Registration number C 12271/6c

FULCRUM SERVICES LIMITED

Report and consolidated financial statements

For the year ended 31 October 2017

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Director's report
for the year ended 31 October 2017

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

The director present his report and the audited financial statements of the group and the company for the year ended 31 October 2017.

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 € 7,821,968 over the previous year. The increase was mainly derived from all segments of the group. Operating profits during the year increased by € 2,287,704. The group's profit before taxation for the year is € 13,975,478 (2016: € 5,949,079). The company's profit before taxation for the year is € 2,298,056 (2015: Loss of € 1,944). As at year-end, the Group's equity stood at € 174,663,805 (2016: € 164,678,227).

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

Dividends and reserves

The directors paid an interim dividend amounting to €2,300,000 and they do not recommend payment of a final dividend

Events after the reporting period

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

Director

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

Director's responsibilities

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

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

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

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 28 February 2018, and signed on its behalf by:

Mr Angelo Xuereb
Director

Independent auditors' report
to the members of Fulcrum Services Limited

Opinion

We have audited the accompanying consolidated and separate financial statements of Fulcrum Services Limited, which comprise the Statement of Financial Position as at 31 October 2017, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory notes

In our opinion, the financial statements give a true and fair view of the financial position of Fulcrum Services Limited as of 31 October 2017 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Cap. 386).

Basis for Opinion

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

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

Other Information

The directors are responsible for the other information The other information comprises the Directors' report. Our opinion on the financial statements does not cover the other information.

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

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

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

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

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

Responsibilities of the directors

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the 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.

Mr Darren Bugeja

For and on behalf of
Nexia BT
Certified Public Accountants

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

Date: 28 February 2018

Statements of profit or loss and other comprehensive income

for the year ended 31 October 2017

	Notes	Group		Company	
		2017	2016	2017	2016
		€	€	€	€
Revenue	4	**45,852,010**	38,030,042	**2,300,000**	-
Other operating income	5	**305,035**	30,445	-	-
Other operating charges		**(16,161,131)**	(13,019,466)	**(1,944)**	(1,944)
Staff costs	6	**(14,631,463)**	(12,377,788)	-	-
Depreciation		**(5,238,416)**	(4,824,902)	-	-
Operating profit / (loss)		**10,126,035**	7,838,331	**2,298,056**	(1,944)
Share of result of associates		**1,087,141**	696,495	-	-
Revaluation of investment property		**6,211,458**	900,000	-	-
Investment income		**10,764**	8,734	-	-
Finance costs	7	**(3,459,920)**	(3,494,481)	-	-
Profit / (loss) before taxation	8	**13,975,478**	5,949,079	**2,298,056**	(1,944)
Taxation	10	**(1,689,900)**	(1,918,250)	-	-
Profit / (loss) for the year		**12,285,578**	4,030,829	**2,298,056**	(1,944)
Attributable to:					
Owners of the parent		**12,252,365**	4,078,792		
Non-controlling interest		**33,213**	(47,963)		
		12,285,578	4,030,829		
Other comprehensive income					
Gains on property revaluation		-	53,621,604	-	-
Taxation	10	-	(5,417,861)	-	-
Other comprehensive income net of tax		-	48,203,743	-	-
Total comprehensive income / (expense)		**12,285,578**	52,234,572	**2,298,056**	(1,944)
Attributable to:					
Owners of the parent		**12,252,365**	52,282,535		
Non-controlling interest		**33,213**	(47,963)		
Total comprehensive income		**12,285,578**	52,234,572		

The notes on pages 12 to 36 form an integral part of these financial statements

Statements of financial position
at 31 October 2017

	Notes	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	11	**223,929,683**	218,790,903	-	-
Investment property	12	**30,968,940**	24,394,809	-	-
Investments in subsidiaries	13	-	-	**1,655,530**	1,655,530
Loans receivables	13	-	-	**1,048,218**	1,048,218
Investments in associates	13	**9,672,969**	8,585,828	-	-
Available for sale investments	13	**5**	5	-	-
		264,571,597	251,771,545	**2,703,748**	2,703,748
Current assets					
Inventories	14	**2,971,100**	2,720,657	-	-
Trade and other receivables	15	**12,257,896**	11,161,964	**666,666**	-
Cash at bank and in hand	23	**7,353,066**	5,875,689	**9**	9
		22,582,062	19,758,310	**666,675**	9
Total assets		**287,153,659**	271,529,855	**3,370,423**	2,703,757
Current liabilities					
Trade and other payables	17	**17,655,764**	14,848,112	**752,320**	83,710
Bank borrowings	18	**3,760,533**	2,710,198	-	-
Other financial liabilities	19	**6,739,842**	6,311,392	-	-
Current tax liabilities		**1,142,834**	541,325	-	-
		29,298,973	24,411,027	**752,320**	83,710
Non-current liabilities					
Trade and other payables	17	**6,577,739**	-	-	-
Bank borrowings	18	**17,321,091**	19,252,405	-	-
Other financial liabilities	19	**642,000**	4,916,687	-	-
Debt securities in issue	20	**39,394,010**	39,540,131	-	-
Deferred tax liabilities	21	**19,256,041**	18,731,378	-	-
		83,190,881	82,440,601	-	-
Total liabilities		**112,489,854**	106,851,628	**752,320**	83,710
Net assets		**174,663,805**	164,678,227	**2,618,103**	2,620,047

The notes on pages 12 to 36 form an integral part of these financial statements

Statements of financial position (continued)
at 31 October 2017

	Notes	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
EQUITY					
Capital and reserves					
Share capital	**22**	**1,164,687**	1,164,687	**1,164,687**	1,164,687
Revaluation reserve		**146,435,766**	140,875,098	-	-
Other reserves		**616,095**	616,095	-	-
Capital reserves		**3,948,666**	3,948,666	-	-
Retained earnings		**21,064,871**	16,673,174	**1,453,416**	1,455,360
		173,230,085	163,277,720	**2,618,103**	2,620,047
Non-controlling interest		**1,433,720**	1,400,507	-	-
Total equity		**174,663,805**	164,678,227	**2,618,103**	2,620,047

The consolidated financial statements on pages 6 to 36 were approved by the director on 28 February 2018 and were signed on its behalf by:

Mr Angelo Xuereb
Director

Statements of changes in equity
for the year ended 31 October 2017

GROUP	Share capital	Revaluation reserve	Other reserves	Capital reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
	€	€	€	€	€	€	€	€
At 1 November 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
Profit for the year	-	-	-	-	12,252,365	12,252,365	33,213	12,285,578
Dividends paid	-	-	-	-	(2,300,000)	(2,300,000)	-	(2,300,000)
Other comprehensive income for the year, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	-	9,952,365	9,952,365	33,213	9,985,578
Revaluation of investment property, net of tax	-	5,560,668	-	-	(5,560,668)	-	-	-
At 31 October 2017	**1,164,687**	**146,435,766**	**616,095**	**3,948,666**	**21,064,871**	**173,230,085**	**1,433,720**	**174,663,805**

Statements of changes in equity (continued)
for the year ended 31 October 2017

COMPANY	Share capital €	Retained earnings €	Total €
At 1 November 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)
At 31 October 2016	1,164,687	1,455,360	2,620,047
Profit for the year	-	2,298,056	2,298,056
Dividends paid	-	(2,300,000)	(2,300,000)
Total comprehensive expense for the year	-	(1,944)	(1,944)
At 31 October 2017	**1,164,687**	**1,453,416**	**2,618,103**

Fulcrum Services Limited

Statements of cash flows
for the year ended 31 October 2017

	Notes	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
Cash flows from / (used in) operating activities					
Profit / (loss) before taxation		**13,975,478**	5,949,079	**2,298,056**	(1,944)
Adjustments for					
Depreciation		**5,238,416**	4,824,902	-	-
Share of results in associated undertakings		**(1,087,141)**	(696,495)	-	-
Loss on disposal of property, plant and equipment		-	12,247	-	-
Property, plant and equipment written off		**7,474**	-	-	-
Property, plant and equipment reversed		**1,399,457**	-	-	-
Movement in provision for bad debts		**156,163**	(107,154)	-	-
Movement in fair value of financial assets		-	(900,000)	-	-
Issue cost amortization		**62,329**	61,817	-	-
Movement in fair value of investment property		**(6,211,458)**	-	-	-
Interest expense		**3,459,920**	3,494,481	-	-
Operating profit/(loss) before working capital changes		**17,000,638**	12,638,877	**2,298,056**	(1,944)
Movement in inventories		**(313,117)**	28,634	-	-
Movement in trade and other receivables		**(1,252,095)**	4,779,187	-	-
Movement in trade and other payables		**6,085,141**	4,145,753	**1,944**	1,944
Cash flows from operating activities		**21,520,567**	21,592,451	**2,300,000**	-
Net interest paid		**(3,440,893)**	(3,542,743)	-	-
Taxation paid		**(563,728)**	(485,495)	-	-
Net cash flows from operating activities		**17,515,946**	17,564,213	-	-
Cash flows (used in) / from investing activities					
Purchase of property, plant and equipment		**(12,951,327)**	(12,497,449)	-	-
Payments to acquire investment property		**(299,999)**	(608,602)	-	-
Acquisition of financial assets		-	(3,747,342)	-	-
Bonds redeemed		-	-	-	-
Proceeds from disposal of property, plant and equipment		**1,167,200**	-	-	-
Net cash flows used in investing activities		**(12,084,126)**	(16,853,393)	-	-
Cash flows (used in)/ from financing activities					
Movement on bank borrowings		**(1,741,684)**	3,833,396	-	-
Movement on other loans		**(773,464)**	(1,125,798)	-	-
Dividends paid		**(2,300,000)**	-	**(2,300,000)**	-
Net cash flows (used in)/ from financing activities		**(4,815,148)**	2,707,598	-	-
Net movement in cash and cash equivalents		616,672	3,418,418	-	-
Cash and cash equivalents at start of year		5,592,548	2,174,130	9	9
Cash and cash equivalents at end of year	23	6,209,220	5,592,548	9	9

1 General information

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

2 Accounting policies

Accounting convention and basis of preparation

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

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

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.

2 Accounting policies (continued)

Property, plant and equipment (continued)

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

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

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

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

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

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

No depreciation is provided on land.

2 Accounting policies (continued)

Investment property

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

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

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

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

Financial instruments

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

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

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

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

2 Accounting policies (continued)

Financial instruments (continued)

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

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

Available for sale investments

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

Trade and other receivables

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

Trade and other payables

Trade and other payables are stated at nominal value.

Bank borrowings

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

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

Other borrowings

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

2 Accounting policies (continued)

Financial instruments (continued)

Debt securities in issue

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

Share capital

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

Inventories

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

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

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

Impairment

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

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

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

2 Accounting policies (continued)

Revenue recognition

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

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

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

Interest income
Interest income is recognised on an accruals basis.

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

Borrowing costs

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

Income tax

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

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

2 Accounting policies (continued)

Leases

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

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

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

Employee benefits

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

Cash and cash equivalents

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

Dividends

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

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

3. Critical accounting estimates and judgements

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

Fair value of property

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

Deferred taxation

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

4. Revenue

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Construction works, building materials and management services	**5,502,976**	3,446,801	-	-
Hospitality and entertainment	**35,743,666**	32,130,774	-	-
Sale of property and real estate	**50,000**	-	-	-
Healthcare	**3,124,010**	1,007,855	-	-
Rental income	**537,948**	493,267	-	-
Dividends receivable	**893,410**	951,345	**2,300,000**	-
	45,852,010	38,030,042	**2,300,000**	-

5. Other operating income

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Ancillary services	**305,035**	30,445	-	-

6. Staff costs and employee information

	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
Staff costs				
Wages and salaries	**11,870,936**	10,312,487	-	-
Social security costs	**882,389**	748,837	-	-
	12,753,325	11,061,324	-	-
Subcontracted labour	**1,878,138**	1,316,464	-	-
Total labour costs	**14,631,463**	12,377,788		

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

	Group 2017	Group 2016	Company 2017	Company 2016
Management and administration	**121**	112	-	-
Operations and distribution	**586**	524	-	-
	707	636	-	-

7. Finance costs

	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
Interest on bank loans and overdrafts	**838,494**	870,238	-	-
Interest on debt securities in issue	**2,400,000**	2,400,000	-	-
Interest on other loans	**221,426**	224,243	-	-
	3,459,920	3,494,481	-	-

8. Profit/(loss) before taxation

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit/(loss) before taxation is stated after charging:				
Auditors' remuneration	**72,250**	75,729	**600**	600

9. Key management personnel compensation

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Director's compensation				
Short-term benefits	**688,497**	486,620	-	-
Other key management personnel compensation				
Salaries and social security contributions	**446,082**	422,991	-	-

10. Taxation

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the group amounted to € 10,060,586 (2016: € 8,750,160) and 9,117,393 (2016: € 1,772,192).

10. Taxation (continued)

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Malta income tax:				
Current - for the year	**(1,270,888)**	(896,368)	-	-
- over provision in respect of previous years	**105,651**	71,369	-	-
Deferred tax through Statement of comprehensive income	**(524,663)**	(1,093,251)	-	-
	(1,689,900)	(1,918,250)	-	-
Deferred tax through Statement of other comprehensive income	-	(5,417,861)	-	-
	(1,689,900)	(7,336,111)	-	-

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Profit/ (loss) before taxation	**13,975,478**	5,949,079	**2,298,056**	(1,944)
Tax thereon at 35%	**4,891,417**	2,082,178	**804,320**	(680)
Tax effect of				
Tax effect of permanent difference	**(6,125,335)**	4,798,931	**(804,320)**	680
Over provision in respect of previous years	**(105,651)**	(71,369)	-	-
Tax effect of unrecognised temporary differences	**3,029,469**	526,371	-	-
Income tax expense for the year	**1,689,900**	7,336,111	-	-

11. Property, plant and equipment

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	€	€	€	€	€	€
Fair value/cost						
At 01 11 2015	145,800,522	781,898	19,752,767	428,536	24,266,139	191,029,862
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
At 31 10 2016	203,891,158	782,001	22,135,098	487,234	29,841,177	257,136,668
Additions	7,617,490	71	2,010,621	-	3,323,145	12,951,327
Disposals	(973,237)	(312,519)	-	-	-	(1,285,756)
Reversals	(667,045)	-	(195,003)	-	(606,704)	(1,468,752)
Write offs	-	-	-	-	(9,342)	(9,342)
At 31.10.2017	**209,868,366**	**469,553**	**23,950,716**	**487,234**	**32,548,276**	**267,324,145**
Depreciation						
At 01 11 2015	5,751,739	464,537	12,861,775	388,014	14,054,798	33,520,863
Provision for the year	1,960,839	46,806	891,901	18,170	1,907,186	4,824,902
At 31 10 2016	7,712,578	511,343	13,753,676	406,184	15,961,984	38,345,765
Provision for the year	2,041,964	40,791	707,455	24,324	2,423,882	5,238,416
Released on disposal	-	(118,556)	-	-	-	(118,556)
Released on reversals	-	-	(9,930)	-	(59,365)	(69,295)
Released on write offs	-	-	-	-	(1,868)	(1,868)
At 31.10.2017	**9,754,542**	**433,578**	**14,451,201**	**430,508**	**18,324,633**	**43,394,462**
Carrying amount						
At 31.10.2017	**200,113,824**	**35,975**	**9,499,515**	**56,726**	**14,223,643**	**223,929,683**
At 31 10 2016	196,178,580	270,658	8,381,422	81,050	13,879,193	218,790,903

11. Property, plant and equipment (continued)

The fair value of the group's property, plant and equipment at 31 October 2017 and 31 October 2016 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale. The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value

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

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Freehold land and buildings	**91,314,195**	82,962,928	-	-

12. Investment property

Group

	€
Fair value	
At 31.10 2015	22,886,207
Additions	608,602
Fair value movement	900,000
At 31 10.2016	24,394,809
Additions	299,999
Transferred from inventory	62,674
Fair value movement	6,211,458
At 31.10.2017	**30,968,940**

The fair value of the group's investment property at 31 October 2017 and 31 October 2016 has been arrived at on the basis of recent valuations carried out by an independent professionally qualified valuer on the basis of market value and is stated at gross of any tax liability that would arise upon an eventual sale The director is of the opinion that the fair value of the property has not altered significantly since the date of the valuation and hence this is an appropriate estimate of fair value.

13. Financial assets

Group

Investments in associates

	€
Equity method	
Share of assets at 31 10 2015	4,141,991
Additions	3,747,342
Share of profits	696,495
Share of assets at 31.10.2016	**8,585,828**
Share of profits	1,087,141
Share of assets at 31.10.2017	**9,672,969**

Available for sale investments

	€
Cost	
At 31 10 2016 / 31 10.2017	**5**

Company

	Investments in subsidiaries €	Subsidiary undertakings loan €
At 01.11.2016 / 31.10.2017	**1,655,530**	**1,048,218**

Investments in subsidiaries

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

13. Financial assets (continued)

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

	Group % of equity capital held		Group % of preference capital held	
	2017	2016	**2017**	2016
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	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	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	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l c.	100	100	-	-
The Constructors Limited	75	75	-	-
The Waterfront Entertainment Venture Ltd	100	100	-	-
Verdala Mansions Limited	100	100	-	-
Vilhena Property Investment Limited	100	100	-	-

13. Financial assets (continued)

Investments in associates

	Group % of equity capital held		Group % of preference capital held	
	2017	2016	**2017**	**2016**
Valletta Cruise Port p l c	36	36	-	-

14. Inventories

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Property held for development and re-sale	**1,574,979**	1,523,107	-	-
Raw materials and consumables	**1,396,121**	1,197,550	-	-
	2,971,100	2,720,657	-	-

15. Trade and other receivables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade receivables	**9,153,247**	7,759,941	-	-
Provision for doubtful debts	**(527,512)**	(371,349)	-	-
Amounts owed by other related parties	-	1,479,831	-	-
Other receivables	**2,103,920**	1,645,190	-	-
Prepayments and accrued income	**1,528,241**	648,351	-	-
	12,257,896	11,161,964	-	-

16. Construction contracts

As at year-end, retentions held by customers for contract works amounted to €475,589 (2016: €107,833).

17. Trade and other payables

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Trade payables	**6,387,659**	1,106,195	**-**	-
Other payables	**2,660,201**	4,711,009	**-**	-
Amounts owed to group undertakings	**-**	-	**750,700**	82,090
Indirect taxation and social security	**1,021,611**	1,119,378	**-**	-
Accruals and deferred income	**14,164,032**	7,911,530	**1,620**	1,620
	24,233,503	14,848,112	**752,320**	83,710
Current	**17,655,764**	14,848,112	**752,320**	83,710
Non-current	**6,577,739**	-	**-**	-
	24,233,503	14,848,112	**752,320**	83,710

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

18. Bank borrowings

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
Bank overdrafts	**1,143,846**	283,141	**-**	-
Bank loans	**19,937,778**	21,679,462	**-**	-
	21,081,624	21,962,603	**-**	-

18. Bank borrowings (continued)

Bank overdrafts and loans are repayable as follows

	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
On demand or within one year	**3,760,533**	2,710,198	-	-
Between two and five years	**10,547,363**	10,182,464	-	-
After five years	**6,773,728**	9,069,941	-	-
	21,081,624	21,962,603	-	-
Less amounts due for settlement within one year	**-** **(3,760,533)**	- (2,710,198)	-	-
Amounts due for settlement after one year	**17,321,091**	19,252,405	-	-

The group has aggregate bank facilities of € 23,137,778 (2016 : € 27,879,462). 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 (2016 · 3.9% to 5.15%).

19. Other financial liabilities

	Group 2017 €	Group 2016 €	Company 2017 €	Company 2016 €
Other loans	**6,633,707**	6,429,502	-	-
Trade and other payables	**-**	3,281,223	-	-
Shareholder's loan	**537,179**	1,517,354	-	-
Amounts owed to other related parties	**210,956**	-	-	-
	7,381,842	11,228,079	-	-

19. Other financial liabilities (continued)

Other financial liabilities are repayable as follows:

	Group		Company	
	2017	2016	**2017**	2016
	€	€	**€**	€
On demand or within one year	**6,739,842**	6,311,392	-	-
Between two and five years	**104,821**	118,110	-	-
After five years	**537,179**	4,798,577	-	-
	7,381,842	11,228,079	-	-
Less. amounts due for settlement within one year	**(6,739,842)**	(6,311,392)	-	-
Amounts due for settlement after one year	**642,000**	4,916,687	-	-

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 (2016: 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.

20. Debt securities in issue

As at year-end, a subsidiary within the group had a balance of € 39,602,460 (2016: € 39,540,131) from the bond issue of €40 million, 6% bonds of €100 nominal value each, redeemable at par 2024. The amount is made up of the new bond issue of €40 million net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above mentioned rate.

20. Debt securities in issue (continued)

	2017	2016
	€	€
At beginning of year	**39,540,131**	39,478,314
Bonds purchased by a group company	**(208,450)**	-
	39,331,681	39,478,314
Bond issue costs amortization for the year	**62,329**	61,817
At end of year	**39,394,010**	39,540,131
Falling due in after more than five years	**39,394,010**	39,540,131

21. Deferred tax liabilities

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Arising on				
Excess of capital allowances over depreciation	**569,176**	(36,879)	-	-
Provision for doubtful debts	**(184,629)**	(129,972)	-	-
Unabsorbed tax losses and capital allowances	**(2,399,540)**	(1,779,444)	-	-
Revaluation of investment property	**21,244,214**	20,473,550	-	-
Unrealised difference on exchange	**26,820**	204,123	-	-
	19,256,041	18,731,378	-	-

22. Called up issued share capital

	2017	2016
	€	€
Authorised		
1,000 ordinary shares of €2 329373 each	**2,330**	2,330
499,000 redeemable cumulative preference shares of €2 329373 each	**1,162,357**	1,162,357
	1,164,687	1,164,687

	2017	2016
	€	€
Called up issued and fully paid up		
1,000 ordinary shares of €2 329373 each	**2,330**	2,330
499,000 redeemable cumulative preference shares of €2 329373 each	**1,162,357**	1,162,357
	1,164,687	1,164,687

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

The preference shares carry no voting rights.

23. Cash and cash equivalents

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

	Group		Company	
	2017	2016	2017	2016
	€	€	€	€
Cash at bank and in hand	**7,353,066**	5,875,689	**9**	9
Bank overdrafts	**(1,143,846)**	(283,141)	**-**	-
	6,209,220	5,592,548	**9**	9

24. Contingent liabilities

At 31 October 2017, the group had the following contingent liabilities, for which no provision has been made in these financial statements·

- On 30 November 2017 the court of first instance decided the case filed by Malta Enterprise in relation to the property owned by Royal Hotels Limited and Heritage Developments Limited. Both subsidiary companies have appealed the decision. The directors believe that there are strong grounds for such appeals. Never the less the parties are in advanced discussions to resolve the matter. The directors are confident that an out of court settlement will be reached. No provision has been made in these financial statements.

- The Commissioner of Lands is claiming damages for illegal occupation of land by a subsidiary. This case has been pending for many years, and the subsidiary is objecting to these claims.

- At 31 October 2017, the subsidiaries had contingent liabilities in respect of claims made by various third parties which, in total, amount to €146,433 (2016 : €146,433).

- Various guarantees were given in favour of a third parties amounting to €2,420,825 (2016 · €2,101,127) by two of its subsidiaries.

- A subsidiary is engaged in legal action in respect of a claim against it amounting to €5,000 (2015: €11,646). The subsidiary is objecting to this claim. No provision has been made in these financial statements in respect of this action.

25. Capital commitments

As at 31 October 2017, 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.

26. Ultimate controlling party

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

27. 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.

27. Risk management objectives and policies (continued)

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

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

Credit risk

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

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

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

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

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

Cash is placed with reliable financial institutions.

Liquidity risk

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

At 31 October 2017 and 31 October 2016, 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.

27. Risk management objectives and policies (continued)

Liquidity risk (continued)

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
	2017	2017	2017	2017	2016	2016	2016	2016
	€	€	€	€	€	€	€	€
Bank borrowings	1,409,444	1,593,871	10,479,835	7,448,881	7,844,949	1,837,527	12,807,414	9,983,655
Other borrowings	7,728,886	1,200,000	9,600,000	43,228,493	1,200,000	1,200,000	9,600,000	45,628,493
	9,138,330	2,793,871	20,079,835	50,677,374	9,044,949	3,037,527	22,407,414	55,612,148

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.

28. 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.

29. Comparatives

Certain comparatives have been restated in order to conform to the current year's presentation.