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AX Holdings Limited

Director, officer and other information

Director: Angelo Xuereb

Secretary: Tonio Farrugia

Registered office: AX House,
Mosta Road,
Lija,
Malta.

Country of incorporation: Malta

*Company registration
number:* C 3595

Auditors: Deloitte,
Deloitte Place,
Mriehel Bypass,
Mriehel,
Malta.

Principal bankers: Bank of Valletta p.l.c.,
Corporate Centre,
Canon Road,
Santa Venera,
Malta.

Legal adviser: Dr. David Wain L.L.D.,
AX House,
Mosta Road,
Lija,
Malta.

AX Holdings Limited

Director's report

Year ended 31 October 2007

The director presents his report and the audited financial statements of the group and company for the year ended 31 October 2007.

Principal activities

The company acts as the holding company of the 'AX Group' which principally is involved in tourism and leisure, and construction and property development.

Performance review

In the year under review the construction division's activities were principally focused on the construction of the Palace Hotel in Sliema. This hotel opened its doors to the public in August 2007 and added a five star hotel to the Group's portfolio.

The group reports an operating profit before depreciation of *Lm2,067,549* (2006 – *Lm2,084,929*) on revenue of *Lm9,634,371* (2006 – *Lm7,754,424*). Profit before tax and minority interest amounted to *Lm823,947* (2006 – *Lm468,262*) after taking into account depreciation, financing costs and share of results of associated undertaking. The current year results were also affected by certain one-off items, namely the write back to income of a long outstanding loan amounting to *Lm1,184,931* and the decrease in the fair value of investment property held by the parent company of *Lm(349,490)*.

The group net current liability position has decreased during the year from *Lm6,128,351* in 2006 to *Lm4,249,443* in 2007 mainly as a result of the redemption of debt securities of *Lm2,849,036* financed by the fresh debt securities issue of *Lm5,938,295*, which are disclosed with long term liabilities.

After accounting for the profit for the year and the movements in reserves, the net assets of the group amounted to *Lm19,292,487* (2006 – *Lm14,205,291*).

The company reports a pre-tax profit for the year of *Lm916,849* (2006 – *Lm284,890*). As explained earlier, the results have been positively affected by the write back of a loan in 2007. After accounting for the profit for the year and the movement in reserves, the net assets of the company amounted to *Lm6,701,173* (2006 – *Lm6,887,618*).

Results and dividends

The results of the group and the company for the year ended 31 October 2007 are shown in the income statements on page five. The profit for the year after tax and minority interest of the group was *Lm410,780* (2006 – *Lm277,583*) whilst the profit for the year after tax of the company was *Lm1,132,354* (2006 – *Lm408,311*). The director does not recommend the payment of a dividend.

AX Holdings Limited

Director's report (continued)

Year ended 31 October 2007

Statement of going concern

These financial statements have been prepared under the going concern basis which assumes that the group will continue to operate for the foreseeable future. The director is satisfied that, at the date of approving the financial statements, it is appropriate to adopt the going concern basis in preparing the financial statements.

Director

Angelo Xuereb was the sole director who served during the period and in accordance with the company's memorandum and articles is to remain in office.

Auditors

A resolution not to reappoint Deloitte as auditors of the company will be proposed at the forthcoming annual general meeting.

Approved by the director and signed on 30 March 2009 by:

Angelo Xuereb
Director

AX Holdings Limited

Statement of director's responsibilities

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

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the company and the group will continue in business.

The director is responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the company and the group and which enable the director to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The director is also responsible for safeguarding the assets of the company and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AX Holdings Limited

Income statements

Year ended 31 October 2007

	Notes	Group		Company	
		2007 Lm	2006 Lm	2007 Lm	2006 Lm
Revenue	5	9,634,371	7,754,424	898,644	958,448
Other operating income	6	19,294	81,147	23,610	49,318
Other operating charges		(4,924,088)	(3,302,245)	(151,873)	(213,647)
Staff costs		(2,662,028)	(2,448,397)	(122,729)	(108,037)
Depreciation		(951,286)	(764,883)	(14,982)	(12,165)
Operating profit		1,116,263	1,320,046	632,670	673,917
Share of result of associates		72,258	(24,326)	-	-
Decrease in fair value of investment property		(349,490)	-	(349,490)	-
Gain on disposal of investments		50,512	-	-	-
Other investment income	7	59,326	10,432	-	-
Finance costs	8	(984,724)	(837,890)	(551,262)	(389,027)
Loan write-back	22	1,184,931	-	1,184,931	-
Profit before tax	9	1,149,076	468,262	916,849	284,890
Income tax (expense)/credit	12	(644,602)	(79,981)	215,505	123,421
Profit for the year		504,474	388,281	1,132,354	408,311
<i>Attributable to:</i>					
Equity holders of the parent		410,780	277,583		
Minority interest		93,694	110,698		
		504,474	388,281		

AX Holdings Limited

Balance sheets

31 October 2007

	<i>Note</i>	Group 2007 Lm	2006 Lm	Company 2007 Lm	2006 Lm
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	34,326,497	21,505,394	640,453	639,401
Investment property	14	7,670,750	9,691,141	532,375	650,000
Investments in subsidiaries		-	-	6,789,620	6,780,475
Investments in associates		793,014	720,756	15,070	15,070
Available-for-sale investments		57,350	66,163	810,500	2,123,985
Held to maturity investments		29,924	-	-	-
Loans and receivables	15	-	-	2,397,280	2,563,931
Deferred tax assets	16	1,514,814	1,910,587	1,415,527	1,394,751
		44,392,349	33,894,041	12,600,825	14,167,613
Current assets					
Trade and other receivables	18	4,273,714	3,243,972	217,856	417,778
Current tax assets		153,191	206,413	218,795	191,956
Inventories	17	1,841,341	2,742,467	151,110	151,110
Cash and cash equivalents		783,500	360,958	3,696	3,567
		7,051,746	6,553,810	591,457	764,411
Total assets		51,444,095	40,447,851	13,192,282	14,932,024
Current liabilities					
Trade and other payables	20	5,579,400	4,510,602	49,383	95,222
Other financial liabilities	22	2,539,990	2,323,101	5,104,451	5,546,863
Debt securities in issue		-	2,849,036	-	-
Bank overdraft and loans		3,004,975	2,796,192	847,768	999,432
Current tax liability		176,824	203,230	-	-
		11,301,189	12,682,161	6,001,602	6,641,517
Non-current liabilities					
Bank loans		9,416,994	7,280,681	183,416	-
Other financial liabilities	22	465,083	1,443,434	170,200	1,263,608
Debt securities in issue		5,938,295	-	-	-
Deferred tax liabilities	25	4,159,905	3,282,499	135,891	139,281
		19,980,277	12,006,614	489,507	1,402,889
Total liabilities		31,281,466	24,688,775	6,491,109	8,044,406
Net assets		20,162,629	15,759,076	6,701,173	6,887,618

AX Holdings Limited

Balance sheets (continued)

31 October 2007

		Group		Company	
	Note	2007 Lm	2006 Lm	2007 Lm	2006 Lm
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	26	202,000	202,000	202,000	202,000
Revaluation reserves		13,318,570	8,713,504	369,385	1,697,871
Other reserves		2,790,615	2,790,615	238,498	238,498
Retained earnings		2,981,302	2,499,172	5,891,290	4,749,249
		<u>19,292,487</u>	<u>14,205,291</u>	<u>6,701,173</u>	<u>6,887,618</u>
Minority interest		870,142	1,553,785	-	-
		<u>20,162,629</u>	<u>15,759,076</u>	<u>6,701,173</u>	<u>6,887,618</u>
Total equity		20,162,629	15,759,076	6,701,173	6,887,618

These financial statements were approved by the director, authorised for issue on 30 March 2009 and signed by:

Angelo Xuereb
Director

AX Holdings Limited

Statement of changes in equity

Year ended 31 October 2007

Group

	Share capital Lm	Revaluation Reserve Lm	Other reserves Lm	Retained earnings Lm	Attributable to equity holders of the parent Lm	Minority interest Lm	Total Lm
Balance at 1 November 2005	202,000	8,748,637	2,792,000	2,148,854	13,891,491	1,590,058	15,481,549
Movement in deferred tax liability on revaluation	-	36,217	-	-	36,217	-	36,217
Depreciation charge for the year on revaluation surplus, net of tax	-	(71,350)	-	71,350	-	-	-
Transfer to reserves	-	-	(1,385)	1,385	-	-	-
Net income recognised directly in equity	-	(35,133)	(1,385)	72,735	36,217	-	36,217
Profit for the year	-	-	-	277,583	277,583	110,698	388,281
Dividends	-	-	-	-	-	(146,971)	(146,971)
Balance at 1 November 2006	202,000	8,713,504	2,790,615	2,499,172	14,205,291	1,553,785	15,759,076
Fair value movements on property, net of tax	-	4,678,071	-	-	4,678,071	-	4,678,071
Depreciation charge for the year on revaluation surplus, net of tax	-	(71,350)	-	71,350	-	-	-
Fair value movements on available for sale investments	-	(1,655)	-	-	(1,655)	(1,346)	(3,001)
Net income recognised directly in equity	-	4,605,066	-	71,350	4,676,416	(1,346)	4,675,070
Minority interest share of reserves taken over	-	-	-	-	-	(763,741)	(763,741)
Profit for the year	-	-	-	410,780	410,780	93,694	504,474
Minority share of dividends received	-	-	-	-	-	(12,250)	(12,250)
Balance at 31 October 2007	202,000	13,318,570	2,790,615	2,981,302	19,292,487	870,142	20,162,629

AX Holdings Limited

Statement of changes in equity

Year ended 31 October 2007

Company

	Share capital Lm	Revaluation Reserve Lm	Capital reserves Lm	Retained earnings Lm	Total Lm
Balance at 1 November 2005	202,000	2,046,233	238,498	4,331,251	6,817,982
Decrease in fair value of available for sale investments	-	(342,065)	-	-	(342,065)
Depreciation transfer	-	(9,687)	-	9,687	-
Deferred tax liability movement	-	3,390	-	-	3,390
Net expense recognised directly in equity	-	(348,362)	-	9,687	(338,675)
Profit for the year	-	-	-	408,311	408,311
Balance at 1 November 2006	202,000	1,697,871	238,498	4,749,249	6,887,618
Fair value movements on available for sale investments	-	(1,318,799)	-	-	(1,318,799)
Depreciation transfer	-	(9,687)	-	9,687	-
Net expense recognised directly in equity	-	(1,328,486)	-	9,687	(1,318,799)
Profit for the year	-	-	-	1,132,354	1,132,354
Balance at 31 October 2007	202,000	369,385	238,498	5,891,290	6,701,173

AX Holdings Limited

Cash flow statements

Year ended 31 October 2007

	Group 2007 Lm	2006 Lm	Company 2007 Lm	2006 Lm
	<i>Note</i>			
Cash flows from operating activities				
Net profit for the year before tax and minority interest	1,149,076	468,262	916,849	284,890
<i>Adjustments for:</i>				
Depreciation	951,286	764,883	14,982	12,165
Dividends receivable	-	-	(792,561)	(770,672)
Gain on disposal of property, plant and equipment	(24,571)	7,000	-	-
Share of results in associated undertakings	(72,258)	20,282	-	-
Gain on disposal of financial asset	(50,512)	-	-	-
Loan write back	(1,184,931)	-	(1,184,931)	-
Decrease in fair value of investment property	349,490	-	349,490	-
Interest expense	984,724	837,890	551,262	389,027
Operating profit/(loss) before working capital changes	2,102,304	2,098,317	(144,909)	(84,590)
Movement in inventories	901,126	763,600	-	-
Movement in trade and other receivables	(1,029,742)	(383,602)	364,422	22,799
Movement in trade and other payables	1,005,923	441,797	(45,839)	(657,950)
Cash flows from operating activities	2,979,611	2,920,112	173,674	(719,741)
Net interest paid	(984,724)	(837,890)	(551,262)	(389,027)
Taxation (paid)/received, net	(218,623)	(85,714)	-	68,365
Net cash flows from operating activities	1,776,264	1,996,508	(377,588)	(1,040,403)
Cash flows from investing activities				
Purchase of property, plant and equipment	(5,848,690)	(2,007,223)	(16,034)	(3,949)
Payments to acquire investment property	(329,099)	(93,370)	(231,865)	-
Payments made to acquire financial assets	(58,742)	(78,248)	(14,459)	-
Payments made to acquire minority share in subsidiary	(1,088,870)	-	-	-
Proceeds from sale of financial assets	86,488	-	-	-
Proceeds from sale of property, plant and equipment	27,367	33,506	-	-
Advances from/(to) group undertakings	-	-	167,086	101,270
Advances from/(to) associated undertakings	-	-	(435)	272
Dividends received	-	-	792,561	770,672
Net cash flows from investing activities	(7,211,546)	(2,145,335)	696,854	868,265
Cash flows from financing activities				
Advances from bank borrowings	2,572,427	(39,662)	307,631	-
Repayment of debt securities	(2,849,036)	(87,100)	-	-
Proceeds from fresh issue of debt securities	5,938,295	-	-	-
Proceeds/(repayment) of other loans	423,469	-	(350,889)	-
Net cash flows from financing activities	6,085,155	(126,762)	(43,258)	-
Net movement in cash and cash equivalents	649,873	(275,589)	276,008	(172,138)
Cash and cash equivalents at beginning of the year	(2,007,682)	(1,732,093)	(995,865)	(823,727)
Cash and cash equivalents at end of the year	(1,357,809)	(2,007,682)	(719,857)	(995,865)
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AX Holdings Limited

Notes to the financial statements

31 October 2007

1. Basis of preparation

The financial statements have been 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, and in accordance with International Financial Reporting Standards. The significant accounting policies adopted are set out below.

2. Significant accounting policies

Basis of consolidation

(i) Subsidiaries

The consolidated financial statements incorporate the financial statements of the holding company and entities controlled by the holding company. Control is achieved where the holding company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Where 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. Intragroup balances, transactions, income and expenses are eliminated on consolidation.

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 given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control, plus any costs directly attributable to the business combination. An adjustment to the cost of the combination contingent on future events is included to the extent that the adjustment is probable and can be measured reliably. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition are recognised at their fair values at the acquisition date, except for non-current assets (or disposal groups) that are classified as held for sale. Such non-current assets (or disposal groups) are recognised and measured at fair value less costs to sell.

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. The goodwill is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated 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 profit or loss.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Basis of consolidation (continued)

(i) Subsidiaries (continued)

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 interests in the net assets consist 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. Minority interests in the net assets of consolidated subsidiaries are presented separately from the holding company's shareholders' equity therein. Minority interests in the profit or loss of consolidated subsidiaries are also disclosed separately. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

(ii) Associate

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.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting 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 individual investments. The Group's share of the post-acquisition profit or loss of the associates is recognised in profit or loss and the Group's share of the post-acquisition reserves is recognised directly in equity. The Group's share of losses of an associate in excess of its interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred obligations or made payments on behalf of the associate.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Basis of consolidation (continued)

(ii) Associate (continued)

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where necessary, in preparing these consolidated financial statements, appropriate adjustments are made to the financial statements of associates to bring their accounting policies in line with those used by group entities.

Investments in subsidiaries and associates

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. Income from the investment is recognised only to the extent of distributions received by the company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

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 entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated fair value at the balance sheet date 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 the fair value of investment property are recognised in profit or loss in the period in which they 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 proceeds, if any, and the carrying amount and are recognised in profit or loss in the period of derecognition.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Property, plant and equipment

The group and company's property, plant and equipment are classified into the following classes – land, buildings and improvement to premises, plant and machinery, motor vehicles, furniture, fixtures and other equipment.

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the group and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

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 accumulated 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 balance sheet date. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued 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 profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit or loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that 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.

Other property, plant and equipment are stated at cost less any accumulated depreciation and any accumulated impairment losses.

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 profit or loss in the period of derecognition.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Properties in the course of construction

Properties in the course of construction for production, rental, capital appreciation or administrative purposes are classified as property, plant and equipment and are carried at cost, less any identified impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the group's accounting policy on borrowing costs. Depreciation of these assets, on the same basis as other property assets, commences when the assets are available for use.

Depreciation

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost/revalued amount, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	-	1% per annum
Improvements to buildings	-	10% per annum
Plant and machinery	-	4% - 33.3% per annum
Motor vehicles	-	20% per annum
Furniture, fixtures and other equipment	-	5% - 20% per annum

No depreciation is charged on land.

The depreciation method applied, the residual value and the useful life are reviewed, and adjusted if appropriate, at each balance sheet date.

Other financial instruments

Financial assets and financial liabilities are recognised when the company and the group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when the company and the group 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.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Other financial instruments (continued)

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 company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

(i) Trade receivables

Trade receivables are classified with current assets and are stated at their nominal value. Appropriate allowances for estimated irrecoverable amounts are recognised in profit or loss when there is objective evidence that the asset is impaired.

(ii) Investments

The company and the group's investments are classified into the following categories – loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

After initial recognition loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised, impaired or through the amortisation process.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Other financial instruments (continued)

(ii) Investments (continued)

Available-for-sale financial assets are those non-derivative financial assets that are either designated in this category by the company or not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss. After initial recognition, available-for-sale financial assets are measured at their fair value except for investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivatives that are linked to and must be settled by delivery of such unquoted equity instruments, which are measured at cost. Gains and losses arising from a change in fair value are recognised directly in equity, except for impairment losses and foreign exchange gains and losses on monetary assets, until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in equity is recognised in profit or loss. Interest calculated using the effective interest method is recognised in profit or loss.

(iii) Bank borrowings

Subsequent to initial recognition, interest-bearing bank loans are measured at amortised cost using the effective interest method. Bank loans are carried at face value due to their market rate of interest.

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

(iv) Other borrowings

Subsequent to initial recognition, other borrowings are measured at amortised cost using the effective interest method unless the effect of discounting is immaterial.

(v) Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value.

(vi) Shares issued by the company and the group

Ordinary shares issued by the company and the group are classified as equity instruments.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

(vii) Debt securities in issue

Debt securities in issue are stated at amortised cost. The amortisation is calculated using the effective yield method and is recognised in the profit or loss over the period of the debt security.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method and comprises expenditure incurred in acquiring the inventories and other costs incurred in bringing the inventories to their present location and condition. Net realisable value represents the estimated selling price in the ordinary course of business less the estimated costs completion and the costs to be incurred in marketing, selling and distribution.

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.

Construction contracts

Contract revenue comprises the initial amount agreed in the construction contract, and any variations in contract work, claims and incentive payments, to the extent that they have been agreed with the customer and can be measured reliably. Contract costs comprise direct costs as well as costs that relate to contract activity in general that can be allocated to the contract. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the balance sheet date. The stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs, except where this would not be representative of the stage of completion/surveys of work performed/completion of a physical proportion of the contract work.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Construction contracts (continued)

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised in profit or loss to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in profit or loss in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in profit or loss. The gross amount due from or to customers for contract work is recognised as an asset or liability respectively.

Impairment

All assets are tested for impairment except for inventories, assets arising from construction contracts, deferred tax assets and investment property measured at fair value.

At each balance sheet date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised directly in equity is removed from equity and recognised in profit or loss 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 or loss.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Impairment (continued)

In the case of other assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal) and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss.

For loans and receivables if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

In the case of other assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Impairment (continued)

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is not reversed in a subsequent period.

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 value added tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

(i) Sale of goods

Revenue from the sale of goods is recognised on the transfer of the risks and rewards of ownership, which generally coincides with the time of delivery.

(ii) Sale of property

Revenue from the sale of property is recognised when legal title is transferred to the buyer.

(iii) Provision of services

Revenue from the provision of services is recognised in the period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. For practical purposes, when services are performed by an indeterminate number of acts over a specified period of time, revenue is recognised on a straight-line basis over the specified period unless there is evidence that some other method better represents the stage of completion.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Revenue recognition (continued)

(iv) Interest income

Interest income is recognised on an accruals basis.

(v) Dividend income

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

Borrowing costs

Borrowing costs include the costs incurred in obtaining external financing.

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. Borrowing costs are suspended during extended period in which active development is interrupted. All other borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Borrowing costs are recognised as an expense in profit or loss in the period in which they are incurred.

Leases

Leases are classified as finance leases whenever 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 balance sheet as assets of the company at their fair value at the inception of the lease or, if lower, at the

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Leases (continued)

Assets held under finance leases are recognised in the balance sheet as assets of the company 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 company's accounting policy on impairment and are depreciated in accordance with the 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 balance sheet 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 or loss.

Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the current and deferred tax is also dealt with in equity.

The charge/credit for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised.

AX Holdings Limited

Notes to the financial statements

31 October 2007

2. Significant accounting policies (continued)

Taxation (continued)

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets and liabilities are offset when the company has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

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.

Currency translation

The financial statements of the company are presented in its functional currency, the Maltese Lira, being the currency of the primary economic environment in which the company operates. Transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of transaction. Monetary assets and liabilities denominated in currencies other than the functional currency are re-translated to the functional currency at the exchange rate ruling at year-end. Exchange differences arising on the settlement and on the re-translation of monetary items are dealt with in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits. 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 cash flow statement and are presented in current liabilities on the balance sheet.

Dividends

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

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

AX Holdings Limited

Notes to the financial statements

31 October 2007

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The judgements and key sources of estimation uncertainty made by management in the case of one of the group's subsidiary in the process of applying the company's accounting policies, and that can significantly affect the amounts recognised in the financial statements are discussed below:

Fair value of land and buildings

Land and buildings in the books of three of the group's subsidiaries were revalued by the director during the year ended 31 October 2007. These valuations took account of an alternative use for the property held as well as the market value of the property as determined by independent professionally qualified architects, appropriately adjusted for inflationary increases in property in the same location, as estimated by the director. The director has made these judgements 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 the likely timing and level of future taxable profits together with future tax planning strategies. At balance sheet date certain group subsidiaries had an unrecognised deferred tax asset amounting to *Lm906,456*, as detailed in note 20.

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.

AX Holdings Limited

Notes to the financial statements

31 October 2007

4. International Financial Reporting Standards in issue but not yet effective

It is anticipated that certain new disclosures about financial instruments will be required upon the adoption of IFRS 7 Financial Instruments: Disclosures. This Standard is applicable for annual periods beginning on or after 1 January 2007, with earlier application encouraged. IFRS 7 replaces the disclosures required by IAS 32 Financial Instruments: Disclosure and Presentation and IAS 30 Disclosures in the Financial Statements of Banks and Similar Financial Institutions. IFRS 7 introduces new disclosures to improve the information about financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk.

The directors anticipate that the adoption of other International Financial Reporting Standards that were in issue but not yet effective at the date of authorisation of these financial statements will not have a material impact on the financial statements of the company and group in the period of initial application.

5. Revenue

Revenue represents the amount receivable for goods sold and services rendered during the year, net of any indirect taxes.

The contribution of the various activities of the group and company to revenue which are in respect of continuing activities are set out below:

Group

	2007 Lm	2006 Lm
<i>By activity:</i>		
Construction works, building materials and sale of property	2,038,020	1,916,029
Hospitality and entertainment	5,341,085	4,189,405
Sale of property and real estate	2,100,100	1,522,030
Rental income	155,166	126,960
	<u>9,634,371</u>	<u>7,754,424</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

5. Revenue (continued)

Company

	2007 Lm	2006 Lm
<i>By activity:</i>		
Dividends receivable	792,561	770,672
Management services	68,083	147,193
Rental income	38,000	40,583
	<u>898,644</u>	<u>958,448</u>

6. Other operating income

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Ancillary services	43,865	74,147	23,610	49,318
Net gain on disposal of property, plant and equipment	(24,571)	7,000	-	-
	<u>19,294</u>	<u>81,147</u>	<u>23,610</u>	<u>49,318</u>

7. Other investment income

Group

	2007 Lm	2006 Lm
Interest income on bank deposits	58,725	10,432
Interest income on financial assets	601	-
	<u>59,326</u>	<u>10,432</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

8. Finance costs

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Interest on bank loans and overdraft	503,378	578,860	77,116	64,095
Interest on debt securities in issue	476,643	246,402	-	-
Interest on amounts payable to subsidiaries	-	-	474,146	322,218
Interest on other creditors	4,703	12,628	-	2,714
	<u>984,724</u>	<u>837,890</u>	<u>551,262</u>	<u>389,027</u>

9. Profit before tax

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
This is stated after charging: Auditors' remuneration	21,475	19,800	3,000	2,640
	<u>21,475</u>	<u>19,800</u>	<u>3,000</u>	<u>2,640</u>

10. Key management personnel compensation

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Director's compensation				
Short-term benefits	24,558	27,821	16,173	17,821
	<u>24,558</u>	<u>27,821</u>	<u>16,173</u>	<u>17,821</u>
Other key management personnel compensation:				
Short-term benefits				
Salaries and social security contributions	160,760	89,752	-	-
	<u>160,760</u>	<u>89,752</u>	<u>-</u>	<u>-</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

11. Staff costs and employee information

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Staff costs:				
Wages and salaries	2,490,411	2,276,073	116,122	101,606
Social security costs	194,520	175,356	6,608	6,431
	2,684,931	2,451,429	122,730	108,037
Capitalised labour	(22,903)	(3,032)	-	-
	2,662,028	2,448,397	122,730	108,037

The average number of persons employed by the group and the company during the year, including executive directors, was made up as follows:

	Group		Company	
	2007 Number	2006 Number	2007 Number	2006 Number
Management and administration	108	94	13	11
Operations and distribution	380	307	-	-
	488	401	13	11

12. Income tax expense/(credit)

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Current tax expense	245,439	187,965	(194,729)	(122,019)
Deferred tax expense/(credit)	399,163	(107,984)	(20,776)	(1,402)
	644,602	79,981	(215,505)	(123,421)

AX Holdings Limited

Notes to the financial statements

31 October 2007

12. Income tax expense/(credit) (continued)

Tax applying the statutory domestic income tax rate and the income tax expense/(credit) for the year are reconciled as follows:

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Profit for the year	1,149,076	468,262	916,849	284,890
Tax at the applicable rate of 35%	402,177	163,892	320,897	99,712
<i>Tax effect of:</i>				
Depreciation charges not deductible by way of capital allowances in determining taxable income	2,856	24,438	2,856	2,856
20% maintenance allowance	(9,468)	(6,487)	(2,660)	(2,660)
Final tax at 12%	227,736	172,440	-	-
Profits relieved by investment tax credits	(59,691)	(180,958)	-	-
Disallowable expenditure	104,960	36,280	546	1,714
Tax not accounted for in prior years	-	14,102	-	-
Gain on sale of property not subject to further tax	(282,052)	(159,149)	-	-
Dividend taxed at rates other than 35%	-	-	(122,418)	(225,043)
Deferred tax not accounted for	545,726	(1,747)	-	-
Other permanent differences	(262,352)	17,170	(414,726)	-
Share of profit of associate shown net of tax	(25,290)	-	-	-
Income tax expense/(credit) for the year	644,602	79,981	(215,505)	(123,421)

AX Holdings Limited

Notes to the financial statements

31 October 2007

13. Property, plant and equipment

Group

	Land, buildings and improvements to premises Lm	Plant and machinery Lm	Motor vehicles Lm	Furniture, fixtures and other equipment Lm	Total Lm
Cost / valuation					
At 01.11.2005	20,534,249	3,296,500	125,075	5,635,053	29,590,877
Additions	1,221,815	400,184	122,212	263,012	2,007,223
Disposals	-	(53,555)	-	(93,988)	(147,543)
Transfer to investment property	(221,936)	-	-	-	(221,936)
At 01.11.2006	21,534,128	3,643,129	247,287	5,804,077	31,228,621
Additions	2,142,712	2,254,446	601	1,450,931	5,848,690
Transfer from Investment property	2,000,000	-	-	-	2,000,000
Surplus on revaluation	5,787,628	-	-	-	5,787,628
Disposals	-	(751)	-	(2,904)	(3,655)
At 31.10.2007	31,464,468	5,896,824	247,888	7,252,104	44,861,284
Accumulated depreciation and impairment					
At 01.11.2005	1,839,032	2,693,860	124,350	4,371,211	9,028,453
Provision for the year	179,919	352,188	426	232,350	764,883
Released on disposal	-	(53,555)	-	(16,554)	(70,109)
At 01.11.2006	2,018,951	2,992,493	124,776	4,587,007	9,723,227
Provision for the year	283,205	380,082	465	287,534	951,286
Released on revaluation	(138,867)	-	-	-	(138,867)
Released on disposal	-	-	-	(859)	(859)
At 31.10.2007	2,163,289	3,372,575	125,241	4,873,682	10,534,787
Carrying amount					
At 31.10.2006	19,515,177	650,636	122,511	1,217,070	21,505,394
At 31.10.2007	29,301,179	2,524,249	122,647	2,378,422	34,326,497

Land and buildings

Included in the figure of cost or valuation is freehold land of Lm9,212,076 (2006 - Lm9,372,776) 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 Lm11,477,511 (2006 - Lm7,994,417).

AX Holdings Limited

Notes to the financial statements

31 October 2007

13. Property, plant and equipment (continued)

Land and buildings (continued)

During the year the group recognised a surplus on revaluation of certain properties held by its subsidiaries as further described in note 3.

Company

	Land and buildings Lm	Plant and machinery Lm	Motor vehicles Lm	Total Lm
Cost/valuation				
At 01.11.2006	700,001	276,266	75,496	1,051,763
Additions	-	16,034	-	16,034
Disposals	-	-	-	-
At 31.10.2007	700,001	292,300	75,496	1,067,797
Depreciation				
At 01.11.2006	70,804	266,062	75,496	412,362
Provision for the year	8,161	6,821	-	14,982
Released on disposal	-	-	-	-
At 31.10.2007	78,965	272,883	75,496	427,344
Net book value				
At 31.10.2006	629,197	10,204	-	639,401
At 31.10.2007	621,036	19,417	-	640,453

AX Holdings Limited

Notes to the financial statements

31 October 2007

13. Property, plant and equipment (continued)

Land and buildings

Included with land and buildings is land of *Lm200,000* (2006 – *Lm200,000*) 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 *Lm83,817* (2006 – *Lm85,680*).

14. Investment property

	Group Lm	Company Lm
Fair value		
At 01.11.2005	9,375,835	650,000
Transfer from property, plant and equipment	221,936	-
Capitalisation of interest	93,370	-
	<hr/>	<hr/>
At 01.11.2006	9,691,141	650,000
Additions	329,099	231,865
Movement in fair value	(349,490)	(349,490)
Transfer to property, plant and equipment	(2,000,000)	-
	<hr/>	<hr/>
At 31.12.2007	7,670,750	532,375
	<hr/> <hr/>	<hr/> <hr/>

The fair value of the group and the company's investment property as at 31 October 2007 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 gross of any tax liability that would arise. 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 the fair value at 31 October 2007.

AX Holdings Limited

Notes to the financial statements

31 October 2007

15. Financial assets

These are stated at cost/fair value and comprise:

Group

Investments in associates

	Lm
Equity method	
Share of assets at 01.11.2005	642,508
Additions	98,530
Share of loss	(20,282)
	<hr/>
Share of assets at 01.11.2006	720,756
Share of profits	72,258
	<hr/>
Share of assets at 31.10.2007	793,014
	<hr/> <hr/>

The above represents a 24.4% (2006 – 24.4%) equity ownership in Viset Malta p.l.c., the registered office of which is 45-46, Pinto Wharf, Floriana, Malta.

The group also has a 25% investment in Sliema Point Company Limited, the registered office of which is Mimcol Trade Centre, San Gwann, Malta and a 30% investment in Securicor Malta Limited, the registered office of which is AX House, Mosta Road, Lija, Malta.

Summarised financial information in respect of associates is set out below:

	2007 Lm	2006 Lm
Total assets	13,199,660	12,344,693
Total liabilities	(9,954,923)	(9,116,496)
	<hr/>	<hr/>
	3,244,737	3,228,197
Company's share of the aggregate of share capital and reserves	<hr/> 793,014	<hr/> 713,432
	<hr/> <hr/>	<hr/> <hr/>
Revenue	2,579,693	1,949,196
	<hr/>	<hr/>
Profit/(loss) for the year	35,500	(110,098)
	<hr/>	<hr/>
Company's share of the result for the year	8,676	(24,331)
	<hr/> <hr/>	<hr/> <hr/>

AX Holdings Limited

Notes to the financial statements

31 October 2007

15. Financial assets (continued)

Group

Available-for-sale investments

	Local unlisted equity Lm
Cost	
At 01.11.2006	66,163
Additions	28,818
Disposals	(35,976)
Fair value movements	(1,655)
At 31.10.2007	<u>57,350</u>

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

Company

	Investment in subsidiaries Lm	Investment in associates Lm	Total Lm
Cost			
At 01.11.2005	4,830,975	15,070	4,846,045
Additions	1,949,500	-	1,949,500
At 31.10.2006	6,780,475	15,070	6,795,545
Additions	9,145	-	9,145
At 31.10.2007	<u>6,789,620</u>	<u>15,070</u>	<u>6,804,690</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

15. Financial assets (continued)

Subsidiaries

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have co-terminus year-ends with that of the holding company except for Hardrocks Limited and C&D Waste Limited whose year-ends are 31 July and 31 December respectively.

The registered office of the following subsidiaries is 'AX House', Mosta Road, Lija, Malta.

	Group % of equity capital held	Group % of preference capital held
Aggregate Investments Limited	100 (2006 - 100)	-
Applied Investments Limited	100 (2006 - 100)	-
AX Construction Limited	100 (2006 - 100)	-
AX Finance Limited	100 (2006 - 100)	-
AX International Limited	100 (2006 - 100)	-
AX Investments p.l.c.	100 (2006 - 100)	-
C&D Waste Limited	51 (2006 - 51)	-
Capua Palace Investments Limited	100 (2006 - 100)	-
Central Hotels Limited	100 (2006 - 97)	100 (2005 - 100)
Central Leisure Developments Limited	100 (2006 - 100)	-
Checkout Developments Limited	100 (2006 - 100)	-
Universal Supplies Limited	100 (2006 - 100)	-
Grandmaster Developments Ltd	100 (2006 - 100)	-
Hardrocks Limited	51 (2006 - 51)	-
Heritage Developments Limited	100 (2006 - 100)	-
Holiday Resorts Limited	100 (2006 - 100)	-
Management in Construction Limited	100 (2006 - 100)	-
Marine World Limited	100 (2006 - 100)	-
Oils and Construction International Limited	100 (2006 - 100)	-
Prime Homes Limited	90 (2006 - 90)	-
Royal Hotels Limited	100 (2006 - 97)	-
Skyline Developments Limited	100 (2006 - 100)	-
Suncrest Hotels p.l.c.*	100 (2006 - 81)	-
Suncrest Finance Limited	100 (2006 - 100)	-
The Constructors Limited	75 (2006 - 75)	-
Verdala Mansions Limited	100 (2006 - 100)	-

*During 2007 the Group reacquired 2,000,000 shares in Suncrest Hotels p.l.c. thus regaining full ownership of the company.

AX Holdings Limited

Notes to the financial statement

31 October 2007

15. Financial assets (continued)

Associates

The registered office of Sliema Point Company Limited and Securicor Malta Limited is Mimcol Trade Centre, San Gwann Industrial Estate, San Gwann and AX House, Mosta Road, Lija, Malta respectively.

	Proportion of ownership interest %
Sliema Point Company Limited	25% (2006 – 25%)
Securicor Malta Limited	30% (2006 – 30%)

Summarised financial information in respect of associates is set out below:

	2007 Lm	2006 Lm
Total assets	2,174	2,174
Total liabilities	(733)	(733)
	1,441	1,441
Company's share of the aggregate of share capital and reserves	(361)	(361)

Available-for-sale investments

	Local listed debt Lm	Local unlisted debt Lm	Total Lm
Fair value			
At 01.11.2005	2,466,050	-	2,466,050
Decrease in fair value	(342,065)	-	(342,065)
At 01.11.2006	2,123,985	-	2,123,985
Additions	5,314	-	5,314
Decrease in fair value	(1,318,799)	-	(1,318,799)
Transfer upon delisting of entity	(810,500)	810,500	-
At 31.10.2007	-	810,500	810,500

These financial assets represent investments in local unlisted securities (2006 – this company was listed on the Malta Stock Exchange) which present the company with opportunity for return through dividend or interest income and capital appreciation.

AX Holdings Limited

Notes to the financial statements

31 October 2007

15. Financial assets (continued)

Loans and receivables

	Loan to subsidiaries Lm	Loan to associate Lm	Total Lm
Amortised cost			
At 01.11.2005	3,140,455	1,507,337	4,647,792
Proceeds	-	263	263
Repayments	(2,084,124)	-	(2,084,124)
	<u>1,056,331</u>	<u>1,507,600</u>	<u>2,563,931</u>
At 01.11.2006	1,056,331	1,507,600	2,563,931
Proceeds	-	435	435
Repayments	(167,086)	-	(167,086)
	<u>889,245</u>	<u>1,508,035</u>	<u>2,397,280</u>
At 31.10.2007	<u>889,245</u>	<u>1,508,035</u>	<u>2,397,280</u>

The above amounts are unsecured, interest-free and repayable on demand, however they are not expected to be realised within twelve months after the balance sheet date.

16. Deferred tax assets

Group

	2006 Lm	Movement for the year Lm	2007 Lm
<i>Arising on:</i>			
Accelerated tax depreciation	269,739	(183,150)	86,589
Unutilised tax losses	345,250	(199,676)	145,574
Unabsorbed capital losses	1,242,020	-	1,242,020
Other temporary differences	53,578	(12,947)	40,631
	<u>1,910,587</u>	<u>(395,773)</u>	<u>1,514,814</u>

Company

	2006 Lm	Movement for the year Lm	2007 Lm
<i>Arising on:</i>			
Accelerated tax depreciation	30,748	(16,498)	14,250
Unutilised tax losses	113,792	18,325	132,117
Unabsorbed capital losses	1,242,020	-	1,242,020
Other temporary differences	8,191	18,949	27,140
	<u>1,394,751</u>	<u>20,776</u>	<u>1,415,527</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

17. Inventories

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Property held for re-sale	1,435,091	2,450,403	151,110	151,110
Raw materials and consumables	406,250	292,064	-	-
	<u>1,841,341</u>	<u>2,742,467</u>	<u>151,110</u>	<u>151,110</u>

18. Trade and other receivables

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Trade receivables	2,470,930	2,068,914	29,469	6,223
Amounts owed by subsidiaries	-	-	152,356	146,917
Amounts owed by related parties	16,312	142,518	2,513	195,851
Amounts owed by parent	27,789	27,256	27,789	27,256
Other receivables	846,949	623,515	2,000	2,000
Prepayments and accrued income	911,734	381,769	3,729	39,531
	<u>4,273,714</u>	<u>3,243,972</u>	<u>217,856</u>	<u>417,778</u>

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

19. Construction contracts

	2007 Lm	2006 Lm
<i>Contracts in progress at the balance sheet date:</i>		
Contract costs incurred plus recognised profits (less recognised losses) to date on construction contracts in progress	<u>5,738,703</u>	<u>1,104,039</u>

At 31 October 2007 retentions held by customers for contract works amounted to Lm46,242 (2006 – Lm86,913).

AX Holdings Limited

Notes to the financial statements

31 October 2007

20. Trade and other payables

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Trade payables	3,575,254	1,983,422	17,779	38,081
Other payables	524,575	666,039	-	-
Other taxes and social security	384,609	280,495	7,061	4,851
Deposits on sale of property	142,732	335,389	-	-
Accruals and deferred income	952,230	1,245,257	24,543	52,290
	5,579,400	4,510,602	49,383	95,222

21. Bank overdrafts and loans

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Bank overdrafts	2,141,309	2,368,640	723,553	999,432
Bank loans	10,280,660	7,708,233	307,631	-
	12,421,969	10,076,873	1,031,184	999,432

Bank overdrafts and loans are repayable as follows:

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
On demand or within one year	3,004,975	2,796,192	847,768	999,432
In the second year	498,434	690,057	106,855	-
In the third year	516,971	714,086	76,561	-
In the fourth year	551,592	739,768	-	-
In the fifth year	494,932	625,261	-	-
Over five years	7,355,065	4,511,509		
Less: amounts due for settlement within 12 months (shown under current liabilities)	(3,004,975)	(2,796,192)	(847,768)	(999,432)
Amount due for settlement after 12 months	9,416,994	7,280,681	183,416	-

AX Holdings Limited

Notes to the financial statements

31 October 2007

21. Bank overdrafts and loans (continued)

The Malta Enterprise loan bears interest at 8% per annum (2006 – 8%) and is secured by a first general and special hypothec over the subsidiary undertaking's assets together with a guarantee by a group undertaking.

The group has bank facilities of *Lm12,421,969* (2006 – *Lm10,076,873*) which bear interest at 5.25% to 7.75% per annum (2006 – 3.5% to 7%) and are secured by first general hypothecs over certain assets, special hypothecs over investment property, general and special hypothec and special privileges over land and buildings, a guarantee and hypothecary guarantee and a guarantee by director and a pledge over insurance policies.

The company has bank overdraft facilities of *Lm723,553* (2006 – *Lm999,432*) which bear interest at 7.75% per annum (2006 – 6.5% to 7.25%) and are secured by a first general hypothec over the company's and other assets, a special hypothec on investment property and guarantees by the director and group companies.

22. Other financial liabilities

	Group		Company	
	2007	2006	2007	2006
	Lm	Lm	Lm	Lm
Amounts owed to subsidiaries	-	-	4,443,692	5,018,013
Amounts owed to associates	9,987	9,987	-	-
Amounts owed to other related parties	-	128,471	-	-
Malta Enterprise loan	1,869,149	1,775,779	-	-
Other loans	323,925	1,263,608	170,200	1,263,608
Other payables	660,854	528,945	660,759	528,850
Obligations under finance leases	141,158	59,745	-	-
	<u>3,005,073</u>	<u>3,766,535</u>	<u>5,274,651</u>	<u>6,810,471</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

22. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
On demand or within one year	2,539,990	2,451,572	5,104,451	5,546,863
In the second year	9,457	8,907	-	-
In the third year	10,040	9,457	-	-
In the fourth year	10,659	10,040	-	-
In the fifth year	10,213	10,659	-	-
Over five years	424,714	1,275,900	170,200	1,263,608
Less: amounts due for settlement within 12 months (shown under current liabilities)	(2,539,990)	(2,323,101)	(5,104,451)	(5,546,863)
Amount due for settlement after 12 months	465,083	1,443,434	170,200	1,263,608

The Malta Enterprise loan bears interest at 8% per annum (2005 – 8%) and is secured by a first general and special hypothec over the subsidiary undertaking's assets together with a guarantee by a group undertaking.

The amounts owed to subsidiaries and associates are unsecured, interest-free and repayable on demand.

The other payables are unsecured, interest-free and repayable on demand.

The other loans have no fixed date of repayment, did not bear interest and the group and the company have an unconditional right to defer settlement of these loans for twelve months after the balance sheet date. During 2007 a decision was taken to write back to income a long outstanding unclaimed loan amounting to *Lm1,184,931* as the counterparty to the loan is no longer in existence.

AX Holdings Limited

Notes to the financial statements

31 October 2007

23. Obligations under finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
<i>Amounts payable under finance leases:</i>				
Within one year	15,840	11,688	12,781	8,390
Between two and five years	50,884	46,752	45,715	39,063
After five years	-	12,663	-	12,292
	66,724	71,103	58,496	59,745
Less: future finance charges	(8,228)	(11,358)	-	-
Present value of lease obligations	58,496	59,745	58,496	59,745
Less: amounts included in current liabilities			(12,781)	(8,390)
Amounts included in non-current liabilities			45,715	51,355

One of the company's subsidiaries has leased certain audio equipment under finance leases. The average lease term is 7 years. For the year ended 31 October 2006 the average effecting borrowing rate was 6% per annum. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the company's lease obligations approximates their carrying amount. The company's obligations under finance leases are secured on the assets to which they relate.

AX Holdings Limited

Notes to the financial statements

31 October 2007

24. Debt securities in issue

Debt securities in issue as at 31 October 2006 which were unsecured, bore interest payable at 8.25% per annum and were denominated in Maltese Lira. These were listed on the Malta Stock Exchange and matured on 23 March 2007.

On 15 December 2006, a subsidiary within the group issued *Lm5 million, 6.7%* bonds of *Lm100* each redeemable at par between 2014 and 2016. On the same date the said subsidiary also issued *Lm928,000 4%* bonds of *Lm100* 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.

	2007 Lm
Proceeds received net of issue costs	5,846,822
Less: repurchased bonds	(50,200)
	<u>5,796,622</u>
Adjustment to reflect fair value of debt securities	134,387
	<u>5,931,009</u>
Accumulated amortisation	7,286
	<u><u>5,938,295</u></u>

25. Deferred tax liabilities

Group

	2006 Lm	Movement for the year Lm	2007 Lm
<i>Arising on:</i>			
Revaluation of properties	3,282,499	877,406	4,159,905
	<u>3,282,499</u>	<u>877,406</u>	<u>4,159,905</u>

Company

	2006 Lm	Movement for the year Lm	2007 Lm
<i>Arising on:</i>			
Revaluation of properties	139,281	(3,390)	135,891
	<u>139,281</u>	<u>(3,390)</u>	<u>135,891</u>

AX Holdings Limited

Notes to the financial statements

31 October 2007

26. Share capital

	2007 and 2006	
	Authorised Lm	Issued and called up Lm
202,000 ordinary shares of Lm1 each, all of which have been issued and called up	202,000	202,000

27. Revaluation reserves

Company

	Property revaluation reserve Lm	Investments revaluation reserve Lm	Total Lm
At 01.11.2005	375,684	1,670,549	2,046,233
Decrease in fair value of financial assets	-	(342,065)	(342,065)
Depreciation transfer	(9,687)	-	(9,687)
Deferred taxation	3,390	-	3,390
	<hr/>	<hr/>	<hr/>
At 01.11.2006	369,387	1,328,484	1,697,871
Decrease in fair value of financial assets	-	(1,318,799)	(1,318,799)
Transfer between reserves	9,685	(9,685)	-
Depreciation transfer	(9,687)	-	(9,687)
	<hr/>	<hr/>	<hr/>
At 31.10.2007	369,385	-	369,385

The revaluation reserves are not available for distribution to the company's shareholders.

28. Cash and cash equivalents

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

	Group		Company	
	2007 Lm	2006 Lm	2007 Lm	2006 Lm
Cash at bank	783,500	360,958	3,696	3,567
Bank overdraft	(2,141,309)	(2,368,640)	(723,553)	(999,432)
	<hr/>	<hr/>	<hr/>	<hr/>
Net balance	(1,357,809)	(2,007,682)	(719,857)	(995,865)

AX Holdings Limited

Notes to the financial statements

31 October 2007

29. Capital commitments

Commitments for capital expenditure not provided for in the financial statements are as follows:

	2007	Group	2006
	Lm		Lm
Authorised but not contracted	<u>-</u>		<u>3,000,000</u>

30. Contingent liabilities

Group

At 31 October 2007, the group had the following contingent liabilities:

- Legal proceedings have been instituted against subsidiary companies by Malta Enterprise on the allegations that these companies have failed to abide by a condition in the contract requiring the companies to use the land owned for a hotel complex. In the directors' opinion this claim is unfounded and no provision has been made in these financial statements.
- Other claims made by third parties against subsidiary companies which in total amount to *Lm290,266* (2006 - *Lm281,882*) and which are being contested. In the director's opinion these claims are unfounded.
- A subsidiary undertaking acted as a guarantor for the sum of *Lm1.8* million (2006 - *Lm1.8* million) in respect of a loan originally of *Lm2.2* million granted by Mala Enterprise to Royal Hotels and another group company, in connection with the purchase of Grand Hotel Verdala and nearby apartments in 1997.
- A claim in respect of ground rent payable by a subsidiary undertaking which at the balance sheet date could not be quantified.
- Claims from the Commissioner of Inland Revenue amounting to *Lm209,476*
- Various other claims for compensation which could not be quantified at the balance sheet date and which in the director's opinion are unfounded.

31. Related party disclosures

AX Holdings Limited is the parent company of the undertakings highlighted in note 15. The 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 ultimate parent company, the registered office of which is AX House, Mosta Road, Lija, Malta.

AX Holdings Limited

Notes to the financial statements

31 October 2007

31. Related party disclosures (continued)

The directors consider the ultimate controlling party to be Angelo Xuereb who holds a controlling interest in the equity of the ultimate parent company.

During the course of the year the company and the group entered into transactions with related parties as set out below:

Group

	2007		%	2006		%
	Related party activity Lm	Total activity Lm		Related party activity Lm	Total activity Lm	
Revenue:						
<i>Related party transactions with:</i>						
Associates	<u>13,375</u>	<u>9,634,371</u>	<u>0.1</u>	<u>387,117</u>	<u>7,754,424</u>	<u>5</u>

Company

	2007		%	2006		%
	Related party activity Lm	Total activity Lm		Related party activity Lm	Total activity Lm	
Revenue:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>868,644</u>	<u>898,644</u>	<u>97</u>	<u>917,865</u>	<u>958,448</u>	<u>96</u>
Other operating income – (ancillary services):						
<i>Related party transactions with:</i>						
Subsidiaries	<u>9,215</u>			<u>18,710</u>		
Associates	<u>13,375</u>			<u>-</u>		
	<u>22,590</u>	<u>43,865</u>	<u>51</u>	<u>18,710</u>	<u>49,318</u>	<u>38</u>
Finance costs:						
<i>Related party transactions with:</i>						
Subsidiaries	<u>474,146</u>	<u>551,262</u>	<u>86</u>	<u>322,218</u>	<u>389,027</u>	<u>83</u>

During the course of the year the company also charged *Lm194,729* (2006 – *Lm122,019*) in respect of surrender of losses.

No expense has been recognised in the period for bad or doubtful debts in respect of amounts due by related parties.

The amounts due from/to related parties at year-end are disclosed in notes 15, 18 and 21. The terms and conditions do not specify the nature of the consideration to be received in settlement. No guarantees have been given or are to be received. These amounts are unsecured and interest-free.

AX Holdings Limited

Notes to the financial statements

31 October 2007

32. Fair values of financial assets and financial liabilities

At 31 October 2007 and 2006 the carrying amounts of financial assets and financial liabilities classified with current assets and current liabilities respectively approximated their fair values due to the short-term maturities of these assets and liabilities.

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, other than unlisted investments that cannot be reliably measured and that are carried at cost, are not materially different from their carrying amounts.

Investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are stated at cost since the range of reasonable fair value estimates is significant and the probabilities of the various estimates cannot be reasonably assessed. It is not possible to disclose the range of estimates within which fair value is highly likely to lie.

33. Financial risk management

Credit risk

Financial assets which potentially subject the group and the company to concentrations of credit risk consist principally of receivables, investments and cash at bank. Receivables are presented net of an allowance for doubtful debts. An allowance for doubtful debts is made where there is an identified loss event which, based on previous experience, is evidence of a reduction in the recoverability of the cash flows. Credit risk with respect to receivables is limited due to credit control procedures and the large number of customers comprising the company's receivables base. Quoted investments are acquired after assessing the quality of the relevant investments. Cash at bank is placed with reliable financial institutions.

Currency risk

Foreign currency transactions arise when the group buys or sells goods or services whose price is denominated in a foreign currency. Foreign currency transactions comprise mainly transactions in Euro, USD and GBP.

The risk arising from foreign currency transactions, other than transactions denominated in Euro, is managed by regular monitoring of the relevant exchange rates, management's reaction to material movements thereto.

The risk arising from foreign currency transactions entered into in Euro is mitigated by the fact that a Central Parity Rate was set for Malta on 2 May 2005.

AX Holdings Limited

Notes to the financial statements

31 October 2007

33. Financial risk management (continued)

Interest rate risk

The group and the company have taken out bank and other facilities to finance its operations as disclosed in notes 20, 21 and 23. The interest rates thereon and the terms of such borrowings are disclosed accordingly. Management monitors the movement in interest rates and, where possible, reacts to material movements in such rates by restructuring its financing arrangements.

Liquidity risk

The group monitors and manages its risk to a shortage of funds by maintaining sufficient cash and marketable securities, by matching the maturity of both its financial assets and financial liabilities and by monitoring the availability of raising funds to meet commitments associated with financial instruments.

Independent auditor's report

to the members of

AX Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of AX Holdings Limited and its group, set out on pages five to forty-nine, which comprise the balance sheets of the company and the group as at 31 October 2007, and the income statements, statements of changes in equity and cash flow statements of the company and the group for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Director's responsibility for the financial statements

As also described in the statement of director's responsibilities on page four, the director of the company is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards. 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.

Auditor's responsibility for the financial statements

Our responsibility is to express an opinion on these 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 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 internal control of the company and the group. 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.

Independent auditor's report (continued)

to the members of

AX Holdings Limited

Opinion

In our opinion the financial statement give a true and fair view of the financial position of the company and its group as of 31 October 2007 and of the company's and its group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards.

Report on other legal and regulatory requirements

In our opinion, the financial statements have been properly prepared in accordance with the Companies Act (Chap. 386).

Sarah Curmi

DELOITTE
Certified Public Accountants

30 March 2009

Schedules

	<i>Number</i>
Detailed income statement (Group)	<i>I</i>
Other operating costs (Group)	<i>II</i>
Administrative expenses (Group)	<i>III</i>
Selling and distribution costs (Group)	<i>IV</i>

AX Holdings Limited

Detailed income statement

Year ended 31 October 2007

SCHEDULE I

Group

	<i>Schedule</i>	2007 Lm	2006 Lm
Revenue		9,634,371	7,754,424
Staff costs		(2,662,028)	(2,448,397)
Other operating charges	<i>//</i>	(4,924,088)	(3,302,245)
Gross operating profit before depreciation		2,048,255	2,003,782
Depreciation		(951,286)	(764,883)
Other operating income		1,096,969	1,238,899
		19,294	81,147
Operating profit		1,116,263	1,320,046

AX Holdings Limited

Other operating costs

Year ended 31 October 2007

SCHEDULE II

Group		2007	2006
	<i>Schedule</i>	Lm	Lm
Cost of sales (construction)		1,292,219	498,346
Construction overheads		526,949	660,669
Commission on sale of property		66,253	92,128
Food and beverage direct cost		438,506	436,316
Direct administrative expenses		940,039	218,557
<i>Departmental overheads:</i>			
Accommodation related costs		435,899	353,106
Food and beverage cost		178,433	155,351
Maintenance expenses		393,022	365,119
Minor operations		11,519	9,143
Sales and marketing		141,793	125,856
Leisure centre		21,549	19,322
		4,446,181	2,933,913
Administrative expenses	<i>III</i>	449,927	302,861
Selling and distribution costs	<i>IV</i>	27,980	65,471
		4,924,088	3,302,245

AX Holdings Limited

Administrative expenses

Year ended 31 October 2007

SCHEDULE III

Group

	2007	2006
	Lm	Lm
Advertising	50,110	38,962
Audit fee	21,475	19,800
Bad debts written off	37,663	-
Bank charges	6,635	8,801
Commissions	3,941	4,425
Computer ancillary expenses	2,190	4,029
Entertainment	1,903	50
Fines and penalties	30	2,571
Health insurance	8,555	4,493
Insurance	34,984	27,627
Legal and professional fees	47,594	73,285
Licences and fees	9,846	3,974
Miscellaneous expenses	3,090	1,056
Motor vehicle expenses	1,062	2,940
Movement in provision for bad debts	35,963	(2,173)
Office equipment maintenance	6,766	2,485
Printing and stationary	19,555	10,155
Project management fees	56,605	18,599
Publication costs	-	1,212
Realised (profit)/loss on exchange	3,915	(206)
Registration fee	3,800	3,290
Rentals	9,688	14,257
Repairs and maintenance	14,563	15,191
Security costs	1,589	1,337
Software support and maintenance	2,463	-
Staff welfare	4,656	4,088
Subscriptions	3,517	1,855
Sundry expenses	6,748	1,479
Telecommunications	29,119	20,560
Travelling and accommodation	8,380	5,828
Water and electricity	13,522	12,891
	449,927	302,861

AX Holdings Limited

Selling and distribution costs

Year ended 31 October 2007

SCHEDULE IV

Group	2007	2006
	Lm	Lm
Advertising and promotion	10,410	11,109
Business development expenses	70	14,171
Donations	1,550	2,435
Fuel and transport	12,648	34,810
Tender expenses	-	4
Travelling expenses	1,947	1,457
Water and electricity	1,355	1,485
	<u>27,980</u>	<u>65,471</u>