

Registration number C 3595

AX HOLDINGS LIMITED

Report and financial statements

For the year ended 31 October 2009

AX Holdings Limited

Report financial statements for the year ended 31 October 2009

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AX Holdings Limited

Director's report

for the year ended 31 October 2009

Director Mr Angelo Xuereb

Registered Address AX House
Mosta Road
Lija LJA9010
Malta

The director present his report and the audited financial statements of the group and the company for the year ended 31 October 2009.

Principal activities

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

Business review

The AX group's turnover fell from €22.7 million in 2008 to €20.9 million mainly due to the slow down in the construction sector and the property development sector. The group's hospitality division's turnover decreased because the Suncrest Hotel was closed for three months of the year. However profitability in the hospitality division improved in spite of difficult trading conditions which affected the tourism industry.

The result for the year was a loss of €2,079,184 (2008 - €1,708,554).

The director is taking steps to address the current losses by reducing costs and focusing the group's resources on optimizing returns from the hospitality sector which is expected to see better results in 2010.

The company's and the group's activities are expected to remain consistent for the foreseeable future.

Dividends and reserves

The director does not recommend payment of an ordinary dividend and proposes to transfer the profit for the year to reserves.

Post balance sheet events

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

Director

In accordance with the company's Articles of Association, the director, who held office throughout the year, remains in office.

Director's responsibilities

The Companies Act, 1995 requires the director 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 director is required to:

- adopt the going concern basis unless it is inappropriate to presume that the group and the company will continue in business;
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The director is 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 him to ensure that the financial statements comply with the Companies Act, 1995. The director is 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 10 May 2010, and signed on its behalf by:



Mr Angelo Xuereb
Director

Independent auditors' report
to the members of AX Holdings Limited

We have audited the accompanying consolidated financial statements, which comprise the statements of financial position of the group and the company as at 31 October 2009, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the group and the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's Responsibility for the Financial Statements

The director is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the director, as well as evaluating the overall presentation of the financial statements.

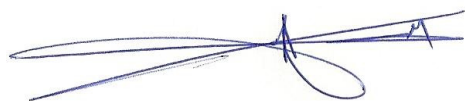
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

AX Holdings Limited

Independent auditors' report (continued)
to the members of AX Holdings Limited

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 October 2009 and of their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU and have been properly prepared in accordance with the Companies Act, 1995.



Mr Brian Tonna

For and on behalf of
Nexia BT
Certified Public Accountants

Tower Business Centre
Ground Floor
Tower Street
Swatar BKR4013
Malta

Date: 10 May 2010

AX Holdings Limited

Statements of comprehensive income for the year ended 31 October 2009

	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
Revenue	4	20,922,401	22,674,355	2,312,549	2,593,488
Other operating income	5	185,800	329,786	166,555	188,037
Other operating charges		(10,929,051)	(10,539,852)	(307,907)	(317,535)
Staff costs	6	(7,159,954)	(8,289,185)	(348,005)	(279,726)
Depreciation		(2,553,363)	(3,092,746)	(45,954)	(33,489)
Operating profit		465,833	1,082,358	1,777,238	2,150,775
Share of result of associates		100,787	196,163		
Increase in fair value of investment		4,578	-	-	-
Loss on disposal of investments		(2,971)	-	-	-
Other investment income	7	26,123	101,657	-	-
Finance costs	8	(2,673,534)	(3,088,732)	(1,340,982)	(1,218,815)
Loss on investments	9	-	-	(479,712)	-
Profit/(loss) before taxation	10	(2,079,184)	(1,708,554)	(43,456)	931,960
Taxation	12	2,314,491	717,991	694,523	241,505
Profit/(loss) for the year		235,307	(990,563)	651,067	1,173,465
Attributable to:					
Owners of the parent		(59,447)	(1,855,088)		
Minority interest		294,754	864,525		
		253,307	(990,563)		
Other comprehensive income					
Gains on property revaluation		400,000	-	400,000	-
Total comprehensive income		635,307	(990,563)	1,051,067	1,173,465
Attributable to:					
Owners of the parent		340,553	(1,855,088)		
Minority interest		294,754	864,525		
Total comprehensive income		635,307	(990,563)		

The notes on pages 11 to 42 form an integral part of these financial statements.

AX Holdings Limited

Statements of financial position at 31 October 2009

	Notes	Group		Company	
		2009	2008	2009	2008
		€	€	€	€
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	82,158,491	82,984,362	1,843,407	1,484,665
Investment property	14	17,418,169	17,680,224	1,240,100	1,240,100
Investment in subsidiaries	15	-	-	15,402,427	15,850,374
Investment in associates	15	2,144,176	2,043,389	291	291
Available for sale investments	15	153,545	64,664	1,887,957	1,887,957
Deferred tax assets	16	4,034,661	3,539,663	3,701,859	3,538,796
		<u>105,909,042</u>	<u>106,312,302</u>	<u>24,076,041</u>	<u>24,002,183</u>
Current assets					
Inventories	17	3,486,642	4,003,889	273,959	284,441
Trade and other receivables	18	8,033,769	7,657,644	16,330,249	14,500,641
Available for sale investments	15	462,000	-	-	-
Current tax assets		849,529	542,998	816,186	766,951
Cash at bank and in hand		1,522,432	1,838,574	1,849	7,504
		<u>14,354,372</u>	<u>14,043,105</u>	<u>17,422,243</u>	<u>15,559,537</u>
Total assets		<u>120,263,414</u>	<u>120,355,407</u>	<u>41,498,284</u>	<u>39,561,720</u>
Current liabilities					
Trade and other payables	20	14,543,661	14,083,847	144,511	192,365
Bank borrowings	21	12,438,953	14,994,116	1,816,987	2,508,514
Other financial liabilities	22	8,686,103	7,367,744	20,747,957	18,896,344
Current tax liabilities		454,113	459,854	-	-
		<u>36,122,830</u>	<u>36,905,561</u>	<u>22,709,455</u>	<u>21,597,223</u>
Non-current liabilities					
Bank borrowings	21	15,701,908	14,520,224	540,103	540,103
Other financial liabilities	22	758,247	886,578	190,973	324,853
Debt securities in issue	24	14,164,154	14,067,278	-	-
Deferred tax liabilities	25	6,137,122	9,105,556	217,033	309,888
		<u>36,761,431</u>	<u>38,579,636</u>	<u>948,109</u>	<u>1,174,844</u>
Total liabilities		<u>72,884,261</u>	<u>75,485,197</u>	<u>23,657,564</u>	<u>22,772,067</u>
Net assets		<u>47,379,153</u>	<u>44,870,210</u>	<u>17,840,720</u>	<u>16,789,653</u>

The notes on pages 11 to 42 form an integral part of these financial statements.

AX Holdings Limited

Statements of financial position (continued) at 31 October 2009

	Notes	Group		Company	
		2009 €	2008 €	2009 €	2008 €
EQUITY					
Capital and reserves					
Share capital	26	470,533	470,533	470,533	470,533
Revaluation reserve		34,108,048	30,857,721	1,248,080	848,080
Other reserves		886,303	2,551,718	555,551	555,551
Capital reserve		3,948,666	3,948,666	-	-
Retained earnings		5,872,370	5,255,679	15,566,556	14,915,489
		<u>45,285,920</u>	<u>43,084,317</u>	<u>17,840,720</u>	<u>16,789,653</u>
Minority interest		<u>2,093,233</u>	<u>1,785,893</u>	<u>-</u>	<u>-</u>
Total equity		<u>47,379,153</u>	<u>44,870,210</u>	<u>17,840,720</u>	<u>16,789,653</u>

The consolidated financial statements on pages 5 to 42 were approved by the Board of Directors on 10 May 2010 and were signed on its behalf by:

Mr Angelo Xuereb
Director

The notes on pages 11 to 42 form an integral part of these financial statements.

AX Holdings Limited

Statements of changes in equity for the year ended 31 October 2009

Group							Attributable to	Minority interest	Total
	Share capital	Revaluation reserve	Other reserves	Capital Reserve	Retained earnings	holders of the parent	€		
	€	€	€	€	€	€	€	€	
At 1 November 2007	470,533	31,023,922	2,551,718	3,948,666	6,944,566	44,939,405	2,026,886	46,966,291	
Depreciation charge for the year on revaluation	-	(166,201)	-	-	166,201	-	-	-	
Minority share of dividends	-	-	-	-	-	-	(1,105,518)	(1,105,518)	
Profit/(loss) for the year	-	-	-	-	(1,855,088)	(1,855,088)	864,525	(990,563)	
Total comprehensive income for the year	-	(166,201)	-	-	(1,688,887)	(1,855,088)	(240,993)	(2,096,081)	
At 1 November 2008	470,533	30,857,721	2,551,718	3,948,666	5,255,679	43,084,317	1,785,893	44,870,210	
Other movements	-	2,850,327	(1,665,415)	-	676,138	1,861,050	-	1,861,050	
Profit/(loss) for the year	-	-	-	-	(59,447)	(59,447)	294,754	235,307	
Other comprehensive income for the year	-	400,000	-	-	-	400,000	-	400,000	
Minority share capital increase	-	-	-	-	-	-	12,586	12,586	
Total comprehensive income	-	3,250,327	(1,665,415)	-	616,691	2,201,603	307,340	2,508,943	
At 31 October 2009	470,533	34,108,048	886,303	3,948,666	5,872,370	45,285,920	2,093,233	47,379,153	

AX Holdings Limited

Statements of changes in equity (continued)

for the year ended 31 October 2009

Company	Share capital €	Revaluation reserve €	Capital reserve €	Retained earnings €	Total €
At 1 November 2007	470,533	860,436	555,551	13,723,014	15,609,534
Depreciation charge for the year on revaluation	-	(19,010)	-	19,010	-
Deferred tax liability on revaluation	-	6,654	-	-	6,654
Profit for the year	-	-	-	1,173,465	1,173,465
Total comprehensive income	-	(12,356)	-	1,192,475	1,180,119
At 1 November 2008	470,533	848,080	555,551	14,915,489	16,789,653
Profit for the year	-	-	-	651,067	651,067
Other comprehensive income	-	400,000	-	-	400,000
Total comprehensive income	-	400,000	-	651,067	1,051,067
At 31 October 2009	470,533	1,248,080	555,551	15,566,556	17,840,720

AX Holdings Limited

Statements of cashflows for the year ended 31 October 2009

	Notes	Group		Company	
		2009 €	2008 €	2009 €	2008 €
Cash flows from operating activities					
Profit / (loss) before taxation		(2,079,184)	(1,708,554)	(43,456)	931,960
Adjustments for:					
Depreciation		2,553,363	3,092,746	45,954	33,489
Dividends receivable		-	-	-	(2,359,179)
Gain on disposal of property, plant and equipment		(4,563)	(130,492)	-	-
Share of results in associated undertakings		(100,787)	(196,163)	-	-
Over accrual in property, plant and equipment		1,248,000	-	-	-
Loss / (gain) on disposal of financial assets		2,971	(4,701)	-	-
Gain on disposal of investment property		-	(233)	-	-
Provision for bad debts		77,498	-	-	-
Minority share capital increase		12,586	-	-	-
Increase in fair value of investment property		(4,578)	-	-	-
Provision for diminution in value of investments		-	-	479,712	-
Interest expense		2,673,534	3,088,732	1,340,982	1,218,815
Operating profit/(loss) before working capital changes		4,378,840	4,141,335	1,823,192	(174,915)
Movement in inventories		517,247	406,669	10,482	67,551
Movement in trade and other receivables		(389,738)	1,643,837	(161)	13,276
Movement in trade and other payables		1,234,919	922,128	(51,470)	1,182,268
Cash flows from operating activities		5,741,268	7,113,969	1,782,043	1,088,180
Net interest paid		(2,756,877)	(3,067,660)	(1,337,366)	(1,218,815)
Net taxation paid		(375,649)	(377,638)	(49,235)	-
Net cash flows from operating activities		2,608,742	3,668,671	395,442	(130,635)
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,629,021)	(6,346,514)	(4,696)	(26,300)
Payments to acquire financial assets		(546,303)	(45,120)	(31,765)	-
Proceeds from sale of financial assets		259,084	143,331	-	-
Proceeds from sale of property, plant and equipment		58,092	237,739	-	-
Proceeds from sale of investment property		-	233,170	-	-
Advances from/(to) group undertakings		(63,885)	-	(733,616)	(2,524,102)
Advances from/(to) associated undertakings		6,233	-	6,233	3,051
Dividends received		-	-	-	2,101,883
Net cash flows from investing activities		(2,915,800)	(5,777,394)	(763,844)	(445,468)
Cash flows from financing activities					
Movement on bank borrowings		(1,690,726)	1,042,155	(82,770)	(93,714)
Movement on other loans		1,364,395	1,543,297	1,054,274	(71,606)
Net cash flows from financing activities		(326,331)	2,585,452	971,504	(165,320)
Net movement in cash and cash equivalents		(633,389)	476,729	603,102	(741,423)
Cash and cash equivalents at start of year		(2,686,115)	(3,162,844)	(2,418,240)	(1,676,817)
Cash and cash equivalents at end of year	27	(3,319,504)	(2,686,115)	(1,815,138)	(2,418,240)

1 General information

AX Holdings Limited is a limited liability company incorporated in Malta. The company is a holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, construction and property development. Its registered office is at AX House, Mosta Road, Lija LJA9010, Malta.

2 Accounting policies

Accounting convention and basis of preparation

These consolidated financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the group and the company. They are prepared under the historical cost basis except for freehold land and buildings which are stated at their revalued amounts and investment property and other financial instruments which are stated at their fair values. The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements.

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

Basis of consolidation

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

Subsidiaries

Control is presumed to exist where more than one half of the subsidiary's voting power is controlled by the parent company, or the parent company is able to govern the financial and operating policies of the subsidiary, or control the removal or appointment of a majority of the subsidiary's board of directors. Intra group balances and transactions are eliminated on consolidation.

The results of subsidiary companies acquired or sold during the year are included in the consolidated statement of comprehensive income from or to the effective date of acquisition or disposal. The acquisition of subsidiaries is accounted for by applying the purchase method. The cost of the acquisition is measured at the aggregate of the fair values at the date of exchange of assets less liabilities incurred and equity instruments issued by the group in exchange for control plus any costs directly attributable to the business combination.

2 Accounting policies (continued)

Basis of consolidation (continued)

Any excess of the cost of the business combination over the group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised at the date of acquisition is recognised as goodwill. Goodwill is initially recognised at cost and is subsequently measured at cost less any impairment losses. Any excess of the group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over the cost of the business combination, after reassessment, is recognised immediately in the statement of comprehensive income.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities recognised. After initial recognition, minority interest in the net assets consists of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination.

Associated undertakings

An associate is an entity over which the group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

Investments in associated undertakings are accounted for in the consolidated financial statements under the equity method from the date that significant influence commences until the date that significant influence ceases. Under the equity method, investments in associates are initially recognised at cost and adjusted thereafter for the post-acquisition change in the group's share of net assets of the associates, less any impairment in the value of the investments. The group's share of the post-acquisition reserves is recognised directly in equity. The group's share of losses in excess of its interest in that associate is not recognised, unless the group has incurred obligations or made payments on behalf of the associated undertakings.

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

2 Accounting policies (continued)

Investment property (continued)

for sale, in which case, the investment property is measured at the lower of its carrying amount and fair value less costs to sell. Gains or losses arising from changes in fair value of investment property are recognised in the statement of comprehensive income in the period in which the changes arise.

Investment property is derecognised on disposal or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses on derecognition represent the difference between the net disposal of proceeds, if any, and the carrying amount, and are recognised in the statement of comprehensive income in the period of derecognition.

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 statement of comprehensive income, in which case, the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of an asset. Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in the statement of comprehensive income in the period of derecognition.

Depreciation is provided at rates intended to write down the cost of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

Buildings	1% Straight Line
Improvements to premises	10% Straight Line
Plant and machinery	4 - 33.3% Straight Line
Motor vehicles	20% Straight Line
Furniture, fixtures and other equipment	5 - 20% Straight Line

No depreciation is provided on land and on assets that are not yet brought into use.

Financial instruments

Financial assets and financial liabilities are recognised in the statement of financial position when the entity becomes party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through the statement of comprehensive income.

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when the entity has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Financial assets are derecognised when the contractual rights to the cash flows from the financial assets expire or when the entity transfers the financial asset and the transfer qualifies for derecognition.

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

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.

2 Accounting policies (continued)

Financial instruments (continued)

The terms of financial instruments that are issued, the substance of the contractual arrangement and the definitions of a financial liability and an equity instrument are evaluated to determine whether the financial instruments are financial liabilities or equity instruments or whether they contain both a liability and an equity component, in which case such components are classified separately as financial liabilities and equity instruments.

Available for sale investments

Available for sale investments are non-derivative financial assets, where the company does not have a significant interest, that are designated as available for sale, or which cannot be classified as held to maturity. After initial recognition, available for sale investments are measured at fair value. Gains or losses arising from changes in fair value are recognised directly in equity until the investment is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in the statement of comprehensive income.

Trade and other receivables

Trade and other short-term receivables are stated at cost less specific impairment losses. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of comprehensive income when there is objective evidence that the asset is impaired.

Trade and other payables

Trade and other payables are stated at nominal value.

Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are stated at amortised cost using the effective interest method.

Subsequent to initial recognition, interest-bearing bank overdrafts are stated at face value in view of their short-term maturities.

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.

2 Accounting policies (continued)

Financial instruments (continued)

Debt securities in issue

Debt securities in issue are stated at amortised cost. Amortisation is calculated using the effective yield method and is recognised in the statement of comprehensive income over the period of the debt security.

Share capital

Ordinary shares are classified as equity. Dividends are recognised in the period in which they are declared.

Inventories

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

Property held for development and re-sale

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

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

Impairment

The carrying amounts of the company's assets, other than deferred tax assets, are reviewed annually to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of the asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the statement of comprehensive income.

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

2 Accounting policies (continued)

Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of taxes.

Sale of goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership are transferred to the buyer.

Provision of services

Revenue from services rendered is recognised in proportion to the stage of completion of the transaction.

Interest income

Interest income is recognised on an accruals basis.

Dividend income

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

Borrowing costs

Interest-related charges related to immovable property are capitalized and included with immovable property until construction is complete. Other interest-related charges are recognised as an expense in the statement of comprehensive income in the period in which they are incurred.

Income tax

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the statement of financial position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse.

Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

2 Accounting policies (continued)

Leases

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership to the lessee. All other leases are classified as operating leases. Lease classification is made at the inception of the lease, which is the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Assets held under finance leases are recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs. Capitalised leased assets are tested for impairment in accordance with the respective group company's accounting policy on property, plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

Employee benefits

The company contributes towards the state pension in accordance with local legislation. The only obligation of the company is to make the required contributions. Costs are expensed in the period in which they are incurred.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand and balances with banks less bank overdrafts. Bank overdrafts that are repayable on demand and form an integral part of the company's cash management are included as a component of cash and cash equivalents for the purpose of the statements of cash flows.

Dividends

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared.

Dividends to holders of equity instruments are debited directly in equity.

3. Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Fair value of land and buildings

Some of the land and buildings owned by the group's subsidiaries are being recognised at fair value to reflect the values attributed to the property by professional architects taking account alternative use of the property held. These valuations were adjusted by the director for inflationary increases in property in the same location. The director has made these adjustments based on his knowledge of the industry and available market data for similar property in the same location.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies. At the date of the statement of financial position, certain subsidiaries had unrecognized deferred tax assets amounting to € 3,357,318 (2008 : € 1,692,248).

Investment property

There is a claim against a property owned by a subsidiary which, if successful, may severely affect the valuation of the underlying asset in that company's financial statements. The director has obtained comfort from legal advice sought that no loss is expected to occur against this investment.

4. Revenue

	2009	2008
	€	€
Group		
Construction works, building materials and management services	5,547,436	6,310,615
Hospitality and entertainment	13,854,802	14,369,832
Sale of property and real estate	1,319,965	1,780,162
Rental income	200,198	213,746
	<hr/>	<hr/>
	20,922,401	22,674,355
	<hr/>	<hr/>

4. Revenue (continued)

	2009	2008
	€	€
Company		
Dividends receivable	2,099,556	2,359,179
Management services	143,115	145,793
Rental income	69,878	88,516
	<u>2,312,549</u>	<u>2,593,488</u>

5. Other operating income

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Ancillary services	181,237	194,360	166,555	188,037
Net gain/(loss) on disposal of property, plant and equipment	4,563	135,426	-	-
	<u>185,800</u>	<u>329,786</u>	<u>166,555</u>	<u>188,037</u>

6. Staff costs and employee information

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Wages and salaries	6,679,435	7,889,364	330,324	263,212
Social security costs	480,519	399,821	17,681	16,514
	<u>7,159,954</u>	<u>8,289,185</u>	<u>348,005</u>	<u>279,726</u>

6. Staff costs and employee information (continued)

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

	Group		Company	
	2009	2008	2009	2008
Management and administration	108	124	14	14
Operations and distribution	365	430	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	473	554	14	14
	<hr/>	<hr/>	<hr/>	<hr/>

7. Other investment income

	2009	2008
	€	€
Group		
Interest income on financial assets	-	4,511
Interest income on balances with related parties	2,140	97,146
Other interest receivable	23,983	
	<hr/>	<hr/>
	26,123	101,657
	<hr/>	<hr/>

8. Finance costs

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Interest on bank loans and overdrafts	1,471,467	2,129,624	177,763	215,253
Interest on debt securities in issue	942,863	959,108	-	-
Interest on amounts payable to related parties	-	-	1,163,219	1,003,562
Interest on other creditors	5,007	-	-	-
Interest on other loans	254,197	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	2,673,534	3,088,732	1,340,982	1,218,815
	<hr/>	<hr/>	<hr/>	<hr/>

9. Loss on investments

	2009	2008
	€	€
<i>Investments in subsidiaries</i>		
Provision for diminution in value of investments	479,712	-

10. Profit/(loss) before taxation

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
<i>Profit/(loss) before taxation is stated after charging:</i>				
Auditors' remuneration	52,760	46,366	7,941	6,150

11. Key management personnel compensation

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Director's compensation				
Short-term benefits	82,935	156,260	36,349	37,673

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Other key management personnel compensation				
Salaries and social security contributions	228,538	320,353	59,549	60,711

AX Holdings Limited

Notes to the financial statements for the year ended 31 October 2009

12. Taxation

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Malta Income Tax:				
Current – for the year	38,919	239,444	-	-
– losses surrendered	-	-	(438,605)	-
– under provision in respect of previous years	24,458			
Deferred tax expense	(2,377,868)	(957,435)	(255,918)	(241,505)
Tax credit for the year	(2,314,491)	(717,991)	(694,523)	(241,505)

The accounting profit and tax credit for the year are reconciled as follows:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Profit/(loss) before taxation	(2,079,184)	(1,708,554)	(43,456)	931,960
Tax thereon at 35%	(727,714)	(597,994)	(15,210)	326,186
<i>Tax effect of:</i>				
20% maintenance allowance	(19,443)	(29,690)	(8,036)	(6,196)
Final withholding tax at 12%	-	349,872	-	-
Dividends taxed at rates other than 35%	-	-	(584,268)	(568,409)
Under provision in respect of previous years	(8,560)	-	-	-
Deferred tax not accounted for	200,786	(146,729)	-	-
Tax effect of unrecognised temporary differences	587,708	-	-	-
Losses surrendered	-	-	(15,188)	-
Provision for diminution in value of investments	-	-	167,899	-
Other permanent differences	(2,311,993)	(224,793)	(239,720)	6,914
Share of profit in associates shown net of tax	(35,275)	(68,657)	-	-
Tax credit for the year	(2,314,491)	(717,991)	(694,523)	(241,505)

13. Property, plant and equipment

Group	Land, buildings and improvements to premises €	Plant and machinery €	Motor vehicles €	Furniture, fixtures and other equipment €	Total €
Cost/valuation					
At 01.11.2007	73,292,495	13,735,906	577,424	16,892,858	104,498,683
Additions	4,719,590	1,303,367	145,885	177,672	6,346,514
Disposals	(1,780,581)	(28,047)	(6,988)	-	(1,815,616)
Transfer to inventories	-	-	-	(124,500)	(124,500)
At 01.11.2008	76,231,504	15,011,226	716,321	16,946,030	108,905,081
Additions	702,342	1,317,613	-	609,067	2,629,022
Disposals	(67,238)	-	(350)	(22,818)	(90,406)
Revaluation	400,000	-	-	-	400,000
Over accrual in previous years	(1,248,000)	-	-	-	(1,248,000)
At 31.10.2009	76,018,608	16,328,839	715,971	17,532,279	110,595,697
Accumulated depreciation					
At 01.11.2007	5,039,108	7,855,988	291,733	11,352,625	24,539,454
Provision for the year	613,147	1,543,061	141,612	794,926	3,092,746
Released on disposal	(1,695,772)	(5,609)	(6,988)	-	(1,708,369)
Transfer to inventories	-	-	-	(3,112)	(3,112)
At 01.11.2008	3,956,483	9,393,440	426,357	12,144,439	25,920,719
Provision for the year	810,014	1,095,302	6,778	653,750	2,565,844
Released on disposal	(20,171)	-	(140)	(16,566)	(36,877)
Over depreciation in previous years	(12,480)	-	-	-	(12,480)
At 31.10.2009	4,733,846	10,488,742	432,995	12,781,623	28,437,206
Carrying amount					
At 31.10.2009	71,284,762	5,840,097	282,976	4,750,656	82,158,491
At 31.10.2008	72,275,021	5,617,786	289,964	4,801,591	82,984,362

13. Property, plant and equipment (continued)

Included in the figure of cost/valuation is freehold land of € 32,216,716 (2008 : € 21,458,365) which is not being depreciated.

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is € 28,412,161 (2008 : € 30,757,043).

Company

	Land and buildings €	Plant and machinery €	Motor vehicles €	Total €
Cost/valuation				
At 01.11.2007	1,630,564	680,876	175,858	2,487,298
Additions	-	26,300	-	26,300
	-----	-----	-----	-----
At 01.11.2008	1,630,564	707,176	175,858	2,513,598
Additions	-	4,696	-	4,696
Revaluation	400,000	-	-	400,000
	-----	-----	-----	-----
At 31.10.2009	2,030,564	711,872	175,858	2,918,294
	-----	-----	-----	-----
Accumulated depreciation				
At 01.11.2007	183,939	635,647	175,858	995,444
Provision for the year	19,010	14,479	-	33,489
	-----	-----	-----	-----
At 01.11.2008	202,949	650,126	175,858	1,028,933
Provision for the year	19,010	26,944	-	45,954
	-----	-----	-----	-----
At 31.10.2009	221,959	677,070	175,858	1,074,887
	-----	-----	-----	-----
Carrying amount				
At 31.10.2009	1,808,605	34,802	-	1,843,407
	-----	-----	-----	-----
At 31.10.2008	1,427,615	57,050	-	1,484,665
	-----	-----	-----	-----

13. Property, plant and equipment (continued)

Included in the figure of cost/valuation is freehold land of € 865,875 (2008 : €465,875) which is not being depreciated.

The carrying amount of land and buildings that would have been included in the financial statements had these assets been carried at cost less accumulated depreciation is € 171,892 (2008 : €190,902).

14. Investment property

	Group €	Company €
Fair value		
At 01.11.2007	17,868,041	1,240,100
Additions	45,120	-
Disposals	(232,937)	-
	<hr/>	<hr/>
At 01.11.2008	17,680,224	1,240,100
Additions	-	-
Disposals	(262,055)	-
	<hr/>	<hr/>
At 31.10.2009	17,418,169	1,240,100
	<hr/>	<hr/>

The fair value of the group and the company's investment property at 31 October 2009 and 31 October 2008 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

AX Holdings Limited

Report and consolidated financial statements for the year ended 31 October 2009

Notes to financial statements

15. Financial assets

Group

Investments in associates

	€
Equity method	
Share of assets at 01.11.2007	1,847,226
Share of profits	196,163
	<hr/>
Share of assets at 01.11.2008	2,043,389
Share of profits	100,787
	<hr/>
Share of assets at 31.10.2009	2,144,176
	<hr/>

Available for sale investments

	€
Cost	
At 01.11.2007	133,590
Disposals	(68,926)
	<hr/>
At 01.11.2008	64,664
Additions	546,303
Movement in fair value	4,578
	<hr/>
At 31.10.2009	615,545
	<hr/>

These represent investments in local securities, bonds, Malta government stock and treasury bills which represent the company with the opportunity for return through dividend or interest income and capital appreciation. These are classified as follows:

	2009	2008
	€	€
Non-current	153,545	64,664
Current	462,000	-
	<hr/>	<hr/>
Additions	615,545	64,664
	<hr/>	<hr/>

AX Holdings Limited

Report and consolidated financial statements for the year ended 31 October 2009

Notes to financial statements

15. Financial assets (continued)

Company

	Investment in subsidiaries €	Investment in associates €	Total €
At 01.11.2007	15,829,072	291	15,829,363
Additions	21,302	-	21,302
	<hr/>	<hr/>	<hr/>
At 01.11.2008	15,850,374	291	15,850,665
Additions	31,765	-	31,765
Movement in fair value	(479,712)	-	(479,712)
	<hr/>	<hr/>	<hr/>
At 31.10.2009	15,402,427	291	15,402,718

Investment in subsidiaries

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have 31 October year ends, except for Hardrocks Limited and Construction and Demolition Waste Limited, whose year ends are 31 July and 31 December respectively.

AX Holdings Limited

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Notes to financial statements

15. Financial assets (continued)

The registered address of the following subsidiaries is AX House, Mosta Road, Lija LJA9010, Malta:

	Group % of equity capital held		Group % of preference capital held	
	2009	2008	2009	2008
Aggregate Investments Limited	100	100	-	-
Applied Investments Limited	100	100	-	-
AX Construction Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX International Limited	100	100	-	-
AX Investments p.l.c.	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
Checkout Developments Limited	100	100	-	-
Construction & Demolition Waste Limited	51	51	51	51
Grandmaster Developments Limited	100	100	-	-
Hardrocks Estates Limited	51	51	-	-
Hardrocks Limited	51	51	-	-
Hardrocks Mgarr Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Is-Simblija Developments limited	100	100	-	-
Marine World Limited	100	100	-	-
Oil & Construction International Limited	100	100	-	-
Prime Buildings Limited	75	90	-	-
Quayside Catering Ltd	100	100	-	-
Royal Hotels Limited	100	100	-	-
Skyline Developments Limited	100	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l.c.	100	100	-	-
The Constructors Limited	75	75	-	-
AX Hotel Operations Limited	100	100	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Universal Supplies Limited	100	100	-	-
Verdala Mansions Limited	100	100	-	-
Karri Limited	100	N/A	-	-

AX Holdings Limited

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Notes to financial statements

15. Financial assets (continued)

Investment in associates

	Group % of equity capital held		Group % of preference capital held	
	2009	2008	2009	2008
Sliema Point Company Limited	25	25	-	-
Securicor Malta Limited	30	30	-	-
Viset Malta p.l.c.	22.5	22.5	-	-

Available for sale investments

	Local unlisted debt €	Total €
Fair value		
At 01.11.2007/10.11.2008/31.10.2009	1,887,957	1,887,957

These financial assets represent investments in local unlisted equity which present an opportunity for return through investment income or capital appreciation.

16. Deferred tax assets

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Arising on:				
Excess of capital allowances over depreciation	(136,258)	6,636	4,949	6,636
Unabsorbed tax losses and capital allowances	4,330,618	3,513,950	3,677,833	3,513,083
Provision for doubtful debts	19,077	19,077	19,077	19,077
Unrealised difference on exchange	(178,776)	-	-	-
	4,034,661	3,539,663	3,701,859	3,538,796

AX Holdings Limited

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Notes to financial statements

17. Inventories

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Property held for development and re-sale	2,207,279	2,872,600	273,959	284,441
Raw materials and consumables	1,279,363	1,131,289	-	-
	3,486,642	4,003,889	273,959	284,441

18. Trade and other receivables

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade receivables	4,762,581	5,761,377	13,382	51,216
Amounts owed by parent company	69,549	66,352	69,549	66,352
Amounts owed by subsidiaries	-	-	16,191,826	14,365,576
Amounts owed by other related parties	98,408	37,720	-	-
Other receivables	1,245,819	1,034,332	44,627	4,659
Prepayments and accrued income	1,857,412	757,863	10,865	12,838
	8,033,769	7,657,644	16,330,249	14,500,641

Amounts owed by parent and associated undertakings are unsecured, interest-free and repayable on demand.

AX Holdings Limited

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19. Construction contracts

	2009	2008
	€	€
Contracts in progress at year-end:		
Contract costs incurred plus recognised profits (less recognised losses) to date on construction contracts in progress	175,000	567,266

20. Trade and other payables

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Trade payables	6,522,113	8,185,939	112,046	133,396
Other payables	5,141,485	2,762,399	5,746	20,087
Accruals and deferred income	2,880,063	3,135,509	26,719	38,882
	14,543,661	14,083,847	144,511	192,365

21. Bank borrowings

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Bank overdrafts	4,841,936	4,524,689	1,816,987	2,425,744
Bank loans	23,298,925	24,989,651	540,103	622,873
	28,140,861	29,514,340	2,357,090	3,048,617

Notes to financial statements

21. Bank borrowings (continued)

Bank overdrafts and loans are repayable as follows:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
On demand or within one year	12,438,953	14,994,116	1,816,987	2,508,514
Between two and five years	7,483,023	5,653,417	540,103	540,103
After five years	8,218,885	8,866,807	-	-
	28,140,861	29,514,340	2,357,090	3,048,617
Less: amounts due for settlement within one year	(12,438,953)	(14,994,116)	(1,816,987)	(2,508,514)
Amounts due for settlement after one year	15,701,908	14,520,224	540,103	540,103

The group has aggregate bank facilities of € 28,140,861 (2008 : €29,514,340). These facilities are secured by general hypothecs over the group companies' assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the director. They bear interest at 4.2% to 6.5% per annum (2008 : 5.5% to 7.25%).

The company has bank facilities of € 2,357,090 (2008 : € 3,048,617). These facilities are secured by general hypothecs over the company's and other assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the director. They bear interest at 5.95% per annum (2008 : 7.25%).

22. Other financial liabilities

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Amounts owed to subsidiaries	-	-	16,886,108	16,228,882
Amounts owed to associates	29,607	23,374	29,607	23,374
Other loans	5,084,728	5,262,808	190,973	324,853
Shareholder's loan	4,139,180	2,693,581	3,832,242	2,644,088
Obligations under finance leases	190,835	274,559	-	-
	9,444,350	8,254,322	20,938,930	19,221,197

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22. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
On demand or within one year	8,686,103	7,367,744	20,747,957	18,896,344
Between two and five years	758,247	343,374	-	-
After five years	-	543,204	190,973	324,853
	<hr/>	<hr/>	<hr/>	<hr/>
	9,444,350	8,254,322	20,938,930	19,221,197
Less: amounts due for settlement within one year	(8,686,103)	(7,367,744)	(20,747,957)	(18,896,344)
	<hr/>	<hr/>	<hr/>	<hr/>
Amounts due for settlement after one year	758,247	886,578	190,973	324,853
	<hr/>	<hr/>	<hr/>	<hr/>

The amounts owed to subsidiaries and associates are unsecured, interest-free and have no fixed date of repayment.

Included in other loans is a loan from Malta Enterprise, which is secured by a general and special hypothec over selected subsidiary undertakings' assets, and by a guarantee by some of the group companies. It bears at 8% per annum (2008 : 8%). The balance on other loans is unsecured, interest-free and has no fixed date of repayment.

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

Notes to financial statements

23. Obligations under finance leases

Group

	Minimum lease payments		Present value of minimum lease payments	
	2009	2008	2009	2008
	€	€	€	€
Amounts payable under finance leases:				
Within one year	84,424	86,956	75,169	72,900
Between two and five years	123,064	218,715	115,666	201,659
	207,488	305,671	190,835	274,559
Less: future finance charges	(16,653)	(31,112)	-	-
Present value obligations	190,835	274,559	190,835	274,559
Less: Amounts included in current liabilities			(75,169)	(79,345)
Amounts included in non-current liabilities			115,666	195,214

24. Debt securities in issue

On 15 December 2006, a subsidiary within the group issued € 11,646,867 6.7% bonds of €233 each, redeemable at par between 2014 and 2016. On the same date, the said subsidiary also issued €2,161,659 4% bonds of €233 each, redeemable at a premium of 40% in 2013. Interest on the bonds is due and payable annually in arrears on 15 December of each year at the above-mentioned rates. The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by the holding company.

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24. Debt securities in issue (continued)

	2009 €	2008 €
At 1 November	14,067,278	13,832,506
Sales of previously repurchased bonds	-	125,816
	<hr/>	<hr/>
	14,067,278	13,958,322
Adjustment to reflect fair value of debt securities	77,517	89,543
	<hr/>	<hr/>
	14,144,795	14,047,865
Accumulated amortisation	19,359	19,413
	<hr/>	<hr/>
At 31 October	14,164,154	14,067,278
	<hr/>	<hr/>

25. Deferred tax liabilities

	Group		Company	
	2009 €	2008 €	2009 €	2008 €
Arising on:				
Excess of capital allowances over depreciation	171,517	-	-	-
Provision for diminution in value of investments	(327)	-	-	-
Unabsorbed tax losses and capital allowances	(1,194,525)	-	-	-
Provision for doubtful debts	(4,887)	-	-	-
Revaluation of investment property	6,744,613	9,105,556	217,033	309,888
Surplus on revaluation of property	420,731	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	6,137,122	9,105,556	217,033	309,888
	<hr/>	<hr/>	<hr/>	<hr/>

AX Holdings Limited

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26. Called up issued share capital

	2009	2008
	€	€
Authorised		
202,000 ordinary shares of €2.329373 each	470,533	470,533
	_____	_____
	2009	2008
	€	€
Called up issued and fully paid-up		
202,000 ordinary shares of €2.329373 each	470,533	470,533
	_____	_____

In accordance with the company's Memorandum and Articles of Association, 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.

27. Cash and cash equivalents

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

	Group		Company	
	2009	2008	2009	2008
	€	€	€	€
Cash at bank and in hand	1,522,432	1,838,574	1,849	7,504
Bank overdrafts	(4,841,936)	(4,524,689)	(1,816,987)	(2,425,744)
	_____	_____	_____	_____
	(3,319,504)	(2,686,115)	(1,815,138)	(2,418,240)
	_____	_____	_____	_____

28. Contingent liabilities

At 31 October 2009, the group had the following contingent liabilities, for which no provision has been made in these financial statements.

Notes to financial statements

28. Contingent liabilities (continued)

- Legal proceedings have been instituted by Malta Enterprise against Royal Hotels Limited and Heritage Developments Limited. Malta Enterprise is requesting the rescission of the deed through which property acquired by these subsidiaries, on allegations that the subsidiary failed to abide by a condition in the contract requiring the subsidiary to use the land for a hotel complex. On the strength of legal advice, the directors are of the opinion that this claim is unfounded and no provision has been made in these financial statements for any adjustment that would be necessary if the Malta Enterprise succeeds in its action. At 31 October 2009, the subsidiaries had its property subject to a special hypothec in respect of banking facilities availed of by other group undertakings.
- A subsidiary is subject to a claim of € 150,000 made by a client with respect to work performed.
- The Commissioner of lands is claiming rent for the use of land by subsidiary companies over which it has no title. The companies are disputing these claims. In the event that the Commissioner of lands is successful in its claims the subsidiaries will be obliged to pay rent deemed appropriate by court. This case has been pending for many years.
- As at year-end, the effective amounts of joint and several hypothecary guarantees given to the bank for facilities granted to group undertakings stood at € 3,540,648 (2008 - € 3,540,648).
- As at 31 October 2009, a subsidiary acted as guarantor for the sum of € 4,192,872 (2008 - € 4,192,872) in respect of a loan originally of € 5,124,621 granted by Malta Enterprise to two related subsidiaries in connection with the purchase of Grand Hotel Verdala and nearby apartments in 1997.
- There is a claim against a subsidiary in respect of ground rent payable which, at the year-end could not be quantified.
- Other contingent liabilities arising jointly and severally with other related undertakings from ordinary trading transactions.
- Third parties are claiming € 154,210 which is being contested by the subsidiary. The directors are confident that the outcome of these claims will be in favour of the subsidiary.
- No provision has been made in these financial statements for income tax amounting to € 487,948 arising from assessment raised relating to years of assessment 1989 and 1990, which are being contested by the subsidiary.
- Claims are being made by the Water Services Corporation amounting to € 5,237 in respect of alleged services rendered which defendants are contesting.

Notes to financial statements

28. Contingent liabilities (continued)

- A third party is suing a subsidiary, claiming that a tract of land owned by the subsidiary actually belongs to this third party.
- A third party owning neighbouring property is suing two subsidiaries for alleged violations of property rights. The subsidiary is in turn suing the seller of its portion of property, alleging that this party is responsible for the violation of rights in respect of the owner of the neighbouring property.
- At 31 October 2009, a subsidiary had contingent liabilities in respect of claims made by various third parties which, in total, amount to € 389,738 (2008 - € 292,975).
- A guarantee was given in favour of a third party amounting to € 465,880 by one of the subsidiaries.
- The holding company is facing three legal proceedings. The maximum contingent liabilities associated with two of the cases is of € 3,391. The contingent liability related to the third case cannot be quantified, but the worst case scenario is that part of a property which was sold to a third party will have to be demolished. The holding company is objecting this case, as it acted in good faith and it has a private agreement.

29. Related parties

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

	2009	2008
	€	€
Group		
<i>Related party transactions with associates:</i>		
Revenue	22,160	12,615
Rent payable	-	82,200
Other operating expenses	-	9,000
	_____	_____
Company		
<i>Related party transactions with subsidiaries:</i>		
Revenue	2,262,160	2,247,599
Other operating income	65,112	65,169
Finance costs	1,163,225	1,023,176
	_____	_____
<i>Related party transactions with associates:</i>		
Other operating income	22,160	12,615
	_____	_____

30. Ultimate controlling party

The parent and ultimate parent company of AX Holdings Limited is Fulcrum Services Limited, which is incorporated in Malta. The group financial statements of AX Holdings Limited are incorporated in the group financial statements of Fulcrum Services Limited, the registered address of which is AX House, Mosta Road, Lija LJA9010, Malta. The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

31. Risk management objectives and policies

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

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

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

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

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 15, 18 and 27.

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.

Notes to financial statements

31. Risk management objectives and policies (continued)

Liquidity risk

The group's and the company's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise debt securities, trade and other payables and other financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the group's and the company's obligations when they become due.

At 31 October 2009 and 31 October 2008, the contractual maturities on the financial liabilities of the company and the group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

Group

	Less than 6 months 2009 €	From 6 to 12 months 2009 €	From 1 to 5 years 2009 €	More than 5 years 2009 €	Less than 6 months 2008 €	From 6 to 12 months 2008 €	From 1 to 5 years 2008 €	More than 5 years 2008 €
Bank borrowings	612,990	3,341,248	7,183,124	8,226,861	567,131	2,984,047	7,545,270	8,866,807
Other borrowings	5,243,346	5,025,856	5,574,207	13,208,627	454,400	454,400	5,754,997	13,989,031
	5,856,336	8,367,104	12,757,331	21,435,488	1,021,531	3,438,447	13,300,267	22,855,838

Company

	Less than 6 months 2009 €	From 6 to 12 months 2009 €	From 1 to 5 years 2009 €	More than 5 years 2009 €	Less than 6 months 2008 €	From 6 to 12 months 2008 €	From 1 to 5 years 2008 €	More than 5 years 2008 €
Bank borrowings	12,152	12,152	637,319	-	67,916	41,272	637,319	-

Notes to financial statements

31. Risk management objectives and policies (continued)

Foreign currency risk

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

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

Interest rate risk

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

32. Capital management policies and procedures

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