

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 & Touche,
1, Col. Savona Street,
Sliema,
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 2006

The director presents his report and the audited financial statements of the group and holding company for the year ended 31 October 2006.

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 July 2007 and added a five star hotel to the Group's portfolio.

The Group's real estate division saw a significant increase in turnover and profitability.

The group reports an operating profit before depreciation of *Lm2,084,929* (2005 – *Lm2,801,964*) on revenue of *Lm9,552,097* (2005 – *Lm9,999,798*). Profit before tax and minority interest amounted to *Lm468,262* (2005 – *Lm1,913,078*) after taking into account depreciation, financing costs and share of results of associated undertaking.

The group net current liability position has increased during the year from *Lm2,163,533* in 2005 to *Lm6,128,351* in 2006 mainly as a result of the debt securities in issue of *Lm2,849,036* which were due for redemption on the 23 March 2007 and as at the year-end were included with current liabilities. This redemption was successfully re-financed by a fresh bond issue after the balance sheet date.

After accounting for the profit for the year and the movements in reserves, the net assets of the group amounted to *Lm14,205,291* (2005 – *Lm13,891,491*).

The company reports a pre-tax profit for the year of *Lm284,890* (2005 – *Lm1,098,280*). After accounting for the profit for the year and the movement in reserves, the net assets of the company amounted to *Lm6,887,618* (2005 – *Lm6,817,982*).

Results and dividends

The results of the group and the company for the year ended 31 October 2006 are shown in the income statements on page five. The profit for the year after taxation and minority interest of the group was *Lm277,583* (2005 – *Lm1,315,926*) whilst the profit for the year after taxation of the company was *Lm408,311* (2005 – *Lm1,106,890*). The director does not recommend the payment of a dividend.

Post-balance sheet event

Suncrest Hotels bond issue of *Lm2,849,400* was repaid after the year-end, through part of the proceeds raised from another bond issue by AX Investments p.l.c. The bond issue is of a 10 year term and will reduce considerably the Group's working capital deficit. The Group also reacquired 2,000,000 shares in Suncrest Hotels p.l.c. thus regaining full ownership of the Company. A bond was issued for this purpose maturing in 2013. After this refinancing exercise the coupon interest paid by the group decreased from 8.25% to 6.8% per annum.

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Director's report (continued)

Year ended 31 October 2006

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 to reappoint Deloitte & Touche as auditors of the company will be proposed at the forthcoming annual general meeting.

Approved by the director and signed on 2 November 2007 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.

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Income statements

Year ended 31 October 2006

	Notes	Group		Holding Company	
		2006 Lm	2005 Lm	2006 Lm	2005 Lm
Revenue	5	9,552,097	9,999,798	958,448	1,302,724
Other operating income	6	81,147	54,321	49,318	10,037
Other operating charges		(5,099,918)	(4,893,190)	(213,647)	(174,962)
Staff costs		(2,448,397)	(2,358,965)	(108,037)	(92,756)
Depreciation		(764,883)	(629,778)	(12,165)	(11,527)
Operating profit		1,320,046	2,172,186	673,917	1,033,516
Investment losses		-	(26,419)	-	-
Share of result of associates		(20,282)	105,151	-	-
Negative goodwill written off		-	38,139	-	-
Gain on disposal of subsidiary		-	499,295	-	379,110
Other investment income	7	6,388	10,859	-	-
Finance costs	8	(837,890)	(886,133)	(389,027)	(314,346)
Profit before tax	9	468,262	1,913,078	284,890	1,098,280
Income tax (expense)/credit	12	(79,981)	201,504	123,421	8,610
Profit for the year		388,281	2,114,582	408,311	1,106,890
<i>Attributable to:</i>					
Equity holders of the parent		277,583	1,315,926		
Minority interest		110,698	798,656		
		388,281	2,114,582		

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Balance sheets

31 October 2006

	Notes	Group		Holding Company	
		2006	2005	2006	2005
		Lm	Lm	Lm	Lm
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	13	21,505,394	20,562,424	639,401	647,617
Investment property	14	9,691,141	9,375,835	650,000	650,000
Investments in subsidiaries	15	-	-	6,780,475	4,830,975
Investments in associates	15	720,756	642,508	15,070	15,070
Available-for-sale investments	15	66,163	66,163	2,123,985	2,466,050
Loans and receivables	15	-	-	2,563,931	4,647,792
Deferred tax assets	16	1,910,587	1,768,450	1,394,751	1,393,349
		33,894,041	32,415,380	14,167,613	14,650,853
Current assets					
Current tax assets		3,183	74,353	191,956	216,336
Inventories	17	2,742,467	3,506,067	151,110	151,110
Trade and other receivables	18	3,243,972	2,901,864	417,778	318,558
Cash and cash equivalents	28	360,958	450,744	3,567	1,909
		6,350,580	6,933,028	764,411	687,913
Total assets		40,244,621	39,348,408	14,932,024	15,338,766
Current liabilities					
Trade and other payables	20	4,510,602	4,192,534	95,222	125,242
Other financial liabilities	22	2,323,101	2,206,393	5,546,863	6,130,536
Bank overdrafts and loans	21	2,796,192	2,697,634	999,432	825,636
Debt securities in issue	24	2,849,036	-	-	-
		12,478,931	9,096,561	6,641,517	7,081,414
Non-current liabilities					
Bank loans	21	7,280,681	7,233,098	-	-
Other financial liabilities	22	1,443,434	1,296,699	1,263,608	1,296,699
Debt securities in issue	24	-	2,936,136	-	-
Deferred tax liabilities	25	3,282,499	3,304,365	139,281	142,671
		12,006,614	14,770,298	1,402,889	1,439,370
Total liabilities		24,485,545	23,866,859	8,044,406	8,520,784
Net assets		15,759,076	15,481,549	6,887,618	6,817,982

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Balance sheets (continued)

31 October 2006

		Group		Holding Company	
	Notes	2006	2005	2006	2005
		Lm	Lm	Lm	Lm
EQUITY					
Equity attributable to equity holders of the parent					
Share capital	26	202,000	202,000	202,000	202,000
Revaluation reserves		8,713,504	8,748,637	1,697,871	2,046,233
Capital reserves		2,679,000	2,679,000	238,498	238,498
Other reserves		111,615	113,000	-	-
Retained earnings		2,499,172	2,148,854	4,749,249	4,331,251
		<u>14,205,291</u>	<u>13,891,491</u>	<u>6,887,618</u>	<u>6,817,982</u>
Minority interest		1,553,785	1,590,058	-	-
Total equity		<u><u>15,759,076</u></u>	<u><u>15,481,549</u></u>	<u><u>6,887,618</u></u>	<u><u>6,817,982</u></u>

These financial statements were approved by the director, authorised for issue on 2 November 2007 and signed by:

Angelo Xuereb
Director

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Statement of changes in equity

Year ended 31 October 2006

Group							Attributable		Total Lm
	Share capital Lm	Revaluation Reserve Lm	Capital reserves Lm	Other reserves Lm	Retained earnings Lm	holders of the parent Lm	Minority interest Lm		
Balance at 1 November 2004	202,000	7,572,930	2,679,000	113,000	761,580	11,328,510	1,037,038	12,365,548	
Movement in deferred tax liability on revaluation	-	1,858,833	-	-	-	1,858,833	-	1,858,833	
Depreciation for the year calculated on the revalued amount	-	(71,348)	-	-	71,348	-	-	-	
Fair value movement in available-for-sale investments	-	(2,011)	-	-	-	(2,011)	-	(2,011)	
Impairment loss of land and buildings	-	(609,767)	-	-	-	(609,767)	(215,829)	(609,767)	
Effect of disposal of subsidiary	-	-	-	-	-	-	(215,829)	(215,829)	
Effect of change in shareholding of associate	-	-	-	-	-	-	248,393	248,393	
Net income recognised directly in equity	-	1,175,707	-	-	71,348	1,247,055	32,564	1,279,619	
Profit for the year	-	-	-	-	1,315,926	1,315,926	798,656	2,114,582	
Dividends	-	-	-	-	-	-	(278,200)	(278,200)	
	-	-	-	-	1,315,926	1,315,926	520,456	1,836,382	
Balance at 1 November 2005	202,000	8,748,637	2,679,000	113,000	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 for the year calculated on the revalued amount	-	(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 31 October 2006	202,000	8,713,504	2,679,000	111,615	2,499,172	14,205,291	1,553,785	15,759,076	

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Statement of changes in equity

Year ended 31 October 2006

Holding Company

	Share capital Lm	Revaluation reserves Lm	Capital reserves Lm	Retained earnings Lm	Total Lm
Balance at 1 November 2004	202,000	2,176,288	238,498	3,214,674	5,831,460
Decrease in fair value of available-for-sale investments	-	(159,100)	-	-	(159,100)
Depreciation transfer	-	(9,687)	-	9,687	-
Deferred tax liability arising on revaluation of property	-	38,732	-	-	38,732
Net income recognised directly in equity	-	(130,055)	-	9,687	(120,368)
Profit for the year	-	-	-	1,106,890	1,106,890
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 arising on revaluation of property	-	3,390	-	-	3,390
Net income recognised directly in equity	-	(348,362)	-	9,687	(338,675)
Profit for the year	-	-	-	408,311	408,311
Balance at 31 October 2006	202,000	1,697,871	238,498	4,749,249	6,887,618

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Cash flow statements

Year ended 31 October 2006

	Notes	Group		Holding Company	
		2006 Lm	2005 Lm	2006 Lm	2005 Lm
Cash flows from operating activities					
Profit before tax and minority interest		468,262	1,913,078	284,890	1,098,280
<i>Adjustments for:</i>					
Depreciation		764,883	629,778	12,165	11,527
Dividends receivable		-	-	(770,672)	(1,124,300)
Amortisation of goodwill		-	(38,139)	-	-
Impairment charge		-	26,419	-	-
Gain on disposal of property, plant and equipment		7,000	(29,203)	-	-
Share of results in associated undertakings		20,262	(105,151)	-	(379,110)
Gain on disposal of financial asset		-	(499,295)	-	(8,000)
Interest expense		837,890	886,133	389,027	314,346
Operating profit/(loss) before working capital changes		2,098,317	2,783,620	(84,590)	(87,257)
Movement in inventories		763,600	(174,255)	-	-
Movement in trade and other receivables		(383,602)	(679,114)	(99,220)	20,198
Movement in trade and other payables		441,797	(491,419)	(657,950)	1,345,369
Cash flows from operations		2,920,112	1,438,832	(841,760)	1,278,310
Net interest paid		(837,890)	(886,133)	(389,027)	(314,346)
Tax refund		101,684	30,729	68,365	-
Taxation paid		(187,398)	(142,628)	-	(55,854)
Consideration for group losses		-	-	122,019	142,539
<i>Net cash flows from operating activities</i>		<u>1,996,508</u>	<u>440,800</u>	<u>(1,040,403)</u>	<u>1,050,649</u>
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,007,223)	(1,189,760)	(3,949)	(8,064)
Payments to acquire investment property		(93,370)	(96,666)	-	-
Payments made to acquire financial assets		(78,248)	(132,607)	-	(6,387)
Proceeds from sale of property, plant and equipment		33,506	988,343	-	8,000
Receipts from disposal of financial assets		-	208,619	-	799,110
Advances from/(to) group undertakings		-	-	101,270	(1,311,493)
Advances from/(to) associated undertakings		-	-	272	1,507,609
Dividends received		-	-	770,672	1,124,300
<i>Net cash flows from investing activities</i>		<u>(2,145,335)</u>	<u>(222,071)</u>	<u>868,265</u>	<u>2,113,075</u>
Cash flows from financing activities					
Repayments/(advances) from bank borrowings		(39,662)	1,246,343	-	(2,969,618)
Repayment of debt securities		(87,100)	(1,349,830)	-	-
Proceeds from other loans		-	139,609	-	-
Repayment of long term-creditors		-	-	-	(27,381)
<i>Net cash flows from financing activities</i>		<u>(126,762)</u>	<u>36,122</u>	<u>-</u>	<u>(2,996,999)</u>
Net movement in cash and cash equivalents		<u>(275,589)</u>	<u>254,851</u>	<u>(172,138)</u>	<u>166,725</u>
Cash and cash equivalents at the beginning of the year		<u>(1,732,093)</u>	<u>(1,986,944)</u>	<u>(823,727)</u>	<u>(990,452)</u>
Cash and cash equivalents at the end of the year	28	<u>(2,007,682)</u>	<u>(1,732,093)</u>	<u>(995,865)</u>	<u>(823,727)</u>