AX GROUP

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by AX Group p.l.c. pursuant to the Listing Rules, as issued by the Listing Authority:

Quote

Approved final Audited Annual Accounts – YE 2019

The Board of Directors of AX Group p.l.c. (the "Issuer") announces that on the 13th February 2020 it has considered and approved the final audited Annual Accounts for the financial year ended 31st October 2019.

The Issuer's Annual Financial Report is available for viewing at the Issuer's registered office and on the following online link to the Issuer's web portal: https://axgroup.mt/investment/.

Unquote

Dr. Edmond Zammit Laferla
Company Secretary

14th February 2020

Company Announcement
AXG05/2020

Registration number C 12271

AX GROUP P.L.C.

(formerly Fulcrum Services Limited)

Report and financial statements

For the year ended 31 October 2019

Contents

Directors, Officers and Other Information

Executive directors:	Mr Angelo Xuereb Ms Denise Xuereb (appointed on 29 October 2019) Ms Claire Zammit Xuereb (appointed on 29 October 2019) Mr Michael Warrington (appointed on 29 October 2019)
Non-executive directors:	Mr Josef Formosa Gauci (appointed on 29 October 2019) Mr Christopher Paris (appointed on 29 October 2019) Mr John Soler (appointed on 29 October 2019)
Secretary:	Dr Edmond Zammit Laferla
Registered Office:	AX House Mosta Road Lija LJA 9010 Malta
Country of incorporation:	Malta
Company registration number:	C 12271
Auditors:	Nexia BT The Penthouse, Suite 2 Capital Business Centre, Entrance C Triq taz-Zwejt San Gwann SGN 3000 Malta
Bankers:	Bank of Valletta p.l.c. Labour Avenue Naxxar Malta
Legal adviser:	Dr David Wain AX House Mosta Road Lija LJA 9010 Malta

Principal activities

The company is the ultimate parent company of **AX Holdings Group**, which is mainly involved in the provision of hospitality and entertainment services, construction, healthcare and property development.

Performance review

Company

The profit for the year amounted to € 5,406,218 (2018: € 2,014,290). During the year, the company received higher dividends when compared to previous year. The directors expect that the activities of the company will remain constant for the foreseeable future.

Group

Group revenue for the year ending 31 October 2019 amounted to € 51,916,749 (2018 : € 56,466,680). The decrease in revenue of €4.5 million was attributable to various factors. Revenue from the construction division was 40% lower than last year. This decline was attributable to a major third-party project which was postponed during the year together with an increase in intra group work which is netted off at group level.

The prevailing market conditions within the tourism industry led to a reduction of 1.3% in revenue when compared to last year. On the other hand, the retirement village in Naxxar continued to position itself as the leading retirement complex in Malta. Revenue from this division exceeded € 5.1m representing an 8.5% growth over last year.

During the year there were no property sales. Dividends from Valletta Cruise Port plc amounted to € 2,717,686 (2018: € 1,221,586).

EBITDA for the year amounted to €16,634,324 representing an EBITDA/revenue ratio of 32%. Last year's EBITDA stood at € 20,944,011 with an EBITDA/revenue ratio of 37%.

The share of results in associate primarily relates to the investment that the Group holds in Valletta Cruise Port plc. The dividends distributed by the associate throughout the year were in excess of the profits generated and hence this resulted in a negative share of results of associate.

During the year the Group appointed an independent architect to revalue the Sunny Coast Resort situated in Qawra, The Victoria Hotel situated in Sliema and The Saint John Boutique Hotel in Valletta. This resulted in a net gain on property revaluation of € 15,451,601.

The Group generated a net cashflow from operations of € 14,090,827 (2018 : € 15,163,827) and invested € 13,425,335 in property, plant and equipment and investment property (2018 : € 4,889,595). The main projects were the conversion of a Palazzo in Valletta to into 5-star Rosselli boutique hotel, Targa Gap complex in Mosta and the refurbishment of The Palace Hotel in Sliema.

Business review (continued)

Net assets increased by € 14,319,450 from € 212,749,708 as at 31 October 2018 to € 227,069,158 as at 31 October 2019.

Financial Key Performance Indicators

	Group		Company	
	2019	**2018**	**2019**	**2018**
	€	**€**	**€**	**€**
Operating income	51,916,749	56,466,680	5,412,357	2,016,667
Operating profit	10,376,695	15,596,144	5,406,218	2,014,290
Net finance costs	(2,997,015)	(3,005,710)	-	-
Net profit after tax	4,879,188	30,954,325	5,406,218	2,014,290
Earnings per share	4.19	26.58	4.64	1.73
Total equity and liabilities	227,069,158	212,749,708	2,607,610	2,615,726

Principal risks and uncertainties

The company is exposed to risks inherent to its' operation and can be summarized as follows:

1. Strategy Risk

Risk management falls under the responsibility of the Board of Directors. The Board analyses its' risk management strategy to ensure that risk is adequately identified and managed. The Audit Committee reviews the risk profile adopted by the Board of Directors.

2. Operational Risks

The company's revenue is mainly derived from dividend income and hence the company is heavily dependent on the performance of AX Holdings Limited. The company regularly reviews the financial performance of AX Holdings Limited to ensure that there is sufficient liquidity to sustain its' operations.

3. Legislative risks

The company is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the company's ability to operate. The company has embedded operating policies and procedures to ensure compliance with existing legislation.

Financial risk management and exposures

Note 30 to the financial statements provides a detailed analysis of the financial risk to which the company is exposed.

Dividends and reserves

The directors paid an interim dividend from the company and the group amounting to €4,250,000. They do not recommend payment of a final dividend.

Events after the reporting period

On 20 December 2019 the company issued two new unsecured bonds for a total of €25 million. The Series I bond carries a coupon of 3.25% and matures on 20 December 2026, while the Series II bond carries a coupon of 3.75% and matures on 20 December 2029.

Directors

In accordance with the company's Articles of Association, the directors appointed by members holding twelve percent or more of the Equity securities shall retire from office at least once every three years, and directors appointed through an election of Directors by all other members (holding less than twelve percent) shall retire from office at the first annual general meeting of the Company following their election.

Auditors

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

Approved by the board of directors and signed on its behalf on 13th February 2020 by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

Statement of Directors' Responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company at the end of each financial year and of the profit or loss of the company for the year then ended. In preparing the financial statements, the directors should:

- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and 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 ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and which enable the directors to ensure that the financial statements comply with the Companies Act (Chap. 386). 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. The directors are also responsible for safeguarding the assets of the company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Pursuant to Listing Rule 5.97 issued by the Malta Financial Services Authority, AX Group p.l.c. (the Company) is hereby reporting on the extent of its adoption of “the Code of Principles of Good Corporate Governance” (the Code) previously established by the Malta Stock Exchange.

The Company acts as the ultimate holding company to the AX Holdings Group of Companies and does not itself carry on any trading activities rather than holding 99.9% of the shares of AX Holdings Limited, and accordingly is economically dependent on AX Holdings Limited and its subsidiaries.

Compliance

As at year-end, the Company was not regulated by the Listing Rules and accordingly was not required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the “Code”). As a consequence of the Bond Issue which took place after the reporting period, in accordance with the terms of the Listing Rules, the Company is required to comply with the provisions of the Code. The Company declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Company.

Board of Directors

The Board of Directors of AX Group p.l.c. (the Board) is currently made up of seven directors, three of whom are completely independent from the Company or any related Group company. Pursuant to generally accepted practices, as well as the Company’s Articles of Association, the appointment of directors to the Board is reserved exclusively to the Company’s shareholders.

The present directors are Mr Angelo Xuereb, Ms Denise Micallef Xuereb, Ms Claire Zammit Xuereb, Mr Josef Formosa Gauci, Mr Christopher Paris, Mr John Soler and Mr Michael Warrington. Messrs Formosa Gauci, Paris and Soler are independent directors in that they have no involvement or relationship with the company or with the majority shareholder.

During the financial year under review no meetings were held by the Board of Directors.

Audit Committee

The Committee is chaired by Mr John Soler, and its other members are Mr Josef Formosa Gauci and Mr Christopher Paris. All three directors forming the audit committee are non-executive directors and are totally independent from the Company or the AX Group of Companies. Mr Josef Formosa Gauci is considered by the Board to be competent in accounting and, or auditing in terms of the Listing Rules.

The Company Secretary acts as secretary to the committee which also receives the assistance of the Group Chief Executive Officer; Mr Michael Warrington, and the Chief Financial Officer; Mr Albert Bonello.

During the financial year under review no Audit Committee meetings were held based on the fact that the Code was implemented after the reporting period with the issue of the listed instruments.

Dealings by Directors and Senior Officers

Conscious of its responsibility for monitoring dealings by directors and senior officers in the Company's securities, the Board approved a Code of Conduct for Securities Transactions by Directors, Executives and Employees in compliance with Listing Rules 5.102 to 5.116. The code provides guidance to the Company's officers and serves as a minimum standard of good practice when dealing in the Company's securities.

During the year under review, there were no transactions in the Company's securities involving directors or any of the Company's employees in possession of unpublished price-sensitive information.

Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

A policy is in place, laying down the minimum required reports that should be made available to the Board in order to keep it informed in a structured and systematic manner on the operational and financial performance of the Company.

Risk Identification

Management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Board is responsible to review its risk management policies and strategies and oversee their implementation to ensure that identified operational risks are properly assessed and managed.

Directors' Remuneration

The Board determines the remuneration of the Directors. No directors' remuneration was issued during the financial year under review.

Going Concern

Under Corporate Governance requirements, the Directors confirm that, having reviewed the Group's budget and forecast for 2020, they consider that the Group has adequate resources to continue in operation and existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

Approved by the Board of Directors on 13th February 2020 and signed on its behalf by:

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

Independent Auditors' Report to the members of AX Group p.l.c. on Corporate Governance Matters.

Pursuant to the Listing Authority Rules issued by the Malta Financial Services Authority, the directors are required to include in their annual report a Statement of Compliance to the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

Our responsibility as laid down by Listing Rule 5.98 requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company`s system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 8 has been properly prepared in accordance with the requirements of the Listing Rules.

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: 13 February 2020

Opinion

We have audited the accompanying financial statements of AX Group p.l.c., which comprise the statements of financial position as at 31 October 2019, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 Group p.l.c. as of 31 October 2019 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.

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.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and, in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Investment property

Key audit matter

The valuation of the investment property is inherently subjective.

How the key audit matter was addressed in our audit

The architect's valuation was reviewed and tested by assessing the reasonableness of the inputs, verifying the calculations and the appropriateness of the resulting fair value.

2. Property, plant and equipment

Key audit matter

The valuation of the property, plant and equipment is inherently subjective.

How the key audit matter was addressed in our audit

In assessing the valuation of buildings which are stated at fair value, the architect's valuation was reviewed and tested by assessing the reasonableness of the inputs, verifying the calculations and the appropriateness of the resulting fair value.

3. Debt securities

Key audit matter

The group has issued bonds and this is the largest liability category of the company.

How the key audit matter was addressed in our audit

The documentation related to the bond issue was vouched and the related workings were checked and confirmed.

4. Deferred tax liabilities

Key audit matter

The group has a considerable balance of deferred tax liabilities mainly in relation to the revaluation of investment property.

How the key audit matter was addressed in our audit

The main inputs of the deferred tax liabilities being the fair value of property and the applicable tax rates, together with the calculations were checked and confirmed.

5. Accruals and deferred income

Key audit matter

The group has a considerable balance of accruals and deferred income mainly in relation to interest on bonds accrued, deferred lease of operational assets income and deferred income in relation to residential units.

How the key audit matter was addressed in our audit

In assessing the valuation of accruals and deferred income the supporting documentation were vouched and the necessary calculations were checked and confirmed.

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 intends to liquidate the entity or to cease operations, or has 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 skepticism 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision ans performance of the group audit. We remain solely responsible for our audit opinion.

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: 13 February 2020

Statements of Profit or Loss and Other Comprehensive Income
at 31 October 2019

	Notes	Group 2019	Group 2018	Company 2019	Company 2018
		€	€	**€**	€
Revenue	**4**	**51,916,749**	56,466,680	**5,412,357**	2,016,667
Other operating income	**5**	**300,967**	309,099	**-**	-
Other operating charges		**(17,331,513)**	(18,633,781)	**(6,139)**	(2,377)
Staff costs	**6**	**(18,251,879)**	(17,197,987)	**-**	-
Depreciation		**(6,257,629)**	(5,347,867)	**-**	-
Operating profit		**10,376,695**	15,596,144	**5,406,218**	2,014,290
Share of results of associates		**(666,426)**	2,782	**-**	-
Revaluation of investment property		**-**	26,588,506	**-**	-
Loss on disposal of investment in subsidiary		**(2,975)**	-	**-**	-
Interest income	**7**	**43**	1,539	**-**	-
Finance costs	**8**	**(2,997,058)**	(3,007,249)	**-**	-
Profit before taxation	**9**	**6,710,279**	39,181,722	**5,406,218**	2,014,290
Taxation	**11**	**(1,831,091)**	(8,227,397)	**-**	-
Profit for the year		**4,879,188**	30,954,325	**5,406,218**	2,014,290
Attributable to:					
Owners of the parent		**4,824,035**	30,885,175		
Non-controlling interest		**55,153**	69,150		
		4,879,188	30,954,325		
Earnings per share	**12**	**4.19**	26.58	**4.64**	1.73
Other comprehensive income					
Gains on property revaluation		**17,745,024**	13,136,473	**-**	-
Taxation	**11**	**(2,293,423)**	(1,384,177)	**-**	-
Other comprehensive income net of tax		**15,451,601**	11,752,296	**-**	-
Total comprehensive income		**20,330,789**	42,706,621	**5,406,218**	2,014,290
Attributable to:					
Owners of the parent		**20,275,636**	42,637,471		
Non-controlling interest		**55,153**	69,150		
Total comprehensive income		**20,330,789**	43,738,471		

The notes on pages 21 to 59 form an integral part of these financial statements.

Statements of Financial Position
at 31 October 2019

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	**13**	**257,748,673**	235,044,639	**-**	-
Investment property	**14**	**58,804,763**	58,722,176	**-**	-
Investments in subsidiaries	**15**	**-**	-	**1,655,297**	1,655,530
Loans receivables	**15**	**457,228**	-	**2,096,569**	1,048,218
Investments in associates	**15**	**6,832,761**	7,499,182	**-**	-
Available for sale investments	**15**	**-**	5	**-**	-
		323,843,425	301,266,002	**3,751,866**	2,703,748
Current assets					
Available for sale investments	**15**	**-**	489,659	**-**	-
Inventories	**16**	**3,054,921**	2,369,512	**-**	-
Trade and other receivables	**17**	**12,714,190**	12,556,888	**20,000**	-
Cash at bank and in hand	**25**	**2,172,096**	6,852,390	**101**	9
		17,941,207	22,268,449	**20,101**	9
Total assets		**341,784,632**	323,534,451	**3,771,967**	2,703,757
Current liabilities					
Trade and other payables	**19**	**16,377,824**	14,639,150	**1,700**	88,031
Bank borrowings	**20**	**2,633,355**	2,919,013	**-**	-
Other financial liabilities	**21**	**531,913**	-	**1,162,357**	-
Current tax liabilities		**2,347,993**	3,663,413	**-**	-
		21,891,085	21,221,576	**1,164,057**	88,031
Non-current liabilities					
Other payables	**19**	**13,456,255**	11,590,942	**-**	-
Bank borrowings	**20**	**12,560,687**	12,866,404	**-**	-
Other financial liabilities	**21**	**577,270**	826,208	**-**	-
Debt securities in issue	**22**	**39,518,498**	39,456,339	**-**	-
Deferred tax liabilities	**23**	**26,711,679**	24,823,274	**-**	-
		92,824,389	89,563,167	**-**	-
Total liabilities		**114,715,474**	110,784,743	**1,164,057**	88,031
Net assets		**227,069,158**	212,749,708	**2,607,910**	2,615,726

The notes on pages 21 to 59 form an integral part of these financial statements.

Statements of Financial Position (continued)
at 31 October 2019

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
EQUITY					
Capital and reserves					
Share capital	**24**	**1,164,687**	1,164,687	**1,164,687**	1,164,687
Revaluation reserve		**196,526,102**	181,793,301	**-**	-
Other reserves		**616,095**	616,095	**-**	-
Capital reserves		**3,948,666**	3,948,666	**-**	-
Retained earnings		**23,254,997**	23,723,501	**1,443,223**	1,451,039
		225,510,547	211,246,250	**2,607,910**	2,615,726
Non-controlling interest		**1,558,611**	1,503,458	**-**	-
Total equity		**227,069,158**	212,749,708	**2,607,910**	2,615,726

The financial statements on pages 15 to 59 were approved by the director on 13 February 2020 and were signed on its behalf by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

The notes on pages 21to 59 form an integral part of these financial statements.

Statements of Changes in Equity
for the year ended 31 October 2019

GROUP

	Share capital €	Revaluation reserve €	Other reserves €	Capital reserves €	Retained earnings €	Attributable to equity holders of the parent €	Non-controlling interest €	Total €
At 31 October 2017, as restated	**1,164,687**	**147,335,766**	**616,095**	**3,948,666**	**17,987,302**	**171,052,516**	**1,433,720**	**172,486,236**
Profit for the year	-	-	-	-	30,885,175	30,885,175	69,150	30,954,325
Other comprehensive income for the year, net of tax	-	11,752,296	-	-	-	11,752,296	-	11,752,296
Total comprehensive income for the year	-	11,752,296	-	-	30,885,175	42,637,471	69,150	42,706,621
Dividends paid	-	-	-	-	(2,451,318)	(2,451,318)	-	(2,451,318)
Increase in share capital	-	-	-	-	-	-	588	588
Accumulated loss written off on loss of control	-	-	-	-	7,581	7,581	-	7,581
Revaluation of investment property, net of tax	-	22,705,239	-	-	(22,705,239)	-	-	-
At 31 October 2018	**1,164,687**	**181,793,301**	**616,095**	**3,948,666**	**23,723,501**	**211,246,250**	**1,503,458**	**212,749,708**
Adjustment from the adoption of new IFRSs retrospectively	-	-	-	-	(193,422)	(193,422)	-	(193,422)
Adjusted balance at 1 November 2018	**1,164,687**	**181,793,301**	**616,095**	**3,948,666**	**23,530,079**	**211,052,828**	**1,503,458**	**212,556,286**
Profit for the year	-	-	-	-	4,824,035	4,824,035	55,153	4,879,188
Other comprehensive income for the year, net of tax	-	15,451,601	-	-	-	15,451,601	-	15,451,601
Total comprehensive income for the year	-	15,451,601	-	-	4,824,035	20,275,636	55,153	20,330,789
Dividends paid	-	-	-	-	(4,250,000)	(4,250,000)	-	(4,250,000)
On loss of control	-	(400,000)	-	-	(5,560)	(405,560)	-	(405,560)
Revaluation of investment property, net of tax	-	(318,800)	-	-	318,800	-	-	-
Redemption of preference shares	(1,162,357)	-	-	-	-	(1,162,357)	-	(1,162,357)
Capitalisation of profits	1,162,357	-	-	-	(1,162,357)	-	-	-
At 31 October 2019	**1,164,687**	**196,526,102**	**616,095**	**3,948,666**	**23,254,997**	**225,510,547**	**1,558,611**	**227,069,158**

Statements of Changes in Equity (continued)
for the year ended 31 October 2019

COMPANY	Share capital	Retained earnings	Total
	€	€	€
At 31 October 2017	1,164,687	1,453,416	2,618,103
Profit for the year	-	2,014,290	2,014,290
Total comprehensive expense for the year	-	2,014,290	2,014,290
Dividends paid	-	(2,016,667)	(2,016,667)
At 31 October 2018	**1,164,687**	**1,451,039**	**2,615,726**
Adjustment from the adoption of new IFRSs retrospectively	-	(1,677)	(1,677)
Adjusted balance as at 1 November 2018	**1,164,687**	**1,449,362**	**2,614,049**
Profit for the year	-	5,406,218	5,406,218
Total comprehensive expense for the year	-	5,406,218	5,406,218
Dividends paid	-	(4,250,000)	(4,250,000)
Redemption of preference shares	(1,162,357)	-	(1,162,357)
Capitalisation of profits	1,162,357	(1,162,357)	-
At 31 October 2019	**1,164,687**	**1,443,223**	**2,607,910**

Statements of Cash Flows
for the year ended 31 October 2019

		Group		Company	
		2019	2018	**2019**	2018
	Notes	**€**	€	**€**	€
Cash flows from / (used in) operating activities					
Profit before taxation		**6,710,279**	39,181,722	**5,406,218**	2,014,290
Adjustments for:					
Depreciation		**6,257,629**	5,347,867	**-**	-
Share of results of associates		**666,426**	(2,782)	**-**	-
Gain on disposal of investment property		**-**	(436,346)	**-**	-
Loss on disposal of property, plant and equipment		**6,779**	-	**-**	-
Loss on disposal of financial assets		**13,141**	-	**-**	-
Property, plant and equipment written off		**16,652**	18,769	**-**	-
Expected credit loss		**(34,756)**	-	**(180)**	-
Movement in provision for bad debts		**(118,603)**	47,188	**-**	-
Movement in fair value of financial assets		**(7,765)**	7,765	**-**	-
Issue cost amortization		**62,159**	62,329	**-**	-
Movement in fair value of investment property		**-**	(26,588,506)	**-**	-
Interest expense		**2,997,058**	3,009,119	**-**	-
Interest capitalised reversed		**-**	53,710	**-**	-
Reversal of interest expensed in previous years		**-**	(2,312,905)	**-**	-
Accumulated loss written off on loss of control		**-**	7,581	**-**	-
Operating profit before working capital changes		**16,568,999**	18,395,511	**5,406,038**	2,014,290
Movement in inventories		**(517,200)**	(334,736)	**-**	-
Movement in trade and other receivables		**855,628**	(346,180)	**(20,000)**	-
Movement in trade and other payables		**3,608,212**	1,996,589	**(1,120)**	2,377
Cash flows from operating activities		**20,515,639**	19,711,184	**5,384,918**	2,016,667
Net interest paid		**(3,001,283)**	(3,024,184)	**-**	-
Taxation paid		**(3,423,529)**	(1,523,173)	**-**	-
Net cash flows from operating activities		**14,090,827**	15,163,827	**5,384,918**	-
Cash flows (used in)/from investing activities					
Purchase of property, plant and equipment		**(9,841,905)**	(4,215,628)	**-**	-
Payments to acquire investment property		**(4,601,339)**	(675,543)	**-**	-
Acquisition of financial assets		**484,283**	(498,424)	**27,531**	-
Proceeds from disposal of investment property		**-**	500,000	**-**	-
Proceeds from disposal of property, plant and equipment		**533,626**	-	**-**	-
Net cash flows used in investing activities		**(13,425,335)**	(4,889,595)	**27,531**	-
Cash flows (used in)/from financing activities					
Movement on bank borrowings		**(1,930,020)**	(4,711,310)	**-**	-
Movement from a new bank loan		**1,300,610**	-	**-**	-
Movement on other loans		**(4,754,411)**	(3,027,383)	**(5,412,357)**	-
Dividends paid		**-**	(2,451,318)	**-**	(2,016,667)
Net cash flows used in financing activities		**(5,383,821)**	(10,190,011)	**(5,412,357)**	(2,016,667)
Net movement in cash and cash equivalents		**(4,718,329)**	84,221	**92**	-
Cash and cash equivalents at start of year		**6,293,441**	6,209,220	**9**	9
Cash and cash equivalents at end of year	**25**	**1,575,112**	6,293,441	**101**	9

1 General information

AX Group p.l.c. (C 12271) is a public 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 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. These financial statements are prepared under the historical cost basis except for freehold land and buildings which are stated at their revalued amounts and investment property and certain financial instruments which are stated at their fair values. They are prepared in accordance with the provisions of the Companies Act, 1995 enacted in Malta, and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:
- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability

New and revised standards that are effective for the current period

In the current year, the entity has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

In adopting IFRS 9, the entity has applied transitional relief and opted not to restate prior periods. Any differences between previous carrying amounts and those determined under IFRS 9 at the date of initial application, under this option, is included in opening retained earnings or equivalent component of equity.

2 Accounting policies (continued)

The adoption of IFRS 9 has impacted the following areas:

a) Classification and measurement
Group and Company
There has been no changes to the classification or measurement of financial liabilities as a result of the application of IFRS 9.

b) Impairment
Group and Company
In adopting the expected credit loss model as opposed to an incurred credit loss model under IAS 39, on the date of initial application a Group and Company loss allowance amounting to €193,422 and €1,677 respectively, was recognised in opening retained earnings. The cumulative additional loss allowance recognised on 1 November 2019 on items that are subject to the impairment provisions of IFRS 9 and that existed on that date is explained below.

	01.11.2018	
	Group	**Company**
	€	**€**
Loans to related company	-	1,677
Trade and other receivables	193,422	-
	193,422	1,677

Group and Company
In the current year, the entity has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

The application of IFRS 15 has not had an impact on the financial position and financial performance of the entity.

New and revised standards that are issued but not yet effective

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The application of IFRS 16 will have no impact on the entity's financial statements.

2 Accounting policies (continued)

Basis of consolidation

These financial statements include the results of the holding company; AX Group p.l.c., and all entities that are controlled by the parent company.

Subsidiaries

A subsidiary is an entity that is controlled by the Company. The Company controls the investee when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Intra group balances and transactions are eliminated on consolidation. When necessary, in preparing these consolidated financial statements appropriate adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with those used by group entities.

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. Acquisition-related costs are recognised in profit or loss as incurred, except for costs to issue debt or equity securities.

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired. Goodwill is measured as the excess of:
a. the aggregate of
    i. the consideration transferred
    ii. the amount of any non-controlling interests in the acquiree; and
    iii. in a business combination achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquiree; and
b. the net of the acquisition date amounts of the identifiable assets acquired and the liabilities assumed.

Goodwill is initially recognised at cost and is subsequently measured at cost less any impairment losses. Any gain on a bargain purchase, after reassessment, is recognised immediately in profit and loss.

2 Accounting policies (continued)

Basis of consolidation (continued)

Subsidiaries (continued)

Non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at the present ownership instruments' proportionate share in the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on an acquisition-by-acquisition basis. After initial recognition, non-controlling interest in the net assets consists of the amount of those interests at the date of the original business combination and the non-controlling interest share of changes in equity since the date of the combination. All other components of non-controlling interests shall be measured at their acquisition date fair values, unless another measurement basis is required. Non-controlling interests in the net assets of consolidated subsidiaries are presented separately from the holding company's owners' equity therein. Non-controlling interests in the Profit and Loss and other comprehensive income of the consolidated subsidiaries are also disclosed separately. Total comprehensive income is attributed to non-controlling interests even if this results in non-controlling interests having a deficit balance.

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 or joint 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 profit and loss is recognised in profit and loss and the Group's share of the post-acquisition changes in other comprehensive income is recognised in other comprehensive income. 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. Distributions received from an investee reduce the carrying amount of the investment.

2 Accounting policies (continued)

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.

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 profit and loss, in which case, the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit and loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

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 or revalued amounts over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, 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 profit and loss in the period in which the changes arise. The fair value movement on investment property, net of tax, is reclassified in the statement of changes in equity from retained earnings to the revaluation reserve.

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.

In the separate financial statements, investments in subsidiaries and associates are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Dividend from the investment s are recognised in profit and loss

Other financial instruments

Other 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 profit and loss.

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)

Other 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.

Comparative year

In the comparative year, the significant accounting policies for the other financial assets were as follows:

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.

Other financial instruments

Financial assets at fair value through profit or loss (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.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available for sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

2 Accounting policies (continued)

Other financial instruments (continued)

Trade and other receivables

Trade and other short-term receivables are stated at their nominal value, unless the effect of discounting is material, less specific impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are stated at nominal value unless the effect of discounting is material.

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.

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.

2 Accounting policies (continued)

Inventories (continued)

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 of financial assets

Current year

Impairment calculations for these financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. In applying this forward-looking approach, a distinction is made between: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (stage 1), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

Comparative year

The accounting policy for the impairment of loans and receivables, trade receivables and available for sale investments is addressed below in the section entitled “Impairment of other assets”.

Impairment of other assets

The carrying amounts of the company’s other assets, other than deferred tax assets and investment property at fair value are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the assets’ 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.

2 Accounting policies (continued)

Impairment of other assets (continued)

Impairment losses are recognised in profit and loss , unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in statement of other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset. When a decline in the fair value of an available for sale of financial asset has been recognised in statement of other comprehensive income and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised in the statement of other comprehensive income is reclassified to profit and loss as a reclassification adjustment and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit and loss.

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

Revenue recognition

The group recognises revenue from the following major sources:

a. Provision of hospitality services namely accommodation in hotels and catering facilities

b. Civil engineering works and turnkey contracts

c. Provision of accommodation and intensive nursing care, accommodation in self-catering units within a retirement village and other ancillary services

Current year

In the current year, the significant accounting policies for the recognition of revenue are as follows: accounting policies for the recognition of revenue are as follows:

Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer.

Sale of goods

The group through its subsidiaries sells food and beverage products and healthcare items directly to customers through its own outlets. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the outlet or property. Customers do not have the right of return and no warranties are given on the items sold.

2 Accounting policies (continued)

Revenue recognition (continued)

Provision of services - Hospitality and healthcare

The group, through various subsidiaries, provides hospitality and healthcare services. Revenue from healthcare services is partly recognised at a point in time when transferring control of the contracted service to the customer and partly is recognised over time, on a systematic basis based on the period consumed as a proportion to the contractual period. Revenue from Hospitality is recognised at a point in time when transferring control of the contracted service to the customer.

Provision of services – Construction

The group provides construction related works to its customers. Revenue from construction works is recognised over time, based on the proportion of works performed to date. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS15. The group becomes entitled to invoice customers for construction works, when a third party assessor signs off a certificate confirming the achievement of a milestone.

Comparative year

In the comparative year, 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 and property

Revenue from sale of goods and property 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.

Dividend income

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

Dividend income is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

2 Accounting policies (continued)

Revenue recognition (continued)

Rental income

Rental income is recognised in income on a straight-line basis over the rental term.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assts that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the profit and loss 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 balance sheet 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.

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.

2 Accounting policies (continued)

Leases (continued)

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 profit and loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the company's accounting policy on borrowing costs.

Certain properties 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, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

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

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Construction works, building materials and management services	**4,858,354**	8,146,435	**-**	-
Hospitality and entertainment	**38,115,440**	39,495,143	**-**	-
Healthcare	**5,680,459**	4,763,261	**-**	-
Sale of property and real estate	**-**	2,198,220	**-**	-
Rental income	**544,810**	642,035	**-**	-
Dividend income	**2,717,686**	1,221,586	**5,412,357**	2,016,667
	51,916,749	56,466,680	**5,412,357**	2,016,667

4. Revenue (continued)

Construction works, building materials and management services, hospitality and entertainment and healthcare fall under IFRS 15 and are recognized as follows:

Timing of revenue recognition

	2019	2018
At a point in time:	**€**	€
Sale of property and real estate	**-**	2,198,220
Hospitality and entertainment	**38,115,440**	39,495,143
Healthcare	**1,402,550**	1,867,445
	39,517,990	43,560,808
Over time:		
Construction works, building materials and management services	**4,858,354**	8,146,435
Healthcare	**4,277,909**	2,895,816
	9,136,263	11,042,251

5. Other operating income

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Ancillary services	**300,967**	309,099	**-**	-

6. Labour costs and employee information

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Staff costs:				
Wages and salaries	**13,904,899**	13,017,585	**-**	-
Social security costs	**972,458**	959,326	**-**	-
	14,877,357	13,976,911	**-**	-
Subcontracted labour	**4,708,530**	3,540,752	**-**	-
Salaries capitalised	**(1,334,008)**	(319,676)		-
Total labour costs	**18,251,879**	17,197,987	-	-

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

	Group		Company	
	2019	2018	**2019**	2018
Management and administration	**144**	140	**-**	-
Operations and distribution	**517**	526	**-**	-
	661	666	-	-

7. Interest income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest received from investments	**43**	1,539	**-**	-

8. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Interest on bank loans and overdrafts	**584,146**	591,287	**-**	-
Interest on debt securities in issue	**2,400,000**	2,400,000	**-**	-
Interest on other loans	**12,912**	15,962	**-**	-
	2,997,058	3,007,249	**-**	-

9. Profit before taxation

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit before taxation is stated after charging/(crediting):				
Auditors' remuneration	**86,250**	75,050	**1,700**	1,000
Depreciation	**6,257,629**	5,347,867	**-**	-
Movement in allowance for expected losses	**(34,756)**	-	**(180)**	-

10. Key management personnel compensation

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Directors' compensation				
Short-term benefits	**810,857**	707,055	**-**	-
Other key management personnel compensation				
Salaries and social security contributions	**654,873**	434,298	**-**	-

11. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the group amounted to € 15,582,283 (2018: €15,535,844) and €39,197 (2018: €13,963).

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Malta income tax:				
Current - for the year	**2,095,572**	4,023,941	**-**	-
- over provision in respect of previous years	**12,537**	20,400	**-**	-
Deferred tax through profit or loss	**(277,018)**	4,183,056	**-**	-
	1,831,091	8,227,397	**-**	-
Deferred tax through Other comprehensive income	**2,293,423**	1,384,177	**-**	-
	4,124,514	9,611,574	**-**	-

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit before taxation	**6,710,279**	39,181,722	**5,406,218**	2,014,290
Tax thereon at 35%	**2,348,598**	13,713,603	**1,892,176**	705,002
Tax effect of:				
Tax effect of permanent difference	**1,738,293**	(3,574,358)	**(1,892,176)**	(705,002)
Over provision in respect of previous years	**12,537**	20,400	**-**	-
Tax effect of unrecognised temporary differences	**25,086**	(548,071)	**-**	-
Income tax expense for the year	**4,124,514**	9,611,574	**-**	-

12. Earnings per share

The earnings per share has been calculated on the group's and company's profit for the year of €4,879,188 (2018: €30,954,325) and €5,406,218 (2018: €2,014,290) respectively divided by the weighted average number of ordinary shares in issue during the year.

	Group		Company	
	2019	2018	**2019**	2018
Weighted average number of shares in issue	**1,164,687**	1,164,687	**1,164,687**	1,164,687
	€	€	**€**	€
Earnings per share	**4.19**	26.58	**4.64**	1.73

13. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
Fair value/cost	€	€	€	€	€	€
At 01.11.2017	209,868,366	469,553	23,950,716	487,234	32,548,276	267,324,145
Additions	2,012,634	-	569,039	107,664	1,526,291	4,215,628
Revaluation	13,136,472	-	-	-	-	13,136,472
Reversal of interest capitalised	(53,710)	-	-	-	-	(53,710)
Reclassifications	-	-	(2,024,482)	-	2,024,482	-
Transfers	(926,748)	-	-	-	(112,149)	(1,038,897)
Write offs	-	-	(1,796,490)	(10,552)	(85,245)	(1,892,287)
At 31.10.2018	224,037,014	469,553	20,698,783	584,346	35,901,655	281,691,351
Additions	663,929	-	1,024,550	263,117	7,890,309	9,841,905
Revaluation	17,745,024	-	-	-	-	17,745,024
Transfer to inventory	(168,209)	-	-	-	-	(168,209)
Transfer from investment property	2,100,000	-	-	-	-	2,100,000
Disposal	-	-	-	(6,800)	-	(6,800)
Write offs	(445,246)	(440,220)	(42,177)	(18,034)	(708,217)	(1,653,894)
At 31.10.2019	**243,932,512**	**29,333**	**21,681,156**	**822,629**	**43,083,747**	**309,549,377**
Depreciation						
At 01.11.2017	9,754,542	433,578	14,451,201	430,508	18,324,633	43,394,462
Provision for the year	2,182,223	14,979	844,294	38,758	2,267,613	5,347,867
Reclassifications	-	-	(2,000,338)	-	2,000,338	-
Released on transfer	(185,310)	-	-	-	(36,749)	(222,099)
Released on write offs	-	-	(1,797,752)	(10,552)	(65,214)	(1,873,518)
At 31.10.2018	11,751,415	448,557	11,497,405	458,714	22,490,621	46,646,712
Provision for the year	2,381,733	1,465	933,007	91,059	2,850,365	6,257,629
Released on disposal	-	-	-	(6,800)	-	(6,800)
Released on write offs	-	(425,092)	(29,903)	(18,034)	(623,808)	(1,096,837)
At 31.10.2019	**14,133,148**	**24,930**	**12,400,509**	**524,939**	**24,717,178**	**51,800,704**
Net book value						
At 31.10.2019	**229,799,364**	**4,403**	**9,280,647**	**297,690**	**18,366,569**	**257,748,673**
At 31.10.2018	212,285,599	20,996	9,201,378	125,632	13,411,034	235,044,639

13. Property, plant and equipment (continued)

The fair value of the land and buildings as at 31 October 2019 is based on the valuations carried out by independent architects and additions during recent periods after the valuation date. The directors assumed that the fair value of these additions is equivalent to its cost. The architects are qualified and have experience in the valuation of properties.

Details of the property, plant and equipment and the information about the fair value hierarchy as at the end of the year is as follows:

Type of Property	Level 2 €	Level 3 €	Additions €	Total €	Date of valuation
Commercial property	-	44,785,000	46,189	44,831,189	26/10/2018
		4,200,000	470,478	4,670,478	21/12/2015
		32,262,274	-	32,262,274	20/01/2020
		2,100,000	-	2,100,000	23/01/2017
		9,025,157	-	9,025,157	11/11/2016
		36,600,000	5,400	36,605,400	28/12/2018
		74,000,000	322,016	74,322,016	23/09/2019
		5,836,737	5,901,672	11,738,409	20/01/2020
		3,487,840	-	3,487,840	11/06/2017
		22,649,803	830,197	23,480,000	16/12/2019
Land	-	-	1,409,749	1,409,749	-
Total	**-**	**234,946,811**	**8,985,701**	**243,932,512**	

There were no transfers between the hierarchy levels during the year.

For property, plant and equipment categorized under Level 3 of the fair value hierarchy, the following approaches and inputs were used:

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to €212,297,008	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishing and services, the higher the fair value.

13. Property, plant and equipment (continued)

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to €22,649,803	Average of the value derived from the Income capitalisation approach (ICA) and replacement cost approach (RCA).	ICA: EBIDTA of €1,537,929, capitalisation yield of 8.33%, land appreciation of 4.5% per annum, discount rate for commercial property sale at termination 6% and discount rate for future income of 11.83%. RCA: This method considers the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the capitalisation yield, the higher the fair value. The higher the EBIDTA and growth rate the higher the fair value.

During the year the group used the same valuation techniques used in the previous year.

14. Investment property

Group

Fair value	€
At 31.10.2017	30,968,940
Additions	675,543
Revaluation	26,588,506
Disposals	(63,654)
Transferred from inventory	1,011,724
Transfer from property, plant and equipment	741,398
Reversal of interest capitalised	(1,200,281)
At 31.10.2018	58,722,176
Additions	4,601,339
Disposals	(2,418,752)
Transfer to property, plant and equipment	(2,100,000)
At 31.10.2019	**58,804,763**

14. Investment property (continued)

The fair value of the investment property as at 31 October 2019 of the group is based on the valuations carried out by independent architects. The architect are qualified and have experience in the valuation of properties.

Details of the investment property and the information about the fair value hierarchy as at the end of the year is as follows:

Type of Property	Level 2 €	Level 3 €	Additions €	Total €	Date of valuation
Land	-	11,120,000	635,222	11,755,222	06/01/2019
		3,674,131	2,694,980	6,369,111	10/11/2017
		750,000	-	750,000	20/09/2017
Commercial property	-	3,116,051	-	3,116,051	23/01/2017
Residential	-	3,800,000	-	3,800,000	07/08/2013
		28,494,086	-	28,494,086	18/10/2018
		3,600,000	920,293	4,520,293	28/01/2019
Total	**-**	**54,554,268**	**4,250,495**	**58,804,763**	

There were no transfers between the hierarchy levels during the year.

For investment property categorized under Level 3 of the fair value hierarchy, the following approaches and inputs were used:

Type of Property	Valuation Technique	Inputs	Sensitivity
Land	Market approach	Based on the prices of similar property.	The higher the rates for land, the higher the fair value.
Commercial property	Market approach	The value of the property is based on the selling price of similar commercial property.	The higher the rates for commercial property, the higher the fair value.
Residential property amounting to €3,800,000	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings, the higher the fair value.

14. Investment property (continued)

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential amounting to € 3,600,000	Income capitalisation approach	Capitalisation rate at 4% and a yearly rental income of € 144,000.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Residential amounting to € 28,494,086	Market approach	The valuation of investment property was based on market prices for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market.	The higher the rates for construction, finishings, services and fittings, the higher the fair value.

During the year the company used the same valuation technique used in the previous year.

15. Financial assets

Group

	Other related party loan	Available for sale investments Quoted Fair value	Financial assets at FVTPL	Available for sale investments Unquoted	Investments in associates
	€	€	€	€	€
At 01.11.2016	-	-	-	5	7,495,400
Share of profits	-	-	-	-	2,782
Additions	-	497,424	-	-	1,000
Movement in impairment of financial assets	-	(7,765)	-	-	-
At 31.10.2017	-	489,659	-	5	7,499,182
Share of profits	-	-	-	(5)	(666,421)
Transfer	-	(489,659)	489,659	-	-
Movement for the year	457,228	-		-	-
Disposal	-	-	(497,424)	-	-
Movement in impairment of financial assets	-	-	7,765	-	-
At 31.10.2018	457,228	-	-	-	6,832,761

Loans to other related party
Loans to other related party are unsecured, interest-free and have no fixed date of repayment. The entity determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

15. Financial assets (continued)

Company

	Investment in subsidiary €	Subsidiary undertaking loan €
Cost		
At 01.11.2018	1,655,530	1,048,218
Additions	-	2,098,066
Disposal	(233)	(1,048,218)
At 31.10.2019	1,655,297	2,098,066
Expected credit loss		
At 01.11.2018	-	1,677
Movement for the year	-	(180)
At 31.10.2019	-	1,497
Net book value		
At 31.10.2019	1,655,297	2,096,569
At 31.10.2018	1,655,530	1,046,541

Investment in subsidiary

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

Subsidiary undertaking loan

The subsidiary undertaking loan is unsecured, interest-free and has no fixed date of repayment. The entity determines the expected credit loss allowance on the group undertakings loans based on a probability of default of 0.16% and a loss given default of 100%.

15. Financial assets (continued)

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

	Group % of equity capital held		Group % of preference capital held	
	2019	2018	**2019**	2018
AX Business Park Limited	100	100	-	-
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Holdings Limited	100	100	-	-
AX Hotel Operations Limited	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
AX Real Estate Limited	100	-	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
Engage People Limited	100	-	-	-
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	-	-
Palazzo Merkanti Leisure Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Quayside Catering Ltd (merged into AX Hotel Operations p.l.c.)	-	100	-	-
Renewables Limited	100	-	-	-
Royal Hotels Limited	100	100	-	-
Simblija Developments Limited	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 (merged into AX Construction Limited)	-	75	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Verdala Mansions Limited	100	100	-	-
Vilhena Property Investments Limited	-	100	-	-

15. Financial assets (continued)

Investments in associates

	Group % of equity capital held		Group % of preference capital held	
	2019	2018	**2019**	**2018**
Valletta Cruise Port p.l.c.	36	36	-	-
Imselliet Solar Limited	33	33	-	-

Summarised financial information on the groups' associates is set out below:

	2019	**2018**
	€	**€**
Current assets	5,850,255	2,997,708
Non-current assets	54,430,151	26,616,315
Current liabilities	3,812,145	3,896,175
Non-current liabilities	39,973,389	8,815,280
Revenue	11,244,022	11,199,548
Profit for the year	3,170,740	2,843,966
Dividends for the year	4,999,999	2,300,000

16. Inventories

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Property held for development and re-sale	**1,189,647**	714,046	**-**	-
Raw materials and consumables	**1,865,274**	1,655,466	**-**	-
	3,054,921	2,369,512	**-**	-

17. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Trade receivables	**6,391,424**	8,487,457	**-**	-
Provision for doubtful debts	**(456,097)**	(574,700)	**-**	-
Allowance for ECL on trade receivables	**(157,949)**	-	**-**	-
Amounts owed by associates	**1,091,247**	25,998	**-**	-
Amounts owed by other related parties	**49,956**	50,852	**-**	-
Other receivables	**4,473,085**	2,905,338	**20,000**	-
Prepayments and accrued income	**1,322,524**	1,661,943	**-**	-
	12,714,190	12,556,888	**20,000**	-

Amounts owed by associates and amounts owed by other related parties are unsecured, interest-free and have no fixed date of repayment. Amounts owed by associates are dividends receivable.

17. Trade and other receivables (continued)

Impairment for financial assets

Trade receivables
The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31 October 2019 was determined as follows:

		Current	**>30 days**	**>60 days**	**>90 days**	**>180 days**	**>365 days**	**Total**
Expected credit loss rate	%	0.06–0.83	0.09-1.08	0.13-1.30	0.20-2.31	0.28-2.93	100.00	
Gross carrying amount	€	1,287,389	1,173,458	930,142	541,633	1,395,499	74,797	5,402,918
Lifetime expected credit loss	€	8,976	10,574	12,083	12,328	39,191	74,797	157,949

18. Construction contracts

As at year-end, retentions held by customers for contract works amounted to € 350,848 (2018: € 591,793).

19. Trade and other payables

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Trade payables	**5,380,473**	5,822,647	**-**	-
Other payables	**3,613,135**	2,657,269	**-**	-
Amounts owed to group undertakings	**-**	-	**-**	85,211
Indirect taxation and social security	**767,718**	604,032	**-**	-
Accruals and deferred income	**20,072,753**	17,146,144	**1,700**	2,820
	29,834,079	26,230,092	**1,700**	88,031
Current	**16,377,824**	14,639,150	**1,700**	88,031
Non-current	**13,456,255**	11,590,942	**-**	-
	29,834,079	26,230,092	**1,700**	88,031

20. Bank borrowings

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Bank overdrafts/ balances overdrawn	**596,984**	558,949	**-**	-
Bank loans	**14,597,058**	15,226,468	**-**	-
	15,194,042	15,785,417	**-**	-

Bank overdrafts and loans are repayable as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
On demand or within one year	**2,633,355**	2,919,013	**-**	-
Between two and five years	**9,289,348**	8,380,650	**-**	-
After five years	**3,271,339**	4,485,754	**-**	-
	15,194,042	15,785,417	**-**	-
Less: amounts due for settlement within one year	**(2,633,355)**	(2,919,013)	**-**	-
Amounts due for settlement after one year	**12,560,687**	12,866,404	**-**	-

The group has aggregate bank facilities of € 20,097,058 (2018: € 15,726,468). These facilities are secured by general hypothecs over the group assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the group managing director. They bear interest at 3.9% to 5.15% per annum (2018: 3.9% to 5.15%).

21. Other financial liabilities

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Other loans	**104,821**	104,821	**-**	-
Shareholder's loan	**531,913**	237,131	**1,162,357**	-
Amounts owed to other related parties	**472,449**	484,256	**-**	-
	1,109,183	826,208	**1,162,357**	-

Other financial liabilities are repayable as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
On demand or within one year	**531,913**	-	**1,162,357**	-
Between two and five years	**577,270**	104,821	**-**	-
After five years	**-**	721,387	**-**	-
	1,109,183	826,208	**1,162,357**	-
Less: amounts due for settlement within one year	**531,913**	-	**1,162,357**	-
Amounts due for settlement after one year	**577,270**	826,208	**-**	-

The balances on other loans and amounts owed to other related parties are unsecured, interest-free and have no fixed date of repayment.

22. Debt securities in issue

As at year-end, a subsidiary within the group had a balance of € 39,726,948 (2018: € 39,664,789) from the bond issue of €40 million, 6% bonds of €100 nominal value each, redeemable at par 2024. The amount is made up of the new 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.

22. Debt securities in issue (continued)

	2019	2018
	€	€
At beginning of year	**39,456,339**	39,394,010
Bond issue costs amortization for the year	**62,159**	62,329
At end of year	**39,518,498**	39,456,339
Falling due between two and five years	**39,518,498**	-
Falling due after more than five years	**-**	39,456,339
At end of year	**39,518,498**	39,456,339

23. Deferred tax liabilities

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Arising on:				
Excess of capital allowances over depreciation	**464,558**	289,545	**-**	-
Provision for doubtful debts	**(261,997)**	(201,145)	**-**	-
Unabsorbed tax losses and capital allowances	**(2,109,868)**	(1,765,943)	**-**	-
Revaluation of investment property	**28,446,490**	26,481,658	**-**	-
Movement in value of financial assets	**154,969**	-	**-**	-
Unrealised difference on exchange	**17,527**	19,159	**-**	-
	26,711,679	24,823,274	**-**	-

24. Called up issued share capital

	2019	2018
	€	€
Authorised		
1,000 ordinary shares of €2.329373 each	-	2,330
499,000 redeemable cumulative preference shares of €2.329373 each	-	1,162,357
300,000,000 ordinary shares of €1 each	**300,000,000**	-
	300,000,000	1,164,687

	2019	2018
	€	€
Called up issued and fully paid up		
1,000 ordinary shares of €2.329373 each	-	2,330
499,000 redeemable cumulative preference shares of €2.329373 each	-	1,162,357
1,164,687 ordinary shares of €1 each	**1,164,687**	-
	1,164,687	1,164,687

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.

The preference shares carried no voting rights.

25. Cash and cash equivalents

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

	Group		Company	
	2019	2018	**2018**	2017
	€	€	**€**	€
Cash at bank and in hand	**2,172,096**	6,852,390	**101**	9
Bank overdrafts/ balances overdrawn	**(596,984)**	(558,949)	**-**	-
	1,575,112	6,293,441	**101**	9

26. Contingent liabilities

At 31 October 2019, 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.

- As at year-end, two subsidiaries had blocked funds relating to a garnishee order in favour of third parties amounting to €74,251 (2018: €74,994). The directors are confident that the outcome of all the above claims will be in favour of the subsidiaries.

- On the 6th March 2018 a subsidiary entered into a settlement agreement with Malta Enterprise relating to the Verdala Hotel in Rabat. The subsidiary is committed to abide to the terms of the said agreement.

- At 31 October 2019, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2018 : €146,433).

- Various guarantees were given in favour of third parties amounting to €7,770,985 (2018: €8,720,659).

27. Contingent assets

During the year, a subsidiary was adjudicated a compensation amounting to €310,848 for damages in a court case it had initiated relating to a building permit which was withheld. Both parties are appealing to this decision and are requesting a revision of the compensation.

28. Capital commitments

During the year the Group finalised the conversion of a palazzo in Valletta into a luxurious five-star hotel. Simultaneously the capital commitment to refurbish a hotel in Sliema progressed as planned and the final phase of the refurbishment is expected to be finalised in the first quarter of 2020. The Group is also committed to continue with the construction and finishing of a mixed development in Mosta which is expected to be finalised by the end of 2020 for a total investment value of circa €10m.

29. Related parties

The company had the following related party transactions:

	2019	2018
	€	€
Transactions with subsidiaries:		
Dividend income	**5,412,357**	2,016,667

The group had the following related party transactions:

	2019	2018
	€	€
Transactions with subsidiaries:		
Dividends income	**2,717,686**	1,221,586

30. Ultimate controlling party

The ultimate controlling party is Mr Angelo Xuereb, who holds 55% of the voting rights of the company.

31. Risk management objectives and policies

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

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

The group and the company are exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating, investing and financing 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.

31. Risk management objectives and policies (continued)

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

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 15, 17 and 25.

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 2019 and 31 October 2018, the contractual maturities on the financial liabilities of the company and the group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

31. Risk management objectives and policies (continued)

Liquidity risk (continued)

Group

	Less than 6 months	**From 6 to 12 months**	**From 1 to 5 years**	**More than 5 years**	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
	2019	**2019**	**2019**	**2019**	2018	2018	2018	2018
	€	**€**	**€**	**€**	€	€	€	€
Bank borrowings	**986,248**	**1,181,957**	**9,432,624**	**5,871,531**	1,399,120	1,590,429	9,920,877	4,976,757
Other borrowings	**1,200,000**	**1,200,000**	**48,028,943**	**-**	1,560,000	1,560,000	12,480,000	42,110,898
	2,186,248	**2,381,957**	**57,461,567**	**5,871,531**	2,959,120	3,150,429	22,400,877	47,087,655

Foreign currency risk

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

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

Interest rate risk

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

32. Capital management policies and procedures

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