

Registration number C 12271 / 73

JC

11 JUN 2019

FULCRUM SERVICES LIMITED

Report and consolidated financial statements
For the year ended 31 October 2018

Contents

	Page
Director's report	1 - 3
Independent auditors' report	4 - 6
Statements of profit or loss and other comprehensive income	7
Statements of financial position	8 - 9
Statements of changes in equity	10 - 11
Statements of cash flows	12
Notes to the financial statements	13 - 40

Fulcrum Services Limited

Director's report for the year ended 31 October 2018

Director	Mr Angelo Xuereb
Registered Address	AX House Mosta Road Lija LJA 9010 Malta

The director presents his report and the audited financial statements of the group and the company for the year ended 31 October 2018.

Principal activities

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

Business review

Financial year 2018 was another successful year for the Group. All the underlying operating entities performed in excess of budgeted expectations.

During the year, the Group rebranded under AX Group. This exercise led to the creation of four distinct divisions AX Care, AX Construction, AX Development & AX Hotels.

The Group's operating results for 2018 show that revenues have increased by €10,614,670 over previous year, representing an increase of 23%. Operating profits for 2018 have increased by €5,470,109 over previous year. This increase reflects an improvement of 54% over the operating profits achieved in 2017. During the year the Group continued with the ongoing revaluation programme which led to a gain on revaluation of investment property of €26,588,506. The net revaluation gain on the property classified as Property, Plant and Equipment recognised through Other comprehensive income amounted to €11,752,296. Profit after tax for the year amounted to €30,954,325 compared to €11,711,285 registered in 2017. As at year end, the Group's equity stood at €212,749,708 (2017: €172,486,236).

Each operating division achieved substantial growth, which in part reflects the strong local economy, but very reassuringly our business achieved above industry growth

In particular, one has to note that the Care division did well and we are proud that all the independent units at Hilltop Gardens Retirement Village were fully taken up last August.

The Directors expect that a number of new projects will be realised in the coming months which will continue to contribute to the growth of the Group

Dividends and reserves

The directors paid an interim dividend from the company and the group amounting to €2,016,667 and €2,451,318 respectively. They do not recommend payment of a final dividend.

Events after the reporting period

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

Director

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

Director's responsibilities

The Companies Act, 1995 requires the director to prepare consolidated financial statements for each financial year which give a true and fair view of the state of affairs of the group and the company as at the end of the financial year and of the profit or loss of the group and the company for that year in accordance with the requirements of International Financial Reporting Standards. In preparing those financial statements, the director is required to:

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

The director is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the group and the company and to enable him to ensure that the financial statements comply with the Companies Act, 1995. The director is also responsible for safeguarding the assets of the group and the company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.


Fulcrum Services Limited

Director's report
for the year ended 31 October 2018

Auditors

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

This report was approved and authorised for issue by the director on 30 April 2019, and signed on its behalf by:



Mr Angelo Xuereb
Director

Fulcrum Services Limited

Independent auditors' report to the members of Fulcrum Services Limited

Opinion

We have audited the accompanying consolidated and separate financial statements of Fulcrum Services Limited, which comprise the Statement of Financial Position as at 31 October 2018, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes

In our opinion, the financial statements give a true and fair view of the financial position of Fulcrum Services Limited as of 31 October 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Cap. 386).

Basis for Opinion

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

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

Other Information

The director is responsible for the other information. The other information comprises the Director's report. Our opinion on the financial statements does not cover the other information.

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

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

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

- the information given in the Director's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Director's report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

Fulcrum Services Limited

Independent auditors' report to the members of Fulcrum Services Limited

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

Fulcrum Services Limited

Independent auditors' report to the members of Fulcrum Services Limited

- Conclude on the appropriateness of the Director's use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the director regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Mr Darren Bugeja

For and on behalf of
Nexia BT
Certified Public Accountants

The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq taz-Zwejt
San Gwann SGN 3000
Malta

Date: 30 April 2019

Fulcrum Services Limited

Statements of profit or loss and other comprehensive income at 31 October 2018

	Notes	Group		Company	
		2018	2017	2018	2017
		€	As restated €	€	€
Revenue	4	56,466,680	45,852,010	2,016,667	2,300,000
Other operating income	5	309,099	305,035	-	-
Other operating charges		(19,580,081)	(16,161,131)	(2,377)	(1,944)
Staff costs	6	(16,251,687)	(14,631,463)	-	-
Depreciation		(5,347,867)	(5,238,416)	-	-
Operating profit		15,596,144	10,126,035	2,014,290	2,298,056
Share of results of associates		2,782	512,848	-	-
Revaluation of investment property		26,588,506	6,211,458	-	-
Investment income		1,539	10,764	-	-
Finance costs	7	(3,007,249)	(3,459,920)	-	-
Profit before taxation	8	39,181,722	13,401,185	2,014,290	2,298,056
Taxation	10	(8,227,397)	(1,689,900)	-	-
Profit for the year		30,954,325	11,711,285	2,014,290	2,298,056
Attributable to:					
Owners of the parent		30,885,175	11,678,072		
Non-controlling interest		69,150	33,213		
		30,954,325	11,711,285		
Other comprehensive income					
Gains on property revaluation		13,136,473	-	-	-
Taxation	10	(1,384,177)	-	-	-
Other comprehensive income net of tax		11,752,296	-	-	-
Total comprehensive income		42,706,621	11,711,285	2,014,290	2,298,056
Attributable to:					
Owners of the parent		42,637,471	11,678,072		
Non-controlling interest		69,150	33,213		
Total comprehensive income		43,738,471	11,711,285		

The notes on pages 13 to 40 form an integral part of these financial statements.

Fulcrum Services Limited

Statements of financial position at 31 October 2018

	Notes	Group			Company	
		2018	2017	2017	2018	2017
		€	As restated €	As previously stated €	€	€
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	11	235,044,639	223,929,683	223,929,683	-	-
Investment property	12	58,722,176	30,968,940	30,968,940	-	-
Investments in subsidiaries	13	-	-	-	1,655,530	1,655,530
Loans receivables	13	-	-	-	1,048,218	1,048,218
Investments in associates	13	7,499,182	7,495,400	9,672,969	-	-
Available for sale investments	13	5	5	5	-	-
		<u>301,266,002</u>	<u>262,394,028</u>	<u>264,571,597</u>	<u>2,703,748</u>	<u>2,703,748</u>
Current assets						
Available for sale investments	13	489,659	-	-	-	-
Inventories	14	2,369,512	2,971,100	2,971,100	-	-
Trade and other receivables	15	12,556,888	12,257,896	12,257,896	-	666,666
Cash at bank and in hand	23	6,852,390	7,353,066	7,353,066	9	9
		<u>22,268,449</u>	<u>22,582,062</u>	<u>22,582,062</u>	<u>9</u>	<u>666,675</u>
Total assets		<u>323,534,451</u>	<u>284,976,090</u>	<u>287,153,659</u>	<u>2,703,757</u>	<u>3,370,423</u>
Current liabilities						
Trade and other payables	17	14,639,150	17,655,764	17,655,764	88,031	752,320
Bank borrowings	18	2,919,013	3,760,533	3,760,533	-	-
Other financial liabilities	19	-	6,739,842	6,739,842	-	-
Current tax liabilities		3,663,413	1,142,834	1,142,834	-	-
		<u>21,221,576</u>	<u>29,298,973</u>	<u>29,298,973</u>	<u>88,031</u>	<u>752,320</u>
Non-current liabilities						
Trade and other payables	17	11,590,942	6,577,739	6,577,739	-	-
Bank borrowings	18	12,866,404	17,321,091	17,321,091	-	-
Other financial liabilities	19	826,208	642,000	642,000	-	-
Debt securities in issue	20	39,456,339	39,394,010	39,394,010	-	-
Deferred tax liabilities	21	24,823,274	19,256,041	19,256,041	-	-
		<u>89,563,167</u>	<u>83,190,881</u>	<u>83,190,881</u>	<u>-</u>	<u>-</u>
Total liabilities		<u>110,784,743</u>	<u>112,489,854</u>	<u>112,489,854</u>	<u>88,031</u>	<u>752,320</u>
Net assets		<u>212,749,708</u>	<u>172,486,236</u>	<u>174,663,805</u>	<u>2,615,726</u>	<u>2,618,103</u>


The notes on pages 13 to 40 form an integral part of these financial statements

Fulcrum Services Limited

Statements of financial position (continued) at 31 October 2018

		2018	Group 2017	2017	Company 2018	2017
	Notes	€	As restated €	As previously stated €	€	€
EQUITY						
Capital and reserves						
Share capital	22	1,164,687	1,164,687	1,164,687	1,164,687	1,164,687
Revaluation reserve		181,793,301	147,335,766	147,335,766	-	-
Other reserves		616,095	616,095	616,095	-	-
Capital reserves		3,948,666	3,948,666	3,948,666	-	-
Retained earnings		23,723,501	17,987,302	20,164,871	1,451,039	1,453,416
		<u>211,246,250</u>	<u>171,052,516</u>	<u>173,230,085</u>	<u>2,615,726</u>	<u>2,618,103</u>
Non-controlling interest		1,503,458	1,433,720	1,433,720	-	-
Total equity		212,749,708	172,486,236	174,663,805	2,615,726	2,618,103

The consolidated financial statements on pages 7 to 40 were approved by the director on 30 April 2019 and were signed on its behalf by:



Mr Angelo Xuereb
Director

The notes on pages 13 to 40 form an integral part of these financial statements

Fulcrum Services Limited

Statements of changes in equity
for the year ended 31 October 2018

GROUP	Notes	Share capital €	Revaluation reserve €	Other reserves €	Capital reserves €	Retained earnings €	Attributable to			Total €
							holders of the parent €	Non- controlling interest €		
At 31 October 2016, as previously stated	30	1,164,687	141,775,098	616,095	3,948,666	15,773,174 (1,603,276)	163,277,720 (1,603,276)	1,400,507		164,678,227 (1,603,276)
Prior year adjustment		-	-	-	-	-	-	-	-	-
At 31 October 2016, as restated		1,164,687	141,775,098	616,095	3,948,666	14,169,898	161,674,444	1,400,507		163,074,951
Profit for the year, as restated	30	-	-	-	-	11,678,072	11,678,072	33,213		11,711,285
Dividends paid		-	-	-	-	(2,300,000)	(2,300,000)	-		(2,300,000)
Other comprehensive income for the year, net of tax		-	-	-	-	-	-	-		-
Total comprehensive income for the year		-	-	-	-	9,378,072	9,378,072	33,213		9,411,285
Revaluation of investment property, net of tax		-	5,560,668	-	-	(5,560,668)	-	-		-
At 31 October 2017, as restated		1,164,687	147,335,766	616,095	3,948,666	17,987,302	171,052,516	1,433,720		172,486,236
Profit for the year		-	-	-	-	30,885,175	30,885,175	69,150		30,954,325
Dividends paid		-	-	-	-	(2,451,318)	(2,451,318)	-		(2,451,318)
Other comprehensive income for the year, net of tax		-	11,752,296	-	-	-	11,752,296	588		11,752,296
Increase in share capital		-	-	-	-	7,581	7,581	-		7,581
Accumulated loss written off on loss of control		-	-	-	-	-	-	-		-
Total comprehensive income for the year		-	11,752,296	-	-	28,441,438	40,193,734	69,738		40,263,472
Revaluation of investment property, net of tax		-	22,705,239	-	-	(22,705,239)	-	-		-
At 31 October 2018		1,164,687	181,793,301	616,095	3,948,666	23,723,501	211,246,250	1,503,458		212,749,708

Fulcrum Services Limited

Statements of changes in equity (continued) for the year ended 31 October 2018

COMPANY	Share capital €	Retained earnings €	Total €
At 31 October 2016	1,164,687	1,455,360	2,620,047
Profit for the year	-	2,298,056	2,298,056
Dividends paid	-	(2,300,000)	(2,300,000)
Total comprehensive expense for the year	-	(1,944)	(1,944)
At 31 October 2017	1,164,687	1,453,416	2,618,103
Profit for the year	-	2,014,290	2,014,290
Dividends paid	-	(2,016,667)	(2,016,667)
Total comprehensive expense for the year	-	(2,377)	(2,377)
At 31 October 2018	1,164,687	1,451,039	2,615,726

Fulcrum Services Limited

Statements of cash flows for the year ended 31 October 2018

	Notes	Group		Company	
		2018	2017	2018	2017
		€	As restated €	€	€
Cash flows from / (used in) operating activities					
Profit before taxation, as restated		39,181,722	13,401,185	2,014,290	2,298,056
<i>Adjustments for</i>					
Depreciation		5,347,867	5,238,416	-	-
Share of results of associates		(2,782)	(512,848)	-	-
Gain on disposal of investment property		(436,346)	-	-	-
Property, plant and equipment written off		18,769	7,474	-	-
Property, plant and equipment reversed		-	1,399,457	-	-
Movement in provision for bad debts		47,188	156,163	-	-
Movement in fair value of financial assets		7,765	-	-	-
Issue cost amortization		62,329	62,329	-	-
Movement in fair value of investment property		(26,588,506)	(6,211,458)	-	-
Interest expense		3,009,119	3,459,920	-	-
Interest capitalised reversed		53,710	-	-	-
Reversal of interest expensed in previous years		(2,312,905)	-	-	-
Accumulated loss written off on loss of control		7,581	-	-	-
Operating profit before working capital changes		18,395,511	17,000,638	2,014,290	2,298,056
Movement in inventories		(334,736)	(313,117)	-	-
Movement in trade and other receivables		(346,180)	(1,252,095)	-	-
Movement in trade and other payables		1,996,589	6,085,141	2,377	1,944
Cash flows from operating activities		19,711,184	21,520,567	2,016,667	2,300,000
Net interest paid		(3,024,184)	(3,440,893)	-	-
Taxation paid		(1,523,173)	(563,728)	-	-
Net cash flows from operating activities		15,163,827	17,515,946	-	-
Cash flows (used in)/from investing activities					
Purchase of property, plant and equipment		(4,215,628)	(12,951,327)	-	-
Payments to acquire investment property		(675,543)	(299,999)	-	-
Acquisition of financial assets		(498,424)	-	-	-
Proceeds from disposal of investment property		500,000	-	-	-
Proceeds from disposal of property, plant and equipment		-	1,167,200	-	-
Net cash flows used in investing activities		(4,889,595)	(12,084,126)	-	-
Cash flows used in financing activities					
Movement on bank borrowings		(4,711,310)	(1,741,684)	-	-
Movement on other loans		(3,027,383)	(773,464)	-	-
Dividends paid		(2,451,318)	(2,300,000)	(2,016,667)	(2,300,000)
Net cash flows used in financing activities		(10,190,011)	(4,815,148)	-	-
Net movement in cash and cash equivalents		84,221	616,672	-	-
Cash and cash equivalents at start of year		6,209,220	2,174,130	9	9
Cash and cash equivalents at end of year	23	6,293,441	6,209,220	9	9

1 General information

Fulcrum Services Limited is a limited liability company incorporated in Malta. The company is a holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, construction and property development. Its registered office is at AX House, Mosta Road, Lija LJA 9010, Malta

2 Accounting policies

Accounting convention and basis of preparation

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

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

Application of new and revised International Financial Reporting Standards

In 2018, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 November 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies.

The company has not applied the following and revised IFRSs that have been issued but are not yet effective:

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. This standard is effective for financial periods beginning on, or after, 1 January 2018. At this stage the group is in the process of assessing and evaluating the impact of IFRS 9.

2 Accounting policies (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service.

The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The application of IFRS 15 will have no material impact on the company's financial statements.

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance of IAS 17 Leases and the related interpretations when it becomes effective. This standard is mandatory for financial years commencing on or after 1 January 2019. At this stage the group is in the process of assessing and evaluating the impact of IFRS 16.

Basis of consolidation

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

Subsidiaries

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

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

2 Accounting policies (continued)

Basis of consolidation (continued)

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

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

Associates

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

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

Property, plant and equipment

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

Property, plant and equipment are initially recorded at cost. Except for land and buildings, they are subsequently stated at cost less accumulated depreciation and impairment losses.

2 Accounting policies (continued)

Property, plant and equipment (continued)

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made for the entire class of land and buildings and with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the date of the statement of financial position. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset

Any revaluation increase arising on the revaluation is credited to the revaluation reserve unless it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, in which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in the statement of comprehensive income to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of an asset

Every year, the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost is transferred from the revaluation reserve to retained earnings. When the asset is derecognised, the attributable revaluation surplus remaining in the revaluation reserve is transferred to retained earnings.

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

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

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

No depreciation is provided on land.

2 Accounting policies (continued)

Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the enterprise and the cost can be measured reliably. Investment property is initially recognised at cost, including transaction costs.

Subsequent to initial recognition, investment property is stated at fair value unless the investment property is classified or included in a disposal group that is classified as held for sale, in which case, the investment property is measured at the lower of its carrying amount and fair value less costs to sell. Gains or losses arising from changes in fair value of investment property are recognised in the statement of comprehensive income in the period in which the changes arise

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

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.

Financial instruments

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

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

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

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

2 Accounting policies (continued)

Financial instruments (continued)

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

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

Available for sale investments

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

Trade and other receivables

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

Trade and other payables

Trade and other payables are stated at nominal value.

Bank borrowings

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

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

Other borrowings

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

2 Accounting policies (continued)

Financial instruments (continued)

Debt securities in issue

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

Share capital

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

Inventories

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

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

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

Impairment

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

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

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

2 Accounting policies (continued)

Revenue recognition

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

Sale of goods

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

Provision of services

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

Interest income

Interest income is recognised on an accruals basis.

Dividend income

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

Borrowing costs

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

Income tax

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

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

2 Accounting policies (continued)

Leases

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

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

Assets leased out under operating leases are included in investment property in the Statement of Financial Position. Lease income from operating leases shall be recognised in income on a straight line basis over the lease term

Employee benefits

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

Cash and cash equivalents

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

Dividends

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

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

3. Critical accounting estimates and judgements

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

Fair value of property

Land and buildings and investment property owned by the group's subsidiaries are being recognised at fair value to reflect the values attributed to the property by professional architects taking account alternative use of the property held.

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

4. Revenue

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Construction works, building materials and management services	8,146,435	5,502,976	-	-
Hospitality and entertainment	39,495,143	35,743,666	-	-
Sale of property and real estate	2,198,220	50,000	-	-
Healthcare	4,763,261	3,124,010	-	-
Rental income	642,035	537,948	-	-
Dividends receivable	1,221,586	893,410	2,016,667	2,300,000
	56,466,680	45,852,010	2,016,667	2,300,000

5. Other operating income

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Ancillary services	309,099	305,035	-	-

6. Staff costs and employee information

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
<i>Staff costs</i>				
Wages and salaries	11,891,276	11,870,936	-	-
Social security costs	819,659	882,389	-	-
	12,710,935	12,753,325	-	-
Subcontracted labour	3,540,752	1,878,138	-	-
Total labour costs	16,251,687	14,631,463	-	-

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

	Group		Company	
	2018	2017	2018	2017
Management and administration	140	121	-	-
Operations and distribution	526	586	-	-
	666	707	-	-

7. Finance costs

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Interest on bank loans and overdrafts	591,287	838,494	-	-
Interest on debt securities in issue	2,400,000	2,400,000	-	-
Interest on other loans	15,962	221,426	-	-
	3,007,249	3,459,920	-	-

Fulcrum Services Limited

Notes to the Financial Statements
for the year ended 31 October 2018

8. Profit before taxation

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
<i>Profit before taxation is stated after charging:</i>				
Auditors' remuneration	75,050	72,250	1,000	600

9. Key management personnel compensation

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Director's compensation				
Short-term benefits	707,055	688,497	-	-
Other key management personnel compensation				
Salaries and social security contributions	434,298	446,082	-	-

10. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the group amounted to € 8,412,091 (2017: €10,060,586) and €9,199,972 (2017: €9,117,393).

Fulcrum Services Limited

Notes to the Financial Statements
for the year ended 31 October 2018

10. Taxation (continued)

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Malta income tax:				
Current - for the year	4,023,941	1,270,888	-	-
- over provision in respect of previous years	20,400	(105,651)	-	-
Deferred tax through Statement of comprehensive income	4,183,056	524,663	-	-
	8,227,397	1,689,900	-	-
Deferred tax through Statement of other comprehensive income	1,384,177	-	-	-
	9,611,574	1,689,900	-	-
	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Profit before taxation	40,213,572	13,975,478	2,014,290	2,298,056
Tax thereon at 35%	14,074,750	4,891,417	705,002	804,320
<i>Tax effect of</i>				
Tax effect of permanent difference	(3,935,505)	(6,125,335)	(705,002)	(804,320)
Over provision in respect of previous years	20,400	(105,651)	-	-
Tax effect of unrecognised temporary differences	(548,071)	3,029,469	-	-
Income tax expense for the year	9,611,574	1,689,900	-	-

Fulcrum Services Limited

Notes to the Financial Statements for the year ended 31 October 2018

11. Property, plant and equipment

Group	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
Fair value/cost	€	€	€	€	€	€
At 01 11 2016	203,891,158	782,001	22,135,098	487,234	29,841,177	257,136,668
Additions	7,617,490	71	2,010,621	-	3,323,145	12,951,327
Disposals	(973,237)	(312,519)	-	-	-	(1,285,756)
Reversals	(667,045)	-	(195,003)	-	(606,704)	(1,468,752)
Write offs	-	-	-	-	(9,342)	(9,342)
At 31.10.2017	209,868,366	469,553	23,950,716	487,234	32,548,276	267,324,145
Additions	2,012,634	-	569,039	107,664	1,526,291	4,215,628
Revaluation	13,136,472	-	-	-	-	13,136,472
Reversal of interest capitalised	(53,710)	-	-	-	-	(53,710)
Reclassifications	-	-	(2,024,482)	-	2,024,482	-
Transfers	(926,748)	-	-	-	(112,149)	(1,038,897)
Write offs	-	-	(1,796,490)	(10,552)	(85,245)	(1,892,287)
At 31.10.2018	224,037,014	469,553	20,698,783	584,346	35,901,655	281,691,351
Depreciation						
At 01 11.2016	7,712,578	511,343	13,753,676	406,184	15,961,984	38,345,765
Provision for the year	2,041,964	40,791	707,455	24,324	2,423,882	5,238,416
Released on disposal	-	(118,556)	-	-	-	(118,556)
Released on reversals/write offs	-	-	(9,930)	-	(61,233)	(71,163)
At 31.10.2017	9,754,542	433,578	14,451,201	430,508	18,324,633	43,394,462
Provision for the year	2,182,223	14,979	844,294	38,758	2,267,613	5,347,867
Reclassifications	-	-	(2,000,338)	-	2,000,338	-
Released on transfer	(185,350)	-	-	-	(36,749)	(222,099)
Released on write offs	-	-	(1,797,752)	(10,552)	(65,214)	(1,873,518)
At 31.10.2018	11,751,415	448,557	11,497,405	458,714	22,490,621	46,646,712
Net book value						
At 31.10.2018	212,285,599	20,996	9,201,378	125,632	13,411,034	235,044,639
At 31 10 2017	200,113,824	35,975	9,499,515	56,726	14,223,643	223,929,683

11. Property, plant and equipment (continued)

The fair value of the group's property, plant and equipment at 31 October 2018 and 31 October 2017 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

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

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Freehold land and buildings	90,570,229	89,612,200	-	-

12. Investment property

Group

	€
Fair value	
At 31 10 2016	24,394,809
Additions	299,999
Transferred from inventory	62,674
Fair value movement	6,211,458
At 31 10 2017	<u>30,968,940</u>
Additions	675,543
Revaluation	26,588,506
Disposals	(63,654)
Transfer from inventory	1,011,724
Transfer from property, plant and equipment	741,398
Reversal of interest capitalised	(1,200,281)
At 31.10.2018	<u>58,722,176</u>

The fair value of the group's investment property at 31 October 2018 and 31 October 2017 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

13. Financial assets

Group

	Available for sale investments Quoted Fair value	Available for sale investments Unquoted	Investments in associates
	€	€	As restated €
At 01.11.2016	-	5	6,982,552
Share of profits	-	-	512,848
At 31.10.2017	-	5	7,495,400
Share of profits	-	-	2,782
Additions	497,424	-	1,000
Movement in impairment of financial assets	(7,765)	-	-
At 31.10.2018	489,659	5	7,499,182
Non-current	-	5	7,499,182
Current	489,659	-	-

Company

	Investments in subsidiaries €	Subsidiary undertakings loan €
At 01.11.2017 / 31.10.2018	1,655,530	1,048,218

Investments in subsidiaries

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

Subsidiary undertakings loan

The subsidiary undertakings loan is unsecured, interest-free and has no fixed date of repayment.

Fulcrum Services Limited

Notes to the Financial Statements for the year ended 31 October 2018

13. Financial assets (continued)

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

	Group % of equity capital held		Group % of preference capital held	
	2018	2017	2018	2017
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Holdings Limited	100	100	-	-
AX Hotel Operations Limited	100	100	-	-
AX Investments p l c	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
Construction & Demolition Waste Limited (liquidated)	-	51	-	51
Harbour Connections Limited	100	100	-	-
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Gardens Retirement Village Limited	100	100	-	-
Hilltop Management Services Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Luzzu Properties Limited	100	100	-	-
Marine World Limited	100	100	-	-
Palazzo Merkanti Leisure Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Quayside Catering Ltd	100	100	-	-
Renewables Limited	100	-	-	-
Royal Hotels Limited	100	100	-	-
Simblija Care Home Limited (merged into Hilltop Gardens Retirement Village Limited)	-	100	-	100
Simblija Developments Limited	100	100	100	100
Skyline Developments Limited	100	100	-	-
St John's Boutique Hotel Limited	100	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p l c.	100	100	-	-
The Constructors Limited	75	75	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Verdala Mansions Limited	100	100	-	-
Vilhena Property Investment Limited	100	100	-	-

13. Financial assets (continued)

Investments in associates

	Group % of equity capital held		Group % of preference capital held	
	2018	2017	2018	2017
Valletta Cruise Port p.l.c.	36	36	-	-
Imsseliet Solar Limited	33	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

	2018 €	2017 €
Current assets	2,997,708	3,431,758
	<hr/>	<hr/>
Non-current assets	26,616,315	27,004,007
	<hr/>	<hr/>
Current liabilities	3,896,175	3,582,277
	<hr/>	<hr/>
Non-current liabilities	8,815,280	10,408,210
	<hr/>	<hr/>
Revenue	11,199,548	11,681,130
	<hr/>	<hr/>
Profit for the year	2,843,966	2,988,704
	<hr/>	<hr/>

14. Inventories

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Property held for development and re-sale	714,046	1,574,979	-	-
Raw materials and consumables	1,655,466	1,396,121	-	-
	<u>2,369,512</u>	<u>2,971,100</u>	<u>-</u>	<u>-</u>

15. Trade and other receivables

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Trade receivables	8,487,457	9,153,247	-	-
Provision for doubtful debts	(574,700)	(527,512)	-	-
Amounts owed by associates	25,998	-	-	-
Amounts owed by other related parties	50,852	-	-	-
Other receivables	2,905,338	2,103,920	-	666,666
Prepayments and accrued income	1,661,943	1,528,241	-	-
	<u>12,556,888</u>	<u>12,257,896</u>	<u>-</u>	<u>666,666</u>

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

16. Construction contracts

As at year-end, retentions held by customers for contract works amounted to €591,793 (2017: €475,589).

Fulcrum Services Limited

Notes to the Financial Statements for the year ended 31 October 2018

17. Trade and other payables

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Trade payables	5,822,647	6,387,659	-	-
Other payables	2,657,269	2,660,201	-	-
Amounts owed to group undertakings	-	-	85,211	750,700
Indirect taxation and social security	604,032	1,021,611	-	-
Accruals and deferred income	17,146,144	14,164,032	2,820	1,620
	26,230,092	24,233,503	88,031	752,320
Current	14,639,150	17,655,764	88,031	752,320
Non-current	11,590,942	6,577,739	-	-
	26,230,092	24,233,503	88,031	752,320

Amounts owed to group undertakings are unsecured, interest-free, and have no fixed date of repayment.

18. Bank borrowings

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Bank overdrafts/ balances overdrawn	558,949	1,143,846	-	-
Bank loans	15,226,468	19,937,778	-	-
	15,785,417	21,081,624	-	-

18. Bank borrowings (continued)

Bank overdrafts and loans are repayable as follows

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
On demand or within one year	2,919,013	3,760,533	-	-
Between two and five years	8,380,650	10,547,363	-	-
After five years	4,485,754	6,773,728	-	-
	15,785,417	21,081,624	-	-
Less amounts due for settlement within one year	(2,919,013)	(3,760,533)	-	-
Amounts due for settlement after one year	12,866,404	17,321,091	-	-

The group has aggregate bank facilities of € 15,726,468 (2017: € 23,137,778). These facilities are secured by general hypothecs over the group assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the group managing director. They bear interest at 3.9% to 5.15% per annum (2017: 3.9% to 5.15%).

19. Other financial liabilities

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Other loans	104,821	6,633,707	-	-
Shareholder's loan	237,131	537,179	-	-
Amounts owed to other related parties	484,256	210,956	-	-
	826,208	7,381,842	-	-

19. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
On demand or within one year	-	6,739,842	-	-
Between two and five years	104,821	104,821	-	-
After five years	721,387	537,179	-	-
	826,208	7,381,842	-	-
Less amounts due for settlement within one year	-	(6,739,842)	-	-
Amounts due for settlement after one year	826,208	642,000	-	-

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

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

20. Debt securities in issue

As at year-end, a subsidiary within the group had a balance of € 39,664,789 (2017: € 39,602,460) from the bond issue of €40 million, 6% bonds of €100 nominal value each, redeemable at par 2024. The amount is made up of the new bond issue of €40 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above mentioned rate.

20. Debt securities in issue (continued)

	2018	2017
	€	€
At beginning of year	39,394,010	39,540,131
Bonds purchased by a group company	-	(208,450)
	<hr/>	<hr/>
	39,394,010	39,331,681
Bond issue costs amortization for the year	62,329	62,329
	<hr/>	<hr/>
At end of year	39,456,339	39,394,010
	<hr/>	<hr/>
Falling due in after more than five years	39,456,339	39,394,010
	<hr/>	<hr/>

21. Deferred tax liabilities

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Arising on				
Excess of capital allowances over depreciation	289,545	569,176	-	-
Provision for doubtful debts	(201,145)	(184,629)	-	-
Unabsorbed tax losses and capital allowances	(1,765,943)	(2,399,540)	-	-
Revaluation of investment property	26,481,658	21,244,214	-	-
Unrealised difference on exchange	19,159	26,820	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	24,823,274	19,256,041	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

22. Called up issued share capital

	2018	2017
	€	€
Authorised		
1,000 ordinary shares of €2.329373 each	2,330	2,330
499,000 redeemable cumulative preference shares of €2 329373 each	1,162,357	1,162,357
	1,164,687	1,164,687
	2018	2017
	€	€
Called up issued and fully paid up		
1,000 ordinary shares of €2 329373 each	2,330	2,330
499,000 redeemable cumulative preference shares of €2 329373 each	1,162,357	1,162,357
	1,164,687	1,164,687

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

The preference shares carry no voting rights.

23. Cash and cash equivalents

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

	Group		Company	
	2018	2017	2018	2017
	€	€	€	€
Cash at bank and in hand	6,852,390	7,353,066	9	9
Bank overdrafts/ balances overdrawn	(558,949)	(1,143,846)	-	-
	6,293,441	6,209,220	9	9

24. Contingent liabilities

At 31 October 2018, the group had the following contingent liabilities, for which no provision has been made in these financial statements:

- The Commissioner of Lands is claiming damages for illegal occupation of land by a subsidiary. This case has been pending for many years, and the subsidiary is objecting to these claims.
- As at year-end, two subsidiaries had blocked funds relating to a garnishee order in favour of third parties amounting to €74,994 (2017: €73,294). The directors are confident that the outcome of all the above claims will be in favour of the subsidiaries.
- At 31 October 2018, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2017 : €146,433).
- Various guarantees were given in favour of third parties amounting to €8,720,659 (2017: €8,396,845).
- A subsidiary is engaged in legal action in respect of a claim against it amounting to €5,000 (2017: €5,000). The subsidiary is objecting to this claim. No provision has been made in these financial statements in respect of this action.

25. Contingent assets

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

26. Capital commitments

As at 31 October 2018, one of the subsidiaries had a capital commitment to undertake the refurbishment of a hotel in Sliema. Moreover, two other subsidiaries had capital commitments to finalise construction works and make operational a hotel in Valletta. Another subsidiary had a capital commitment to construct a mixed development in Mosta for an estimate value of €6.5 million.

27. Ultimate controlling party

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

28. Risk management objectives and policies

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

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

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

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

Credit risk

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 13, 15 and 23.

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

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

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

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

Cash is placed with reliable financial institutions.

Liquidity risk

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

28. Risk management objectives and policies (continued)

Liquidity risk (continued)

At 31 October 2018 and 31 October 2017, the contractual maturities on the financial liabilities of the company and the group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

Group	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
	2018 €	2018 €	2018 €	2018 €	2017 €	2017 €	2017 €	2017 €
Bank borrowings	1,399,120	1,590,429	9,920,877	4,976,757	1,441,244	1,625,671	10,734,235	7,653,305
Other borrowings	1,560,000	1,560,000	12,480,000	42,110,898	8,328,886	5,163,136	12,480,000	57,226,841
	<u>2,959,120</u>	<u>3,150,429</u>	<u>22,400,877</u>	<u>47,087,655</u>	<u>9,770,130</u>	<u>6,788,807</u>	<u>23,214,235</u>	<u>64,880,146</u>

Foreign currency risk

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

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

Interest rate risk

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

29. Capital management policies and procedures

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

30. Prior year adjustment

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

		Investments in associates €
At 01.11.2016, as previously stated		8,585,828
Prior year adjustment		(1,603,276)
At 01.11.2016, as restated		<u>6,982,552</u>
Share of profits, as previously stated	1,087,141	
Prior year adjustment	(574,293)	
Share of profits, as restated	<u>512,848</u>	
At 31.10.2017, as restated		<u>7,495,400</u>

		Retained Earnings €
At 01.11.2016, as previously stated		16,673,174
Prior year adjustment		(1,603,276)
At 01.11.2016, as restated		<u>15,069,898</u>
Profit for the year, as previously stated	12,252,365	
Prior year adjustment	(574,293)	
Profit for the year, as restated	<u>11,678,072</u>	
Dividends paid		(2,300,000)
Revaluation of investment property, net of tax		(5,560,668)
At 31.10.2017, as restated		<u>18,887,302</u>