

Registration number C 12271/63



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' 7 OCT 2017

## **FULCRUM SERVICES LIMITED**

Report and consolidated financial statements  
For the year ended 31 October 2016

# Fulcrum Services Limited

Report and financial statements for the year ended 31 October 2016

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# Fulcrum Services Limited

## Director's report for the year ended 31 October 2016

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<b>Director</b>	Mr Angelo Xuereb
<b>Registered Address</b>	AX House Mosta Road Lija LJA 9010 Malta

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The director present his report and the audited financial statements of the group and the company for the year ended 31 October 2016.

### **Principal activities**

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

### **Business review**

The group had a very successful year. Revenue increased by € 5,920,116 over the previous year. The increase was mainly derived from the hospitality segment. Operating profits during the year increased by € 1,145,961. The group's profit before taxation for the year is € 5,949,079 (2015: € 5,595,757). The company's loss before taxation for the year is € 1,944 (2015: Profit of € 347,086). As at year-end, the Group's equity stood at € 164,678,227 (2015: € 112,443,655).

The director expects that the present level of activity will be sustained in the foreseeable future.

### **Dividends and reserves**

On 28 December 2016 the director paid a dividend of € 300,000. He does not recommend payment of a final dividend.

### **Events after the reporting period**

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

### **Director**

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

# Fulcrum Services Limited

## Director's report for the year ended 31 October 2016

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### Director's responsibilities

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

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

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

### Auditors

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

This report was approved and authorised for issue by the director on 30 August 2017, and signed on its behalf by:



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**Mr Angelo Xuereb**  
**Director**

# Fulcrum Services Limited

## Independent auditors' report to the members of Fulcrum Services Limited

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We have audited the accompanying consolidated financial statements, which comprise the statements of financial position of the group and the company as at 31 October 2016, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the group and the company for the year then ended, and a summary of significant accounting policies and other explanatory notes.

### **Director's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

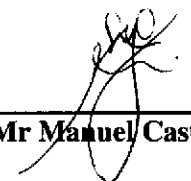
Fulcrum Services Limited

Independent auditors' report (continued)  
to the members of Fulcrum Services Limited

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**Opinion**

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the group and the company as at 31 October 2016 and of their financial performance, changes in equity and cash flows for the year then ended in accordance with International Financial Reporting Standards and have been properly prepared in accordance with the Companies Act, 1995.



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**Mr Manuel Castagna**

For and on behalf of  
**Nexia BT**  
**Certified Public Accountants**

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

**Date: 30 August 2017**

# Fulcrum Services Limited

## Statements of profit or loss and other comprehensive income for the year ended 31 October 2016

	Notes	Group		Company	
		2016 €	2015 €	2016 €	2015 €
Revenue	4	38,030,042	32,109,926	-	350,000
Other operating income	5	30,445	213,551	-	-
Other operating charges		(14,335,930)	(12,959,300)	(1,944)	(2,914)
Staff costs	6	(11,061,324)	(9,442,430)	-	-
Depreciation		(4,824,902)	(3,229,377)	-	-
<b>Operating profit / (loss)</b>		<b>7,838,331</b>	<b>6,692,370</b>	<b>(1,944)</b>	<b>347,086</b>
Share of result of associates		696,495	377,993	-	-
Other investment income	7	908,734	1,974,987	-	-
Finance costs	8	(3,494,481)	(3,449,593)	-	-
Profit / (loss) before taxation	9	5,949,079	5,595,757	(1,944)	347,086
Taxation	11	(1,918,250)	(1,411,799)	-	-
<b>Profit / (loss) for the year</b>		<b>4,030,829</b>	<b>4,183,958</b>	<b>(1,944)</b>	<b>347,086</b>
<b>Attributable to:</b>					
Owners of the parent		4,078,792	4,188,421		
Non-controlling interest		(47,963)	(4,463)		
		<b>4,030,829</b>	<b>4,183,958</b>		
<b>Other comprehensive income</b>					
Gains on property revaluation		53,621,604	6,881,428	-	-
Taxation	11	(5,417,861)	(1,408,349)	-	-
<b>Other comprehensive income net of tax</b>		<b>48,203,743</b>	<b>5,473,079</b>	<b>-</b>	<b>-</b>
<b>Total comprehensive income / (expense)</b>		<b>52,234,572</b>	<b>9,657,037</b>	<b>(1,944)</b>	<b>347,086</b>
<b>Attributable to:</b>					
Owners of the parent		52,282,535	9,657,081		
Non-controlling interest		(47,963)	(44)		
<b>Total comprehensive income</b>		<b>52,234,572</b>	<b>9,657,037</b>		

The notes on pages 11 to 36 form an integral part of these financial statements.

# Fulcrum Services Limited

## Statements of financial position at 31 October 2016

	Notes	Group		Company	
		2016 €	2015 €	2016 €	2015 €
<b>ASSETS AND LIABILITIES</b>					
<b>Non-current assets</b>					
Property, plant and equipment	12	218,790,903	157,508,999	-	-
Investment property	13	24,394,809	22,886,207	-	-
Investments in subsidiaries	14	-	-	1,655,530	1,655,530
Loans receivables	14	-	-	1,048,218	1,048,218
Investments in associates	14	8,585,828	4,141,991	-	-
Available for sale investments	14	5	5	-	-
		<u>251,771,545</u>	<u>184,537,202</u>	<u>2,703,748</u>	<u>2,703,748</u>
<b>Current assets</b>					
Inventories	15	2,720,657	2,749,291	-	-
Trade and other receivables	16	11,161,964	15,833,997	-	-
Cash at bank and in hand	24	5,875,689	4,025,122	9	9
		<u>19,758,310</u>	<u>22,608,410</u>	<u>9</u>	<u>9</u>
<b>Total assets</b>		<u>271,529,855</u>	<u>207,145,612</u>	<u>2,703,757</u>	<u>2,703,757</u>
<b>Current liabilities</b>					
Trade and other payables	18	14,848,112	13,768,070	83,710	81,766
Bank borrowings	19	2,710,198	4,141,665	-	-
Other financial liabilities	20	6,311,392	6,357,672	-	-
Current tax liabilities		541,325	201,821	-	-
		<u>24,411,027</u>	<u>24,469,228</u>	<u>83,710</u>	<u>81,766</u>
<b>Non-current liabilities</b>					
Bank borrowings	19	19,252,405	15,555,393	-	-
Other financial liabilities	20	4,916,687	2,978,756	-	-
Debt securities in issue	21	39,540,131	39,478,314	-	-
Deferred tax liabilities	22	18,731,378	12,220,266	-	-
		<u>82,440,601</u>	<u>70,232,729</u>	<u>-</u>	<u>-</u>
<b>Total liabilities</b>		<u>106,851,628</u>	<u>94,701,957</u>	<u>83,710</u>	<u>81,766</u>
<b>Net assets</b>		<u>164,678,227</u>	<u>112,443,655</u>	<u>2,620,047</u>	<u>2,621,991</u>

The notes on pages 11 to 36 form an integral part of these financial statements.




Fulcrum Services Limited

Statements of financial position (continued)

at 31 October 2016

		Group		Company	
	Notes	2016	2015	2016	2015
		€	€	€	€
<b>EQUITY</b>					
<b>Capital and reserves</b>					
Share capital	23	1,164,687	1,164,687	1,164,687	1,164,687
Revaluation reserve		140,875,098	92,671,355	-	-
Other reserves		616,095	616,095	-	-
Capital reserves		3,948,666	3,948,666	-	-
Retained earnings		16,673,174	12,594,382	1,455,360	1,457,304
		<u>163,277,720</u>	<u>110,995,185</u>	<u>2,620,047</u>	<u>2,621,991</u>
<b>Non-controlling interest</b>		<b>1,400,507</b>	<b>1,448,470</b>	<b>-</b>	<b>-</b>
<b>Total equity</b>		<b>164,678,227</b>	<b>112,443,655</b>	<b>2,620,047</b>	<b>2,621,991</b>

The consolidated financial statements on pages 5 to 36 were approved by the director on 30 August 2017 and were signed on its behalf by:



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**Mr Angelo Xuereb**  
**Director**

The notes on pages 11 to 36 form an integral part of these financial statements.

## Fulcrum Services Limited

### Statements of changes in equity for the year ended 31 October 2016

GROUP	Attributable to							Total €
	Share capital €	Revaluation reserve €	Other reserves €	Capital reserves €	Retained earnings €	equity holders of the parent €	Non- controlling interest €	
At 1 November 2014	1,164,687	87,210,477	616,095	3,948,666	8,748,179	101,688,104	1,448,514	103,136,618
Profit for the year	-	-	-	-	4,188,421	4,188,421	(4,463)	4,183,958
Transfer between reserves	-	(7,782)	-	-	7,782	-	-	-
Other comprehensive income for the year, net of tax	-	5,468,660	-	-	-	5,468,660	4,419	5,473,079
Total comprehensive income for the year	-	5,460,878	-	-	4,196,203	10,007,081	(44)	9,657,037
Dividends payable	-	-	-	-	(350,000)	(350,000)	-	(350,000)
At 31 October 2015	1,164,687	92,671,355	616,095	3,948,666	12,594,382	110,995,185	1,448,470	112,443,655
Profit for the year	-	-	-	-	4,078,792	4,078,792	(47,963)	4,030,829
Other comprehensive income for the year, net of tax	-	48,203,743	-	-	-	48,203,743	-	48,203,743
Total comprehensive income for the year	-	48,203,743	-	-	4,078,792	52,282,535	(47,963)	52,234,572
At 31 October 2016	1,164,687	140,875,098	616,095	3,948,666	16,673,174	163,277,720	1,400,507	164,678,227

# Fulcrum Services Limited

## Statements of changes in equity (continued) for the year ended 31 October 2016

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COMPANY	Share capital €	Retained earnings €	Total €
At 1 November 2014	1,164,687	1,460,218	2,624,905
Profit for the year	-	347,086	347,086
Total comprehensive income for the year	-	347,086	347,086
Dividends paid	-	(350,000)	(350,000)
At 31 October 2015	1,164,687	1,457,304	2,621,991
Loss for the year	-	(1,944)	(1,944)
Total comprehensive expense for the year	-	(1,944)	(1,944)
<b>At 31 October 2016</b>	<b>1,164,687</b>	<b>1,455,360</b>	<b>2,620,047</b>

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# Fulcrum Services Limited

## Statements of cash flows for the year ended 31 October 2016

	Notes	Group		Company	
		2016	2015	2016	2015
		€	€	€	€
<b>Cash flows from / (used in) operating activities</b>					
Profit / (loss) before taxation		5,949,079	5,595,757	(1,944)	347,086
<i>Adjustments for:</i>					
Depreciation		4,824,902	3,229,377	-	-
Share of results in associated undertakings		(696,495)	(377,993)	-	-
Loss on disposal of property, plant and equipment		12,247	-	-	-
Gain on disposal of financial assets		-	(3,601,152)	-	-
Movement in provision for bad debts		(107,154)	(101,217)	-	-
Movement in fair value of financial assets		(900,000)	1,973,363	-	-
Issue cost amortization		61,817	62,329	-	-
Deferred tax assets on acquisition of investment		-	(109,396)	-	-
Interest expense		3,494,481	3,449,593	-	-
Operating profit/(loss) before working capital changes		12,638,877	10,120,661	(1,944)	347,086
Movement in inventories		28,634	344,796	-	-
Movement in trade and other receivables		4,779,187	(4,835,535)	-	-
Movement in trade and other payables		4,145,753	4,442,282	1,944	2,888
Cash flows from operating activities		21,592,451	10,072,204	-	349,974
Net interest paid		(3,542,743)	(3,745,459)	-	-
Taxation paid		(485,495)	(408,159)	-	-
Net cash flows from operating activities		17,564,213	5,918,586	-	349,974
<b>Cash flows (used in) / from investing activities</b>					
Purchase of property, plant and equipment		(12,497,449)	(23,611,961)	-	-
Payments to acquire investment property		(608,602)	(651,175)	-	-
Acquisition of financial assets		(3,747,342)	(338,195)	-	-
Bonds redeemed		-	(1,673,651)	-	-
Proceeds from disposal of investment		-	18,502,267	-	-
Net cash flows used in investing activities		(16,853,393)	(7,772,715)	-	-
<b>Cash flows used in financing activities</b>					
Movement on bank borrowings		3,833,396	5,074,832	-	-
Movement on other loans		(1,125,798)	(1,167,870)	-	-
Dividends paid		-	(350,000)	-	(350,000)
Net cash flows from/ (used in) financing activities		2,707,598	3,556,962	-	(350,000)
<b>Net movement in cash and cash equivalents</b>		<b>3,418,418</b>	<b>1,702,833</b>	<b>-</b>	<b>(26)</b>
<b>Cash and cash equivalents at start of year</b>		<b>2,174,130</b>	<b>471,297</b>	<b>9</b>	<b>35</b>
<b>Cash and cash equivalents at end of year</b>	24	<b>5,592,548</b>	<b>2,174,130</b>	<b>9</b>	<b>9</b>

# Fulcrum Services Limited

## Notes to the Financial Statements

for the year ended 31 October 2016

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### **1 General information**

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

### **2 Accounting policies**

#### *Accounting convention and basis of preparation*

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

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

#### *Basis of consolidation*

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

#### *Subsidiaries*

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

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

## **2 Accounting policies (continued)**

### ***Basis of consolidation (continued)***

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

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

### ***Associated undertakings***

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

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

### ***Property, plant and equipment***

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

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

Notes to the Financial Statements

for the year ended 31 October 2016

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**2 Accounting policies (continued)**

*Property, plant and equipment (continued)*

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

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

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

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

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

No depreciation is provided on land.

## 2 Accounting policies (continued)

### *Investment property*

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

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

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

### *Financial instruments*

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

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

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

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

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



## 2 Accounting policies (continued)

### *Financial instruments (continued)*

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

#### *Available for sale investments*

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

#### *Trade and other receivables*

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

#### *Trade and other payables*

Trade and other payables are stated at nominal value.

#### *Bank borrowings*

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

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

#### *Other borrowings*

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

## **2 Accounting policies (continued)**

### ***Financial instruments (continued)***

#### ***Debt securities in issue***

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

#### ***Share capital***

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

#### ***Inventories***

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

#### ***Property held for development and re-sale***

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

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

#### ***Impairment***

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

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

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

## Notes to the Financial Statements

for the year ended 31 October 2016

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### 2 Accounting policies (continued)

#### *Revenue recognition*

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

#### *Sale of goods*

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

#### *Provision of services*

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

#### *Interest income*

Interest income is recognised on an accruals basis.

#### *Dividend income*

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

#### *Borrowing costs*

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

#### *Income tax*

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

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

**2 Accounting policies (continued)**

*Leases*

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

Assets held under finance leases are recognised in the statement of financial position at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments and include initial direct costs. Capitalised leased assets are tested for impairment in accordance with the respective group company's accounting

policy on property, plant and equipment over the shorter of the lease term and their useful life, unless there is reasonable certainty that the company will obtain ownership by the end of the lease term, in which case the assets are depreciated over the period of their useful life. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in the statement of comprehensive income.

*Employee benefits*

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

*Cash and cash equivalents*

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

*Dividends*

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

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

### **3. Critical accounting estimates and judgements**

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

#### ***Fair value of land and buildings***

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

#### ***Deferred taxation***

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

#### ***Investment property***

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

Fulcrum Services Limited

Notes to the Financial Statements  
for the year ended 31 October 2016

**4. Revenue**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Construction works, building materials and management services	<b>3,446,801</b>	4,348,663	-	-
Hospitality and entertainment	<b>32,130,774</b>	26,342,783	-	-
Sale of property and real estate	-	699,168	-	-
Nursing home	<b>261,263</b>	-	-	-
Healthcare	<b>746,592</b>	-	-	-
Rental income	<b>493,267</b>	349,154	-	-
Dividends receivable	<b>951,345</b>	370,158	-	350,000
	<b>38,030,042</b>	32,109,926	-	350,000

**5. Other operating income**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Ancillary services	<b>30,445</b>	213,551	-	-

**6. Staff costs and employee information**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<i>Staff costs:</i>				
Wages and salaries	<b>10,312,487</b>	8,772,133	-	-
Social security costs	<b>748,837</b>	670,297	-	-
	<b>11,061,324</b>	9,442,430	-	-

# Fulcrum Services Limited

## Notes to the Financial Statements for the year ended 31 October 2016

### 6. Staff costs and employee information (continued)

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

	Group		Company	
	2016	2015	2016	2015
Management and administration	112	103	-	-
Operations and distribution	524	464	-	-
	<b>636</b>	<b>567</b>	-	-

### 7. Other investment income

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Interest received from investments	8,734	347,198	-	-
Fair value movement	900,000	(1,973,363)	-	-
Gain on disposal of investments	-	3,601,152	-	-
	<b>908,734</b>	<b>1,974,987</b>	-	-

### 8. Finance costs

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Interest on bank loans and overdrafts	870,238	794,439	-	-
Interest on debt securities in issue	2,400,000	2,388,685	-	-
Interest on other loans	224,243	266,469	-	-
	<b>3,494,481</b>	<b>3,449,593</b>	-	-

# Fulcrum Services Limited

## Notes to the Financial Statements

for the year ended 31 October 2016

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### 9. Profit/(loss) before taxation

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<i>Profit/(loss) before taxation is stated after charging:</i>				
Auditors' remuneration	<b>75,729</b>	64,700	<b>600</b>	600

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### 10. Key management personnel compensation

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>Director's compensation</b>				
Short-term benefits	<b>486,620</b>	406,476	-	-
<b>Other key management personnel compensation</b>				
Salaries and social security contributions	<b>422,991</b>	464,105	-	-

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### 11. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the group amounted to € 8,750,160 (2015: € 8,972,291) and € 1,771,192 (2015: € 46,145).





# Fulcrum Services Limited

## Notes to the Financial Statements for the year ended 31 October 2016

### 12. Property, plant and equipment

Group	Land and buildings €	Improvements €	Plant and machinery €	Motor vehicles €	Furniture, fixtures and equipment €	Total €
<b>Fair value/cost</b>						
At 01.11.2014	128,541,651	780,221	16,789,698	413,730	20,209,885	166,735,185
Additions	10,377,443	1,677	4,145,759	14,806	9,072,276	23,611,961
Written off	-	-	(1,182,690)	-	(5,016,022)	(6,198,712)
Revaluation	6,881,428	-	-	-	-	6,881,428
<b>At 31.10.2015</b>	<b>145,800,522</b>	<b>781,898</b>	<b>19,752,767</b>	<b>428,536</b>	<b>24,266,139</b>	<b>191,029,862</b>
Additions	4,469,032	103	2,394,578	58,698	5,575,038	12,497,449
Disposals	-	-	(12,247)	-	-	(12,247)
Revaluation	53,621,604	-	-	-	-	53,621,604
<b>At 31.10.2016</b>	<b>203,891,158</b>	<b>782,001</b>	<b>22,135,098</b>	<b>487,234</b>	<b>29,841,177</b>	<b>257,136,668</b>
<b>Depreciation</b>						
At 31.10.2014	4,587,534	386,378	13,481,574	366,623	17,668,089	36,490,198
Provision for the year	1,164,205	78,159	562,891	21,391	1,402,731	3,229,377
Released on write off	-	-	(1,182,690)	-	(5,016,022)	(6,198,712)
<b>At 31.10.2015</b>	<b>5,751,739</b>	<b>464,537</b>	<b>12,861,775</b>	<b>388,014</b>	<b>14,054,798</b>	<b>33,520,863</b>
Provision for the year	1,960,839	46,806	891,901	18,170	1,907,186	4,824,902
<b>At 31.10.2016</b>	<b>7,712,578</b>	<b>511,343</b>	<b>13,753,676</b>	<b>406,184</b>	<b>15,961,984</b>	<b>38,345,765</b>
<b>Carrying amount</b>						
<b>At 31.10.2016</b>	<b>196,178,580</b>	<b>270,658</b>	<b>8,381,422</b>	<b>81,050</b>	<b>13,879,193</b>	<b>218,790,903</b>
At 31.10.2015	140,048,783	317,361	6,890,992	40,522	10,211,341	157,508,999

## Fulcrum Services Limited

### Notes to the Financial Statements for the year ended 31 October 2016

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#### 12. Property, plant and equipment (continued)

The fair value of the group's property, plant and equipment at 31 October 2016 and 31 October 2015 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

#### 13. Investment property

##### Group

	€
<b>Fair value</b>	
At 31.10.2014	22,235,032
Additions	651,175
	<hr/>
At 31.10.2015	22,886,207
Additions	608,602
Fair value movement	900,000
	<hr/>
<b>At 31.10.2016</b>	<b>24,394,809</b>
	<hr/>

The fair value of the group's investment property at 31 October 2016 and 31 October 2015 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

# Fulcrum Services Limited

## Notes to the Financial Statements for the year ended 31 October 2016

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### 14. Financial assets

#### Group

##### *Investments in associates*

#### Equity method

Share of assets at 31.10.2014	3,425,803
Additions	338,195
Share of profits	377,993
<b>Share of assets at 31.10.2015</b>	<b>4,141,991</b>
Additions	3,747,342
Share of profits	696,495
<b>Share of assets at 31.10.2016</b>	<b>8,585,828</b>

##### *Available for sale investments*

#### Cost

At 31.10.2015 / 31.10.2016	5
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#### Company

	<b>Investments in subsidiaries</b>	<b>Subsidiary undertakings loan</b>
	€	€
<b>At 01.11.2015 / 31.10.2016</b>	<b>1,655,530</b>	<b>1,048,218</b>

##### *Investments in subsidiaries*

The group financial statements consolidate the results and position of the following subsidiary undertakings which all have 31 October year-ends, except for Construction & Demolition Waste Limited, which has a 31 December year-end.

##### *Subsidiary undertakings loan*

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

# Fulcrum Services Limited

## Notes to the Financial Statements

for the year ended 31 October 2016

### 14. Financial assets (continued)

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

	Group % of equity capital held		Group % of preference capital held	
	2016	2015	2016	2015
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Holdings Limited	100	100	-	-
AX Hotel Operations Limited	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	100	100
Central Leisure Developments Limited	100	100	-	-
Construction & Demolition Waste Limited	51	51	51	51
Harbour Connections Limited	100	-	-	-
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Care Home 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	-	-
Is-Simblija Developments limited	100	100	-	-
Marine World Limited	100	100	-	-
Palazzo Merkanti Leisure Limited	100	-	-	-
Prime Buildings Limited	75	75	-	-
Quayside Catering Ltd	100	100	-	-
Royal Hotels Limited	100	100	-	-
Shore Investments Limited	100	100	-	-
Skyline Developments Limited	100	100	-	-
St. John's Boutique Hotel Limited	100	-	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l.c.	100	100	-	-
The Constructors Limited	75	75	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Verdala Mansions Limited	100	100	-	-
Vilhena Property Investment Limited	100	100	-	-

Fulcrum Services Limited

Notes to the Financial Statements  
for the year ended 31 October 2016

**14. Financial assets (continued)**

*Investments in associates*

	Group % of equity capital held		Group % of preference capital held	
	2016	2015	2016	2015
Valletta Cruise Port p.l.c.	36	24	-	-

**15. Inventories**

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Property held for development and re-sale	<b>1,523,107</b>	1,273,107	-	-
Raw materials and consumables	<b>1,197,550</b>	1,476,184	-	-
	<b>2,720,657</b>	2,749,291	-	-

**16. Trade and other receivables**

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Trade receivables	<b>7,759,941</b>	7,781,753	-	-
Provision for doubtful debts	<b>(371,349)</b>	(264,195)	-	-
Amounts owed by other related parties	<b>1,479,831</b>	427,178	-	-
Other receivables	<b>1,645,190</b>	6,321,218	-	-
Prepayments and accrued income	<b>648,351</b>	1,568,043	-	-
	<b>11,161,964</b>	15,833,997	-	-

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

## Fulcrum Services Limited

### Notes to the Financial Statements for the year ended 31 October 2016

#### 17. Construction contracts

As at year-end, retentions held by customers for contract works amounted to €107,833 (2015: €94,030).

#### 18. Trade and other payables

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Trade payables	1,106,195	5,173,806	-	-
Other payables	4,711,009	3,386,686	-	-
Amounts owed to group undertakings	-	-	82,090	80,146
Indirect taxation and social security	1,119,378	375,515	-	-
Accruals and deferred income	7,911,530	4,832,063	1,620	1,620
	<b>14,848,112</b>	<b>13,768,070</b>	<b>83,710</b>	<b>81,766</b>

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

#### 19. Bank borrowings

	Group		Company	
	2016	2015	2016	2015
	€	€	€	€
Bank overdrafts	283,141	1,850,992	-	-
Bank loans	21,679,462	17,846,066	-	-
	<b>21,962,603</b>	<b>19,697,058</b>	<b>-</b>	<b>-</b>

Notes to the Financial Statements

for the year ended 31 October 2016

**19. Bank borrowings (continued)**

Bank overdrafts and loans are repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
On demand or within one year	<b>2,710,198</b>	4,141,665	-	-
Between two and five years	<b>10,182,464</b>	8,248,780	-	-
After five years	<b>9,069,941</b>	7,306,613	-	-
	<b>21,962,603</b>	19,697,058	-	-
Less: amounts due for settlement within one year	<b>(2,710,198)</b>	(4,141,665)	-	-
Amounts due for settlement after one year	<b>19,252,405</b>	15,555,393	-	-

The group has aggregate bank facilities of € 27,879,462 (2015 : € 22,146,066). These facilities are secured by general hypothecs over the group assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the group managing director. They bear interest at 3.9% to 5.15% per annum (2014 : 3.9% to 7%).

**20. Other financial liabilities**

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Other loans	<b>6,429,502</b>	6,093,898	-	-
Trade and other payables	<b>3,281,223</b>	724,267	-	-
Shareholder's loan	<b>1,517,354</b>	2,518,263	-	-
	<b>11,228,079</b>	9,336,428	-	-



Fulcrum Services Limited

Notes to the Financial Statements  
for the year ended 31 October 2016

**20. Other financial liabilities (continued)**

Other financial liabilities are repayable as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2016</b>	<b>2015</b>	<b>2016</b>	<b>2015</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
On demand or within one year	<b>6,311,392</b>	6,357,672	-	-
Between two and five years	<b>118,110</b>	460,493	-	-
After five years	<b>4,798,577</b>	2,518,263	-	-
	<b>11,228,079</b>	9,336,428	-	-
Less: amounts due for settlement within one year	<b>(6,311,392)</b>	(6,357,672)	-	-
Amounts due for settlement after one year	<b>4,916,687</b>	2,978,756	-	-

Included in other loans is a loan from Malta Enterprise, which is secured by a general and special hypothec over selected subsidiary undertakings' assets, and by a guarantee by some of the group companies. It bears interest at 8% per annum (2015: 8%). The balances on other loans are unsecured, interest-free and have no fixed date of repayment.

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

**21. Debt securities in issue**

As at year-end, a subsidiary within the group had a balance of € 39,540,131 (2015: €39,478,314) from the bond issue of €40 million, 6% bonds of €100 nominal value each, redeemable at par 2024. The amount is made up of the new bond issue of €40 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above mentioned rate.

Fulcrum Services Limited

Notes to the Financial Statements  
for the year ended 31 October 2016

**21. Debt securities in issue (continued)**

	2016 €	2015 €
At beginning of year	39,478,314	41,089,636
Bonds redeemed	-	(1,673,651)
	<u>39,478,314</u>	<u>39,415,985</u>
Bond issue costs amortization for the year	61,817	62,329
	<u>39,540,131</u>	<u>39,478,314</u>
At end of year	39,540,131	39,478,314
	<u>39,540,131</u>	<u>39,478,314</u>
Falling due in after more than five years	39,540,131	39,478,314
	<u>39,540,131</u>	<u>39,478,314</u>

**22. Deferred tax liabilities**

	Group 2016 €	2015 €	Company 2016 €	2015 €
Arising on:				
Excess of capital allowances over depreciation	(36,879)	(53,184)	-	-
Provision for doubtful debts	(129,972)	(87,497)	-	-
Unabsorbed tax losses and capital allowances	(1,779,444)	(2,262,582)	-	-
Revaluation of investment property	20,473,550	14,614,096	-	-
Unrealised difference on exchange	204,123	9,433	-	-
	<u>18,731,378</u>	<u>12,220,266</u>	<u>-</u>	<u>-</u>

Fulcrum Services Limited

Notes to the Financial Statements  
for the year ended 31 October 2016

**23. Called up issued share capital**

	2016 €	2015 €
<b>Authorised</b>		
1,000 ordinary shares of €2.329373 each	2,330	2,330
499,000 redeemable cumulative preference shares of €2.329373 each	1,162,357	1,162,357
	<u>1,164,687</u>	<u>1,164,687</u>
	2016 €	2015 €
<b>Called up issued and fully paid up</b>		
1,000 ordinary shares of €2.329373 each	2,330	2,330
499,000 redeemable cumulative preference shares of €2.329373 each	1,162,357	1,162,357
	<u>1,164,687</u>	<u>1,164,687</u>

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

The preference shares carry no voting rights.

**24. Cash and cash equivalents**

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

	Group		Company	
	2016 €	2015 €	2016 €	2015 €
Cash at bank and in hand	5,875,689	4,025,122	9	9
Bank overdrafts	(283,141)	(1,850,992)	-	-
	<u>5,592,548</u>	<u>2,174,130</u>	<u>9</u>	<u>9</u>

## Fulcrum Services Limited

### Notes to the Financial Statements for the year ended 31 October 2016

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#### **25. Contingent liabilities**

At 31 October 2016, the group had the following contingent liabilities, for which no provision has been made in these financial statements:

- Legal proceedings have been instituted against two subsidiaries by Malta Enterprise. Malta Enterprise is requesting that land acquired by these companies be reclaimed, on allegations that the company failed to abide by a condition in the contract requiring the company to use the land as a hotel complex. After seeking legal advice, the director is of the opinion that this claim is unfounded and no provision has been made in these financial statements. The balance of price of the immovable property amounting to €2,718,677 remains unpaid pending resolution of the court case. As at 31 October 2016, a subsidiary acted as a guarantor for the sum of €2,718,677 due to Malta Enterprise.
- Included in trade receivables are balances totalling €142,801 (2015 : €142,801) which are contingent on the favourable adjudication of the Malta Enterprise court case mentioned above.
- The Commissioner of Lands is claiming damages for illegal occupation of land by a subsidiary. This case has been pending for many years, and the subsidiary is objecting to these claims.
- A third party is suing a subsidiary, claiming that a tract of land owned by the subsidiary actually belongs to this third party.
- At 31 October 2016, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2015 : €146,433).
- Various guarantees were given in favour of a third parties amounting to €2,101,127 (2015 : €1,635,247) by two of its subsidiaries.
- A subsidiary is engaged in legal action in respect of a claim against it amounting to €11,646 (2015: €75,646). The subsidiary is objecting to this claim. No provision has been made in these financial statements in respect of this action.
- A subsidiary is currently being sued for wrongful dismissal by a former employee.

#### **26. Capital commitments**

As at 31 October 2016, one of the subsidiaries had a capital commitment to undertake the refurbishment of the hotel complex. Moreover, two other subsidiaries had capital commitments to finalise construction works and make operational two hotels.

#### **27. Ultimate controlling party**

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

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## **28. Risk management objectives and policies**

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

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

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

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

### *Credit risk*

The group's and the company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in notes 14, 16 and 24.

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

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

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

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

Cash is placed with reliable financial institutions.

### *Liquidity risk*

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

Notes to the Financial Statements

for the year ended 31 October 2016

**28. Risk management objectives and policies (continued)**

At 31 October 2016 and 31 October 2015, the contractual maturities on the financial liabilities of the company and the group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

Group	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years
	2016 €	2016 €	2016 €	2016 €	2015 €	2015 €	2015 €	2015 €
Bank borrowings	7,844,949	1,837,527	12,807,414	9,983,655	1,180,023	1,476,655	10,148,493	8,033,323
Other borrowings	1,200,000	1,200,000	9,600,000	45,628,493	7,293,898	1,200,000	9,600,000	48,028,493
	<b>9,044,949</b>	<b>3,037,527</b>	<b>22,407,414</b>	<b>55,612,148</b>	<b>8,473,921</b>	<b>2,676,655</b>	<b>19,748,493</b>	<b>56,061,816</b>

*Foreign currency risk*

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

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

*Interest rate risk*

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

**29. Capital management policies and procedures**

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