



COMPANY ANNOUNCEMENT

The following is a company announcement issued by AX Holdings Limited (C3595) pursuant to the Listing Rules issued by the Listing Authority:

The Board of Directors of AX Holdings Limited have approved the Company's Report and Financial Statements for the year ended 31st October 2020.

These accounts are attached herewith and are available for viewing on the AX Holdings website (<https://axinvestmentsplc.com/financial-statements/>) and at the Company's registered office (AX Business Centre, Triq id-Difiza Civili, Mosta) as from today.



Dr. Ian Vella Galea
Company Secretary

26th February 2021

Company Announcement AXI216

Registration number C 3595

AX HOLDINGS LIMITED

Annual report and consolidated and separate
financial statements

For the year ended 31 October 2020

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

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AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Directors, Officers and Other Information

Registration: AX Holdings Limited was registered in Malta as a Liability Company under the Companies Act, Cap. 386 of the Laws of Malta on 27 January 1977, with the registration number C 3595.

Directors: Mr Angelo Xuereb
Ms Denise Micallef Xuereb
Ms Claire Zammit Xuereb
Mr Josef Formosa Gauci
Mr Christopher Paris
Mr John Soler
Mr Michael Warrington

Secretary: Dr Ian Vella Galea

Registered Office: AX House
Mosta Road
Lija, LJA 9010
Malta

Country of incorporation: Malta

Company registration number: C 3595

Auditors: Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Centre
Msdia, MSD 1751
Malta

Bankers: Bank of Valletta p.l.c.
Labour Avenue
Naxxar
Malta

Legal adviser: Dr David Wain
AX Group
AX Business Centre
Trq id-Difiza Civili
Mosta, MST 1741
Malta

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Directors' Report

The directors present their annual report and the audited financial statements of AX Holdings Limited ("the Company") and its subsidiaries ("the Group") for the year ended 31 October 2020.

Principal activities

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

Performance review

Company

The loss for the year amounted to EUR2,996,165 (2019: EUR430,056). During the year, the Company received less dividends when compared to previous year. The Company is in the process of merging with AX Group p.l.c., the Company's immediate parent. The Company's rights, obligations, assets and liabilities, will be amalgamated with those of its parent once the merger is finalised.

Group

2020 was a year of contrasting results. During the period from November 2019 until February 2020 all the Group's business sectors were performing well with results for this period exceeding budget as well as prior year. As COVID-19 struck that strong performance changed in different ways in the different sectors.

The Hospitality sector was the worst hit as we had to close the hotels for a 10-week period. When the airport reopened in July, we quickly saw demand return, but it was nowhere near the 2019 level. The Care sector had its own challenges. We had to ask the residents of the Simblija Care Home and Hilltop Gardens Retirement village to enforce a strict lock down of the entire complex. Our employees moved into the village too to ensure the safety of our residents. This brought about a significant increase in operating cost.

The Construction Sector continued to operate although with some capacity limitations. What followed the initial wave of the pandemic was a drastic slowdown in new orders and a number of projects were put on hold. Nevertheless, the construction division retained its momentum with Group projects, the main focus being on the completion of the construction of Falcon House in Sliema and the Targa Gap complex in Mosta.

With other revenue streams under pressure, we took the strategic decision to expedite a number of projects in the Development division. We were successful in obtaining the outline development permits for the Verdala site in Rabat, the extension of the Suncrest Hotel as well as the Sunny Coast Resort in Qawra.

We also saw the completion and inauguration of the Imselliet Solar power plant in Mgarr. Valletta Cruise Port experienced a difficult year with most of the cruise calls cancelled and significantly reduced food and beverage activity at the Valletta Waterfront.

Revenue decreased by EUR23,200,782 over the previous year, mainly due to the impact of the COVID-19 pandemic as noted above. Operating results during the year decreased by EUR14,433,256. The Group's loss before taxation for the year is EUR8,232,822 (2019: profit of EUR6,402,133). As at year end, the AX Group's equity stood at EUR216,498,334 (2019: EUR238,161,329).

Having made an appropriate assessment of going concern as discussed in Note 2.1 to these financial statements, the Directors, at the time of approving these financial statements, have determined that there is reasonable expectation that the Group has adequate resources to continue operating for the foreseeable future. For this reason, these financial statements have been prepared on a going concern basis which assumes that the Group will continue in operational existence for the foreseeable future and will meet its financial obligations as and when they fall due.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Directors' Report – continued

Financial Key Performance Indicators

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Operating income	29,056,495	52,217,716	802,530	3,523,502
Operating (loss)/profit	(4,372,571)	10,060,685	(1,701,814)	569,322
Net finance cost	(3,539,586)	(2,997,015)	(2,549,163)	(1,696,036)
Net (loss)/ profit after tax	(7,885,859)	4,571,042	2,966,165	(430,056)
Total equity and liabilities	349,668,264	352,398,571	102,521,390	75,140,402

Principal risks and uncertainties

The Company is exposed to risks inherent to its operation and can be summarized as follows:

1. Strategy risk

Risk management falls under the responsibility of the Board of Directors. The Board is continuously analysing its risk management strategy to ensure that risk is adequately identified and managed. The Audit Committee of the AX Group regularly reviews the risk profile adopted by the Board of Directors.

2. Operational risks

The Company's revenue is mainly derived from interest charges and rental income charged to related parties and hence the Company is heavily dependent on the performance of the AX Group. The Company regularly reviews the financial performance of the AX Group of companies to ensure that there is sufficient liquidity to sustain its operations.

3. Legislative risks

The Company is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the Company's ability to operate. The Company has embedded operating policies and procedures to ensure compliance with existing legislation.

Financial risk management and exposures

Note 33 to the financial statements provides a detailed analysis of the financial risk to which the Company is exposed.

Dividends and reserves

The Directors do not recommend payment of a final dividend.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Directors' Report – continued

Events after the reporting period

The Company is in the process of merging with AX Group p.l.c., the Company's immediate parent. The Company's rights, obligations, assets and liabilities, will be amalgamated with those of its parent once the merger is finalised.

Directors

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

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the board of directors and signed on its behalf on 25 February 2021 by:



MR ANGELO XUEREB
Chairman



MR MICHAEL WARRINGTON
Chief Executive Officer

Directors' Report – continued**Statement of Directors' Responsibilities**

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company and the Group at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the directors should:

- adopt the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business;
- select suitable accounting policies and 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 directors are 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 directors 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 directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of AX Holdings Limited

Report on the audit of the financial statements

Opinion

We have audited the separate and consolidated financial statements of AX Holdings Limited (the "Company") and its subsidiaries (the "Group"), set on pages 10 to 61, which comprise the separate and consolidated statements of financial position as at 31 October 2020, and the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 October 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* as issued by the *International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other 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 opinion.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of AX Holdings Limited

Report on the audit of the financial statements

Other information

The directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group'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 Company or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of AX Holdings Limited

Report on the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements - continued

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism 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 Company's and the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the 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 Company's and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

INDEPENDENT AUDITOR'S REPORT to the Shareholders of AX Holdings Limited

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and the Group and their environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have not nothing to report in this regard.

We also have responsibilities under the Companies Act to report if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.



*The partner in charge of the audit resulting in this independent auditor's report is
Christopher Balzan for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

25 February 2021

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Profit and Loss and Other Comprehensive Income

	Notes	Group		Company	
		2020 EUR	Restated 2019 EUR	2020 EUR	2019 EUR
Revenue	7	28,715,967	51,916,749	802,530	3,523,502
Other operating income	8	340,528	300,967	-	-
Other operating charges		(12,764,208)	(17,325,076)	(488,393)	(1,039,942)
Staff costs	9	(13,577,524)	(18,251,879)	(1,806,217)	(1,808,672)
Depreciation	15	(7,087,334)	(6,580,076)	(209,734)	(105,566)
Operating (loss)/profit		(4,372,571)	10,060,685	(1,701,814)	569,322
Share of results of associates	17	(320,665)	(661,537)	-	-
Interest income	10	61	43	-	-
Finance costs	11	(3,539,647)	(2,997,058)	(2,549,163)	(1,696,036)
(Loss)/profit before taxation		(8,232,822)	6,402,133	(4,250,977)	(1,126,714)
Taxation	14	346,963	(1,831,091)	1,254,812	696,658
(Loss)/profit for the year		(7,885,859)	4,571,042	(2,996,165)	(430,056)
Attributable to:					
Owners of the parent		(7,842,599)	4,515,889		
Non-controlling interest		(43,260)	55,153		
		(7,885,859)	4,571,042		
Other comprehensive income					
(Loss)/gain on property revaluation		(14,921,966)	19,574,690	-	-
Taxation	14	1,532,062	(2,293,423)	-	-
Other comprehensive (loss)/income, net of taxation		(13,389,904)	17,281,267	-	-
Total comprehensive (loss)/income		(21,275,763)	21,852,309	(2,996,165)	(430,056)
Attributable to:					
Owners of the company		(21,232,503)	21,797,156		
Non-controlling interest		(43,260)	55,153		
Total comprehensive (loss)/income		(21,275,763)	21,852,309		

The notes on pages 16 to 61 form an integral part of these financial statements.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Financial Position

	Notes	Group			Company	
		2020 EUR	Restated 2019 EUR	Restated 01.11.2018 EUR	2020 EUR	2019 EUR
Non-current assets						
Property, plant and equipment	15	250,054,604	267,752,367	243,541,114	4,730,793	4,685,412
Investment property	16	75,646,399	58,804,763	56,303,424	4,550,000	4,550,000
Investment in subsidiaries	17	-	-	-	72,700,744	19,550,742
Investment in associates	17	6,512,097	6,832,761	7,494,298	26,164	26,164
Loans	17	-	457,228	918,109	-	42,829,347
		<u>332,213,100</u>	<u>333,847,119</u>	<u>308,256,945</u>	<u>82,007,701</u>	<u>71,641,665</u>
Current assets						
Inventories	18	4,968,461	3,054,921	2,369,512	12,466	12,466
Trade and other receivables	19	9,409,020	13,324,536	12,556,888	19,848,286	2,622,765
Available for sale investments	17	-	-	489,659	-	-
Current tax assets		1,048,322	-	-	649,380	861,390
Cash at bank and in hand	20	2,029,361	2,171,995	6,852,381	3,557	2,116
		<u>17,455,164</u>	<u>18,551,452</u>	<u>22,268,440</u>	<u>20,513,689</u>	<u>3,498,737</u>
Total assets		<u>349,668,264</u>	<u>352,398,571</u>	<u>330,525,385</u>	<u>102,521,390</u>	<u>75,140,402</u>
Current liabilities						
Trade and other payables	22	14,977,791	16,376,124	14,635,579	1,217,908	1,065,223
Bank borrowings	24	5,375,904	2,633,355	2,919,013	-	2,656
Other financial liabilities	25	454,620	-	-	24,640,020	-
Current tax liabilities		-	613,811	1,929,231	-	-
		<u>20,808,315</u>	<u>19,623,290</u>	<u>19,483,823</u>	<u>25,857,928</u>	<u>1,067,879</u>
Non-current liabilities						
Trade and other payables	22	13,902,405	13,456,255	11,590,942	199,034	-
Debt securities in issue	23	39,194,547	39,518,498	39,456,339	-	-
Bank borrowings	24	7,192,376	12,560,687	12,866,404	-	-
Other financial liabilities	25	27,376,940	2,675,237	826,208	50,314,667	44,614,821
Deferred tax liabilities	26	24,695,347	26,403,375	24,386,870	806,223	784,666
		<u>112,361,615</u>	<u>94,693,152</u>	<u>89,126,763</u>	<u>51,319,924</u>	<u>45,399,487</u>
Total liabilities		<u>133,169,930</u>	<u>114,237,242</u>	<u>108,610,586</u>	<u>77,177,852</u>	<u>46,467,366</u>
Net assets		<u>216,498,334</u>	<u>238,161,329</u>	<u>221,914,799</u>	<u>25,343,538</u>	<u>28,673,036</u>

The notes on pages 16 to 61 form an integral part of these financial statements.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Financial Position - continued

EQUITY	Notes	Group			Company	
		2020	2019	2018	2020	2019
		EUR	(As restated) EUR	(As restated) EUR	EUR	EUR
Capital and reserves						
Share capital	27	470,533	470,533	470,533	470,533	470,533
Revaluation reserve	27	185,890,949	200,861,644	183,899,177	2,982,703	2,982,703
Other reserve	27	886,303	886,303	886,303	555,551	555,551
Retained earnings	27	28,238,704	34,833,844	35,604,934	21,334,751	24,664,249
		<u>215,486,489</u>	<u>237,052,324</u>	<u>220,860,947</u>	<u>25,343,538</u>	<u>28,673,036</u>
Non-controlling interest		<u>1,011,845</u>	<u>1,109,005</u>	<u>1,053,852</u>	-	-
Total equity		<u>216,498,334</u>	<u>238,161,329</u>	<u>221,914,799</u>	<u>25,343,538</u>	<u>28,673,036</u>

The financial statements on pages 10 to 61 were approved by the Board of Directors on 25 February 2021 and were signed on its behalf by:



MR ANGELO XUEREB
Chairman



MR MICHAEL WARRINGTON
Chief Executive Officer

The notes on pages 16 to 61 form an integral part of these financial statements.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Changes in Equity

Group	Share	Revaluation	Capital	Retained	Attributable to	Attributable to	Total
	capital	reserve	Reserve	earnings	owners of	non-controlling	
	EUR	EUR	EUR	EUR	the company	interest	
At 1 November 2018 (as previously stated)	470,533	181,393,301	4,834,969	23,173,477	209,872,280	1,503,458	211,375,738
Effect of restatement	-	2,505,876	(3,948,666)	12,431,457	10,988,667	(449,606)	10,539,061
At 1 November 2018 (as restated)	470,533	183,899,177	886,303	35,604,934	220,860,947	1,053,852	221,914,799
Adjustment from the adoption of new IFRSs retrospectively	-	-	-	(193,422)	(193,422)	-	(193,422)
Adjusted balance at 1 November 2018	470,533	183,899,177	886,303	35,411,512	220,667,525	1,053,852	221,721,377
Profit for the year (as restated)	-	-	-	4,515,889	4,515,889	55,153	4,571,042
Other comprehensive income for the year, net of tax	-	17,281,267	-	-	17,281,267	-	17,281,267
Total comprehensive income	-	17,281,267	-	4,515,889	21,797,156	55,153	21,852,309
Dividends paid (Note 27)	-	-	-	(5,412,357)	(5,412,357)	-	(5,412,357)
Fair value movement of investment property, net of tax	-	(318,800)	-	318,800	-	-	-
At 31 October 2019	470,533	200,861,644	886,303	34,833,844	237,052,324	1,109,005	238,161,329
Loss for the year	-	-	-	(7,842,599)	(7,842,599)	(43,260)	(7,885,859)
Other comprehensive income for the year, net of tax	-	(13,389,904)	-	-	(13,389,904)	-	(13,389,904)
Total comprehensive income	-	(13,389,904)	-	(7,842,598)	(21,232,503)	(43,260)	(21,275,763)
Dividends paid (Note 27)	-	-	-	(333,333)	(333,333)	(53,900)	(387,233)
Fair value movement of investment property, net of tax	-	(1,580,791)	-	1,580,791	-	-	-
At 31 October 2020	470,533	185,890,949	886,303	28,238,704	215,486,489	1,011,845	216,498,334

The notes on pages 16 to 61 form an integral part of these financial statements.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Changes in Equity – continued

Company

	Share capital EUR	Revaluation reserve EUR	Capital reserve EUR	Retained earnings EUR	Total EUR
At 1 November 2018	470,533	5,228,119	555,551	28,315,369	34,569,572
Adoption of new IFRS	-	-	-	(54,123)	(54,123)
At 1 November 2018 (as adjusted)	470,533	5,228,119	555,551	28,261,246	34,515,449
Loss for the year	-	-	-	(430,056)	(430,056)
Total comprehensive loss	-	-	-	(430,056)	(430,056)
Dividends paid (Note 27)	-	-	-	(5,412,357)	(5,412,357)
Fair value movement of investment property, net of tax	-	(2,245,416)	-	2,245,416	-
At 31 October 2019	470,533	2,982,703	555,551	24,664,249	28,673,036
Loss for the year	-	-	-	(2,996,165)	(2,996,165)
Total comprehensive loss	-	-	-	(2,996,165)	(2,996,165)
Dividends paid (Note 27)	-	-	-	(333,333)	(333,338)
At 31 October 2020	470,533	2,982,703	555,551	21,334,751	25,343,538

The notes on pages 16 to 61 form an integral part of these financial statements.

AX HOLDINGS LIMITED

Annual Report and Consolidated and Separate Financial Statements for the year ended 31 October 2020

Statements of Cashflows

	Group		Company	
	2020	Restated 2019	2020	2019
	EUR	EUR	EUR	EUR
Cash flows from operating activities				
(Loss)/profit before taxation	(8,232,822)	6,402,133	(4,250,977)	(1,126,714)
<i>Adjustments for:</i>				
Depreciation	7,087,334	6,257,629	209,734	105,566
Share of results of associates	320,665	661,537	-	-
Movement in provision for bad debts	-	(118,603)	-	-
Issue cost amortisation	62,329	62,159	-	-
Movement in impairment of financial assets	-	(7,765)	-	-
Property, plant and equipment written off	-	16,652	-	-
Expected credit loss	67,188	(34,757)	44,324	14,514
Loss on disposal property, plant and equipment	-	6,779	-	-
Interest expense	3,539,647	2,997,058	2,549,163	1,696,036
Loss on disposal of financial asset	-	13,141	-	-
Operating profit before working capital changes	2,844,341	16,255,963	(1,447,756)	689,402
Movement in inventories	(1,913,540)	(517,200)	-	-
Movement in trade and other receivables	3,154,698	(176,550)	(771,801)	(71,657)
Movement in trade and other payables	(1,052,184)	3,505,262	18,386	4,881,571
Cash flows from/ (used in) operating activities	3,033,315	19,067,475	(2,201,171)	5,499,316
Net interest paid	(3,539,647)	(3,001,283)	(2,549,163)	(1,696,036)
Net taxation (paid)/received	(1,491,136)	(3,101,082)	1,488,379	(638,264)
Net cash flows (used in)/ from operating activities	(1,997,468)	12,965,110	3,261,955	3,165,016
Cash flows from investing activities				
Acquisition of property, plant and equipment	4,311,537	(9,841,905)	(255,115)	(377,124)
Proceeds from disposal of property, plant and equipment	-	533,626	-	-
Acquisition of investment property	(16,341,636)	(4,601,339)	-	-
Proceeds from disposal of investment property	-	-	-	-
Proceeds from disposal/(acquisition) of financial assets	-	484,283	-	(2,398)
Advances to group undertakings	-	-	-	(6,314,636)
Net cash flows used in investing activities	(20,653,173)	(13,425,335)	(255,155)	(6,694,158)
Cash flows from financing activities				
Movement in bank borrowings	1,756,577	(1,930,020)	-	-
Movement from a new bank loan	(4,382,339)	1,300,610	-	-
Movement in other loans	24,312,815	161,049	-	-
Movement in amounts owed to related parties	-	(3,789,835)	3,521,167	3,528,546
Dividends paid to minority interest	(53,900)	-	-	-
Dividends paid	(233,333)	-	-	-
Net cash flows from/ (used in)/ financing activities	21,399,820	(4,258,196)	3,521,167	3,528,546
Net movement in cash and cash equivalents	(1,250,821)	(4,718,421)	4,097	(596)
Cash and cash equivalents at start of year	1,575,021	6,293,432	(540)	56
Cash and cash equivalents at end of year (Note 18)	324,200	1,575,011	3,557	(540)

The notes on pages 16 to 61 form an integral part of these financial statements.

Notes to the Financial Statements

1. GENERAL INFORMATION

AX Holdings Limited (C 3595) is a limited liability company incorporated in Malta. The company is a holding company of AX Group, which is mainly involved in the provision of hospitality and entertainment services, construction, healthcare and property development. Its registered office is at AX House, Mosta Road, Lija LJA 9010, Malta.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

The financial statements have been prepared on a historical cost basis, except for investment property and land and buildings which are stated at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Significant accounting policies are disclosed in Note 5 and accounting estimates are disclosed in Note 6.

These financial statements are presented in Euro (EUR) which is the Company's functional currency. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.1 GOING CONCERN

On 11 March 2020, the World Health Organisation (WHO) declared the COVID-19 outbreak to be a global pandemic. The local authorities responded by introducing measures aimed at containing the spread of the virus and minimising fatalities. The Hospitality sector of the Group was constrained to close all the AX Group's hotels, restaurants and bars resulting in the loss of revenue for the months of April, May and the early part of June. These restrictions started to be eased in June. However, social distancing rules, certain travel restrictions and restrictions on capacity in retail establishments still applied. Some measures continued throughout the year and are still in place at the time of writing.

The Hospitality sector is the largest business sector within the AX Group and hence, the present and future impact of the COVID-19 situation has had and will continue to have a material impact on profitability and results. With the re-opening of the Malta International Airport in July 2020, a rise in hotel reservations was noted but this is still short of normal operating levels.

The Group operates in four key business sectors: Construction, Development, Care and Hospitality. This diversification is a key strength of the Group since if a particular market suffers a setback, the other business sectors may help compensate for that loss. This was in fact the case in 2020, whereby management accelerated activity in the development division's ongoing property developments. The development division moved forward with a number of new projects - the Verdala site in Rabat, the extension of the Suncrest Hotel as well as the Sunny Coast Resort in Qawra.

The Care division continued to operate but with significantly higher cost structures due to the precautionary measures that were taken to safeguard the residents at Hilltop Gardens Retirement Village and the Simblija Care Home.

AX Construction also continued to operate with little disruption but with higher operating cost structures. The division's order book slowed down during the first few months of the pandemic, but demand has since picked up at a strong pace.

The AX Group's investment in Valletta Cruise Port p.l.c. was also impacted by the pandemic. Cruise lines cancelled all trips planned for most of the year. The retail outlets, bars and restaurants at the Valletta Waterfront were all compelled to close as a result of the restrictions imposed.

Notes to the Financial Statements – continued

2.1 GOING CONCERN - continued

Profitability

During the year, the Group has experienced a reduction in revenue of 44.69% over the previous year and has reported a loss for the year of EUR7,885,959. Despite the reduction in revenue, the Group still managed to report a positive EBITDA of EUR2,714,763. This result is attributable to several factors:

i. Strong performance pre Covid-19.

Pre COVID-19, all operating units within the Group were achieving and, in some cases, exceeding budgeted performance. Following the addition of AX-Rosselli Hotel in Valletta in June 2019, the hospitality division exceeded previous year revenues by almost 20% and previous year Gross Operating Profit by 52%.

ii. Management's quick response

Management took immediate action to curtail both operational and capital expenditure. For a number of months senior management, employees in the hospitality division and head office employees were asked to work reduced hours. On the other hand, certain capital investment that were not deemed critical was postponed to future dates.

iii. Internal operating structures

Throughout the years, the Group has adopted a strategy to acquire a number of sites in close proximity to one another. This strategy of managing properties in clusters together with internal re-organisation were key factors that yielded various benefits, including economies of scale and cost efficiencies especially in this period of unparalleled disruption.

iv. Government support

A key element supporting the ability to operate at these low levels is the Government wage supplement. This assistance has been renewed in the 2021 Government budget up until 31st March 2021. Without this crucial support, the AX Group would have to reconsider its commitment to retain the employees in its hospitality division on full pay.

It is still uncertain as to when this pandemic will be over. However, Governments around the world are in the process of administering mass vaccinations to the population in order to reduce transmission of the virus.

Liquidity

As at 31 October 2020, the Group's current liabilities exceeded its current assets by EUR3,353,151 (2019: EUR1,071,838) whereas the Group's total assets exceeded its total liabilities by EUR216,498,334 (2019: EUR238,161,329). However, EUR2,330,167 of the current liabilities relate to deferred income which do not impact cash flows.

The AX Group took various steps to retain a high level of liquidity in line with Group policy. In December 2019 the ultimate parent company, AX Group p.l.c., successfully raised EUR25,000,000 by way of two bond issues that are listed on the Malta Stock Exchange. Both issues were oversubscribed, and the proceeds of the issues have been used as indicated in the prospectus to acquire two properties, one in Merchants Street, Valletta and the other in Marsa as well as to repay bank loans and for general corporate funding purposes.

As at reporting date, the Group had aggregate banking facilities of EUR29,079,844 (2019: EUR26,196,448) of which EUR15,880,407 (2019: EUR11,002,407) were undrawn banking facilities. During the financial year, the Group had successfully negotiated various bank loan repayment moratoriums with its' bankers which have been extended till Q1 of 2021.

Notes to the Financial Statements – continued**2.1 GOING CONCERN – continued***Liquidity – continued*

The undrawn banking facility referred to above includes an EUR8 million loan granted under the Company Guarantee Scheme by the Government of Malta through the Malta Development Bank. The purpose of the loan is to cover working capital requirements and shortfall in cashflow resulting from the impact of the COVID-19 pandemic.

The development division of the Group has successfully concluded a number of promises of sale agreements on Targa Gap in Mosta and Falcon House in Sliema. The contracts are expected to be signed in the first six months of 2021 for a net cash generation of circa EUR4 million. The Group is in advanced negotiations for the sale of the remaining units and is confident that the sale of the remaining stock will be concluded in 2021.

Furthermore, should it be deemed necessary, the Group may consider the disposal of a parcel of land having a market value of circa EUR10 million which is currently classified as stock of immovable property.

Despite the increase in gearing, the Group still retains a low gearing ratio of 33.1% as at reporting date. This places the Group in a good position should it need to raise further funding through bank loans or the issue of debt securities.

Forecast

Management has prepared an eighteen-month forecast for the Group in order to assess the impact of the current crisis on the businesses. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of demand, along with management's proposed responses over the course of the period. The base case scenario includes the benefits of actions already taken by management to mitigate the trading downsides brought by COVID-19. The forecast also includes the curtailment of capital expenditure in the Group's hotels in which only essential hotel maintenance is planned. A minimum level of capital expenditure is still budgeted on other projects. Management has also considered a stress tested scenario, in which a slower recovery in the economy is forecasted with current restrictions remaining in place for a longer period. Under all scenarios tested, the Group is expected to continue to have sufficient liquidity relative to the funding available to it.

Management has concluded that as a result of the strength of the Group's financial position and the measures being taken by management to address and mitigate the impact of the COVID-19 crisis, the Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive. Accordingly, based on information available at the time of approving these financial statements management has reasonable expectation that the Group will meet all its obligations as and when they fall due over the foreseeable future and therefore, that the going concern basis adopted for the preparation of these financial statements is appropriate.

3. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS

Reclassifications and restatements have been identified which are treated as corrections of prior period errors and corrected retrospectively. As a result, comparative information has been restated and a third Statement of Financial Position as at 1 November 2018 has been presented to reflect correction of errors in the opening balances for the earliest prior period presented. Below is a description of the nature of such errors and effects on the items affected as at 1 November 2018, 31 October 2019 and for the year then ended

a. Reserves

A reclassification between the other reserve, capital reserve, revaluation reserve, non-controlling interest and retained earnings was required to rectify the calculations of these reserves as at 1 November 2018 and 31 October 2019.

Notes to the Financial Statements – continued**3. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS - continued****b. Property, Plant and equipment***i. Accumulated depreciation not eliminated at the date of revaluation*

The accounting policy of the Group is to measure its Land and Buildings within Property, Plant and equipment at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. Up to 1 November 2018 and 31 October 2019, accumulated depreciation was being partially eliminated at the date of the revaluation. The restatement has an effect on the carrying amount of land and buildings, revaluation reserve and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and other comprehensive income for the year ended 31 October 2019.

ii. Depreciation overprovided on land

Up to 1 November 2018 and 31 October 2019, the Group was providing depreciation on land and buildings at 1% on a straight-line basis on the combined value of land and buildings, as opposed to at 2% on a straight-line basis on the value of the buildings. The restatement has an effect on the carrying amount of land and buildings and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and on depreciation charge for the year ended 31 October 2019.

c. Taxation

Up to 1 November 2018 Group's tax charge was incorrectly calculated resulting in an overstatement with a corresponding overstatement in current tax liabilities. The restatement has an effect on retained earnings and current tax liabilities as at 1 November 2018. This error was carried forward to 31 October 2019.

d. Minority interest

Minority interest up to 1 November 2018 was overstated, with a corresponding effect in retained earnings.

e. Deferred tax liabilities

Deferred tax liabilities up to 1 November 2018 was incorrectly calculated resulting in an overstatement, with a corresponding effect in retained earnings.

AX Holdings Limited

Annual Report and Consolidated and Separate Financial Statements for the year 31 October 2020

Notes to the Financial Statements – continued

3. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS – continued

The impact of the prior period reclassifications and restatements on the consolidated statement of comprehensive income and the consolidated statement of financial position is as follows:

	Adjustment	As previously reported	Re-statement	As restated
Effect on amounts as at 1 November 2018				
Property, plant and equipment	b	235,044,639	8,496,475	243,541,114
Current tax liabilities	c	3,663,413	(1,734,182)	1,929,231
Deferred tax liabilities	e	24,695,274	(308,404)	24,386,870
Non-controlling interest	d	1,503,458	(449,606)	1,053,852
Revaluation reserve	a	181,393,301	2,505,876	183,899,177
Other reserve	a	4,834,969	(3,948,666)	886,303
Retained earnings	All	23,173,477	12,431,457	35,604,934
Effect on amounts for the year ended 1 November 2019				
Consolidated statement of financial position				
Property, plant and equipment	b	257,748,673	10,003,694	267,752,367
Retained earnings	b	22,724,834	12,109,010	34,833,844
Consolidated statement of comprehensive income				
Depreciation	b(ii)	6,257,629	322,447	6,580,076
Profit for the year				
<i>Other comprehensive income</i>				
Fair value movement on PPE	b(i)	17,745,024	1,829,666	19,574,690
Total comprehensive income for the year				

Notes to the Financial Statements – continued

4. BASIS OF CONSOLIDATION

Subsidiaries are those companies in which the Group, directly or indirectly, has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements comprise the financial statements of AX Holdings Limited (“the Company”) and its subsidiaries (“the Group”) as at 31 October 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group’s voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group’s accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

AX Holdings Limited

Annual Report and Consolidated and Separate Financial Statements for the year 31 October 2020

Notes to the Financial Statements – continued

4. BASIS OF CONSOLIDATION – continued

These consolidated financial statements comprise the Company and its subsidiaries, namely:

Subsidiaries

	Group % of equity and voting rights held		Group % of preference shares held	
	2020	2019	2020	2019
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Hotel Operations p.l.c.	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	-	-
Central Leisure Developments Limited	100	100	100	100
Harbour Connections Limited	100	100	-	-
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Gardens Retirement Village Limited	100	100	-	-
Hilltop Management Services Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Luzzu Properties Limited	100	100	-	-
AX Business Park Limited	100	100	-	-
Palazzo Merkanti Leisure Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Renewables Limited	100	100	-	-
Royal Hotels Limited	100	100	-	-
Simblija Developments Limited	100	100	-	-
Skyline Developments Limited	100	100	100	100
St. John's Boutique Hotel Limited	100	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l.c.	100	100	-	-
41M Limited (formally The Waterfront Entertainment Venture Ltd)	100	100	-	-
Verdala Mansions Limited	100	100	-	-
AX Real Estate Limited	100	100	-	-
Engage People Limited	100	100	-	-

The registered address of these subsidiaries is AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in the financial statements presented, unless otherwise stated.

5.1 Standards, interpretations and amendments to published standards endorsed by the European Union effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017
- Amendment to IFRS 16: Leases (Covid-19 Related Rent Concessions)

The Group applied IFRS 16 Leases for the first time. The nature and effect of the change as a result of adoption of this new accounting standard are described below. Several other amendments and interpretations apply for the first time during the current year, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standard, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 November 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 November 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

Amendment to IFRS 16 Leases (Covid-19 Related Rent Concessions)

The amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue.

The adoption of these standards did not have significant impact on the financial statements or performance of the Group.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.2 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective**

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Group has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 17 Insurance Contracts (effective for financial year beginning on or after 1 January 2023)
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Group. The Group will adopt the changes in standards on their effective date.

5.3 Standards, interpretations and amendments that are not yet endorsed by the European Union

These are as follows:

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to:
 - i. IFRS 3 Business Combinations (issued 14 May 2020);
 - ii. IAS 16 Property, Plant and Equipment (issued 14 May 2020);
 - iii. IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued 14 May 2020);
 - iv. Annual Improvements 2018-2020 (issued 14 May 2020).

The Group is still assessing the impact that these new standards will have on the financial statements.

5.4 Revenue from contracts with customers

Revenue includes all revenues from the ordinary business activities of the Group and is recorded net of value added tax. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Group has generally concluded that it is the principal in its revenue arrangements.

The Group recognises revenue from the following major sources:

- i. Sale of goods
- ii. Provision of hospitality services primarily accommodation in hotels and boutique properties and catering services offered by the Group outlets
- iii. The provision of accommodation services within a retirement home, independent living facilities and other ancillary services
- iv. Construction, turnkey and restoration works of residential, commercial and industrial properties

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.4 Revenue from contracts with customers – continued**

i. Sale of goods

The Group, through its subsidiaries, sells food and beverage products and healthcare items directly to customers through its own outlets. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the outlet or property. Customers do not have the right of return and no warranties are given on the items sold.

ii. Provision of services - Hospitality and healthcare

The Group, through various subsidiaries, provides hospitality and healthcare services. Revenue from healthcare services is partly recognised at a point in time when transferring control of the contracted service to the customer and partly is recognised over time, on a systematic basis based on the period consumed as a proportion to the contractual period. Revenue from Hospitality is recognised at a point in time when transferring control of the contracted service to the customer.

iii. Provision of services – Construction

The Group provides construction related works to its customers. Revenue from construction works is recognised over time, based on the proportion of works performed to date. The directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS15. The Group becomes entitled to invoice customers for construction works, when a third-party assessor signs off a certificate confirming the achievement of a milestone.

5.5 Employee benefits

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

5.6 Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the profit and loss in the period in which they are incurred.

5.7 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.8 Government Grants**

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the grant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

5.9 Taxation**i. Current income tax**

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the country where the Group operates and generates taxable income.

Current income tax is charged or credited to profit or loss. Current income tax relating to items realized directly in equity is realized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The charge 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.

ii. Deferred income tax

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 is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

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

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.10 Fair Value Measurement**

The Group measures non-financial assets such as investment properties at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

For assets and liabilities that are recognised in the financial statements at fair value on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

5.11 Investment in subsidiaries

Subsidiaries are all entities over which the investor has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Company

Investments in subsidiaries are initially recognized at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequent to initial recognition, the investments are measured at the lower of their carrying amounts and fair value less costs to sell.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.12 Investment in associates**

An associated undertaking is an entity over which the Company and Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are initially recognized at cost.

Group

The Group subsequently recognizes for the investment in associates using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity movements of the associate, after adjustments to align the accounting policies of the Group, from the date that significant influence commences until the year ended 31 October 2020. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Groups' share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. The use of the equity method should cease from the date that significant influence ceases.

Company

The Company subsequently measures the investments in associates using the lower of their carrying amounts and fair value less costs to sell.

5.13 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets*Initial recognition and measurement*

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

- i. Financial assets at amortised cost (debt instruments)
- ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
- iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- iv. Financial assets at fair value through profit or loss

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.13 Financial instruments - continued**

i. Financial assets

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost (debt instruments) are the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's debt instruments at amortised cost includes loans and receivables, trade and other receivables and cash and cash equivalents which are classified under this category.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group holds no financial assets in this category.

Financial assets at fair value through OCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.13 Financial instruments - continued****Financial assets at fair value through profit or loss**

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at fair value through profit or loss (FVTPL). Specifically:

- Investments in equity instruments are classified as at FVTPL. However, a company may designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets measured at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses including foreign exchange gains and losses, recognised in profit or loss.

Where applicable, dividend income is recognised with other dividend income, if any, arising on other financial assets within the line item 'Investment income'. Where applicable, interest income is disclosed within the line item 'Investment income'. Fair value gains and losses are recognised within the line items 'Investment income' and 'Investment losses' respectively.

The Group holds no financial assets in this category.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

ii. **Financial liabilities***Initial recognition and measurement*

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings and trade and other payables.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.13 Financial instruments - continued**

ii. Financial liabilities

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.13 Financial instruments – continued**

iii. Impairment of financial assets - continued

General approach

Under the general approach, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition rather than on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The 12-month ECL is calculated by multiplying the 12-month Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is impaired.

Simplified approach

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

iv. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.14 Impairment of non-financial assets**

All other assets are tested for impairment in terms of this accounting policy, except for financial assets measured at FVTPL, equity instruments designated at FVTOCI, inventories, deferred tax assets, and investment property measured at fair value.

At the end of each reporting period, the carrying amount of assets, including cash-generating units, 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. The recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less 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, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

5.15 Property, plant and equipment

Property, plant and equipment other than land and buildings are initially recorded at cost. These are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price and any directly attributable cost of preparing the asset for its intended use.

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.

Depreciation is provided on the below items, at rates intended to write down the cost less residual value 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:

Improvements	10% per annum
Furniture, fixtures and fittings	5% - 33% per annum
Computer equipment	20% per annum
Plant and machinery	5% - 20% per annum

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into consideration in determining the operating profit. The residual useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group during the financial period in which they are incurred.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.16 Revaluation of land and buildings**

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 revalued amount 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 revaluations at the date of the statement of financial position. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

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

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

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	2%
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5.17 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognized 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 properties are initially measured at cost, including transaction costs, less impairment losses. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit and loss in the period in which they arise, including the corresponding tax effect. Fair values are determined by a professionally qualified architect/surveyor on the basis of market values.

Investment properties are derecognized either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

Notes to the Financial Statements – continued**5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued****5.18 Inventories**

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stock.

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.

5.19 Cash and cash equivalents

Cash and cash equivalents are defined as cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to significant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding overdrafts.

5.20 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity.

5.21 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.

5.22 Provisions

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the financial reporting date and are discounted to present value when the effect is material. Provisions are reviewed each financial reporting date and adjusted to reflect the current best estimate.

5.23 Related parties

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

Notes to the Financial Statements – continued**6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS**

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known.

Except for the below, in the opinion of the Directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

Judgements

In the process of applying the Group's accounting policies, the Directors have made the following judgements:

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.

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

Fair value of land and buildings and investment property

The Group uses the services of professional valuers to revalue the land and buildings and investment property. The professional valuers take into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- A use that is physically possible, takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).
- A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property).
- A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 18, the Group uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of land and building and investment property. Note 18 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

Notes to the Financial Statements – continued

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - continued

Provision for expected credit losses of trade receivables

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

7. REVENUE

Revenue by category of activity:

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Construction works, building materials	6,039,800	4,858,354	-	-
Management services	-	-	591,460	1,299,522
Hospitality and entertainment	15,378,122	38,115,440	-	-
Healthcare	5,876,608	5,680,459	-	-
Sale of property and real estate	750,000	-	-	-
Rental income	671,436	544,810	128,595	268,980
Dividends receivable	-	2,717,686	82,475	1,955,000
	28,715,967	51,916,749	802,530	3,523,502

Construction works, building materials and management services, hospitality and entertainment, healthcare and sale of property and real estate fall under IFRS 15 and are recognized as follows:

Timing of revenue recognition

Group

	2020	2019
	EUR	EUR
<i>At a point in time</i>		
Sale of property and real estate	750,000	-
Hospitality and entertainment	15,378,122	38,115,440
Healthcare	1,532,412	1,402,550
	17,660,534	39,517,990
<i>Over time</i>		
Construction works, building materials and management services	5,563,531	4,858,354
Healthcare	4,344,196	4,277,909
	9,907,727	9,136,263

Company

Management services are recognized at a point in time.

AX Holdings Limited

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Notes to the Financial Statements – continued

8. OTHER OPERATING INCOME

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Ancillary services	340,528	300,967	-	-

9. STAFF COSTS

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
<i>Personnel costs</i>				
Wages and salaries	11,146,324	13,904,899	1,746,392	1,744,495
Social security costs	934,101	972,458	59,825	64,177
	12,080,425	14,877,357	1,806,217	1,808,672
Subcontracted labour	2,510,686	4,708,530	-	-
Salaries capitalised	(1,013,587)	(1,334,008)	-	-
Total staff costs	13,577,524	18,251,879	1,806,217	1,808,672

Wages and salaries are net of COVID-19 related wage supplement received from the Government of Malta during the period March to October 2020 amounting to EUR1,629,944.

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

	Group		Company	
	2020	2019	2020	2019
Management and administration	127	144	35	35
Operations and distribution	501	517	3	-
	628	661	38	35

10. INTEREST INCOME

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Interest received from investments	61	43	-	-

AX Holdings Limited

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Notes to the Financial Statements – continued

11. FINANCE COSTS

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Interest on bank loans and overdrafts	273,824	584,146	26,021	125
Interest on debt securities in issue	2,400,000	2,400,000	-	-
Interest on amounts payable to parent	841,078	-	2,523,142	1,695,911
Interest on other loans	28,330	12,912	-	-
Unrealised exchange differences	(3,585)	-	-	-
	3,539,647	2,997,058	2,549,163	1,696,036

12. EXPENSES BY NATURE

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Auditor's remuneration				
For audit services	103,500	83,950	6,000	10,000
For non-audit services	9,500		400	
Depreciation	7,087,334	6,580,076	209,374	105,566
Movement in allowance for expected losses	23,305	(34,757)	(44,324)	14,514
Amortisation of bond issue costs	62,329	62,159	-	-

13. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Directors' compensation				
Short-term benefits	784,704	810,857	741,704	767,857

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Other key management personnel compensation				
Salaries and social security contributions	517,237	654,873	206,241	178,573

Notes to the Financial Statements – continued
14. TAXATION

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the company amounted to EUR8,266,080 (2019: EUR8,266,080) and EUR Nil (2019: EUR Nil) and in the group amounted to EUR15,582,283 (2019: EUR15,535,844) and EUR39,197 (2019: EUR13,963).

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Malta Income Tax:				
Current – for the year (i)	(170,892)	2,095,572	3,704	25,909
– losses surrendered	-	-	(1,280,573)	(369,916)
– tax adjustment in respect of previous years	-	12,537	-	-
Deferred tax through profit or loss	(176,071)	(277,018)	21,557	(352,651)
	(346,963)	1,831,091	(1,254,812)	(696,658)
Deferred tax through other comprehensive income	(1,532,062)	2,293,423	-	-
Tax (credit)/charge for the year	(1,879,025)	4,124,514	(1,254,812)	(696,658)

(i) Current income tax credit for the year relates to tax at source refundable net of withholding taxes.

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

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
(Loss)/profit before taxation	(8,232,822)	6,402,133	(4,250,977)	(1,126,714)
Tax thereon at 35%	(2,881,489)	2,240,747	(1,487,848)	(394,350)
Tax effect of permanent differences	1,002,462	1,617,432	233,036	(302,308)
Tax effect of unrecognised temporary differences	-	25,086	-	-
Tax adjustment in respect of previous years	-	12,537	-	-
Tax charge/(credit) for the year	(1,879,025)	4,124,514	(1,254,812)	(696,658)

Notes to the Financial Statements – continued
15. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings EUR	Improvements EUR	Plant and machinery EUR	Motor vehicles EUR	Furniture, fixtures and equipment EUR	Total EUR
Fair value/cost						
At 01.11.2018	224,037,014	469,553	20,698,783	584,346	35,901,655	281,691,351
Additions	663,929	-	1,024,550	263,117	7,890,309	9,841,905
Revaluation	19,574,690	-	-	-	-	19,574,690
Transfer to inventory	(168,209)	-	-	-	-	(168,209)
Transfer from investment property	2,100,000	-	-	-	-	2,100,000
Disposal	(445,246)	-	(42,177)	(24,834)	(559,789)	(1,072,046)
Write offs	-	(440,220)	-	-	(148,428)	(588,648)
Transfer*	(1,829,666)	-	-	-	-	(1,829,666)
At 31.10.2019 (As restated)	243,932,512	29,333	21,681,156	822,629	43,083,747	309,549,377
Additions	777,572	-	608,102	9,000	3,041,658	4,446,332
Revaluation	(14,921,966)	-	-	-	-	(14,921,966)
Disposal	(118,081)	-	-	(11,188)	-	(129,269)
Write offs	-	-	-	-	-	-
Transfer*	(6,614,636)	-	-	-	-	(6,614,636)
At 31.10.2020	223,055,401	29,333	22,289,258	820,441	46,125,405	292,319,838
Depreciation						
At 01.11.2018 (As previously stated)	11,751,415	448,557	11,497,405	458,714	22,490,621	46,646,712
Effect of restatement (Note 3)	(8,496,475)	-	-	-	-	(8,496,475)
At 01.11.2018 (As restated)	3,254,940	448,557	11,497,405	458,714	22,490,621	38,150,237
Provision for the year	2,704,180	1,465	933,007	91,059	2,850,365	6,580,076
Released on disposal	-	-	(29,903)	(24,834)	(476,904)	(531,641)
Released on write offs	-	(425,092)	-	-	(146,904)	(571,996)
Transfer*	(1,829,666)	-	-	-	-	(1,829,666)
At 31.10.2019	4,129,454	24,930	12,400,509	524,939	24,717,178	41,797,010
Provision for the year	3,093,290	4,403	918,942	17,542	3,053,157	7,087,334
Provision released on disposal	-	-	-	(4,474)	-	(4,474)
Transfer*	(6,614,636)	-	-	-	-	(6,614,636)
At 31.10.2020	608,108	29,333	13,319,451	538,007	27,770,335	42,265,234
Net book value						
At 31.10.2020	222,447,293	-	8,969,807	282,434	18,355,070	250,054,604
At 31.10.2019 (As restated)	239,803,058	4,403	9,280,647	297,690	18,366,569	267,752,367
At 01.11.2018 (As restated)	220,782,074	20,996	9,201,378	125,632	13,411,034	243,541,114

*This transfer relates to accumulated depreciation at the date of revaluation, eliminated against the gross carrying amount for the asset.

Notes to the Financial Statements – continued
15. PROPERTY, PLANT AND EQUIPMENT – continued

The Group's land and buildings were revalued by independent professional qualified valuers. The surplus on revaluation was transferred to the revaluation reserve. Note 6 provides detailed information regarding the key assumptions used in performing such revaluation. The directors assumed that the fair value of these additions is equivalent to its cost.

The carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR54,153,972 (2019: EUR53,376,400).

Company	Land and buildings EUR Fair value	Plant and machinery EUR Cost	Motor vehicles EUR Cost	Total EUR
At 1.11.2018	4,557,879	1,023,287	236,503	5,817,669
Additions	112,599	68,973	195,552	377,124
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2019	4,670,478	1,092,260	432,055	6,194,793
Additions	-	367,546	-	367,545
Reversals	(112,430)	-	-	(112,430)
Transfer*	(354,606)	-	-	(354,606)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2020	4,203,442	1,459,806	432,055	6,095,302
	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation				
At 1.11.2018	354,606	845,228	203,981	1,403,815
Provision for the year	-	56,256	49,310	105,566
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2019	354,606	901,484	253,291	1,509,381
Provision for the year	23,363	109,634	76,737	209,734
Transfer*	(354,606)	-	-	(354,606)
	<hr/>	<hr/>	<hr/>	<hr/>
At 31.10.2020	23,363	1,011,118	330,028	1,364,509
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31.10.2020	4,180,079	448,688	102,027	4,730,793
	<hr/>	<hr/>	<hr/>	<hr/>
Net book value				
At 31.10.2019	4,315,872	190,776	178,764	4,685,412
	<hr/>	<hr/>	<hr/>	<hr/>

*This transfer relates to accumulated depreciation at the date of revaluation, eliminated against the gross carrying amount for the asset.

Notes to the Financial Statements – continued**16. INVESTMENT PROPERTY**

	Group EUR	Company EUR
Fair value		
At 31 October 2018	58,722,176	7,610,000
Additions	4,601,339	
Disposals	(2,418,752)	(508,584)
Transfer to property, plant and equipment	(2,100,000)	(2,551,416)
At 31 October 2019	58,804,763	4,550,000
At 31 October 2019	58,804,763	-
Additions	16,841,636	-
At 31 October 2020	75,646,399	4,550,000

Valuation process

The Group's land and buildings are classified as either property, plant and equipment or investment property depending on their intended use. Land and buildings are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the international valuation standards and professional practice.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses any property valuation movements when compared to the prior year valuation report and hold discussions with the independent valuer, as necessary.

For all properties, their current use equates to the highest and best use.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group's property has been determined to fall within level 3 of the fair value hierarchy. The different levels in the fair value are defined in Note 5.10.

AX Holdings Limited

Annual Report and Consolidated and Separate Financial Statements for the year 31 October 2020

Notes to the Financial Statements – continued

16. INVESTMENT PROPERTY - continued

Details of the investment property and land and buildings and information about their fair value hierarchy as at the end of the year:

Group

(i) Investment property

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Land	18,755,896	18,755,896	06/01/2019
	28,877,092	28,877,092	18/10/2018
	3,703,550	3,703,550	10/11/2017
	750,000	750,000	16/12/2019
Commercial property	4,249,418	4,249,418	31/10/2019
	3,588,930	3,588,930	10/11/2017
	5,705,038	5,705,038	31/10/2020
	367,520	367,520	31/10/2020
Residential	4,994,269	4,994,269	28/01/2019
	3,800,000	3,800,000	07/08/2013
	854,686	854,686	10/11/2017
Total	75,646,399	75,646,399	

(ii) Land and buildings

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Commercial property	178,639,202	178,639,202	19/12/2020
Commercial property	2,100,000	2,100,000	31/10/2019
Commercial property	36,669,508	36,669,508	28/12/2018
Total	217,408,710	217,408,710	

Company

(i) Investment property

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Land	750,000	750,000	16/12/2019
Residential	3,800,000	3,800,000	07/08/2013
Total	4,550,000	4,550,000	

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

Description of valuation techniques used and key inputs to valuation of lands and buildings and investment properties

For investment property categorized under Level 3 of the fair value hierarchy, the valuation was determined by a combination of the market approach, the replacement cost approach and the income capitalization approach as applicable.

Notes to the Financial Statements – continued

16. INVESTMENT PROPERTY - continued

Group

(i) *Investment Property*

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR8,205,868	Market approach	Based on the prices of similar property.	The higher the rates, the higher the fair value.
Land amounting to EUR18,755,896*	Income capitalisation approach	The inputs used to calculate the total value of the property on completion is an annual return of EUR145 per square meter at a capitalisation rate of 5%.	The higher the capitalisation rate, the lower the fair value. The higher the annual return per square meter the higher the fair value.
Land amounting to EUR4,453,550	Market approach	Based on the prices of similar property.	The higher the rates for land, the higher the fair value.
Commercial property amounting to EUR5,705,038	Market approach	Market transaction	The higher the rates, the higher the fair value.
Residential property amounting to EUR3,800,000	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings the higher the fair value.
Residential property amounting to EUR854,686	Market approach	Based on the prices of similar property.	The higher the rates for land, the higher the fair value.
Residential property amounting to EUR28,877,092	Market approach	The valuation of investment property was based on market rates for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market.	The higher the market rates, the higher the fair value
Residential property amounting to EUR4,994,269	Income capitalisation approach	Capitalisation rate at 4% and a yearly rental income of EUR144,000	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.

*This amount includes an amount of EUR7,000,674 which was acquired during the year and for which cost is deemed to be equal to fair value.

Notes to the Financial Statements – continued
16. INVESTMENT PROPERTY – continued
Group – continued

 (ii) *Land and Buildings*

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR165,778,944	Average of Income capitalization approach and replacement cost approach	Income capitalization approach: EBIDTA Range between EUR212,682 and EUR4,495,091, capitalisation yield of 8.33%, land appreciation of 4.5% per annum, discount rate for commercial property sale at termination 6% and discount rate for future income of 11.83%. Replacement cost approach: This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value. Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property*	Income capitalisation approach	The main inputs used are a rental income of EUR414,500 per annum, a management cost of 5% and a capitalisation rate of 5.75%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and the lower the management cost the higher the fair value.
Commercial property amounting to EUR2,100,000	Market approach	The value of the property is based on the selling price of a similar commercial property.	The higher the market rate, the higher the fair value.
Commercial property*	Market approach	Market rate per square meter and EUR1,750/sqm which was multiplied by 1.5 given the exclusive setting of the project and by 1.2 considering the location. Units enjoying country views have been factored upward by 25% while those enjoying town views have been factored upward by 15%. The value of the committed units was reduced taking into account a growth of 3.5% per annum discounted at a rate of 8.5%.	The higher the market rate, the higher the fair value. The higher the growth rate and the lower the discount rate the higher the fair value
Commercial property amounting to EUR12,860,258	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property*	Replacement cost approach	The main inputs used were EUR350/sqm for shell construction, EUR180/sqm for building services, EUR200/sqm to EUR300/sqm for finishings depending on the area, EUR150/sqm for landscaped areas and EUR300/sqm for the pool area. Property, plant and equipment with a net book value of EUR10,400,000 was deducted from the total valuation.	The higher the rates the higher the fair value

*Total fair value of such commercial properties amounts to EUR36,669,508.

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

Notes to the Financial Statements – continued

16. INVESTMENT PROPERTY – continued

Company

(i) *Investment Property*

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR750,000	Market approach	Based on the prices of similar property.	The higher the rates, the higher the fair value.
Residential property amounting to EUR3,800,000	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings the higher the fair value.

17. FINANCIAL ASSETS

Group

	Loans to parent and other related parties EUR	Investments in associates EUR	AFS investments quoted fair value EUR	Financial assets at FVTPL EUR	AFS investments unquoted EUR
At 31 October 2018	918,109	7,494,298	489,659	-	5
Share of results	-	(661,537)	-	-	(5)
Transfer	-	-	(489,659)	489,659	-
Movement for the year	(460,881)	-	-	-	-
Disposal	-	-	-	(497,424)	-
Movement in impairment of financial assets	-	-	-	7,765	-
At 31 October 2019	457,228	6,832,761	-	-	-
Share of results	-	(320,665)	-	-	-
Movement for the year	(457,228)	-	-	-	-
At 31 October 2020	-	6,512,097	-	-	-

Loans to other related party

Loans to other related party are unsecured, interest-free and have no fixed date of repayment but expected to be paid within 12 months from the reporting date. Accordingly, this balance was transferred to current assets during the year. The entity determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

AX Holdings Limited

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Notes to the Financial Statements – continued

17. FINANCIAL ASSETS – continued

Investments in associates

The Group has a 36% interest and voting rights in Valletta Cruise Port p.l.c. (2019: 36%) and 33% interest and voting rights in Imselliet Solar Limited (2019: 33%). The entities are privately owned entities registered and operating in Malta and are not listed on any public exchange. The Group's interest in Valletta Cruise Port p.l.c. and Imselliet Solar Limited is accounted for using the equity method in the consolidated financial statement.

The Group's carrying amount of the investments includes goodwill amounting to EUR1,449,613 (2019: same) resulting upon acquisition of an interest at an amount higher than its book value.

The following table illustrates the summarised financial information of the Group's investment in these entities:

	2020 EUR	2019 EUR
Current assets	3,656,023	5,850,255
Non-current assets	53,427,332	54,430,151
Current liabilities	4,739,872	3,812,145
Non-current liabilities	37,653,191	39,973,389
Revenue	3,373,376	11,244,022
(Loss)/Profit for the year	(1,058,027)	3,170,740

The associates had no contingent liabilities or capital commitments at 31 October 2020 and 31 October 2019.

Notes to the Financial Statements – continued

17. FINANCIAL ASSETS – continued

Company	Investment in subsidiaries EUR	Investment in associates EUR	Loans to group undertakings EUR	Total EUR
Cost				
At 01.11.2018	19,660,844	26,164	33,826,801	53,513,809
Additions	2,398	-	9,071,183	9,073,581
Disposal	(112,500)	-	-	(112,500)
At 31.10.2019	19,550,742	26,164	42,897,984	62,474,890
Cost				
At 01.11.2019	19,550,742	26,164	42,829,347	62,406,253
Additions	-	-	25,588,624	25,588,624
Capital contributions	53,200,000	-	(53,200,000)	-
Disposal	(49,998)	-	-	(49,998)
Transfer to current	-	-	(15,217,971)	(15,217,971)
At 31.10.2020	72,700,744	26,164	-	72,726,908
Expected credit loss				
At 01.11.2019	-	-	83,151	(83,151)
Movement for the year	-	-	-	-
Transfer to current	-	-	(83,151)	(83,151)
Net book value				
At 31.10.2020	72,700,744	26,164	-	72,726,908
At 31.10.2019	19,550,742	26,164	42,829,347	62,406,253

Investment in subsidiaries

The list of subsidiaries is disclosed in Note 4. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

During the year ended 31 October 2020, certain loans receivable from group undertakings have been capitalised as a capital contribution. This is irrevocable in nature and may only be reduced or cancelled, whether in part or in full, at the discretion of the subsidiary.

Investment in associates

Investment in associates are measured at cost.

Loans to group undertakings

Loans to other related party are unsecured, interest-free and have no fixed date of repayment but expected to be paid within 12 months from the reporting date. Accordingly, this balance was transferred to current assets during the year. The entity determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

The entity determines the expected credit loss allowance on the group undertakings loans based on a probability of default of 0.16% and a loss given default of 100%.

AX Holdings Limited

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Notes to the Financial Statements – continued

18. INVENTORIES

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Property held for development and re-sale	3,619,793	1,189,647	12,466	12,466
Raw materials and consumables	1,348,668	1,865,274	-	-
	4,968,461	3,054,921	12,466	12,466

19. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Trade receivables (i)	3,160,479	6,391,424	28,449	6,937
Provisions for doubtful debts (i)	(202,029)	(456,097)	-	-
Allowance for ECL on trade receivables (i)	(179,336)	(157,949)	-	-
	2,779,115	5,777,378	28,449	6,937
Amounts owed by associates (ii)	1,371,714	1,091,247	-	-
Amounts owed by other related parties (ii)	16,051	49,956	16,051	-
Amounts owed by subsidiaries (ii)			16,498,044	-
Shareholders' current accounts (iii)	1,613,043	630,444	1,949,604	747,439
Other receivables	2,328,083	4,472,987	1,356,138	1,868,389
Prepayments and accrued income	1,301,014	1,302,524	-	-
	9,409,020	13,324,536	19,848,286	2,622,765

AX Holdings Limited

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Notes to the Financial Statements – continued

19. TRADE AND OTHER RECEIVABLES - continued

- (i) Impairment for financial assets - trade receivables

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31 October 2020 was determined as follows:

		Current	>30 days	>60 days	>90 days	>180 days	>365 days	Total
Expected credit loss rate	%	0.09-2.39	0.12-2.94	0.16-3.78	0.85-6.9	1.73-8.68	100	
Gross carrying amount	EUR	858,783	190,487	189,925	243,652	1,206,674	470,957	3,160,479
Lifetime expected credit loss	EUR	426	1,536	2,550	464	27,566	127,251	179,336
Provision for doubtful debts	EUR	-	-	-	-	202,029	-	202,029

- (ii) Amounts owed by associates, amounts owed by subsidiaries and amounts owed by other related parties are unsecured, interest-free and repayable on demand. Amounts owed by associates relate to dividends receivable.

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

20. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Cash at bank and in hand	2,029,361	2,171,995	3,557	2,116
Bank overdrafts/ balances overdrawn	(2,353,561)	(596,984)	-	(2,656)
	<u>(324,200)</u>	<u>1,575,011</u>	<u>3,557</u>	<u>(540)</u>

21. CONSTRUCTION CONTRACTS

As at year-end, retentions held by customers for contract works amounted to EUR669,740 (2019: EUR350,848).

AX Holdings Limited

Annual Report and Consolidated and Separate Financial Statements for the year 31 October 2020

Notes to the Financial Statements – continued

22. TRADE AND OTHER PAYABLES

	Group		Company	
	2020 EUR	2019 EUR	2020 EUR	2019 EUR
Trade payables (i)	4,288,246	5,380,473	396,399	149,929
Other payables	3,938,338	3,613,135	739,330	788,828
Indirect taxation and social security	522,743	767,718	253,227	87,258
Accruals and deferred income	20,130,869	20,071,053	27,986	39,208
	28,880,196	29,832,379	1,416,942	1,065,223
Current	14,977,791	16,376,124	1,217,908	1,065,223
Non-current	13,902,405	13,456,255	199,034	-
	28,880,196	29,832,379	1,416,942	1,065,223

(i) Trade payables are non-interest bearing and repayable within a 60-day term

AX Holdings Limited

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23. DEBT SECURITIES IN ISSUE

Group

During 2014, AX Investments p.l.c., a subsidiary company, issued an aggregate principal amount of EUR40,000,000 bonds (2014 -2024), having a nominal value of EUR100 each, bearing interest at the rate of 6% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 3 February 2014. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 31 October 2020 for the 6% bonds (2014 – 2024) was 104 (2019: 112). Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate. The parent company, AX Holdings Limited, has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all payment obligations undertaken by the subsidiary under the bonds if it fails to do so.

As at year end, AX Investments p.l.c. had a balance of EUR39,789,277 from this bond issue. The amount is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds.

	2020	2019
	EUR	EUR
At beginning of year	39,518,498	39,456,339
Bonds held by group companies	(386,280)	
Bond issue costs amortisation for the year	62,329	62,159
	<hr/>	<hr/>
At end of year	39,194,547	39,518,498
	<hr/>	<hr/>
Falling due between two and five years	39,194,547	39,518,498
Falling due after more than five years	-	-
	<hr/>	<hr/>
At end of year	39,194,547	39,518,498
	<hr/>	<hr/>

Notes to the Financial Statements – continued**24. BANK BORROWINGS**

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Bank loans	10,214,719	14,597,058	-	2,656
Bank overdraft (Note 20)	2,353,561	596,984	-	-
	12,568,280	15,194,042	-	2,656

Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
On demand or within one year	5,375,904	2,633,355	-	2,656
Between two and five years	4,946,695	9,289,348	-	-
After five years	2,245,681	3,271,339	-	-
Total bank borrowings	12,568,280	15,194,042	-	2,656
Current	5,375,904	2,633,355	-	2,656
Non- current	7,192,376	12,560,687	-	-
Total bank borrowings	12,568,280	15,194,042	-	-

The Group has aggregate bank facilities of EUR29,079,844 (2019: EUR26,196,448) of which EUR15,880,407 (2019: EUR11,002,407) were undrawn as at the reporting date. 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 ultimate controlling party. They bear interest at 3.25% to 5.15% per annum (2019: 3.9% to 5.15%).

Notes to the Financial Statements – continued**25. OTHER FINANCIAL LIABILITIES**

	Group		Company	
	2020	2019	2020	2019
	EUR	EUR	EUR	EUR
Amounts owed to subsidiaries (i)	-	-	47,577,747	44,614,821
Amounts owed to parent (ii)	27,376,940	-	27,376,940	-
Amounts owed to other related parties (iii)	454,620	2,570,416	-	-
Other payables	-	104,821	-	-
Total other financial liabilities	27,831,560	2,675,237	74,954,687	44,614,821
Current	454,620	-	24,640,020	-
Non-current	27,376,940	2,675,237	50,314,667	-
	27,831,560	2,675,237	74,954,687	-

(i) Amounts owed to subsidiaries

Amounts owed to subsidiaries, except for an aggregate amount of EUR22,937,727 which bears interest at 6.25%, are unsecured, interest free and have no fixed date of repayment. Discussions are underway within the Group on the restructuring of these amounts owed.

(ii) Amounts owed to parent

Amounts owed to parent company are unsecured and bear interest at 4% per annum.

(iii) Amounts owed to other related parties

Amounts owed to other related parties are unsecured, interest-free and repayable on demand.

AX Holdings Limited

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Notes to the Financial Statements – continued

26. DEFERRED TAX LIABILITIES

	Group			Company	
	2020	Restated	Restated	2020	2019
	EUR	2019	01.11.2018	EUR	EUR
		EUR	EUR		
Arising on:					
Excess of capital allowances over depreciation	498,333	464,558	289,545	37,258	13,133
Provision for doubtful debts	(128,290)	(261,997)	(201,145)	8,510	(24,023)
Unabsorbed tax losses and capital allowances	(3,942,392)	(2,109,868)	(1,765,943)	(114,545)	(79,444)
Revaluation of investment property	28,495,219	28,446,490	26,481,658	875,000	875,000
Movement in value of financial assets	(247,949)	154,169	(308,404)	-	-
Unrealised difference on exchange	20,426	17,627	19,159	-	-
	24,695,347	26,403,375	24,386,870	806,223	784,666

27. CALLED UP ISSUED SHARE CAPITAL

Company and Group

	2020	2019
	EUR	EUR
Authorised		
202,000 ordinary shares of EUR2.329373 each	470,533	470,533
	<hr/>	<hr/>
Called up issued and fully paid-up		
202,000 ordinary shares of EUR2.329373 each	470,533	470,533
	<hr/>	<hr/>

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.

Revaluation reserve

The Group's and the Company's revaluation reserve arises on the revaluation of investment property. When the revalued property is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

Retained earnings

This reserve represents accumulated retained profits that are available for distribution to the Company's shareholders.

Dividend paid

Dividend of EUR1.65 per share was declared and paid during the year ended 31 October 2020 (year ended 31 October 2019: EUR26.80 per share).

Notes to the Financial Statements – continued**28. LEASES***Group as a lessor*

The operating leases relating to the investment property owned by the Group has terms between 1 and 20 years. The lessee does not have the option to purchase the property at the expiry of the lease period. The income earned under the operating lease amounted to EUR529,378 (2019: EUR544,810).

At the end of the reporting period, the lessee had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	EUR	EUR
Within one year	973,779	1,020,207
Between two and five years	1,900,827	2,005,694
Over five years	1,917,075	1,689,520
	4,791,681	4,715,421

29. CONTINGENT LIABILITIES

At 31 October 2020, 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 alleged illegal occupation of two tracts of land by two different subsidiaries of the Group. The subsidiaries are currently in negotiations with the commissioner to settle the matter amicably.
- A third party is claiming damages from a subsidiary for injuries suffered. The court adjudicated the case in favour of the third party and awarded the sum of Eur78,906 in damages which the subsidiary has appealed in terms of both responsibilities and quantification of damages. The subsidiary is fully covered by insurance.
- As at year-end, two subsidiaries had blocked funds relating to a garnishee order in favour of third parties amounting to EUR74,251 (2019: EUR74,251). The Directors are confident that the outcome of all the above claims will be in favour of the subsidiaries.
- Various guarantees were given in favour of third parties amounting to EUR2,299,266 (2019: EUR7,770,985).

30. CONTINGENT ASSET

A subsidiary of the Group was awarded the sum of Eur40,986 in compensation for services rendered with the third party appealing the judgement. In 2019, a subsidiary was adjudicated a compensation amounting to EUR310,848 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.

AX Holdings Limited

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Notes to the Financial Statements – continued

31. CAPITAL COMMITMENTS

Commitments for capital expenditure with respect to the development and completion of a number of projects as at 31 October 2020 stand as follows:

	2020
	EUR
Authorised and contracted	1,617,631
Authorised but not contracted	1,761,801

32. RELATED PARTIES

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

All entities in which Mr Xuereb has control, has significant influence or is a member of the key management personnel are considered to be “related parties” in these financial statements. Related parties also comprise of key management who have the ability to control or exercise a significant influence in financial and operating decisions.

Company

The company had the following related party transactions:

	2020	2019
	EUR	EUR
<i>Transactions with subsidiaries:</i>		
Dividends income	82,475	5,955,000
Finance costs	1,686,021	1,695,911
Purchases from subsidiaries	-	121,854
Expenses recharged to subsidiaries	27,164	229,379
Wages recharged to subsidiaries	-	-
Expenses recharged from subsidiaries	9,303	218,673
Management fees receivable	591,460	1,299,522
Rent receivable from subsidiaries	-	96,250
<i>Transaction with parent company:</i>		
Interest payable to parent company	837,121	-

Notes to the Financial Statements – continued**33. RISK MANAGEMENT OBJECTIVES AND POLICIES**

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

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

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 17, 19 and 27.

The Group and the Company continuously monitor defaults of customers and other counterparties 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.

At 31 October 2020 and 31 October 2019, 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.

AX Holdings Limited

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Notes to the Financial Statements – continued

33. RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Group

2020	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Bank borrowings	367,405	2,881,286	5,647,772	2,476,194	11,372,657
Other borrowings	1,200,000	1,200,000	45,628,493	-	48,028,493
Other Payables	8,226,583	-	-	-	8,226,583
Total	9,793,988	4,081,286	51,276,265	2,476,194	67,627,733

2019	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Bank borrowings	986,248	1,181,957	9,432,624	5,871,531	17,472,360
Other borrowings	1,200,000	1,200,000	48,028,943	-	50,428,943
Other Payables	8,993,608	-	-	-	8,993,608
Total	11,179,856	2,381,957	57,461,567	5,871,531	76,894,911

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. The directors consider foreign exchange risk exposure to not be material and accordingly a sensitivity analysis disclosing how profit or loss and other comprehensive income would change as a result of a reasonable possible shift in foreign exchange rates, is not considered necessary.

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.

34. CAPITAL MANAGEMENT

For the purpose of the Group's and the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's and the Company's capital maximise the shareholder value.

The Group and the Company manage their capital structure and make adjustments in light of changes in economic conditions. To maintain and adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders or issue new debt. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt Interest bearing loans and borrowings, trade and other payables and other financial liabilities less cash and cash equivalents:

	2020	2019
	EUR	EUR
Interest bearing loans and borrowings	51,762,827	54,712,540
Other financial liabilities	27,831,560	2,675,237
Trade and other payables	28,880,195	29,832,379
Less: cash and cash equivalents	(2,029,361)	(2,171,995)
Net debt	106,445,221	85,048,161
Equity	470,533	470,533
Other reserves	215,015,955	236,581,791
Total capital	215,486,488	237,052,324
Capital and net debt	321,931,709	322,100,485
Gearing ratio	33.1%	26.4%

Notes to the Financial Statements – continued

34. CAPITAL MANAGEMENT - continued

No changes were made in the objectives, policies and processes for managing capital during the years ended 31 October 2020 and 2019.

35. SUBSEQUENT EVENTS

The Company is in the process of merging with AX Group p.l.c., the Company's immediate parent. The Company's rights, obligations, assets and liabilities will be amalgamated with those of its parent once the merger is finalised.