Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2016

Contents

Directors' report
for the year ended 31 October 2016

Executive directors	Mr Angelo Xuereb Ms Claire Zammit Xuereb Ms Denise Xuereb Mr Michael Warrington Mr Richard Xuereb (resigned on 28 November 2016)
Non-executive directors	Mr John Soler Mr Christopher Paris
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 2016.

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 another successful year. Revenue increased by €5.9 million over the previous year. The increase was mainly derived from the hospitality segment. Operating profits during the year increased by €1.1 million. The group's profit before taxation for the year is €5,951,654 (2015: €5,599,359). As at year end, the AX Group's equity stood at €163,719,016 (2015: €111,481,869).

The directors expect the group to continue to grow in all its core business segments during 2017.

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 (Cap. 386) 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 (Cap. 386). 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 30 January 2017, and signed on its behalf by:

Mr Angelo Xuereb **Director**	**Mr Michael Warrington** **Director**

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 2016, 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.

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 2016 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 (Cap. 386).

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: 25 January 2017

Statements of profit or loss and other comprehensive income
for the year ended 31 October 2016

		Group		Company	
		2016	2015	**2016**	2015
	Notes	**€**	€	**€**	€
Revenue	**4**	**38,030,042**	32,109,926	**2,418,078**	11,753,127
Other operating income	**5**	**30,445**	213,551	**6,980**	29,152
Other operating charges		**(14,333,355)**	(12,955,698)	**(598,069)**	(522,666)
Staff costs	**6**	**(11,061,324)**	(9,442,430)	**(625,423)**	(715,417)
Depreciation		**(4,824,902)**	(3,229,377)	**(25,940)**	(34,052)
Operating profit		**7,840,906**	6,695,972	**1,175,626**	10,510,144
Share of results of associated undertakings		**696,495**	377,993	**-**	-
Other investment income	**7**	**908,734**	1,974,987	**-**	-
Finance costs	**8**	**(3,494,481)**	(3,449,593)	**(681,650)**	(1,021,408)
Gain on financial assets	**9**	**-**	-	**-**	65,428
Profit before taxation	**10**	**5,951,654**	5,599,359	**493,976**	9,554,164
Taxation	**12**	**(1,918,250)**	(1,411,799)	**(34,313)**	(492,355)
Profit for the year		**4,033,404**	4,187,560	**459,663**	9,061,809
Attributable to:					
Owners of the parent		**4,081,367**	4,192,023		
Non-controlling interest		**(47,963)**	(4,463)		
		4,033,404	4,187,560		
Other comprehensive income					
Gains on property revaluation		**53,621,604**	6,881,428	-	2,524,042
Taxation	**12**	**(5,417,861)**	(1,408,349)	-	(250,253)
Other comprehensive income, net of taxation		**48,203,743**	5,473,079	-	2,273,789
Total comprehensive income		**52,237,147**	9,660,639	**459,663**	11,335,598
Attributable to:					
Owners of the parent		**52,285,110**	9,660,683		
Non controlling interest		**(47,963)**	(44)		
Total comprehensive income		**52,237,147**	9,660,639		

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

Statements of financial position
at 31 October 2016

		Group		Company	
		2016	2015	**2016**	2015
ASSETS AND LIABILITIES	**Notes**	**€**	€	**€**	€
Non-current assets					
Property, plant and equipment	**13**	**218,790,903**	157,508,999	**4,343,609**	4,250,705
Investment property	**14**	**22,376,057**	21,476,057	**4,250,000**	4,250,000
Investment in subsidiaries	**15**	**-**	-	**19,669,030**	19,664,235
Investment in associates	**15**	**8,585,833**	4,141,996	**26,169**	26,169
Loans to group undertakings	**15**	**-**	-	**12,563,177**	11,773,806
		249,752,793	183,127,052	**40,851,985**	39,964,915
Current assets					
Inventories	**16**	**2,720,657**	2,749,291	**53,764**	53,764
Trade and other receivables	**17**	**12,075,393**	16,136,249	**18,011,504**	24,080,889
Current tax assets		**-**	-	**286,047**	3,500
Cash at bank and in hand	**19**	**5,875,681**	4,025,113	**2,629**	3,281
		20,671,731	22,910,653	**18,353,944**	24,141,434
Total assets		**270,424,524**	206,037,705	**59,205,929**	64,106,349
Current liabilities					
Trade and other payables	**20**	**14,845,992**	13,765,949	**606,755**	337,724
Bank borrowings	**22**	**2,710,198**	4,141,665	**156,018**	-
Other financial liabilities	**23**	**6,311,392**	6,357,672	**21,312,025**	29,027,265
Current tax liabilities		**541,325**	201,821	**-**	-
		24,408,907	24,467,107	**22,074,798**	29,364,989
Non-current liabilities					
Trade and other payables	**20**	**3,281,223**	-	**-**	-
Bank borrowings	**22**	**19,252,405**	15,555,393	**2,768,982**	-
Other financial liabilities	**23**	**1,635,464**	2,978,756	**655,357**	1,514,779
Debt securities in issue	**21**	**39,540,131**	39,478,314	**-**	-
Deferred tax liabilities	**24**	**18,587,378**	12,076,266	**781,010**	760,462
		82,296,601	70,088,729	**4,205,349**	2,275,241
Total liabilities		**106,705,508**	94,555,836	**26,280,147**	31,640,230
Net assets		**163,719,016**	111,481,869	**32,925,782**	32,466,119

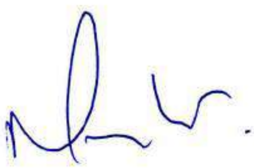
The notes on pages 11 to 41 form an integral part of these financial statements.

Statements of financial position (continued)
at 31 October 2016

EQUITY	Notes	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Capital and reserves					
Share capital	**25**	**470,533**	470,533	**470,533**	470,533
Revaluation reserve		**140,860,122**	92,663,573	**2,712,705**	2,712,705
Capital reserve		**4,834,969**	4,834,969	**555,551**	555,551
Retained earnings		**16,152,885**	12,064,324	**29,186,993**	28,727,330
		162,318,509	110,033,399	**32,925,782**	32,466,119
Non-controlling interest		**1,400,507**	1,448,470	-	-
Total equity		**163,719,016**	111,481,869	**32,925,782**	32,466,119

The consolidated financial statements on pages 5 to 41 were approved by the Board of Directors on 30 January 2017 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 2016

Group

	Share capital	Revaluation Reserve	Capital reserve	Retained Earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
	€	€	€	€	€	€	€
At 1 November 2014	**470,533**	**87,194,913**	**4,834,969**	**8,222,301**	**100,722,716**	**1,448,514**	**102,171,230**
Profit for the year	-	-	-	4,192,023	4,192,023	(4,463)	4,187,560
Other comprehensive income for the year, net of tax	-	5,468,660	-	-	5,468,660	4,419	5,473,079
Total comprehensive income	-	5,468,660	-	4,192,023	9,660,683	(44)	9,660,639
Dividends payable	-	-	-	(350,000)	(350,000)	-	(350,000)
At 31 October 2015	**470,533**	**92,663,573**	**4,834,969**	**12,064,324**	**110,033,399**	**1,448,470**	**111,481,869**
Profit for the year	-	-	-	4,081,367	4,081,367	(47,963)	4,033,404
Other comprehensive income for the year, net of tax	-	48,203,743	-	-	48,203,743	-	48,203,743
Total comprehensive income	-	48,203,743	-	4,081,367	52,285,110	(47,963)	52,237,147
Deferred tax on revaluation of property	-	(7,194)	-	7,194	-	-	-
At 31 October 2016	**470,533**	**140,860,122**	**4,834,969**	**16,152,885**	**162,318,509**	**1,400,507**	**163,719,016**

Statements of changes in equity (continued)
for the year ended 31 October 2016

Company

	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 2014	**470,533**	**438,916**	**555,551**	**20,015,521**	**21,480,521**
Profit for the year	-	-	-	9,061,809	9,061,809
Dividends paid	-	-	-	(350,000)	(350,000)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Revaluation of property, plant and equipment, net of tax	-	2,273,789	-	-	2,273,789
Total comprehensive income	-	2,273,789	-	8,711,809	10,985,598
At 31 October 2015	**470,533**	**2,712,705**	**555,551**	**28,727,330**	**32,466,119**
Profit for the year	-	-	-	459,663	459,663
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	459,663	459,663
At 31 October 2016	**470,533**	**2,712,705**	**555,551**	**29,186,993**	**32,925,782**

Statements of cash flows
for the year ended 31 October 2016

		Group		Company	
		2016	2015	**2016**	2015
Cash flows from operating activities	**Notes**	**€**	€	**€**	€
Profit before taxation		**5,951,654**	5,599,359	**493,976**	9,554,164
Adjustments for:					
Depreciation		**4,824,902**	3,229,377	**25,939**	34,052
Share of results of associates		**(696,495)**	(377,993)	**-**	-
Movement in provision for bad debts		**(107,154)**	(101,217)	**-**	-
Issue cost amortisation		**61,817**	62,329	**-**	-
Movement in fair value of debt securities		**-**	1,973,363	**-**	-
Movement in fair value of investment property		**(900,000)**	-	**-**	-
Gain on disposal of investment		**-**	(3,601,152)	**-**	-
Deferred tax assets on acquisition of investment		**-**	(109,396)	**-**	-
Impairment loss on investments		**-**	-	**-**	(118,131)
Investment written off		**-**	-	**-**	52,703
Interest expense		**3,494,481**	3,449,593	**681,650**	1,021,408
Operating profit before working capital changes		**12,629,205**	10,124,263	**1,201,565**	10,544,196
Movement in inventories		**28,634**	344,796	**-**	18,399
Movement in trade and other receivables		**4,168,010**	(4,835,535)	**6,069,385**	(13,349,769)
Movement in trade and other payables		**3,803,371**	4,438,706	**(7,446,209)**	4,739,036
Cash flows from operating activities		**20,629,220**	10,072,230	**(175,259)**	1,951,862
Net interest paid		**(3,542,743)**	(3,745,459)	**(681,650)**	(1,021,408)
Net taxation paid		**(485,495)**	(408,159)	**(296,312)**	(63,401)
Net cash flows from operating activities		**16,600,982**	5,918,612	**(1,153,221)**	867,053
Cash flows used in investing activities					
Acquisition of property, plant and equipment		**(12,497,449)**	(23,611,961)	**(131,090)**	(34,898)
Acquisition of investment property		**-**	(651,175)	**-**	-
Acquisition of financial assets		**(3,747,342)**	(338,195)	**(4,795)**	-
Proceeds from sale of property, plant and equipment		**12,247**	-	**12,247**	-
Bonds redeemed		**-**	(1,673,651)	**-**	-
Advances to group undertakings		**-**	-	**(789,371)**	(231,354)
Acquisition of investments		**-**	-	**-**	-
Proceeds from disposal of investments		**-**	18,502,267	**-**	-
Net cash flows used in investing activities		**(16,232,544)**	(7,772,715)	**(913,009)**	(266,252)
Cash flows used in financing activities					
Movement in bank borrowings		**3,833,396**	5,074,832	**2,925,000**	-
Movement in other loans		**(783,415)**	(1,167,870)	**(859,422)**	(247,949)
Dividends paid		**-**	(350,000)	**-**	(350,000)
Net cash flows used in financing activities		**3,049,981**	3,556,962	**2,065,578**	(597,949)
Net movement in cash and cash equivalents		**3,418,419**	1,702,859	**(652)**	2,852
Cash and cash equivalents at start of year		**2,174,121**	471,262	**3,281**	429
Cash and cash equivalents at end of year	**19**	**5,592,540**	2,174,121	**2,629**	3,281

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 depreciation rates as at 31 October 2016 were amended following a reassessment of the expected useful lives of the assets. The annual rates used are as follows:

Buildings	1 - 2% Straight Line
Improvements	10% Straight Line
Plant and machinery	5 - 20% Straight Line
Motor vehicles	20% Straight Line
Furniture, fixtures and equipment	5 - 33% 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

	2016	2015
	€	€
Group		
Construction works, building materials and management services	**3,446,801**	4,348,663
Hospitality and entertainment	**32,130,774**	26,342,783
Nursing home	**261,263**	-
Healthcare	**746,592**	-
Sale of property and real estate	**-**	699,168
Rental income	**493,267**	349,154
Dividends receivable	**951,345**	370,158
	38,030,042	32,109,926

4. Revenue (continued)

	2016	2015
	€	€
Company		
Interest on amounts owed by subsidiaries	**-**	1,410,753
Management services	**998,871**	1,825,156
Dividends receivable	**1,316,312**	8,000,000
Rental income	**102,895**	18,050
Sale of property	**-**	499,168
	2,418,078	11,753,127

5. Other operating income

	Group		**Company**	
	2016	2015	**2016**	2015
	€	€	**€**	€
Ancillary services	**30,445**	213,551	**6,980**	29,152

6. Staff costs and employee information

	Group		**Company**	
	2016	2015	**2016**	2015
	€	€	**€**	€
Wages and salaries	**10,312,487**	8,772,133	**709,095**	505,182
Social security costs	**748,837**	670,297	**34,290**	25,100
Wages recharged	**-**	-	**(117,962)**	185,135
	11,061,324	9,442,430	**625,423**	715,417

6. Staff costs and employee information (continued)

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

	Group		Company	
	2016	2015	**2016**	2015
Management and administration	**112**	103	**20**	16
Operations and distribution	**524**	464	**-**	-
	636	567	**20**	16

7. Other investment income

	2016	2015
	€	€
Group		
Interest received from investments	**8,734**	347,198
Fair value movement	**900,000**	(1,973,363)
Gain on disposal of investments	**-**	3,601,152
	908,734	1,974,987

8. Finance costs

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Interest on bank loans and overdrafts	**870,238**	794,439	**351**	575
Interest on debt securities in issue	**2,400,000**	2,388,685	-	**-**
Interest on amounts payable to related parties	-	**-**	**681,299**	1,020,833
Interest on other loans	**224,243**	266,469	-	**-**
	3,494,481	3,449,593	**681,650**	1,021,408

9. Gain on financial assets

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Investments in subsidiaries and associates				
Impairment loss on investment	-	-	-	118,131
Investment written off	-	-	-	(52,703)
	-	-	-	65,428

10. Profit before taxation

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Profit before taxation is stated after charging:				
Auditors' remuneration	**74,629**	63,720	**9,450**	9,450

11. Key management personnel compensation

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Directors' compensation				
Short-term benefits	**486,620**	406,476	**395,903**	315,841

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Other key management personnel compensation				
Salaries and social security contributions	**422,991**	464,105	**116,206**	112,727

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 (2015 : € 8,266,080) and € Nil (2015 : € Nil) and in the group amounted to € 8,750,160 (2015 : € 8,972,291) and € 1,772,192 (2015 : € 46,145).

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Malta Income Tax:				
Current – for the year	**896,368**	306,597	**13,765**	59,900
– losses surrendered	-	-	-	-
– (over)/under provision in respect of previous years	**(71,369)**	234,401	**-**	92,625
Deferred tax through Statement of comprehensive income	**1,093,251**	870,801	**20,548**	339,830
	1,918,250	1,411,799	**34,313**	492,355
Deferred tax through Other comprehensive income	**5,417,861**	1,408,349	**-**	250,253
Tax charge for the year	**7,336,111**	2,820,148	**34,313**	742,608

The profit before taxation and tax charge for the year are reconciled as follows:

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Profit before taxation	**5,951,654**	5,599,359	**493,976**	9,554,164
Tax thereon at 35%	**2,083,079**	1,959,776	**172,892**	3,343,957
Tax effect of permanent differences	**4,798,030**	1,737,346	**(138,579)**	(2,652,628)
Tax effect of unrecognised temporary differences	**526,371**	(1,111,375)	**-**	(41,346)
(Over)/under provision in respect of previous years	**(71,369)**	234,401	**-**	92,625
Tax charge for the year	**7,336,111**	2,820,148	**34,313**	742,608

13. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	€	€	€	€	€	€
Fair value/cost						
At 01.11.2014	128,541,651	780,221	16,789,698	413,730	20,209,885	166,735,185
Additions	10,377,443	1,677	4,145,759	14,806	9,072,276	23,611,961
Written off	-	-	(1,182,690)	-	(5,016,022)	(6,198,712)
Revaluation	6,881,428	-	-	-	-	6,881,428
At 31.10.2015	145,800,522	781,898	19,752,767	428,536	24,266,139	191,029,862
Additions	4,469,032	103	2,394,578	58,698	5,575,038	12,497,449
Disposals	-	-	(12,247)	-	-	(12,247)
Revaluation	53,621,604	-	-	-	-	53,621,604
At 31.10.2016	**203,891,158**	**782,001**	**22,135,098**	**487,234**	**29,841,177**	**257,136,668**
Depreciation						
At 01.11.2014	4,587,534	386,378	13,481,574	366,623	17,668,089	36,490,198
Provision for the year	1,164,205	78,159	562,891	21,391	1,402,731	3,229,377
Released on write-off	-	-	(1,182,690)	-	(5,016,022)	(6,198,712)
At 31.10.2015	5,751,739	464,537	12,861,775	388,014	14,054,798	33,520,863
Provision for the year	1,960,839	46,806	891,901	18,170	1,907,186	4,824,902
At 31.10.2016	**7,712,578**	**511,343**	**13,753,676**	**406,184**	**15,961,984**	**38,345,765**
Net book value						
At 31.10.2016	**196,178,580**	**270,658**	**8,381,422**	**81,050**	**13,879,193**	**218,790,903**
At 31.10.2015	140,048,783	317,361	6,890,992	40,522	10,211,341	157,508,999

13. Property, plant and equipment (continued)

Company

	Land and buildings	Plant and machinery	Motor vehicles	Total
	€	€	€	€
Cost / Fair value				
At 1.11.2014	2,030,564	746,650	185,503	2,962,717
Additions	-	34,898	-	34,898
Revaluation	2,524,042	-	-	2,524,042
At 31.10.2015	4,554,606	781,548	185,503	5,521,657
Additions	-	80,090	51,000	131,090
Disposals	-	(12,247)	-	(12,247)
At 31.10.2016	**4,554,606**	**849,391**	**236,503**	**5,640,500**
Depreciation				
At 1.11.2014	333,091	726,021	177,788	1,236,900
Provision for the year	21,515	10,607	1,930	34,052
At 31.10.2015	354,606	736,628	179,718	1,270,952
Provision for the year	-	25,939	-	25,939
At 31.10.2016	**354,606**	**762,567**	**179,718**	**1,296,891**
Net book value				
At 31.10.2016	**4,200,000**	**86,824**	**56,785**	**4,343,609**
At 31.10.2015	4,200,000	44,920	5,785	4,250,705

The fair value of the group and the company's Land and Buildings at 31 October 2016 and 31 October 2015 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 1.11.2014	20,824,882	4,250,000
Additions	651,175	-
At 31.10.2015	21,476,057	4,250,000
Fair value movement	900,000	-
At 31.10.2016	**22,376,057**	**4,250,000**

The fair value of the group and the company's investment property at 31 October 2016 and 31 October 2015 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 1.11.2014	3,425,808
Additions	338,195
Share of profits	377,993
Share of assets at 31.10.2015	4,141,996
Additions	3,747,342
Share of profits	696,495
Share of assets at 31.10.2016	**8,585,833**

15. Financial assets (continued)

Company

	Investment in subsidiaries	Investment in associates	Loans to group undertakings	Total
	€	€	€	€
Cost				
At 01.11.2015	19,664,235	26,169	11,773,806	31,464,210
Additions	4,795	-	789,371	794,166
At 31.10.2016	**19,669,030**	**26,169**	**12,563,177**	**32,258,376**
Impairment loss				
At 01.11.2015	-	-	-	-
Movement for the year	-	-	-	-
At 31.10.2016	-	-	-	-
Net book value				
At 31.10.2016	**19,669,030**	**26,169**	**12,563,177**	**32,258,376**
At 31.10.2015	19,664,235	26,169	11,773,806	31,464,210

Investment in subsidiaries

The group financial statements consolidate the results and position of all subsidiary undertakings, which have 31 October year ends, except for Shore Investments Limited, having a 31 December year end.

Loans to group undertakings

Loans to group undertakings are unsecured, interest-free and have no fixed date of repayment.

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	
	2016	2015	**2016**	2015
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Hotel Operations p.l.c.	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
Harbour Connections Limited	100	-	-	-
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Gardens Retirement Village Limited	100	100	-	-
Hilltop Management Services Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Luzzu Properties Limited	100	100	-	-
Marine World Limited	100	100	-	-
Palazzo Merkanti Leisure Limited	100	-	-	-
Prime Buildings Limited	75	75	-	-
Quayside Catering Ltd	100	100	-	-
Royal Hotels Limited	100	100	-	-
Simblija Care Home Limited	100	100	-	-
Simblija Developments limited	100	100	-	-
Shore Investments Limited (in liquidation)	100	100	-	-
Skyline Developments Limited	100	100	-	-
St. John’s Boutique Hotel Limited	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	
	2016	2015	**2016**	2015
Valletta Cruise Port p.l.c.	**36**	24	-	-

16. Inventories

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Property held for development and re-sale	**1,523,107**	1,273,107	**53,764**	53,764
Raw materials and consumables	**1,197,550**	1,476,184	**-**	-
	2,720,657	2,749,291	**53,764**	53,764

17. Trade and other receivables

	Group 2016 €	Group 2015 €	Company 2016 €	Company 2015 €
Trade receivables	**7,759,941**	7,781,753	**14,171**	131,910
Provisions for doubtful debts	**(371,349)**	(264,195)	**-**	-
Amounts owed by parent company	**82,090**	80,146	**82,090**	80,146
Amounts owed by subsidiaries	**-**	-	**16,935,605**	18,683,641
Amounts owed by other related parties	**1,479,831**	427,178	**-**	-
Other receivables	**2,476,529**	6,543,324	**813,983**	4,091,115
Prepayments and accrued income	**648,351**	1,568,043	**165,655**	1,094,077
	12,075,393	16,136,249	**18,011,504**	24,080,889

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

18. Construction contracts

As at year end, retentions held by customers for contract works amounted to € 107,833 (2015 : € 94,030).

19. Cash and cash equivalents

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

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Cash at bank and in hand	**5,875,681**	4,025,113	**2,629**	3,281
Bank overdrafts	**(283,141)**	(1,850,992)	**-**	-
	5,592,540	2,174,121	**2,629**	3,281

As at year-end, the company had garnishee orders against it amounting to € 1,558 (2015: € 300,555).

20. Trade and other payables

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Trade payables	**4,387,418**	5,173,806	**32,114**	61,356
Other payables	**4,711,009**	3,386,686	**221,512**	205,750
Indirect taxation and social security	**1,119,378**	375,515	**257,184**	42,013
Accruals and deferred income	**7,909,410**	4,829,942	**95,945**	28,605
	18,127,215	13,765,949	**606,755**	337,724
Current	**14,845,992**	13,765,949	**606,755**	337,724
Non-current	**3,281,223**	-	**-**	-
	18,127,215	13,765,949	**606,755**	337,724

21. Debt securities in issue

As at year end, a subsidiary had a balance of € 39,540,131 (2015 : € 39,478,314) from the bond issue of €40 million 6% bonds of €100 nominal value each, redeemable at par in 2024. The amount is made up of the bond issue of €40 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above mentioned rate.

	2016	2015
	€	€
At beginning of year	**39,478,314**	41,089,636
Bonds redeemed	-	(1,673,651)
	39,478,314	39,415,985
Bond issue costs amortisation for the year	**61,817**	62,329
At end of year	**39,540,131**	39,478,314
Falling due after more than five years	**39,540,131**	39,478,314
At end of year	**39,540,131**	39,478,314

22. Bank borrowings

	Group		**Company**	
	2016	2015	**2016**	2015
	€	€	**€**	€
Bank overdrafts	**283,141**	1,850,992	**-**	**-**
Bank loans	**21,679,462**	17,846,066	**2,925,000**	**-**
	21,962,603	19,697,058	**2,925,000**	**-**

22. Bank borrowings (continued)

Bank overdrafts and loans are repayable as follows:

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
On demand or within one year	**2,710,198**	4,141,665	**156,018**	-
Between two and five years	**10,182,464**	8,248,780	**708,101**	-
After five years	**9,069,941**	7,306,613	**2,060,881**	-
	21,962,603	19,697,058	**2,925,000**	-
Less: amounts due for settlement within one year	**(2,710,198)**	(4,141,665)	**(156,018)**	-
Amounts due for settlement after one year	**19,252,405**	15,555,393	**2,768,982**	-

The group has aggregate bank facilities of € 27,879,462 (2015 : € 22,146,066). 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 chairman. They bear interest at 3.9% to 5.15% per annum (2015 : 3.9% to 7%).

23. Other financial liabilities

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
Amounts owed to subsidiaries	**-**	-	**21,312,025**	29,027,265
Other loans	**6,311,392**	6,093,898	**-**	-
Shareholder’s loan	**1,517,354**	2,518,263	**655,357**	1,514,779
Other payables	**118,110**	724,267	**-**	-
	7,946,856	9,336,428	**21,967,382**	30,542,044

23. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Company	
	2016	2015	**2016**	2015
	€	€	**€**	€
On demand or within one year	**6,311,392**	6,357,672	**21,312,025**	29,027,265
Between two and five years	**118,110**	460,493	**-**	-
After five years	**1,517,354**	2,518,263	**655,357**	1,514,779
	7,946,856	9,336,428	**21,967,382**	30,542,044
Less: amounts due for settlement within one year	**(6,311,392)**	(6,357,672)	**(21,312,025)**	(29,027,265)
Amounts due for settlement after one year	**1,635,464**	2,978,756	**655,357**	1,514,779

Amounts owed to subsidiaries are unsecured and interest-free, except for an aggregate amount of € 7,340,420 (2015 : € 20,965,528) which bears interest between 1% and 9% per annum and repayable on demand.

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 (2015 : 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	
	2016	2015	**2016**	2015
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**(36,879)**	(53,184)	**2,668**	(709)
Unabsorbed tax losses, tax credits and capital allowances	**(1,779,444)**	(2,262,582)	**(66,658)**	(83,829)
Provision for doubtful debts	**(129,972)**	(87,497)	**-**	-
Revaluation of investment property	**20,329,550**	14,470,096	**845,000**	845,000
Unrealised difference on exchange	**204,123**	9,433	**-**	-
	18,587,378	12,076,266	**781,010**	760,462

25. Called up issued share capital

	2016	2015
	€	€
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. Contingent liabilities

At 31 October 2016, 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 as 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. The balance of price of the immovable property amounting to €2,718,677 remains unpaid pending resolution of the court case. As at 31 October 2016, a subsidiary acted as a guarantor for the sum of €2,718,677 due to Malta Enterprise.

- Included in trade receivables are balances totaling €142,801 (2015 : €142,801) which are contingent on the favourable adjudication of the Malta Enterprise court case mentioned above.

- The Commissioner of Lands is claiming damages for illegal occupation of land by a subsidiary. This case has been pending for many years, and the subsidiary is objecting to these claims.

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

- At 31 October 2016, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2015 : €146,433).

- Various guarantees were given in favour of a third parties amounting to €2,101,127 (2015 : €1,635,247) by two of its subsidiaries.

- A subsidiary is engaged in legal action in respect of a claim against it amounting to €11,646 (2015: €75,646). The subsidiary is objecting to this claim. No provision has been made in these financial statements in respect of this action.

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

27. Capital commitments

As at 31 October 2016, one of the subsidiaries had a capital commitment to undertake the refurbishment of the hotel complex. Moreover, two other subsidiaries had capital commitments to finalise construction works and make operational two hotels.

28. Related parties

The company had the following related party transactions:

	2016	2015
	€	€
Transactions with subsidiaries:		
Revenue	-	1,410,753
Dividends receivable	**1,316,312**	8,000,000
Finance costs	**681,299**	1,020,833
Wages recharged to subsidiaries	**117,962**	87,745
Wages recharged from subsidiaries	-	272,880
Expenses recharged to subsidiaries	**237,183**	22,924
Expenses recharged from subsidiaries	**131,547**	79,653
Management fees receivable	**998,871**	1,825,156
Rent payable to subsidiaries	**9,104**	-

29. 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.

30. 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.

30. 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 and 19.

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 2016 and 31 October 2015, 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)

Liquidity risk (continued)

Group

	Less than 6 months 2016 €	**From 6 to 12 months 2016 €**	**From 1 to 5 years 2016 €**	**More than 5 years 2016 €**	Less than 6 months 2015 €	From 6 to 12 months 2015 €	From 1 to 5 years 2015 €	More than 5 years 2015 €
Bank borrowings	**7,844,949**	**1,837,527**	**12,807,414**	**9,983,655**	1,180,023	1,476,655	10,148,493	8,033,323
Other borrowings	**1,200,000**	**1,200,000**	**9,600,000**	**45,628,493**	7,293,898	1,200,000	9,600,000	48,028,493
	9,044,949	**3,037,527**	**22,407,414**	**55,612,148**	8,473,921	2,676,655	19,748,493	56,061,816

Company

	Less than 6 months 2016 €	**From 6 to 12 months 2016 €**	**From 1 to 5 years 2016 €**	**More than 5 years 2016 €**	Less than 6 months 2015 €	From 6 to 12 months 2015 €	From 1 to 5 years 2015 €	More than 5 years 2015 €
Bank borrowings	**150,000**	**150,000**	**1,200,000**	**2,543,377**	-	-	-	-
Other borrowings	-	-	-	-	-	-	-	-
	150,000	**150,000**	**1,200,000**	**2,543,377**	-	-	-	-

30 . Risk management objectives and policies (continued)

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.