



COMPANY ANNOUNCEMENT

The following announcement issued by AX Investment p.l.c. ('the Company') pursuant to the Listing Rules issued by the Listing Authority;

Errata Corrige of The Company Announcement issued on the 21st February 2020 (AXI204)

Reference is made to the company announcement dated 21st February 2020 whereby AX Holdings limited published the company's report and financial statement for the year ended 31st October 2019. Financial statements attached to the said announcement were inadvertently published without signatures.

Signed financial statements are attached herewith and are available for viewing on the AX Investments website (<https://axinvestmentsplc.com/financial-statements/>) and at the Company's registered office (AX House, Mosta Road, Lija).

A handwritten signature in black ink, appearing to be 'Dr Ian Vella Galea', written over a light blue horizontal line.

Dr Ian Vella Galea
Company Secretary

24th February 2020

Company Announcement AXI205

Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2019

AX Holdings Limited

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AX Holdings Limited

Directors' report

for the year ended 31 October 2019

Executive directors	Mr Angelo Xuereb Ms Claire Zammit Xuereb Ms Denise Micallef Xuereb Mr Michael Warrington
Non-executive directors	Mr John Soler Mr Christopher Paris Mr Josef Formosa Gauci
Registered Address	AX House Mosta Road Lija LJA 9010 Malta

The directors present their report and the audited financial statements of the group and the company for the year ended 31 October 2019.

Principal activities

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

Business review

Company

The loss for the year amounted to € 430,056 (2018 : Profit of € 4,080,803). During the year, the company received lower dividends and incurred higher other operating charges, labour costs and finance costs. 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 3.5% in hospitality and entertainment 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 € 5.6m representing an 19% 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 € 16,640,761 representing an EBITDA/revenue ratio of 32%. Last year's EBITDA stood at € 20,947,464 with an EBITDA/revenue ratio of 37%.

Business review (continued)

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 € 12,965,110 (2018 : € 15,845,558) and invested € 13,425,335 in property, plant and equipment and investment property and financial assets (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.

Net assets increased by € 14,739,311 from € 211,375,738 as at 31 October 2018 to € 226,115,049 as at 31 October 2019.

The directors expect the group to grow in all its core business segments during 2020 and will continue as a going concern.

Dividends and reserves

The directors paid an interim dividend from the company and the group amounting to €5,412,357. They do not recommend payment of a final dividend.

Events after the reporting period

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

Directors

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

Directors' responsibilities

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

- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;

Directors' responsibilities (continued)

- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy, at any time, the financial position of the group and the company and to enable them to ensure that the financial statements comply with the Companies Act (Cap. 386). The directors are also responsible for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

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

This report was approved and authorised for issue by the Board of Directors on 21 February 2020, and signed on its behalf by:



Mr Angelo Xuereb
Chairman



Mr Michael Warrington
Chief Executive Officer

AX Holdings Limited

Independent auditors' report to the members of AX Holdings Limited

Opinion

We have audited the accompanying consolidated and separate financial statements of AX Holdings Limited, which comprise the Statement of Financial Position as at 31 October 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of AX Holdings Limited as of 31 October 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, and have been properly prepared in accordance with the Maltese Companies Act (Cap. 386).

Basis for Opinion

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

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

Other Information

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

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

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

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

- the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

AX Holdings Limited

Independent auditors' report to the members of AX Holdings Limited

- the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

AX Holdings Limited

Statements of profit or loss and other comprehensive income for the year ended 31 October 2019

- 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 and 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: 21 February 2020

AX Holdings Limited

Statements of profit or loss and other comprehensive income for the year ended 31 October 2019

	Notes	Group		Company	
		2019	2018 (As restated)	2019	2018
		€	€	€	€
Revenue	4	51,916,749	56,466,680	3,523,502	7,767,678
Other operating income	5	300,967	309,099	-	342,608
Other operating charges		(17,325,076)	(18,630,328)	(1,039,942)	(670,820)
Labour costs	6	(18,251,879)	(17,197,987)	(1,808,672)	(939,789)
Depreciation		(6,257,629)	(5,347,867)	(105,566)	(57,301)
Operating profit		10,383,132	15,599,597	569,322	6,442,376
Share of results of associates		(661,537)	2,782	-	-
Revaluation of investment property		-	26,588,506	-	-
Interest income	7	43	1,539	-	-
Finance costs	8	(2,997,058)	(3,007,249)	(1,696,036)	(971,166)
Profit / (loss) before taxation	9	6,724,580	39,185,175	(1,126,714)	5,471,210
Taxation	11	(1,831,091)	(8,259,397)	696,658	(1,390,407)
Profit / (loss) for the year		4,893,489	30,925,778	(430,056)	4,080,803
Attributable to:					
Owners of the parent		4,838,336	30,856,628		
Non-controlling interest		55,153	69,150		
		4,893,489	30,925,778		
Other comprehensive income					
Gain on property revaluation		17,745,024	13,136,473	-	-
Taxation	11	(2,293,423)	(1,384,177)	-	-
Other comprehensive income, net of taxation		15,451,601	11,752,296	-	-
Total comprehensive income / (expense)		20,345,090	42,678,074	(430,056)	4,080,803
Attributable to:					
Owners of the company		20,289,937	42,608,924		
Non-controlling interest		55,153	69,150		
Total comprehensive income		20,345,090	42,678,074		

The notes on pages 13 to 52 form an integral part of these financial statements.

AX Holdings Limited

Statements of financial position at 31 October 2019

	Notes	Group			Company	
		2019	2018	2017	2019	2018
ASSETS AND LIABILITIES		€	€	€	€	€
			(As restated)	(As restated)		
Non-current assets						
Property, plant and equipment	12	257,748,673	235,044,639	223,929,683	4,685,412	4,413,854
Investment property	13	58,804,763	56,303,424	28,550,188	4,550,000	7,610,000
Investment in subsidiaries	14	-	-	-	19,550,742	19,660,844
Investment in associates	14	6,832,761	7,494,298	7,490,516	26,164	26,164
Loans	14	457,228	918,109	-	42,829,347	33,826,801
		<u>323,843,425</u>	<u>299,760,470</u>	<u>259,970,387</u>	<u>71,641,665</u>	<u>65,537,663</u>
Current assets						
Available for sale investments	14	-	489,659	-	-	-
Inventories	15	3,054,921	2,369,512	2,971,100	12,466	12,466
Trade and other receivables	16	13,324,536	12,556,888	13,840,668	2,622,765	2,551,108
Cash at bank and in hand	18	2,171,995	6,852,381	7,353,057	2,116	1,247
Current tax assets		-	-	-	861,390	249,035
		<u>18,551,452</u>	<u>22,268,440</u>	<u>24,164,825</u>	<u>3,498,737</u>	<u>2,813,856</u>
Total assets		<u>342,394,877</u>	<u>322,028,910</u>	<u>284,135,212</u>	<u>75,140,402</u>	<u>68,351,519</u>
Current liabilities						
Trade and other payables	19	16,376,124	14,635,579	17,653,643	1,065,223	183,652
Bank borrowings	21	2,633,355	2,919,013	3,760,533	2,656	1,191
Other financial liabilities		-	-	6,739,842	-	-
Current tax liabilities		2,347,993	3,663,413	1,142,834	-	-
		<u>21,357,472</u>	<u>21,218,005</u>	<u>29,296,852</u>	<u>1,067,879</u>	<u>184,843</u>
Non-current liabilities						
Trade and other payables	19	13,456,255	11,590,942	6,577,739	-	-
Bank borrowings	21	12,560,687	12,866,404	17,321,091	-	-
Other financial liabilities	22	2,675,237	826,208	1,308,666	44,614,821	32,459,787
Debt securities in issue	20	39,518,498	39,456,339	39,394,010	-	-
Deferred tax liabilities	23	26,711,679	24,695,274	19,096,041	784,666	1,137,317
		<u>94,922,356</u>	<u>89,435,167</u>	<u>83,697,547</u>	<u>45,399,487</u>	<u>33,597,104</u>
Total liabilities		<u>116,279,828</u>	<u>110,653,172</u>	<u>112,994,399</u>	<u>46,467,366</u>	<u>33,781,947</u>
Net assets		<u>226,115,049</u>	<u>211,375,738</u>	<u>171,140,813</u>	<u>28,673,036</u>	<u>34,569,572</u>

The notes on pages 13 to 52 form an integral part of these financial statements.

AX Holdings Limited

Statements of financial position (continued) at 31 October 2019

	Notes	Group			Company	
		2019	2018	2017	2019	2018
EQUITY		€	(As restated) €	(As restated) €	€	€
Capital and reserves						
Share capital	24	470,533	470,533	470,533	470,533	470,533
Revaluation reserve		196,526,102	181,393,301	146,935,766	2,982,703	5,228,119
Capital reserve		4,834,969	4,834,969	4,834,969	555,551	555,551
Retained earnings		22,724,834	23,173,477	17,465,825	24,664,249	28,315,369
		<u>224,556,438</u>	<u>209,872,280</u>	<u>169,707,093</u>	<u>28,673,036</u>	<u>34,569,572</u>
Non-controlling interest		<u>1,558,611</u>	<u>1,503,458</u>	<u>1,433,720</u>	-	-
Total equity		<u>226,115,049</u>	<u>211,375,738</u>	<u>171,140,813</u>	<u>28,673,036</u>	<u>34,569,572</u>

The consolidated financial statements on pages 7 to 52 were approved by the Board of Directors on 21 February 2020 and were signed on its behalf by:

Mr Angelo Xuereb
Chairman

Mr Michael Warrington
Chief Executive Officer

The notes on pages 13 to 52 form an integral part of these financial statements.

AX Holdings Limited

Statements of changes in equity for the year ended 31 October 2019

Group	Share capital	Revaluation reserve	Capital Reserve	Retained earnings	Attributable to owners of the company	Attributable to non-controlling interest	Total
	€	€	€	€	€	€	€
At 1 November 2017	470,533	146,935,766	4,834,969	19,648,283	171,889,551	1,433,720	173,323,271
Prior year adjustment	-	-	-	(2,182,458)	(2,182,458)	-	(2,182,458)
At 1 November 2017 as restated	470,533	146,935,766	4,834,969	17,465,825	169,707,093	1,433,720	171,140,813
Profit for the year as previously stated	-	-	-	31,888,478	31,888,478	69,150	31,957,628
Prior year adjustment	-	-	-	(1,031,850)	(1,031,850)	-	(1,031,850)
Profit for the year as restated	-	-	-	30,856,628	30,856,628	69,150	30,925,778
Other comprehensive income for the year, net of tax	-	11,752,296	-	-	11,752,296	-	11,752,296
Total comprehensive income	-	11,752,296	-	30,856,628	42,608,924	69,150	42,678,074
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	470,533	181,393,301	4,834,969	23,173,477	209,872,280	1,503,458	211,375,738
Adjustment from the adoption of new IFRSs retrospectively	-	-	-	(193,422)	(193,422)	-	(193,422)
Adjusted balance at 1 November 2018	470,533	181,393,301	4,834,969	22,980,055	209,678,858	1,503,458	211,182,316
Profit for the year	-	-	-	4,838,336	4,838,336	55,153	4,893,489
Other comprehensive income for the year, net of tax	-	15,451,601	-	-	15,451,601	-	15,451,601
Total comprehensive income	-	15,451,601	-	4,838,336	20,289,937	55,153	20,345,090
Dividends paid	-	-	-	(5,412,357)	(5,412,357)	-	(5,412,357)
Revaluation of investment property, net of tax	-	(318,800)	-	318,800	-	-	-
At 31 October 2019	470,533	196,526,102	4,834,969	22,724,834	224,556,438	1,558,611	226,115,049

AX Holdings Limited

Statements of changes in equity for the year ended 31 October 2019

Company	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 2017	470,533	5,228,119	555,551	26,251,233	32,505,436
Profit for the year	-	-	-	4,080,803	4,080,803
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive income	-	-	-	4,080,803	4,080,803
Dividends paid	-	-	-	(2,016,667)	(2,016,667)
At 31 October 2018	470,533	5,228,119	555,551	28,315,369	34,569,572
Adjustment from the adoption of new IFRSs retrospectively	-	-	-	(54,123)	(54,123)
Adjusted balance at 1 November 2018	470,533	5,228,119	555,551	28,261,246	34,515,449
Loss for the year	-	-	-	(430,056)	(430,056)
Other comprehensive income for the year, net of tax	-	-	-	-	-
Total comprehensive expense	-	-	-	(430,056)	(430,056)
Dividends paid	-	-	-	(5,412,357)	(5,412,357)
Revaluation of investment property, net of tax	-	(2,245,416)	-	2,245,416	-
At 31 October 2019	470,533	2,982,703	555,551	24,664,249	28,673,036

AX Holdings Limited

Statements of cashflows for the year ended 31 October 2019

	Notes	Group		Company	
		2019	2018 (As restated)	2019	2018
		€	€	€	€
Cash flows from/(used in) operating activities					
Profit / (loss) before taxation		6,724,580	39,185,175	(1,126,714)	5,471,210
Adjustments for:					
Depreciation		6,257,629	5,347,867	105,566	57,301
Share of results of associates		661,537	(2,782)	-	-
Movement in provision for bad debts		(118,603)	47,188	-	-
Issue cost amortisation		62,159	62,329	-	-
Movement in fair value of investment property		-	(26,588,506)	-	-
Movement in impairment of financial assets		(7,765)	7,765	-	-
Property, plant and equipment written off		16,652	18,769	-	-
Expected credit loss		(34,757)	-	14,514	-
Loss on disposal property, plant and equipment		6,779	-	-	-
Gain on disposal of investment property		-	(436,346)	-	-
Interest expense		2,997,058	3,009,119	1,696,036	971,166
Interest capitalized reversed		-	53,710	-	-
Reversal of interest expensed in previous years		-	(2,312,905)	-	-
Group losses surrendered		-	-	-	(6,572)
Loss on disposal of financial asset		13,141	-	-	10,004
Accumulated loss written off on loss of control		-	7,581	-	-
Operating profit before working capital changes		16,578,410	18,398,964	689,402	6,503,109
Movement in inventories		(517,200)	(334,736)	-	3,495
Movement in trade and other receivables		(176,550)	318,483	(71,657)	(838,378)
Movement in trade and other payables		3,505,262	2,010,204	4,881,571	(63,517)
Cash flows from operating activities		19,389,922	20,392,915	5,499,316	5,604,709
Net interest paid		(3,001,283)	(3,024,184)	(1,696,036)	(971,166)
Net taxation paid		(3,423,529)	(1,523,173)	(638,264)	(1,587,125)
Net cash flows from operating activities		12,965,110	15,845,558	3,165,016	3,046,418
Cash flows used in investing activities					
Acquisition of property, plant and equipment		(9,841,905)	(4,215,628)	(377,124)	(73,336)
Proceeds from disposal of property, plant and equipment		533,626	-	-	-
Acquisition of investment property		(4,601,339)	(675,543)	-	-
Proceeds from disposal of investment property		-	500,000	-	-
Proceeds from disposal/(acquisition) of financial assets		484,283	(498,424)	(2,398)	(1,813)
Advances to group undertakings		-	-	(6,314,636)	(6,139,134)
Net cash flows used in investing activities		(13,425,335)	(4,889,595)	(6,694,158)	(6,214,283)
Cash flows (used in)/from financing activities					
Movement in bank borrowings		(1,930,020)	(4,711,310)	-	(2,111,147)
Movement from a new bank loan		1,300,610	-	-	-
Movement in other loans		161,049	(3,709,114)	-	(517,662)
Movement in amounts owed to related parties		(3,789,835)	-	3,528,546	7,813,220
Dividends paid		-	(2,451,318)	-	(2,016,667)
Net cash flows (used in)/from financing activities		(4,258,196)	(10,871,742)	3,528,546	3,167,744
Net movement in cash and cash equivalents		(4,718,421)	84,221	(596)	(121)
Cash and cash equivalents at start of year		6,293,432	6,209,211	56	177
Cash and cash equivalents at end of year	18	1,575,011	6,293,432	(540)	56

1 General information

AX Holdings Limited (C 3595) is a limited liability company incorporated in Malta. The company is a holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, construction, healthcare 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 requires 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 €54,123 respectively, was recognised in opening retained earnings. The cumulative additional loss allowance recognised on 1 November 2018 on items that are subject to the impairment provisions of IFRS 9 and that existed on that date is explained below.

	01.11.2018	01.11.2018
	Group €	Company €
Loans to related company	-	54,123
Trade and other receivables	<u>193,422</u>	<u>-</u>
	<u>193,422</u>	<u>54,123</u>

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.

Basis of consolidation

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

2 Accounting policies (continued)

Basis of consolidation (continued)

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.

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.

2 Accounting policies (continued)

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.

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.

2 Accounting policies (continued)

Property, plant and equipment (continued)

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 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.

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 investments 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.

2 Accounting policies (continued)

Other financial instruments (continued)

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.

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.

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.

2 Accounting policies (continued)

Other financial instruments (continued)

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.

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.

2 Accounting policies (continued)

Inventories

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

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

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

Impairment 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.

Rental income

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

2 Accounting policies (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets 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.

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.

2 Accounting policies (continued)

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

	2019	2018
	€	€
Group		
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
Dividends income	2,717,686	1,221,586
	51,916,749	56,466,680

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

Timing of revenue recognition	2019	2018
	€	€
<i>At a point in time:</i>		
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
<i>Over time:</i>		
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

	2019	2018
	€	€
Company		
Management services	1,299,522	1,289,532
Dividends income	1,955,000	4,893,845
Rental income	268,980	273,901
Sale of property	-	1,310,400
	3,523,502	7,767,678

Management services falls under IFRS 15 and are recognized at a point in time.

5. Other operating income

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Ancillary services	300,967	309,099	-	342,608

6. Labour costs and employee information

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Staff costs				
Wages and salaries	13,904,899	13,017,585	1,744,495	1,418,709
Social security costs	972,458	959,326	64,177	58,200
Total staff costs	14,877,357	13,976,911	1,808,672	1,476,909
Subcontracted labour	4,708,530	3,540,752	-	-
Salaries capitalised	(1,334,008)	(319,676)	-	-
Recharge of salaries to a related party	-	-	-	(537,120)
Total labour costs	18,251,879	17,197,987	1,808,672	939,789

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	35	31
Operations and distribution	517	526	-	-
	661	666	35	31

AX Holdings Limited

Notes to the financial statements for the year ended 31 October 2019

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	125	2,742
Interest on debt securities in issue	2,400,000	2,400,000	-	-
Interest on amounts payable to related parties	-	-	1,695,911	968,424
Interest on other loans	12,912	15,962	-	-
	2,997,058	3,007,249	1,696,036	971,166

9. Profit / (loss) before taxation

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
<i>Profit / (loss) before taxation is stated after charging / (crediting):</i>				
Auditors' remuneration	83,950	73,450	10,000	10,000
Depreciation	6,257,629	5,347,867	105,566	57,301
Movement in allowance for expected losses	(34,757)	-	14,514	-

10. Key management personnel compensation

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Directors' compensation				
Short-term benefits	810,857	707,055	767,857	664,055
	<hr/>	<hr/>	<hr/>	<hr/>
	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Other key management personnel compensation				
Salaries and social security contributions	654,873	434,298	178,573	161,203
	<hr/>	<hr/>	<hr/>	<hr/>

11. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the company amounted to € 8,266,080 (2018: € 8,266,080) and € Nil (2018 : € Nil) and 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	25,909	1,319,124
– losses surrendered	-	-	(369,916)	-
– losses surrendered in respect of previous years	-	-	-	6,572
– tax adjustment in respect of previous years	12,537	20,400	-	-
Deferred tax through profit or loss	(277,018)	4,215,056	(352,651)	64,711
	1,831,091	8,259,397	(696,658)	1,390,407
Deferred tax through Other comprehensive income	2,293,423	1,384,177	-	-
Tax charge/(credit) for the year	4,124,514	9,643,574	(696,658)	1,390,407

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

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Profit / (loss) before taxation	6,724,580	39,185,175	(1,126,714)	5,471,210
Tax thereon at 35%	2,353,603	13,714,811	(394,350)	1,914,923
Tax effect of permanent differences	1,730,288	(3,543,566)	(302,308)	(524,516)
Tax effect of unrecognised temporary differences	25,086	(548,071)	-	-
Tax adjustment in respect of previous years	12,537	20,400	-	-
Tax charge/(credit) for the year	4,124,514	9,643,574	(696,658)	1,390,407

12. Property, plant and equipment

Group	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
Fair value/cost	€	€	€	€	€	€
At 01.11.2017	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	(185,350)	-	-	-	(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

12. 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.

12. 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.

12. Property, plant and equipment (continued)

Company	Land and buildings	Plant and machinery	Motor vehicles	Total
	€	€	€	€
	Fair value	Cost	Cost	
At 1.11.2017	4,554,606	953,224	236,503	5,744,333
Additions	3,273	70,063	-	73,336
At 31.10.2018	4,557,879	1,023,287	236,503	5,817,669
Additions	112,599	68,973	195,552	377,124
At 31.10.2019	4,670,478	1,092,260	432,055	6,194,793
Depreciation				
At 1.11.2017	354,606	800,056	191,852	1,346,514
Provision for the year	-	45,172	12,129	57,301
At 31.10.2018	354,606	845,228	203,981	1,403,815
Provision for the year	-	56,256	49,310	105,566
At 31.10.2019	354,606	901,484	253,291	1,509,381
Net book value				
At 31.10.2019	4,315,872	190,776	178,764	4,685,412
Net book value				
At 31.10.2018	4,203,273	178,059	32,522	4,413,854

The fair value of the land and buildings as at 31 October 2019 is based on the valuation carried out by independent architect, on 21 December 2015, and additions during the years amounting to €470,478. The directors assumed that the fair value of these additions is equivalent to its cost. The architect is qualified and has 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
	€	€	€	€
Commercial property	-	4,200,000	470,478	4,670,478
Total	-	4,200,000	470,478	4,670,478

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

12. Property, plant and equipment (continued)

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	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.

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

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

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Freehold land and buildings	90,596,792	90,570,229	613,387	617,726

13. Investment property

	Group	Company
	€	€
Fair value		
At 01.11.2017	28,550,188	7,610,000
Additions	675,543	-
Revaluation	26,588,506	-
Disposals	(63,654)	-
Transfers from inventory	1,011,724	-
Transfers from property, plant and equipment	741,398	-
Reversal of interest capitalised	(1,200,281)	-
At 31.10.2018	56,303,424	7,610,000

13. Investment property (continued)

	Group	Company
	€	€
Fair value		
At 01.11.2018	56,303,424	7,610,000
Additions	4,601,339	-
Transfer to property, plant and equipment	(2,100,000)	-
Revaluation movement on disposal	-	(2,551,416)
Disposals (cost)	-	(508,584)
At 31.10.2019	58,804,763	4,550,000

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	-	28,494,086	-	28,494,086	18/10/2018
	-	3,600,000	920,293	4,520,293	28/01/2019
	-	3,800,000	-	3,800,000	07/08/2013
Total	-	54,554,268	4,250,495	58,804,763	

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

13. Investment property (continued)

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, finishing, services and fittings, the higher the fair value.
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, finishing, services and fittings, the higher the fair value.

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

13. Investment property (continued)

The fair value of the investment property as at 31 October 2019 of the company is based on the valuations carried out by independent architect, on 20 September 2017 and 7 August 2013. The directors did not obtain an updated valuation for land (last valuation dated 7 August 2013) as the company entered into a promise of sale agreement to transfer this property on 21 October 2019. The architect is qualified and has experience in the valuation of properties.

During the year, the company transferred investment property having a fair value of €3,060,000 to a related party.

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	Total
	€	€	€
Land	-	750,000	750,000
Residential	-	3,800,000	3,800,000
Total	-	4,550,000	4,550,000

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.
Residential	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.

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

14. Financial assets

Group

	Other related party loan	Parent company loan	Available for sale investments Quoted Fair Value	Financial assets at FVTPL	Investment in associates
	€	€	€	€	€
At 01.11.2017	-	-	-	-	7,490,516
Share of profits	-	-	-	-	2,782
Reclassified from short-term	832,798	85,311	-	-	-
Additions	-	-	497,424	-	1,000
Movement in impairment of financial assets	-	-	(7,765)	-	-
At 31.10.2018	832,798	85,311	489,659	-	7,494,298
Share of profits	-	-	-	-	(661,537)
Transfer	-	-	(489,659)	489,659	-
Allowance for ECL	(716)	-	-	-	-
Movement for the year	(374,854)	(85,311)	-	-	-
Disposal	-	-	-	(497,424)	-
Movement in impairment of financial assets	-	-	-	7,765	-
At 31.10.2019	457,228	-	-	-	6,832,761

Loans to other related party and parent company

Loans to other related party and parent company 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%.

14. Financial assets (continued)

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

	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 group's 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

14. Financial assets (continued)

Company

	Investment in subsidiaries	Investment in associates	Loans to group undertakings	Total
	€	€	€	€
Cost				
At 01.11.2018	19,660,844	26,164	33,826,801	53,513,809
Additions	2,398	-	9,071,183	9,073,581
Disposal	(112,500)	-	-	(112,500)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2019	19,550,742	26,164	42,897,984	62,474,890
	<hr/>	<hr/>	<hr/>	<hr/>
Expected credit loss				
At 01.11.2018	-	-	54,123	54,123
Movement for the year	-	-	14,514	14,514
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2019	-	-	68,637	68,637
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31.10.2019	19,550,742	26,164	42,829,347	62,406,253
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2018	19,660,844	26,164	33,826,801	53,513,809
	<hr/>	<hr/>	<hr/>	<hr/>

Investment in subsidiaries

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

Loans to group undertakings

Loans to group undertakings are unsecured, interest-free and have 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%.

14. Financial assets (continued)

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

	Group % of ordinary capital held		Group % of preference capital held	
	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 Hotel Operations p.l.c.	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
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	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	-	-

AX Holdings Limited

Notes to the financial statements for the year ended 31 October 2019

15. Inventories

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Property held for development and re-sale	1,189,647	714,046	12,466	12,466
Raw materials and consumables	1,865,274	1,655,466	-	-
	3,054,921	2,369,512	12,466	12,466

Property held for development and re-sale

Borrowing costs capitalised during the year amounted to € 3,184 (2018: € -)

16. Trade and other receivables

	Group		Company	
	2019 €	2018 €	2019 €	2018 €
Trade receivables	6,391,424	8,487,457	6,937	21,245
Provisions for doubtful debts	(456,097)	(574,700)	-	-
Allowance for ECL on trade receivables	(157,949)	-	-	-
Amounts owed by subsidiaries	-	-	-	120,000
Amounts owed by associates	1,091,247	25,998	-	-
Amounts owed by other related parties	49,956	50,852	-	-
Shareholders' current accounts	630,444	-	747,439	116,126
Other receivables	4,472,987	2,905,338	1,868,389	1,293,737
Prepayments and accrued income	1,302,524	1,661,943	-	1,000,000
	13,324,536	12,556,888	2,622,765	2,551,108

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.

Shareholders' current accounts are unsecured, interest-free and are repayable on demand.

16. 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

17. Construction contracts

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

18. Cash and cash equivalents

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

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Cash at bank and in hand	2,171,995	6,852,381	2,116	1,247
Bank overdrafts/ balances overdrawn	(596,984)	(558,949)	(2,656)	(1,191)
	1,575,011	6,293,432	(540)	56

19. Trade and other payables

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Trade payables	5,380,473	5,822,647	149,929	43,768
Other payables	3,613,135	2,657,369	788,828	33,312
Indirect taxation and social security	767,718	604,032	87,258	57,102
Accruals and deferred income	20,071,053	17,142,473	39,208	49,470
	29,832,379	26,226,521	1,065,223	183,652
Current	16,376,124	14,635,579	1,065,223	183,652
Non-current	13,456,255	11,590,942	-	-
	29,832,379	26,226,521	1,065,223	183,652

20. Debt securities in issue

As at year end, a subsidiary 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 in 2024. The amount is made up of the bond issue of €40 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above mentioned rate.

	2019	2018
	€	€
At beginning of year	39,456,339	39,394,010
Bond issue costs amortisation 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

21. Bank borrowings

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Bank overdrafts/balances overdrawn	596,984	558,949	2,656	1,191
Bank loans	14,597,058	15,226,468	-	-
	15,194,042	15,785,417	2,656	1,191

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	2,656	1,191
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	2,656	1,191
Less: amounts due for settlement within one year	(2,633,355)	(2,919,013)	(2,656)	(1,191)
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 chairman. They bear interest at 3.9% to 5.15% per annum (2018 : 3.9% to 5.15%).

22. Other financial liabilities

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Amounts owed to subsidiaries	-	-	44,614,821	32,265,388
Amounts owed to other related parties	2,570,416	484,256	-	-
Amounts owed to ultimate beneficial owners	-	237,131	-	194,399
Other payables	104,821	104,821	-	-
	<u>2,675,237</u>	<u>826,208</u>	<u>44,614,821</u>	<u>32,459,787</u>

Other financial liabilities are repayable as follows:

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
On demand or within one year	-	-	-	-
Between two and five years	2,675,237	104,821	44,614,831	32,459,787
After five years	-	721,387	-	-
	<u>2,675,237</u>	<u>826,208</u>	<u>44,614,821</u>	<u>32,459,787</u>
Less: amounts due for settlement within one year	-	-	-	-
Amounts due for settlement after one year	<u>2,675,237</u>	<u>826,208</u>	<u>44,614,821</u>	<u>32,459,787</u>

Amounts owed to subsidiaries

Amounts owed to subsidiaries are unsecured, have no fixed date of repayment and interest-free, except for an aggregate amount of € 21,337,540 (2018 : € 13,098,382) which bears interest at 6.25%.

Amounts owed to other related parties

Amounts owed to other related parties are unsecured, interest-free and have no fixed date of repayment.

23. Deferred tax liabilities

	Group		Company	
	2019	2018	2019	2018
	€	€	€	€
Arising on:				
Excess of capital allowances over depreciation	(464,558)	(321,545)	(13,133)	(10,131)
Unabsorbed tax losses, tax credits and capital allowances	2,109,868	1,765,943	79,444	53,814
ECL/Provision for doubtful debts	261,997	201,145	24,023	-
Revaluation of property	(28,446,490)	(26,321,658)	(875,000)	(1,181,000)
Movement in value of financial assets	(154,969)	-	-	-
Unrealised difference on exchange	(17,527)	(19,159)	-	-
	<u>(26,711,679)</u>	<u>(24,695,274)</u>	<u>(784,666)</u>	<u>(1,137,317)</u>

24. Called up issued share capital

	2019	2018
	€	€
Authorised		
202,000 ordinary shares of €2.329373 each	470,533	470,533
	<u>470,533</u>	<u>470,533</u>
Called up issued and fully paid-up		
202,000 ordinary shares of €2.329373 each	470,533	470,533
	<u>470,533</u>	<u>470,533</u>

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

25. Contingent liabilities

At 31 October 2019, the company and the group had the following contingent liabilities, for which no provision has been made in these financial statements:

Company

- Various guarantees were given in favour of third parties amounting to €475,073.
- Various guarantees were given in favour of related parties amounting to €8,700,000.

Group

- 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 a third parties amounting to €7,770,985 (2018 : €8,720,659).

26. Contingent asset

The group has a contingent asset related to an adjudication for 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.

27. 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.

28. Related parties

The company had the following related party transactions:

	2019	2018
	€	€
<i>Transactions with subsidiaries:</i>		
Dividends income	5,955,000	4,893,845
Finance costs	1,695,911	968,424
Purchases from subsidiaries	121,854	100,000
Expenses recharged to subsidiaries	229,379	816,331
Wages recharged to subsidiaries	-	537,120
Expenses recharged from subsidiaries	218,673	67,745
Management fees receivable	1,299,522	1,289,532
Rent receivable from subsidiaries	96,250	96,250
	<hr/>	<hr/>

The group had the following related party transactions:

	2019	2018
	€	€
<i>Transactions with subsidiaries:</i>		
Dividends income	2,717,686	1,221,586
	<hr/>	<hr/>

29. Ultimate controlling party

The parent and ultimate parent company of AX Holdings Limited is AX Group p.l.c. (formerly Fulcrum Services Limited), which is incorporated in Malta. The group financial statements of AX Holdings Limited are incorporated in the group financial statements of AX Group p.l.c., the registered address of which is AX House, Mosta Road, Lija LJA 9010, Malta. The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

30. Risk management objectives and policies

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

The group and the company are exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating, 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. The most significant financial risks to which the company or the group are exposed to are described below.

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 14, 16 and 18.

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

None of the group's and the company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

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

Cash is placed with reliable financial institutions.

Liquidity risk

The group's and the company's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise debt securities, trade and other payables, bank borrowings 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.

30. Risk management objectives and policies (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
	<u>2,186,248</u>	<u>2,381,957</u>	<u>57,461,567</u>	<u>5,871,531</u>	<u>2,959,120</u>	<u>3,150,429</u>	<u>22,400,877</u>	<u>47,087,655</u>

Foreign currency risk

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

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

Interest rate risk

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

31. Prior year adjustment

A prior year adjustment was passed to properly account for share of profits and dividends distributions resulting from investments in associates which was misstated in previous years. The following balance sheet items were affected by such adjustment.

	Retained earnings as at 01.11.2017	Retained earnings as at 31.10.2018	Investments in associates as at 31.10.2018
	€	€	€
As previously stated	19,648,283	26,387,785	8,349,181
Prior year adjustment	(2,182,458)	(3,214,308)	(854,883)
As restated	<u>17,465,825</u>	<u>23,173,477</u>	<u>7,494,298</u>

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, bank borrowings and other financial liabilities less cash and cash equivalents, against total capital on an ongoing basis.