Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2017

Contents

Directors' report
for the year ended 31 October 2017

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 Mr Josef Formosa Gauci (appointed on 9 August 2017)
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 2017.

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 €7.8 million over the previous year. The increase was derived from all segments of the group. Operating profits during the year increased by €2.3 million. The group's profit before taxation for the year is €13,578,155 (2016: €5,951,654). As at year end, the AX Group's equity stood at €173,323,271 (2016: €163,719,016).

The directors expect the group to continue to grow in all its core business segments during 2018.

Dividends and reserves

The directors paid an interim dividend amounting to €2,300,000 and they do not recommend payment of a final dividend.

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 28 February 2018, and signed on its behalf by:

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

Opinion

We have audited the accompanying consolidated and separate financial statements of AX Holdings Limited, which comprise the Statement of Financial Position as at 31 October 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of AX Holdings Limited as of 31 October 2017 and of its financial performance and its 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 Maltese Companies Act (Cap. 386).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act in Malta, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

Other Information

The directors are responsible for the other information. The other information comprises the Directors' report. Our opinion on the financial statements does not cover the other information.

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

With respect to the Directors' report, we also considered whether it includes the disclosures required by Art. 177 of the Companies Act (Cap. 386).

Based on the work we have performed, in our opinion:

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the entity and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report and other information. We have nothing to report in this regard.

Responsibilities of the directors

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance to International Financial Reporting Standards as adopted by the EU and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the Directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Mr Darren Bugeja

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: 28 February 2018

AX Holdings Limited

Statements of profit or loss and other comprehensive income

for the year ended 31 October 2017

		Group		Company	
		2017	2016	**2017**	2016
	Notes	**€**	€	**€**	€
Revenue	**4**	**45,852,010**	38,030,042	**1,058,613**	2,418,078
Other operating income	**5**	**305,035**	30,445	**2,300**	6,980
Other operating charges		**(16,158,454)**	(13,016,891)	**(281,603)**	(598,070)
Labour costs	**6**	**(14,631,463)**	(12,377,788)	**(1,209,638)**	(625,423)
Depreciation		**(5,238,416)**	(4,824,902)	**(49,623)**	(25,939)
Operating profit/(loss)		**10,128,712**	7,840,906	**(479,951)**	1,175,626
Share of results of associates		**1,087,141**	696,495	**-**	-
Revaluation of investment property		**5,811,458**	900,000	**2,851,414**	-
Interest income	**7**	**10,764**	8,734	**-**	-
Finance costs	**8**	**(3,459,920)**	(3,494,481)	**(639,862)**	(681,650)
Profit before taxation	**9**	**13,578,155**	5,951,654	**1,731,601**	493,976
Taxation	**11**	**(1,673,900)**	(1,918,250)	**148,053**	(34,313)
Profit for the year		**11,904,255**	4,033,404	**1,879,654**	459,663
Attributable to:					
Owners of the parent		**11,871,042**	4,081,367		
Non-controlling interest		**33,213**	(47,963)		
		11,904,255	4,033,404		
Other comprehensive income					
Gain on property revaluation		**-**	53,621,604	**-**	-
Taxation	**11**	**-**	(5,417,861)	**-**	-
Other comprehensive income, net of taxation		**-**	48,203,743	**-**	-
Total comprehensive income		**11,904,255**	52,237,147	**1,879,654**	459,663
Attributable to:					
Owners of the company		**11,871,042**	52,285,110		
Non-controlling interest		**33,213**	(47,963)		
Total comprehensive income		**11,904,255**	52,237,147		

The notes on pages 12 to 42 form an integral part of these financial statements.

AX Holdings Limited

Statements of financial position
at 31 October 2017

		Group		Company	
		2017	2016	**2017**	2016
ASSETS AND LIABILITIES	**Notes**	**€**	€	**€**	€
Non-current assets					
Property, plant and equipment	**12**	**223,929,683**	218,790,903	**4,397,819**	4,343,609
Investment property	**13**	**28,550,188**	22,376,057	**7,610,000**	4,250,000
Investment in subsidiaries	**14**	**-**	-	**19,669,030**	19,669,030
Investment in associates	**14**	**9,672,974**	8,585,833	**26,169**	26,169
Loans to group undertakings	**14**	**-**	-	**13,258,261**	14,914,383
		262,152,845	249,752,793	**44,961,279**	43,203,191
Current assets					
Inventories	**15**	**2,971,100**	2,720,657	**15,961**	53,764
Trade and other receivables	**16**	**13,840,668**	12,075,393	**16,142,136**	15,660,298
Current tax assets		**-**	-	**-**	286,047
Cash at bank and in hand	**18**	**7,353,057**	5,875,681	**1,024**	2,629
		24,164,825	20,671,731	**16,159,121**	16,002,738
Total assets		**286,317,670**	270,424,524	**61,120,400**	59,205,929
Current liabilities					
Trade and other payables	**19**	**17,653,643**	14,845,992	**247,169**	606,755
Bank borrowings	**21**	**3,760,533**	2,710,198	**300,847**	156,018
Other financial liabilities	**22**	**6,739,842**	6,311,392	**22,060,624**	18,921,777
Current tax liabilities		**1,142,834**	541,325	**18,966**	-
		29,296,852	24,408,907	**22,627,606**	19,684,550
Non-current liabilities					
Trade and other payables	**19**	**6,577,739**	3,281,223	**-**	-
Bank borrowings	**21**	**17,321,091**	19,252,405	**1,811,147**	2,768,982
Other financial liabilities	**22**	**1,308,666**	1,635,464	**3,103,605**	3,045,605
Debt securities in issue	**20**	**39,394,010**	39,540,131	**-**	-
Deferred tax liabilities	**23**	**19,096,041**	18,587,378	**1,072,606**	781,010
		83,697,547	82,296,601	**5,987,358**	6,595,597
Total liabilities		**112,943,399**	106,705,508	**28,614,964**	26,280,147
Net assets		**173,323,271**	163,719,016	**32,505,436**	32,925,782

The notes on pages 12 to 42 form an integral part of these financial statements.

Statements of financial position (continued)
at 31 October 2017

		Group		Company	
		2017	2016	**2017**	2016
EQUITY	**Notes**	**€**	€	**€**	€
Capital and reserves					
Share capital	**24**	**470,533**	470,533	**470,533**	470,533
Revaluation reserve		**146,035,766**	140,860,122	**5,228,119**	2,712,705
Capital reserve		**4,834,969**	4,834,969	**555,551**	555,551
Retained earnings		**20,548,283**	16,152,885	**26,251,233**	29,186,993
		171,889,551	162,318,509	**32,505,436**	32,925,782
Non-controlling interest		**1,433,720**	1,400,507	-	-
Total equity		**173,323,271**	163,719,016	**32,505,436**	32,925,782

The consolidated financial statements on pages 6 to 42 were approved by the Board of Directors on 28 February 2018 and were signed on its behalf by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

The notes on pages 12 to 42 form an integral part of these financial statements.

Statements of changes in equity
for the year ended 31 October 2017

Group	Share capital	Revaluation reserve	Capital reserve	Retained earnings	Attributable to owners of the company	Attributable to non-controlling interest	Total
	€	€	€	€	€	€	€
At 1 November 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 investment property tax	-	(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**
Profit for the year	-	-	-	11,871,042	11,871,042	33,213	11,904,255
Dividends paid	-	-	-	(2,300,000)	(2,300,000)	-	(2,300,000)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-
Total comprehensive income	-	-	-	9,571,042	9,571,042	33,213	9,604,255
Revaluation of investment property, net of tax	-	5,175,644	-	(5,175,644)	-	-	-
At 31 October 2017	**470,533**	**146,035,766**	**4,834,969**	**20,548,283**	**171,889,551**	**1,433,720**	**173,323,271**

Statements of cash flows
for the year ended 31 October 2017

Company

	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 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**
Profit for the year	-	-	-	1,879,654	1,879,654
Dividends paid	-	-	-	(2,300,000)	(2,300,000)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Revaluation of investment property, net of tax	-	2,515,414	-	(2,515,414)	-
Total comprehensive income/(expense)	-	2,515,414	-	(2,935,760)	(420,346)
At 31 October 2017	**470,533**	**5,228,119**	**555,551**	**26,251,233**	**32,505,436**

AX Holdings Limited

Statements of cash flows
for the year ended 31 October 2017

		Group		Company	
		2017	2016	**2017**	2016
Cash flows from/(used in) operating activities	**Notes**	**€**	€	**€**	€
Profit before taxation		**13,578,155**	5,951,654	**1,731,601**	493,976
Adjustments for:					
Depreciation		**5,238,416**	4,824,902	**49,623**	25,939
Share of results of associates		**(1,087,141)**	(696,495)	**-**	-
Movement in provision for bad debts		**156,163**	(107,154)	**-**	-
Issue cost amortisation		**62,329**	61,817	**-**	-
Movement in fair value of investment property		**(5,811,458)**	(900,000)	**(2,851,414)**	-
Property, plant and equipment written off		**7,474**	-	**-**	-
Property, plant and equipment reversed		**1,399,457**	-	**-**	-
Interest expense		**3,459,920**	3,494,481	**639,862**	681,650
Group losses surrendered		**-**	-	**537,636**	-
Operating profit before working capital changes		**17,003,315**	12,629,205	**107,308**	1,201,565
Movement in inventories		**(313,117)**	28,634	**-**	-
Movement in trade and other receivables		**(1,921,437)**	4,168,010	**(481,838)**	6,069,385
Movement in trade and other payables		**6,071,851**	3,803,371	**2,780,557**	(7,446,209)
Cash flows from/(used in) operating activities		**20,840,612**	20,629,220	**2,406,027**	(175,259)
Net interest paid		**(3,440,893)**	(3,542,743)	**(639,862)**	(681,650)
Net taxation (paid) / refunded		**(563,729)**	(485,495)	**207,024**	(296,312)
Net cash flows from/(used in) operating activities		**16,835,990**	16,600,982	**1,973,189**	(1,153,221)
Cash flows (used in)/from investing activities					
Acquisition of property, plant and equipment		**(12,951,327)**	(12,497,449)	**(103,833)**	(131,090)
Proceeds from disposal of property, plant and equipment		**1,167,200**	-	**-**	-
Acquisition of investment property		**(299,999)**	-	**(470,781)**	-
Acquisition of financial assets		**-**	(3,747,342)	**-**	(4,795)
Proceeds from sale of property		**-**	12,247	**-**	12,247
Advances to group undertakings		**-**	-	**1,656,122**	(789,371)
Net cash flows (used in)/from investing activities		**(12,084,126)**	(16,232,544)	**1,081,508**	(913,009)
Cash flows (used in)/from financing activities					
Movement in bank borrowings		**(1,741,684)**	3,833,396	**(813,853)**	2,925,000
Movement in other loans		**114,941**	(783,415)	**56,704**	(859,422)
Bonds redeemed		**(208,450)**	-	**-**	-
Dividends paid		**(2,300,000)**	-	**(2,300,000)**	-
Net cash flows (used in)/from financing activities		**(4,135,193)**	3,049,981	**(3,057,149)**	2,065,578
Net movement in cash and cash equivalents		**616,671**	3,418,419	**(2,452)**	(652)
Cash and cash equivalents at start of year		**5,592,540**	2,174,121	**2,629**	3,281
Cash and cash equivalents at end of year	**18**	**6,209,211**	5,592,540	**177**	2,629

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.

Assets leased out under operating leases are included in investment property in the statement of financial position. Lease income from operating leases shall be recognised in income on a straight line basis over the lease term.

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 property

Land and buildings and investment property 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.

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

	2017	2016
	€	€
Group		
Construction works, building materials and management services	**5,502,976**	3,446,801
Hospitality and entertainment	**35,743,666**	32,130,774
Healthcare	**3,124,010**	1,007,855
Sale of property and real estate	**50,000**	-
Rental income	**537,948**	493,267
Dividends receivable	**893,410**	951,345
	45,852,010	38,030,042

4. Revenue (continued)

	2017	2016
	€	€
Company		
Management services	**1,057,495**	998,871
Dividends receivable	**-**	1,316,312
Overstatement of dividend receivable in prior year	**(225,666)**	-
Rental income	**176,784**	102,895
Sale of property	**50,000**	-
	1,058,613	2,418,078

5. Other operating income

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Ancillary services	**305,035**	30,445	**2,300**	6,980

6. Labour costs and employee information

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Staff costs				
Wages and salaries	**11,870,936**	10,312,487	**1,163,495**	709,095
Social security costs	**882,389**	748,837	**46,143**	34,290
Wages recharged	**-**	-	**-**	(117,962)
Total staff costs	**12,753,325**	11,061,324	**1,209,638**	625,423
Subcontracted labour	**1,878,138**	1,316,464	**-**	-
Total labour costs	**14,631,463**	12,377,788	**1,209,638**	625,423

6. Labour costs and employee information (continued)

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

	Group		Company	
	2017	2016	**2017**	2016
Management and administration	**121**	112	**26**	20
Operations and distribution	**586**	524	**-**	-
	707	636	**26**	20

7. Interest income

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Interest received from investments	**10,764**	8,734	**-**	-

8. Finance costs

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Interest on bank loans and overdrafts	**838,494**	870,238	**511**	351
Interest on debt securities in issue	**2,400,000**	2,400,000	-	-
Interest on amounts payable to related parties	-	-	**639,351**	681,299
Interest on other loans	**221,426**	224,243	-	-
	3,459,920	3,494,481	**639,862**	681,650

9. Profit before taxation

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit before taxation is stated after charging:				
Auditors' remuneration	**71,150**	74,629	**9,450**	9,450

10. Key management personnel compensation

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Directors' compensation				
Short-term benefits	**688,497**	486,620	**608,358**	395,903

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Other key management personnel compensation				
Salaries and social security contributions	**446,082**	422,991	**161,025**	116,206

11. 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 (2016 : € 8,266,080) and € Nil (2016 : € Nil) and in the group amounted to € 10,060,586 (2016 : € 8,750,160) and € 9,117,393 (2016 : € 1,772,192).

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Malta Income Tax:				
Current – for the year	**1,270,888**	896,368	**26,302**	13,765
– losses surrendered	-	-	**(338,735)**	-
– losses surrendered in respect of previous years	**-**	-	**(198,901)**	-
– tax adjustment in respect of previous years	**(105,651)**	(71,369)	**71,685**	-
Deferred tax through Statement of comprehensive income	**508,663**	1,093,251	**291,596**	20,548
	1,673,900	1,918,250	**(148,053)**	34,313
Deferred tax through Other comprehensive income	**-**	5,417,861	**-**	-
Tax charge/(credit) for the year	**1,673,900**	7,336,111	**(148,053)**	34,313

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit/(loss) before taxation	**13,578,155**	5,951,654	**1,731,601**	493,976
Tax thereon at 35%	**4,752,354**	2,083,079	**606,060**	172,892
Tax effect of permanent differences	**(6,002,272)**	4,798,030	**(825,798)**	(138,579)
Tax effect of unrecognised temporary differences	**3,029,469**	526,371	**-**	-
Tax adjustment in respect of previous years	**(105,651)**	(71,369)	**71,685**	-
Tax charge/(credit) for the year	**1,673,900**	7,336,111	**(148,053)**	34,313

12. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	€	€	€	€	€	€
Fair value/cost						
At 01.11.2015	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
Additions	7,617,490	71	2,010,621	-	3,323,145	12,951,327
Disposals	(973,237)	(312,519)	-	-	-	(1,285,756)
Reversals	(667,045)	-	(195,003)	-	(606,704)	(1,468,752)
Write offs	-	-	-	-	(9,342)	(9,342)
At 31.10.2017	**209,868,366**	**469,553**	**23,950,716**	**487,234**	**32,548,276**	**267,324,145**
Depreciation						
At 01.11.2015	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
Provision for the year	2,041,964	40,791	707,455	24,324	2,423,882	5,238,416
Released on disposal	-	(118,556)	-	-	-	(118,556)
Released on reversals	-	-	(9,930)	-	(59,365)	(69,295)
Released on write offs	-	-	-	-	(1,868)	(1,868)
At 31.10.2017	**9,754,542**	**433,578**	**14,451,201**	**430,508**	**18,324,633**	**43,394,462**
Net book value						
At 31.10.2017	**200,113,824**	**35,975**	**9,499,515**	**56,726**	**14,223,643**	**223,929,683**
At 31.10.2016	196,178,580	270,658	8,381,422	81,050	13,879,193	218,790,903

12. Property, plant and equipment (continued)

Company

	Land and buildings	Plant and machinery	Motor vehicles	Total
	€	€	€	€
Cost / Fair value				
At 1.11.2015	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
Additions	-	103,833	-	103,833
At 31.10.2017	**4,554,606**	**953,224**	**236,503**	**5,744,333**
Depreciation				
At 1.11.2015	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
Provision for the year	-	37,489	12,134	49,623
At 31.10.2017	**354,606**	**800,056**	**191,852**	**1,346,514**
Net book value				
At 31.10.2017	**4,200,000**	**153,168**	**44,651**	**4,397,819**
At 31.10.2016	4,200,000	86,824	56,785	4,343,609

The fair value of the company's land and buildings has been arrived on the basis of a valuation carried out on 22 December 2015 by an independent professionally qualified valuer. The valuation method was based on a 5% capitalisation rate of a commercial lease. The commercial lease was based on a comparative analysis of properties in the same area.

The fair value of the group's land and buildings has been arrived at on the basis of valuations not older than five years carried out by independent professionally qualified valuers. 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.

12. Property, plant and equipment (continued)

Had the group's and company's land and buildings been measured on a historical cost basis, their carrying amount would have been as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Freehold land and buildings	**91,314,195**	82,962,928	**622,065**	626,404

13. Investment property

	Group	Company
	€	**€**
Fair value		
At 1.11.2016	22,376,057	4,250,000
Additions	299,999	470,781
Transferred from inventory	62,674	37,805
Fair value movement	5,811,458	2,851,414
At 31.10.2017	**28,550,188**	**7,610,000**

The fair value of the company's investment property has been arrived on the basis of four valuations on different properties carried on 7 August 2013, 22 August 2013, 20 September 2017 and 19 January 2018. The fair value was based on the market comparable approach that reflects transaction prices for similar properties.

The fair value of the group's investment property has been arrived at on the basis of valuations not older than five years carried out by independent professionally qualified valuers. 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. Financial assets

Group

Investments in associate

	€
Equity method	
Share of assets at 1.11.2015	4,141,996
Additions	3,747,342
Share of profits	696,495
Share of assets at 31.10.2016	8,585,833
Share of profits	1,087,141
Share of assets at 31.10.2017	**9,672,974**

14. Financial assets (continued)

Details of the group's associate at the end of the reporting period are as follows:

	Group % of equity capital held		Group % of preference capital held	
	2017	2016	**2017**	2016
Valletta Cruise Port p.l.c.	**36**	36	**-**	-

Summarised financial information on the group's associate is set out below:

	2017	**2016**
	€	**€**
Current assets	3,431,758	3,992,366
Non-current assets	27,004,007	27,394,696
Current liabilities	3,582,277	3,219,733
Non-current liabilities	10,408,210	12,566,453
Revenue	11,681,130	11,139,656
Profit for the year	2,988,704	1,914,763

14. Financial assets (continued)

Company

	Investment in subsidiaries	Investment in associates	Loans to group undertakings	Total
	€	€	€	€
Cost				
At 01.11.2016	19,669,030	26,169	14,914,383	34,609,582
Movement for the year	-	-	(1,656,122)	(1,656,122)
At 31.10.2017	**19,669,030**	**26,169**	**13,258,261**	**32,953,460**
Impairment loss				
At 01.11.2016	-	-	-	-
Movement for the year	-	-	-	-
At 31.10.2017	**-**	**-**	**-**	**-**
Net book value				
At 31.10.2017	**19,669,030**	**26,169**	**13,258,261**	**32,953,460**
At 31.10.2016	19,669,030	26,169	14,914,383	32,258,376

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.

14. 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	
	2017	2016	**2017**	2016
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	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	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	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. Inventories

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Property held for development and re-sale	**1,574,979**	1,523,107	**15,961**	53,764
Raw materials and consumables	**1,396,121**	1,197,550	**-**	-
	2,971,100	2,720,657	**15,961**	53,764

16. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade receivables	**9,153,247**	7,759,941	**126,891**	14,171
Provisions for doubtful debts	**(527,512)**	(371,349)	**-**	-
Amounts owed by parent company	**750,700**	82,090	**750,700**	82,090
Amounts owed by subsidiaries	**-**	-	**14,344,095**	14,584,399
Amounts owed by other related parties	**832,072**	1,479,831	**8,726**	-
Shareholders' current accounts	**-**	-	**16,834**	-
Other receivables	**2,103,920**	2,476,529	**678,133**	813,983
Indirect taxation	**-**	-	**51,102**	-
Prepayments and accrued income	**1,528,241**	648,351	**165,655**	165,655
	13,840,668	12,075,393	**16,142,136**	15,660,298

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.

Shareholders' current accounts are unsecured, interest-free and have no fixed date of repayment.

17. Construction contracts

As at year end, retentions held by customers for contract works amounted to € 475,589 (2016 : € 107,833).

18. Cash and cash equivalents

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Cash at bank and in hand	**7,353,057**	5,875,681	**1,024**	2,629
Bank overdrafts/ balances overdrawn	**(1,143,846)**	(283,141)	**(847)**	-
	6,209,211	5,592,540	**177**	2,629

As at year-end, the company had garnishee orders against it amounting to € Nil (2016 : € 1,558).

19. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade payables	**6,387,659**	4,387,418	**71,774**	32,114
Other payables	**2,660,201**	4,711,009	**29,216**	221,512
Indirect taxation and social security	**1,021,611**	1,119,378	**-**	257,184
Accruals and deferred income	**14,161,911**	7,909,410	**146,179**	95,945
	24,231,382	18,127,215	**247,169**	606,755
Current	**17,653,643**	14,845,992	**247,169**	606,755
Non-current	**6,577,739**	3,281,223	**-**	-
	24,231,382	18,127,215	**247,169**	606,755

20. Debt securities in issue

As at year end, a subsidiary had a balance of € 39,602,460 (2016 : € 39,540,131) 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.

	2017	2016
	€	€
At beginning of year	**39,540,131**	39,478,314
Bonds purchased by a group company	**(208,450)**	-
	39,331,681	39,478,314
Bond issue costs amortisation for the year	**62,329**	61,817
At end of year	**39,394,010**	39,540,131
Falling due after more than five years	**39,394,010**	39,540,131
At end of year	**39,394,010**	39,540,131

21. Bank borrowings

	Group		**Company**	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bank overdrafts/balances overdrawn	**1,143,846**	283,141	**847**	-
Bank loans	**19,937,778**	21,679,462	**2,111,147**	2,925,000
	21,081,624	21,962,603	**2,111,994**	2,925,000

21. Bank borrowings (continued)

Bank overdrafts and loans are repayable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
On demand or within one year	**3,760,533**	2,710,198	**300,847**	156,018
Between two and five years	**10,547,363**	10,182,464	**1,200,000**	708,101
After five years	**6,773,728**	9,069,941	**611,147**	2,060,881
	21,081,624	21,962,603	**2,111,994**	2,925,000
Less: amounts due for settlement within one year	**(3,760,533)**	(2,710,198)	**(300,847)**	(156,018)
Amounts due for settlement after one year	**17,321,091**	19,252,405	**1,811,147**	2,768,982

The company has a bank loan facility of €2,111,147 (2016 : €2,925,000). The bank loan is secured by a general hypothec over the company's assets, by guarantees over assets of related companies, by pledges taken over various insurance policies and by pledges on shares. It bears interest at 5% per annum, and is repayable by monthly instalments of €75,000 exclusive of interest.

The group has aggregate bank facilities of € 23,137,778 (2016 : € 27,879,462). 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 (2016 : 3.9% to 5.15%).

22. Other financial liabilities

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Amounts owed to subsidiaries	**-**	-	**24,452,168**	21,312,025
Amounts owed by other related parties	**210,956**	-	**-**	-
Other loans	**6,528,886**	6,311,392	**-**	-
Shareholder's loan	**1,203,845**	1,517,354	**712,061**	655,357
Other payables	**104,821**	118,110	**-**	-
	8,048,508	7,946,856	**25,164,229**	21,967,382

Other financial liabilities are repayable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
On demand or within one year	**6,739,842**	6,311,392	**22,060,624**	18,921,777
Between two and five years	**104,821**	118,110	**-**	-
After five years	**1,203,845**	1,517,354	**3,103,605**	3,045,605
	8,048,508	7,946,856	**25,164,229**	21,967,382
Less: amounts due for settlement within one year	**(6,739,842)**	(6,311,392)	**(22,060,624)**	(18,921,777)
Amounts due for settlement after one year	**1,308,666**	1,635,464	**3,103,605**	3,045,605

Amounts owed to subsidiaries

Amounts owed to subsidiaries are unsecured and interest-free, except for an aggregate amount of € 8,981,461 (2016 : € 7,340,420) which bears interest between 1% and 9% per annum and repayable on demand.

22. Other financial liabilities (continued)

Malta Enterprise Loan

In terms of deed dated 26 March 1997, a subsidiary purchased the Grand Hotel Verdala from Malta Development Corporation (now Malta Enterprise) for a total amount of €4,672,723. Interest at 1% per annum was accruing on outstanding amounts until 26 April 2000.

As from 27 April 2000, the loan was revised and interest was charged at 8%. The amounts are secured by a special hypothec, special privilege and general hypothec over the Grand Hotel Verdala and surrounding grounds, and by guarantee given by a group undertaking.

Shareholder's loan

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

23. Deferred tax liabilities

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**(569,176)**	36,879	**(7,475)**	(2,668)
Unabsorbed tax losses, tax credits and capital allowances	**2,399,540**	1,779,444	**115,869**	66,658
Provision for doubtful debts	**184,629**	129,972	**-**	-
Revaluation of property	**(21,084,214)**	(20,329,550)	**(1,181,000)**	(845,000)
Unrealised difference on exchange	**(26,820)**	(204,123)	**-**	-
	(19,096,041)	(18,587,378)	**(1,072,606)**	(781,010)

24. Called up issued share capital

	2017	2016
	€	€
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.

25. Contingent liabilities

At 31 October 2017, the group had the following contingent liabilities, for which no provision has been made in these financial statements:

- 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.

- At 31 October 2017, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2016 : €146,433).

- Various guarantees were given in favour of a third parties amounting to €2,420,825 (2016 : €2,101,127) by two of its subsidiaries.

- On 30 November 2017 the court of first instance decided the case filed by Malta Enterprise in relation to the property owned by Royal Hotels Limited and Heritage Developments Limited. Both subsidiary companies have appealed the decision. The directors believe that there are strong grounds for such appeals. Never the less the parties are in advanced discussions to resolve the matter. The directors are confident that an out of court settlement will be reached. No provision has been made in these financial statements.

- A subsidiary is engaged in legal action in respect of a claim against it amounting to €5,000 (2016: €11,646). The subsidiary is objecting to this claim. No provision has been made in these financial statements in respect of this action.

26. Capital commitments

As at 31 October 2017, 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.

27. Related parties

The company had the following related party transactions:

	2017	2016
	€	€
Transactions with subsidiaries:		
Capital expenditure from subsidiaries	**370,781**	-
Dividends receivable	**-**	1,316,312
Finance costs	**639,351**	681,299
Wages recharged to subsidiaries	**-**	117,962
Expenses recharged to subsidiaries	**636,573**	237,183
Expenses recharged from subsidiaries	**94,832**	131,547
Management fees receivable	**1,057,495**	998,871
Rent payable to subsidiaries	**-**	9,104

28. 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.

29. Comparatives

Certain comparatives have been restated in order to conform to the current year's presentation.

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.

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 14, 16 and 18.

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.

30. Risk management objectives and policies (continued)

At 31 October 2017 and 31 October 2016, 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.

Group

	Less than 6 months 2017 €	**From 6 to 12 months 2017 €**	**From 1 to 5 years 2017 €**	**More than 5 years 2017 €**	Less than 6 months 2016 €	From 6 to 12 months 2016 €	From 1 to 5 years 2016 €	More than 5 years 2016 €
Bank borrowings	**1,409,444**	**1,593,871**	**10,479,835**	**7,448,881**	7,844,949	1,837,527	12,807,414	9,983,655
Other borrowings	**7,728,886**	**1,200,000**	**9,600,000**	**43,228,493**	1,200,000	1,200,000	9,600,000	45,628,493
	9,138,330	**2,793,871**	**20,079,835**	**50,677,374**	9,044,949	3,037,527	22,407,414	55,612,148

Company

	Less than 6 months 2017 €	**From 6 to 12 months 2017 €**	**From 1 to 5 years 2017 €**	**More than 5 years 2017 €**	Less than 6 months 2016 €	From 6 to 12 months 2016 €	From 1 to 5 years 2016 €	More than 5 years 2016 €
Bank borrowings	**202,057**	**198,292**	**1,450,771**	**646,297**	150,000	150,000	1,200,000	2,543,377
	202,057	**198,292**	**1,450,771**	**646,297**	150,000	150,000	1,200,000	2,543,377

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.

30. Risk management objectives and policies (continued)

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.