609)**	**1,375,212**
Cash flows used in financing activities					
Movement on bank borrowings		**(6,902,449)**	**(1,313,780)**	**(771,874)**	**231,772**
Movement on other loans		**(1,400,397)**	**(131,481)**	**(899,392)**	**(481,328)**
Net cash flows used in financing activities		**(8,302,846)**	**(1,445,261)**	**(1,671,266)**	**(249,556)**
Net movement in cash and cash equivalents		**2,073,701**	**989,575**	**54,569**	**1,572,314**
Cash and cash equivalents at start of year		**(1,602,439)**	**(2,592,014)**	**(54,140)**	(1,626,454)
Cash and cash equivalents at end of year	**26**	**471,262**	**(1,602,439)**	**429**	**(54,140)**

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 LJA 9010, 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	10% Straight Line
Plant and machinery	4 - 33.3% Straight Line
Motor vehicles	20% Straight Line
Furniture, fixtures and 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.

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

2 Accounting policies (continued)

Financial instruments (continued)

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.

Financial assets at fair value through profit or loss are stated at fair value (FVPTL)

Financial assets at FVPTL are financial assets held for trading or financial assets designated as at FVPTL. Financial assets at FVPTL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss.

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. 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.

2 Accounting policies (continued)

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 directors have made these adjustments based on their 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.

4. Revenue

	2014	2013
	€	€
Group		
Construction works, building materials and management services	**3,777,595**	3,020,390
Hospitality and entertainment	**21,268,422**	19,466,665
Sale of property and real estate	**280,000**	905,220
Rental income	**366,361**	385,782
Dividends receivable	**344,515**	-
	26,036,893	23,778,057

4. Revenue (continued)

	2014	2013
	€	€
Company		
Interest on amounts owed by subsidiaries	**1,094,431**	989,730
Management services	**670,293**	112,288
Rental income	**64,420**	83,131
Income from improvements	**-**	7,400
Other income	**4,651**	-
	1,833,795	1,192,549

5. Other operating income

	Group		**Company**	
	2014	2013	**2014**	2013
	€	€	**€**	€
Ancillary services	**157,240**	124,525	**37,401**	24,446
Sale of property	**-**	-	**-**	905,220
	157,240	124,525	**37,401**	929,666

6. Staff costs and employee information

	Group		**Company**	
	2014	2013	**2014**	2013
	€	€	**€**	€
Wages and salaries	**7,258,270**	6,496,170	**408,128**	315,896
Social security costs	**585,457**	586,303	**21,089**	16,091
Wages recharged	**-**	-	**(87,461)**	(89,528)
	7,843,727	7,082,473	**341,756**	242,459

6. Staff costs and employee information (continued)

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

	Group		Company	
	2014	2013	**2014**	2013
Management and administration	**80**	67	**13**	10
Operations and distribution	**333**	305	**-**	-
	413	372	**13**	10

7. Other investment income

	2014	2013
	€	€
Group		
Sundry interest receivable	**123**	501
Interest received from investments	**430,895**	-
Fair value movement	**1,973,363**	-
Gain on disposal of investments	**347,545**	-
	2,751,926	501

8. Finance costs

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Interest on bank loans and overdrafts	**587,414**	1,282,849	**14,549**	110,890
Interest on debt securities in issue	**2,014,128**	1,009,976	**-**	-
Interest on amounts payable to related parties	**-**	-	**566,556**	578,179
Interest on other payables	**-**	-	**-**	-
Interest on other loans	**12,575**	232,168	**-**	-
	2,614,117	2,524,993	**581,105**	689,069

9. Gain on financial assets

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Investments in subsidiaries and associates				
Movement in provision for diminution in value	**-**	-	**512**	669,689

10. Profit/(loss) before taxation

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit/(loss) before taxation is stated after charging:				
Auditors' remuneration	**59,497**	54,650	**9,000**	8,230

11. Key management personnel compensation

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Directors' compensation				
Short-term benefits	**145,865**	103,000	**57,291**	37,159

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Other key management personnel compensation				
Salaries and social security contributions	**538,360**	442,382	**219,211**	176,323

12. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the company amounted to € 8,266,080 (2013 : €8,266,080) and €118,131 (2013 : €118,643) and in the group amounted to € 9,973,754 (2013 : €9,521,719) and €2,220,040 (2013 : €452,255).

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Malta Income Tax:				
Current – for the year	**181,359**	121,456	**-**	108,626
– losses surrendered	**-**	-	**-**	-
– under provision in respect of previous years	**72,040**	38,649	**-**	42,043
Deferred tax through Statement of comprehensive income	**(296,204)**	2,050,425	**(880,672)**	1,091,161
	(42,805)	2,210,530	**(880,672)**	1,241,830
Deferred tax through Other comprehensive income	**174,580**	103,020	**-**	-
Tax charge/ (credit) for the year	**131,775**	2,313,550	**(880,672)**	1,241,830

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

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Profit/ (loss) before taxation	**5,047,454**	9,266,609	**(6,782,713)**	8,763,179
Tax thereon at 35%	**1,766,609**	3,243,313	**(2,373,950)**	3,067,113
Tax effect of permanent difference	**(1,815,099)**	(914,211)	**1,459,721**	(1,632,935)
Tax effect of unrecognised temporary differences	**108,224**	(54,201)	**33,557**	(234,391)
Under provision in respect of previous years	**72,041**	38,649	**-**	42,043
Tax charge / (credit) for the year	**131,775**	2,313,550	**(880,672)**	1,241,830

13. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	€	€	€	€	€	€
Fair value/cost						
At 01.11.2012	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
Additions	4,086,760	9,389	1,021,063	18,120	1,057,409	6,192,741
Disposals	-	-	(597,369)	(12,511)	-	(609,880)
Transfer from investment property	7,677,346	-	-	-	-	7,677,346
Revaluation	9,260,605	-	-	-	-	9,260,605
At 31.10.2014	**128,541,651**	**780,221**	**16,789,698**	**413,730**	**20,209,885**	**166,735,185**
Depreciation						
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
Provision for the year	1,046,389	77,992	600,105	16,320	887,523	2,628,329
Released on disposal	-	-	(586,326)	(3,867)	-	(590,193)
At 31.10.2014	**4,587,534**	**386,378**	**13,481,574**	**366,623**	**17,668,089**	**36,490,198**
Net book value						
At 31.10.2014	**123,954,117**	**393,843**	**3,308,124**	**47,107**	**2,541,796**	**130,244,987**
At 31.10.2013	103,975,795	462,446	2,898,209	53,951	2,371,910	109,762,311

13. Property, plant and equipment (continued)

Company

	Land and buildings	Plant and machinery	Motor vehicles	Total
	€	€	€	€
Cost / Fair value				
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
Additions	-	15,853	9,645	25,498
At 31.10.2014	**2,030,564**	**746,650**	**185,503**	**2,962,717**
Depreciation				
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
Provision for the year	23,294	6,956	1,930	32,180
At 31.10.2014	**333,091**	**726,021**	**177,788**	**1,236,900**
Net book value				
At 31.10.2014	**1,697,473**	**20,629**	**7,715**	**1,725,817**
At 31.10.2013	1,720,767	11,732	-	1,732,499

The fair value of the group and the company's Land and Buildings at 31 October 2014 and 31 October 2013 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 directors are 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 01.11.2012	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
Transfer to property, plant and equipment	(7,677,346)	-
Revaluation	-	(7,132,587)
Disposals	-	(544,759)
At 31.10.2014	**20,824,882**	**4,250,000**

The fair value of the group and the company's investment property at 31 October 2014 and 31 October 2013 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 directors are 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 01.11.2012	2,551,963
Additions	22,396
Share of profits	199,912
Share of assets at 31.10.2013	2,774,271
Additions	425,425
Share of profits	226,107
Share of assets at 31.10.2014	**3,425,803**

Available for sale investments

	€
Cost	
At 31.10.2013 / 31.10.2014	**5**

15. Financial assets (continued)

Company

	Investment in subsidiaries	Investment in associates	Available for sale investments	Loans to group undertakings	Total
	€	€	€	€	€
Cost					
At 01.11.2013	19,665,795	78,866	5	7,165,071	26,909,737
Additions	26,147	-	-	4,156,430	4,182,577
Disposals	(27,707)	-	-	-	(27,707)
At 31.10.2014	**19,664,235**	**78,866**	**5**	**11,321,501**	**31,064,607**
Provision for diminution in value					
At 01.11.2013	53,283	65,360	-	-	118,643
Movement for the year	10,982	(11,494)	-	-	(512)
At 31.10.2014	**64,265**	**53,866**	**-**	**-**	**118,131**
Net book value					
At 31.10.2014	**19,599,970**	**25,000**	**5**	**11,321,501**	**30,946,476**
At 31.10.2013	19,612,512	13,506	5	7,165,071	26,791,094

Investment in subsidiaries

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have 31 October year ends.

15. Financial assets (continued)

The registered address of the following subsidiaries is AX House, Mosta Road, Lija LJA 9010, Malta:

	Group % of ordinary capital held		Group % of preference capital held	
	2014	2013	2014	2013
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	-	-	-
AX Finance Limited	100	100	-	-
AX Hotel Operations Limited	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
Construction & Demolition Waste Limited	51	51	51	51
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Care Home Limited	100	-	-	-
Hilltop Gardens Retirement Village Limited	100	-	-	-
Holiday Resorts Limited	100	100	-	-
Luzzu Properties Limited	100	-	-	-
Marine World Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Quayside Catering Ltd	100	100	-	-
Royal Hotels Limited	100	100	-	-
Simblija Developments 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	-	-
Verdala Mansions Limited	100	100	-	-

15. Financial assets (continued)

Investment in associates

	Group % of equity capital held		Group % of preference capital held	
	2014	2013	**2014**	2013
Fortigne Holdings Limited (in liquidation)	33.3	33.3	-	-
Sliema Point Co. Ltd. (in liquidation)	25	25	-	-
Securicor Malta Limited (in liquidation)	30	30	-	-
Valletta Cruise Port p.l.c.	22.5	22.5	-	-

16. Inventories

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Property held for development and re-sale	**1,956,912**	1,993,744	**72,163**	72,163
Raw materials and consumables	**1,137,175**	1,437,391	**-**	-
	3,094,087	3,431,135	**72,163**	72,163

17. Financial assets at fair value through profit or loss

	Financial assets at fair value through profit or loss
	€
Carrying amount	
Additions	17,675,369
Disposals	(2,774,254)
Fair value movement	1,973,363
At 31 October 2014	**16,874,478**

Financial assets at fair value through profit or loss held as at year-end consisted of Malta Government Bonds.

18. Trade and other receivables

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade receivables	**6,628,121**	5,880,213	**153,586**	153,499
Provisions for doubtful debts	**(162,978)**	(219,417)	**-**	-
Amounts owed by parent company	**78,529**	76,284	**78,529**	76,284
Amounts owed by subsidiaries	**-**	-	**10,356,505**	7,927,221
Amounts owed by other related parties	**-**	27,611	**-**	3,612,917
Other receivables	**3,693,621**	1,772,946	**142,500**	-
Prepayments and accrued income	**962,204**	1,848,370	**-**	7,415
	11,199,497	9,386,007	**10,731,120**	11,777,336

Amounts owed by parent company are 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 €393,633 (2013 : €261,552).

20. Trade and other payables

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Trade payables	**3,531,340**	3,851,705	**51,856**	68,924
Other payables	**1,539,872**	1,532,199	**51,631**	12,817
Indirect taxation and social security	**411,884**	456,863	**41,100**	11,347
Accruals and deferred income	**4,556,476**	3,539,210	**12,444**	56,564
	10,039,572	9,379,977	**157,031**	149,652

21. Debt securities in issue

As at year-end, a subsidiary within the group ; AX Investments p.l.c., had a remaining balance of €1,673,651 from the bond issue of €11,646,867 (Lm5 million), 6.7% bonds of €100 nominal value each, which were deemed to be redeemable at par between 2014 and 2016. Interest on the bonds is due and payable annually in arrears on 15 December of each year at the above mentioned rates. During the year, the subsidiary issued a bond issue of €40 million. Interest is payable annually on 6 March (first interest payment date is 6 March 2015), with the bonds maturing during 2024. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by AX Holdings Limited.

	2014	2013
	€	€
At beginning of year	**13,613,624**	13,885,517
Issue of new bonds	**30,040,173**	-
Bonds redeemed	**(2,027,063)**	-
Purchase of own bonds	**(11,647)**	(469,939)
Adjustment to reflect fair value of debt securities	**-**	178,633
	41,615,087	13,594,211
Capitilisation of bond issue costs	**(622,339)**	-
Bond issue costs amortisation for the year	**96,888**	19,413
At end of year	**41,089,636**	13,613,624
Falling due within one year	**1,673,651**	2,027,061
Falling due in between two and five years	**39,415,985**	11,586,563
At end of year	**41,089,636**	13,613,624

22. Bank borrowings

	Group 2014	Group 2013	Company 2014	Company 2013
	€	€	**€**	€
Bank overdrafts	**2,242,553**	2,721,039	**-**	54,234
Bank loans	**12,771,234**	19,673,683	**-**	771,874
	15,013,787	22,394,722	**-**	826,108

Bank overdrafts and loans are repayable as follows:

	Group 2014	Group 2013	Company 2014	Company 2013
	€	€	**€**	€
On demand or within one year	**3,401,814**	5,559,029	**-**	644,898
Between two and five years	**5,594,607**	9,290,127	**-**	181,210
After five years	**6,017,366**	7,545,566	**-**	-
	15,013,787	22,394,722	**-**	826,108
Less: amounts due for settlement within one year	**(3,401,814)**	(5,559,029)	**-**	(644,898)
Amounts due for settlement after one year	**11,611,973**	16,835,693	**-**	181,210

The group has aggregate bank facilities of € 16,982,760 (2013 : € 24,521,609). 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 3.9% to 6.75% per annum (2013 : 4.45% to 6.75%).

23. Other financial liabilities

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
Amounts owed to subsidiaries	**-**	-	**24,442,276**	20,537,920
Amounts owed to associates	**26,646**	26,646	**26,646**	26,646
Other loans	**5,876,404**	5,658,910	**-**	-
Shareholder's loan	**3,903,627**	5,521,518	**1,762,728**	2,662,120
Other payables	**104,821**	104,821	**-**	-
Provision for liabilities and charges	**176,337**	85,546	**-**	-
	10,087,835	11,397,441	**26,231,650**	23,226,686

Other financial liabilities are repayable as follows:

	Group		Company	
	2014	2013	**2014**	2013
	€	€	**€**	€
On demand or within one year	**5,903,050**	5,685,556	**21,673,129**	18,235,193
Between two and five years	**281,158**	190,367	**-**	-
After five years	**3,903,627**	5,521,518	**4,558,521**	4,991,493
	10,087,835	11,397,441	**26,231,650**	23,226,686
Less: amounts due for settlement within one year	**(5,903,050)**	(5,685,556)	**(21,673,129)**	(18,235,193)
Amounts due for settlement after one year	**4,184,785**	5,711,885	**4,558,521**	4,991,493

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 and interest-free, except for an aggregate amount of €15,582,828 (2013 : €11,264,936) which bears interest between 1% and 9% per annum. They are repayable on demand except for an aggregate amount of €2,795,793 (2013 : €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 (2013 : 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	
	2014	2013	**2014**	2013
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**(23,000)**	(8,166)	**(2,258)**	(3,034)
Unabsorbed tax losses, tax credits and capital allowances	**(3,098,090)**	(3,919,861)	**(422,110)**	(558,621)
Provision for doubtful debts	**(78,228)**	(131,805)	**-**	(25,068)
Revaluation of investment property	**13,020,724**	9,558,007	**-**	-
Revaluation of property	**-**	4,434,203	**594,747**	1,637,774
Provision for diminution in value of investments	**67,573**	71,168	**-**	-
Unrealised difference on exchange	**17,533**	24,590	**-**	-
	9,906,512	10,028,136	**170,379**	1,051,051

25. Called up issued share capital

	2014	2013
	€	€
Authorised		
202,000 ordinary shares of €2.329373 each	**470,533**	470,533
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**	
	2014	2013	**2014**	2013
	€	€	**€**	€
Cash at bank and in hand	**2,713,815**	1,118,600	**429**	94
Bank overdrafts	**(2,242,553)**	(2,721,039)	**-**	(54,234)
	471,262	(1,602,439)	**429**	(54,140)

As at year-end, the company had garnishee orders against it amounting to € 283,630 (2013 : € -).

27. Contingent liabilities

At 31 October 2014, 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.

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

- Third parties are claiming €156,144 for services rendered which are being contested by a subsidiary.

- At 31 October 2014, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €612,732 (2013 : € 521,612).

- A guarantee was given in favour of a third parties amounting to €716,995 (2013 : €1,594,401) by one of the subsidiaries.

- As at 31 October 2014, a subsidiary acted as guarantor for the sum of € 4,192,872 (2013 : € 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.

28. Capital commitments

As at 31 October 2014, a subsidiary had the following capital commitments: To undertake the refurbishment of the 2nd floor of the Sunny Coast Resort and the purchase of a new Reverse Osmosis Plant and indoor facilities within the Leisure Centre.

29. Related parties

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

	2014	2013
	€	€
Related party transactions with subsidiaries:		
Revenue	**1,094,431**	989,766
Finance costs	**566,556**	578,174
Wages recharged to subsidiaries	**87,461**	89,528
Expenses recharged to subsidiaries	**82,661**	25,858
Management fees recharged to subsidiaries	**670,293**	112,252
Property transferred to subsidiary	**544,759**	-

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 LJA 9010, 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.

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.

31. Risk management objectives and policies (continued)

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, 17, 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 2014 and 31 October 2013, 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.

31. Risk management objectives and policies (continued)

Group

	Less than 6 months 2014 €	**From 6 to 12 months 2014 €**	**From 1 to 5 years 2014 €**	**More than 5 years 2014 €**	Less than 6 months 2013 €	From 6 to 12 months 2013 €	From 1 to 5 years 2013 €	More than 5 years 2013 €
Bank borrowings	**771,111**	**881,955**	**7,042,272**	**6,613,563**	2,629,739	1,081,044	10,693,824	8,574,755
Other borrowings	**8,766,596**	**1,200,000**	**9,600,000**	**50,428,493**	8,098,449	390,202	13,304,841	-
	9,537,707	**2,081,955**	**16,642,272**	**57,042,056**	10,728,188	1,471,246	23,998,665	8,574,755

Company

	Less than 6 months 2014 €	**From 6 to 12 months 2014 €**	**From 1 to 5 years 2014 €**	**More than 5 years 2014 €**	Less than 6 months 2013 €	From 6 to 12 months 2013 €	From 1 to 5 years 2013 €	More than 5 years 2013 €
Bank borrowings	**-**	**-**	**-**	**-**	574,402	31,494	199,221	-

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.

32. 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.