



## ***COMPANY ANNOUNCEMENT***

*The following is a company announcement issued by AX Investments p.l.c. ('the Company') pursuant to the Listing Rules issued by the Listing Authority:*

On the 24<sup>th</sup> February 2021, the Board of Directors of AX Investments p.l.c. have approved the Company's Annual Report and Financial Statements for the year ended 31<sup>st</sup> October 2020.

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

A handwritten signature in blue ink, appearing to read 'Dr. Ian Vella Galea', written over a horizontal line.

**Dr. Ian Vella Galea**  
*Company Secretary*

25<sup>th</sup> February 2021

Company Announcement AXI215

Registration Number C 27586

# **AX Investments p.l.c.**

Annual Report and Financial Statements

For the year ended 31 October 2020

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# AX Investments p.l.c.

## Directors, Officers and Other Information

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*Directors:* Mr Angelo Xuereb - Chairman  
Dr Patrick J. Galea  
Chev Philip A. Ransley  
Mr Michael Sciortino  
Mr Michael Warrington

*Secretary:* Dr Ian Vella Galea

*Registered office:* AX Group  
AX Business Centre  
Triq id-Difiza Civili  
Mosta MST 1741  
Malta

*Country of incorporation:* Malta

*Company registration number:* C 27586

*Auditors:* Ernst & Young Malta Limited  
Certified Public Accountants  
Regional Business Centre  
Achille Ferris Street  
Msida MSD 1751  
Malta

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

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

# AX Investments p.l.c.

## Directors' Report

Year ended 31 October 2020

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### Principal activities

The Company was formed principally to act as a finance and investment company, in particular the financing or re-financing of the funding requirements of related companies within the AX Group p.l.c. Group of Companies.

### Performance review

The Company's operating income is derived from the lease of Palazzo Capua in Sliema. Revenue remained stable in line with previous year results. Administrative expenses were slightly lower than previous year. The operating profit during the year under review amounted to EUR78,807 (2019: EUR59,380).

Interest income from related parties decreased by EUR113,725 from EUR2,872,747 in 2019 to EUR2,759,022 in 2020, reflecting an overall decrease of 4%. On the other hand, finance costs remained constant at EUR2,400,000 in line with previous year.

During the year under review, the Company registered a net loss before taxation of EUR1,142,117 (2019: profit of EUR974,894).

The share of results of associate relate to the holding of 19.91% in Suncrest Hotels p.l.c. The Company registered a net loss for the year due to its share of results of the associate. This was the result of a fair valuation of the Investment Property held by Suncrest Hotels p.l.c. whose valuation was impacted by the COVID-19 pandemic.

The resulting earnings per share for the year under review decreased from an earnings per share of EUR0.13 per share to a loss per share of EUR0.15 per share. This comprises the (loss)/profit attributable to ordinary shareholders divided by the average number of shares in issue during the year.

The fair value of the investment property as at 31 October 2020 is based on a valuation carried out by an independent architect on 19 December 2020. No changes in fair value were recognized to profit or loss.

Total equity decreased by EUR730,881 from EUR19,263,393 in 2019 to EUR18,532,512 in 2020, reflecting the loss for the year.

# AX Investments p.l.c.

## Directors' Report – continued

Year ended 31 October 2020

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### Financial Key Performance Indicators

	2020 EUR	2019 EUR	2018 EUR
Operating income	238,360	238,360	238,360
Operating profit	78,807	59,380	58,128
Net finance income	359,022	472,747	502,778
Net (loss)/profit after tax	(730,881)	668,299	936,690
Earnings per share	(0.15)	0.13	0.19
Total equity and liabilities	64,643,033	65,886,078	65,330,349

### Going Concern

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

### Principal risks and uncertainties

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

#### 1. Strategy Risk

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

#### 2. Operational Risks

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

#### 3. Legislative risks

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

# AX Investments p.l.c.

## Directors' Report – continued

Year ended 31 October 2020

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### Financial risk management and exposures

Note 24 to the financial statements provides a detailed analysis of the financial risks to which the Company is exposed.

### Dividend and reserves

The Directors do not recommend the payment of a dividend and propose to transfer the profit for the year to reserves.

### Directors

The Directors, who served throughout the year, were:

Dr Patrick J. Galea  
Chev Philip A. Ransley  
Mr Michael Sciortino  
Mr Michael Warrington  
Mr Angelo Xuereb

In accordance with the Company's articles of association, the present Directors remain in office.

### Auditors

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

**Approved by the board of Directors and signed on its behalf on 24 February 2021 by:**



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**Mr Angelo Xuereb**  
Chairman



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**Mr Michael Warrington**  
Chief Executive Officer

# AX Investments p.l.c.

## Statement of Directors' Responsibilities

Year ended 31 October 2020

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

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

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance

Year ended 31 October 2020

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Pursuant to Listing Rule 5.97 issued by the Malta Financial Services Authority, AX Investments p.l.c. (the Company) is hereby reporting on the extent of its adoption of “the Code of Principles of Good Corporate Governance” (the Code) previously established by the Malta Stock Exchange. The Board has reviewed its Corporate Governance practices and an explanation of how the Principles of Good Governance have been applied is contained in this report.

The Company acts as a finance company to the AX Holdings Limited Group of Companies and as such has minimal operations emanating from this task. Its primary function is the lending and monitoring of the proceeds of the bonds issued to the public in 2014 by the Company and guaranteed by the parent company; AX Holdings Limited.

### Compliance

Although the adoption of the Code is not mandatory, the Board has considered the principles embodied in the Code and has noted the Code’s recommended practices aimed towards the fulfilment of these same principles. The Board has also taken into account the nature of the Company’s structure, business activities and operations and in the light of such considerations it has formulated the view that the Company was generally in compliance with the Code throughout the period, with the following exception:

The Board does not consider it necessary to institute separate committees such as the remuneration and the nomination committees.

### Board of Directors

The Board of Directors of AX Investments p.l.c. (the Board) is currently made up of five Directors, three of whom are completely independent from the Company or any related Group company. Pursuant to generally accepted practices, as well as the Company’s Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company’s shareholders.

The present Directors are Mr Angelo Xuereb, Dr Patrick J. Galea LL.D., Chev Philip A. Ransley, Mr Michael Sciortino and Mr Michael Warrington. Messrs Galea, Ransley and Sciortino are independent Directors in that they have no involvement or relationship with the Company or with the majority shareholder.

Mr Angelo Xuereb has been appointed as Chairman of the Board and Mr Michael Warrington as the Chief Executive Officer of the Company.

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board’s functions are governed by Chapter 5 of the Listing Rule and the Code of Corporate Governance for Listed entities.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

The Board met four times during the year under review. The Board has a formal schedule of matters reserved to it for decision. Directors receive board and committee papers 10 days in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company’s expense.

The Company, due to its continuous oversight and communication with its shareholders, has not established a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role.

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance – continued

Year ended 31 October 2020

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### Audit Committee

The Audit Committee held five meetings during the year under review, besides having ongoing consultations with the Board of Directors, in the fulfilment of its task of monitoring and reviewing procedures and internal control systems.

The Committee is chaired by Chev. Philip A. Ransley, and its other members are Dr Patrick J. Galea LL.D. and Mr Michael Sciortino. The audit committee is in compliance with the Listing Rules. All three Directors forming the audit committee are non-executive Directors and are totally independent from the Company or the AX Group of Companies. Mr Sciortino is a Certified Public Accountant.

The Company Secretary acts as secretary to the committee which also receives the assistance of the Group Chief Executive Officer; Mr Michael Warrington, and the Group Chief Financial Officer; Mr Albert Bonello.

### Dealings by Directors and Senior Officers

Conscious of its responsibility for monitoring dealings by Directors and senior officers in the Company's securities, the Board approved a Code of Conduct for Securities Transactions by Directors, Executives and Employees in compliance with Listing Rules 5.102 to 5.116. The code provides guidance to the Company's officers and serves as a minimum standard of good practice when dealing in the Company's securities.

During the year under review, there were no transactions in the Company's securities involving Directors or any of the Company's employees in possession of unpublished price-sensitive information.

### Internal Control

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Audit Committee continued to review the Company's system of internal controls which are monitored by the Group's Finance Department. The main internal controls comprises of the following:

- Regularly monitoring group business operations to ensure that the set objectives and targets are achieved
- Identify, evaluate and effectively manage significant risks satisfactorily
- Ensure compliance with company policy
- Comply with all statutory obligations

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance – continued

Year ended 31 October 2020

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The Board and Audit Committee are satisfied with the effectiveness of the Company's system of internal controls.

A policy is in place, laying down the minimum required reports that should be made available to the Board in order to keep it informed in a structured and systematic manner on the operational and financial performance of the Company.

### General Meetings

A general meeting is conducted in conformity with the Memorandum and Articles of Association and is called by giving at least fourteen days' notice in writing to all members. The ordinary business conducted at the general meeting consists of the declaration of dividend, the consideration of the annual financial statements, the election of Directors, the appointment of external auditors and the determination of the remuneration of Directors and the external auditors. All shareholders, auditors and Directors have the right to attend and participate at general meetings. Voting rights are exclusively reserved to the ordinary shareholders. Preference shareholders are entitled to vote if a dividend in their favour is outstanding for more than 6 months. At the time of writing the share capital consisted only of ordinary shares. Every member is entitled to appoint a person to act as proxy. The proxy holder shall enjoy the same rights to speak, vote and ask questions at the general meeting as those the member represented would be entitled to.

### Institutional Shareholders

The Company is privately held and has no institutional shareholders.

### Risk Identification

Management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Board reviews its risk management policies and strategies and oversees their implementation to ensure that identified operational risks are properly assessed and managed.

### Directors' Remuneration

The Board determines the remuneration of the Directors. The Directors' annual remuneration for the financial year under review, as previously approved by the Board, was as follows:

	EUR
Mr Angelo Xuereb	25,000
Dr Patrick J. Galea	5,000 *
Chev. Philip A. Ransley	5,000 *
Mr Michael Sciortino	5,000 *
Mr Michael Warrington	3,000

\*includes the audit committee fee

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance – continued

Year ended 31 October 2020

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### Directors' Remuneration – continued

Mr Angelo Xuereb indirectly, through AX Group p.l.c. and AX Holdings Limited, holds a controlling interest in the Company. Mr Michael Warrington holds the position of Group Chief Executive Officer with the majority corporate shareholder; AX Holdings Limited.

### Commitment to Maintain an Informed Market

The Company recognises the importance of maintaining a dialogue with its stakeholders to ensure that its strategies and performance are understood. The Company communicates with bondholders by way of the Annual Report and Financial Statements and by publishing its results on a six-monthly basis during the year, and through company announcements to the market in general.

The Board has also implemented an Investor Relations Program, which aims at giving Bondholders rewards to be used within the Group to foster loyalty. This program, which is managed by AX Holdings Limited executives, includes the issue of the AX Investments Platinum Card and the periodic dissemination of the AX Investments Newsletter.

### Corporate Social Responsibility

The Company is conscious of its responsibility towards the society in which it operates. It promotes environmentally friendly measures such as the reduction in the Company's carbon footprint as well as encourages its employees to lead a healthy and active lifestyle.

Furthermore, the AX Foundation, which is the charitable arm of the Group, is devoted to supporting people living with invisible disabilities, with its primary focus being on the autism spectrum. AX Foundation was originally founded in 2006 to provide support to people who are going through social, mental or physical difficulties. Along the years AX Foundation has supported numerous other NGOs.

The information as provided above is a fair summary of the AX Investments p.l.c. adoption of the Code of Good Corporate Governance. Overall, the Company has broadly implemented the Code where the Board believes that it would add value to the stakeholders. In certain areas, it was felt that the Code was more suited to companies who held equity on the Malta Stock Exchange and therefore its implementation would not be useful for a limited operating company like AX Investments p.l.c.

The Board will continue to monitor the Code in future years and will decide on an annual basis if the position stated above will apply.

**Approved by the Board of Directors on 24 February 2021 and signed on its behalf by:**

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**Mr Angelo Xuereb**  
Chairman

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**Mr Michael Warrington**  
Chief Executive Officer

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c.

### **Report on the audit of the financial statements**

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#### **Opinion**

We have audited the financial statements of AX Investments p.l.c. (the "Company"), set on pages 20 to 55, which comprise the statement of financial position as at 31 October 2020, and the statement of profit or loss and other comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 October 2020, 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 ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

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#### **Basis for opinion**

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

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## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of AX Investments p.l.c. – continued

### Report on the audit of the financial statements

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#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud.**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### *Recoverability of loans and receivables*

Loans and receivables from parent and related parties, as disclosed in note 13, represent 65% of the Company's total assets as of 31 October 2020. Loans and receivables which are classified as financial assets at amortised cost as described in note 3.8, are measured using the effective interest method and are subject to impairment. The Company recognises an allowance for expected credit losses based on the cash flows that the Company expects to receive. The 2020 recoverability assessment of loans and receivables considers the financial position and performance of the parent and related party borrowers for the reporting period, as well as the cash flow projections of AX Group p.l.c. ("AX Group") of which the Company and AX Holdings Limited, immediate parent and guarantor of the Company's bond, form part.

Due to the significance of the balances of loans and receivables from parent and related parties, and the dependency of the Company on the performance and recoverability of such loans and receivables to meet its ongoing obligations, we have considered the recoverability of loans and receivables as a key audit matter.

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of AX Investments p.l.c. – continued

### Report on the audit of the financial statements

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#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud – continued**

##### *Recoverability of loans and receivables – continued*

Our audit procedures over the recoverability of the loans and receivables from parent and related parties included amongst others:

- inspecting the loan and receivable agreements, agreeing terms and conditions with parent and related parties, and analysing whether the performance of the loans and receivables is in line therewith;
- confirming the outstanding balances with parent and related parties; and
- evaluating the Company's assessment of the recoverability of loans and receivables by analysing the cash flow projections for the AX Group, as well as the financial position and performance of the parent and respective related party borrowers for the reporting period. Our procedures focused on considering the reasonableness of key assumptions underlying the planned cash inflows and outflows and assessing their consistency with our understanding of the business and industry developments, and historical data. We also focused on updates made to respond to the expected impacts and uncertainties around COVID-19 developments. The analysis of the financial position and performance of the parent and related party borrowers was also a key procedure to assess any significant increase in credit risk.

We have also assessed the relevance and adequacy of disclosures relating to loans and receivables from parent and related parties presented in notes 3.8, 4 and 13 to the financial statements.

##### *Valuation of investment property*

The Company's investment property, which is being further described in notes 3.11, 4 and 12 in the financial statements, accounts for 14% of total assets as at 31 October 2020.

The investment property is fair valued by a professionally qualified architect on the basis of an assessment in accordance with international valuations standards and professional practice. In the years when a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses any property valuation movements when compared to the previous valuation report and holds discussions with the independent valuer, as necessary.

The valuation of the investment property at fair value is highly dependent on estimates and assumptions such as the estimated land value and going rates for construction, finishing, services and fittings under the replacement cost approach. Therefore, due to the significance of the balance and estimation uncertainty involved in the fair valuation of investment property, we have considered the valuation of investment property as a key audit matter.

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of AX Investments p.l.c. – continued

### Report on the audit of the financial statements

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#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud – continued**

##### *Valuation of investment property – continued*

Our audit procedures over the valuation of investment property included amongst others:

- evaluating the design and implementation of key controls over the Company's investment property valuation process by inquiring with the valuation process owners;
- performing tests relating to the valuation of investment property, focusing on management reviews over the investment property valuation by inspecting management analysis and minutes of meetings of the board and audit committee where such valuation was discussed;
- obtaining an understanding of the scope of work of the professional valuer by reviewing the available valuation report and considered the independence and expertise thereof; and
- including a valuation specialist on our team to assist us in assessing the appropriateness of the valuation approach applied, as well as evaluating the reasonability and validity of key assumptions and estimates used in the valuation by comparing to independent sources and real estate market data and conditions.

We also assessed the relevance and adequacy of disclosures relating to the Company's valuation of investment property presented in notes 3.11, 4 and 12 to the financial statements.

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#### **Other information**

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

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

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c. – continued

### **Report on the audit of the financial statements**

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#### **Responsibilities of the directors and those charged with governance for the financial statements**

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

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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#### **Auditor's responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c. – continued

### **Report on the audit of the financial statements**

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation;

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c. – continued

### **Report on the audit of the financial statements**

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

We communicate with those charged with governance 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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

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## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c. – continued

### **Report on other legal and regulatory requirements**

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

##### *Directors' report*

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

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

##### *Other requirements*

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

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

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

##### *Appointment*

We were appointed as the statutory auditor by the General Meeting of Shareholders of the Company on 28 October 2020. The total uninterrupted engagement period as statutory auditor, including previous renewals and reappointments amounts to 1 year.

##### *Consistency with the additional report to the audit committee*

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which was issued on the same date as this report.

##### *Non-audit services*

No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and we remain independent of the Company as described in the Basis for opinion section of our report.

No other services besides statutory audit services and services disclosed in the annual report and in the financial statements, were provided by us to the Company and its controlled undertakings.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of AX Investments p.l.c. – continued

### **Report on other legal and regulatory requirements**

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#### **Matters on which we are required to report by the Listing rules**

##### *Corporate governance statement*

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a statement of compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the statement of compliance prepared by the directors. We are also required to express an opinion as to whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5.

We read the statement of compliance and consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with the other information included in the annual report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the statement of compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's governance procedures or its risk and control procedures.

## INDEPENDENT AUDITOR'S REPORT

to the Shareholders of AX Investments p.l.c. – continued

### Report on other legal and regulatory requirements

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#### Matters on which we are required to report by the Listing rules – continued

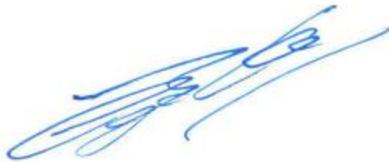
In our opinion:

- the corporate governance statement set out on pages 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority
- in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit the information referred to in Listing Rules 5.97.4 and 5.97.5 are free from material misstatement

Under the Listing Rules we also have the responsibility to:

- review the statement made by the Directors, set out on page 3, that the business is a going concern, together with supporting assumptions or qualifications as necessary.

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



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

Ernst & Young Malta Limited  
Certified Public Accountants

24 February 2021

# AX Investments p.l.c.

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2020

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	Note	2020 EUR	2019 EUR
Operating income	5	<b>238,360</b>	238,360
Administrative expenses	8	<b>(159,553)</b>	(178,980)
<b>Operating profit</b>		<b>78,807</b>	59,380
Finance income	6	<b>2,759,022</b>	2,872,747
Finance costs	7	<b>(2,400,000)</b>	(2,400,000)
Share of results of associate	13	<b>(1,579,946)</b>	442,767
<b>(Loss) / profit before taxation</b>		<b>(1,142,117)</b>	974,894
Income tax	9	<b>411,236</b>	(306,595)
<b>(Loss) / profit for the year</b>		<b>(730,881)</b>	668,299
<b>Other comprehensive income for the year</b>		<b>-</b>	-
<b>Total comprehensive (loss) / income for the year</b>		<b>(730,881)</b>	668,299
<b>Earnings per share</b>	10	<b>(0.15)</b>	0.13

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*The notes on pages 24 to 55 form an integral part of these financial statements.*

# AX Investments p.l.c.

## Statement of Financial Position

As at 31 October 2020

	Note	2020 EUR	2019 EUR
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	11	3,757	10,286
Investment property	12	9,025,157	9,025,157
Investment in associated undertaking	13	12,793,101	14,373,047
Loans and receivables	13	42,327,973	42,473,668
<b>Total non-current assets</b>		<b>64,149,988</b>	<b>65,882,158</b>
<b>Current assets</b>			
Trade and other receivables	14	485,797	-
Cash and cash equivalents	15	7,248	3,920
<b>Total current assets</b>		<b>493,045</b>	<b>3,920</b>
<b>Total assets</b>		<b>64,643,033</b>	<b>65,886,078</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up issued share capital	16	5,000,000	5,000,000
Retained earnings	17	12,684,432	13,415,313
Fair value reserve	17	848,080	848,080
<b>Total equity</b>		<b>18,532,512</b>	<b>19,263,393</b>
<b>Non-current liabilities</b>			
Debt securities in issue	18	39,789,277	39,726,948
Deferred taxation	19	4,467,339	5,022,162
<b>Total non-current liabilities</b>		<b>44,256,616</b>	<b>44,749,110</b>
<b>Current liabilities</b>			
Trade and other payables	20	1,853,905	1,698,349
Current tax liability	21	-	175,226
<b>Total current liabilities</b>		<b>1,853,905</b>	<b>1,873,575</b>
<b>Total liabilities</b>		<b>46,110,521</b>	<b>46,622,685</b>
<b>Total equity and liabilities</b>		<b>64,643,033</b>	<b>65,886,078</b>

The notes on pages 24 to 55 form an integral part of these financial statements.

These financial statements were approved by the board of Directors, authorised for issue on 24 February 2021 and signed on its behalf by:



Mr Angelo Xuereb  
Chairman



Mr Michael Warrington  
Chief Executive Officer

# AX Investments p.l.c.

## Statement of Changes in Equity

For the year ended 31 October 2020

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	Called up issued share capital EUR	Retained earnings EUR	Fair value reserve EUR	Total EUR
<b>At 1 November 2018</b>	5,000,000	12,747,014	848,080	18,595,094
Profit for the year	-	668,299	-	668,299
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	668,299	-	668,299
<b>At 31 October 2019</b>	<b>5,000,000</b>	<b>13,415,313</b>	<b>848,080</b>	<b>19,263,393</b>
<b>At 1 November 2019</b>	5,000,000	13,415,313	848,080	19,263,393
Loss for the year	-	(730,881)	-	(730,881)
Other comprehensive income	-	-	-	-
Total Comprehensive Loss	-	(730,881)	-	(730,881)
<b>At 31 October 2020</b>	<b>5,000,000</b>	<b>12,684,432</b>	<b>848,080</b>	<b>18,532,512</b>

*The notes on pages 24 to 55 form an integral part of these financial statements.*

# AX Investments p.l.c.

## Statement of Cash Flows

For the year ended 31 October 2020

	Note	2020 EUR	2019 EUR
<b>Cash flows from operating activities</b>			
(Loss) / profit before taxation		(1,142,117)	974,894
<i>Adjustments for:</i>			
Movement in allowance of credit losses		-	860
Depreciation		6,529	2,010
Bond issue costs amortisation for the year		62,329	62,159
Interest expense		2,400,000	2,400,000
Interest income		(2,759,022)	(2,872,747)
Share of results of associate		1,579,946	(442,767)
<b>Operating profit before working capital movements</b>		147,665	124,409
Movement in trade and other payables		11,977	28,206
Movement in trade and other receivables		(15,970)	-
<b>Cash flows from operations</b>		143,672	152,615
Interest paid		(2,400,000)	(2,400,000)
Interest received		2,759,022	2,872,747
Taxation paid		(175,226)	(185,956)
<b>Net cash from operating activities</b>		327,468	439,406
<b>Cash flows from investing activities</b>			
Acquisition of property, plant and equipment		-	(4,248)
Movement in loans to related parties		(324,140)	(228,307)
<b>Net cash used in investing activities</b>		(324,140)	(232,555)
<b>Cash flows from financing activities</b>			
Movement in amounts owed to related parties		-	(255,872)
<b>Net cash used in financing activities</b>		-	(255,872)
<b>Net movement in cash and cash equivalents</b>		3,328	(49,021)
Cash and cash equivalents at 1 November 2019		3,920	52,941
Cash and cash equivalents at 31 October 2020	15	7,248	3,920

The notes on pages 24 to 55 form an integral part of these financial statements.

# AX Investments p.l.c.

## Notes to the Financial Statements

31 October 2020

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### 1. GENERAL INFORMATION

AX Investments p.l.c (“the Company”) is a limited liability company incorporated in Malta. Its registered office is provided on page 1. The Company’s principal activity, which is unchanged since last year, is that of financing or re-financing of the funding requirements of related companies.

### 2. BASIS OF PREPARATION

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

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

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company’s accounting policies. Significant accounting policies are disclosed in Note 3 and accounting estimates are disclosed in Note 4.

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

#### 2.1 Going concern

During the year ended 31 October 2020, the Company incurred a loss before tax of EUR1,142,117 (2019: profit before tax of EUR974,894) and as at reporting date, the Company’s current liabilities exceeded its current assets by EUR1,360,860 (2019: EUR1,869,655).

The Company registered a net loss primarily due to its share of results of the associated undertaking. This was the result of a fair valuation of the investment property held by Suncrest Hotels p.l.c. whose valuation was impacted by the COVID-19 pandemic.

AX Investments p.l.c. is a finance vehicle of AX Group p.l.c. (“AX Group” or “the Group”). It has raised finance through the bond issued on the Malta Stock Exchange which it lends to subsidiaries of the AX Group in order to finance projects and developments. As such the Company is reliant on AX Group and its subsidiaries for the payment of interest due on the bond as well as the repayment of the bond at maturity. In this regard, AX Holdings Limited has in terms of the offering memorandum of the 6% AX Investments P.l.c.2024 bond, given a parent Company Guarantee to support this commitment. (Note: AX Holdings Limited is an intermediate holding company within the AX Group structure (a notice of merger was filed with the Malta Business Registry on 22 December 2020 to merge AX Holdings Limited into AX Group p.l.c.)

The AX Group is a diversified group of companies with its main activities in the Care, Construction, Development and Hospitality sectors. This diversification is a key strength of the Group since if a particular market suffers a setback, the other business sectors may help compensate for that loss. This was in fact the case in 2020.

# AX Investments p.l.c.

## Notes to the Financial Statements

31 October 2020

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### 2. BASIS OF PREPARATION – continued

#### 2.1 Going concern - continued

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

The Group took various steps to retain a high level of liquidity in line with Group policy.

In December 2019, the AX Group successfully raised EUR25,000,000 by way of two bond issues that are listed on the Malta Stock Exchange.

As at reporting date, the Group had aggregate banking facilities of EUR 29,079,844 (2019: EUR 26,196,448) of which EUR 15,880,407 (2019: EUR 11,002,407) were undrawn banking facilities. During the financial year, the Group had successfully negotiated various bank loan repayment moratoriums with its' bankers which have been extended till Q1 of 2021.

The undrawn banking facility referred to above includes an EUR8million loan granted under the Company Guarantee Scheme by the Government of Malta through the Malta Development Bank. The purpose of the loan is to cover working capital requirements and shortfall in cashflow resulting from the impact of the COVID-19 pandemic.

Despite the increase in gearing, the Group still retains a low gearing ratio of 32.6% as at reporting date. This places the Group in a good position should it need to raise further funding through bank loans or the issue of debt securities.

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

After taking into account all considerations described above based on information available at the time of approving these financial statements, the Directors have reasonable expectation that the Company will meet all its obligations as and when they fall due over the foreseeable future and therefore, that the going concern basis adopted for the preparation of these financial statements is appropriate.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

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

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

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

#### **IFRS 16 Leases**

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.1 Standards, interpretations and amendments to published standards endorsed by the European Union effective in the current year – continued

##### IFRS 16 Leases – continued

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

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

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

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

#### 3.2 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

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

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

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

These are as follows:

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

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

#### 3.4 Leases

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

##### *Company as lessor*

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

#### 3.5 Taxation

##### i. Current income tax

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.5 Taxation – continued

##### i. Current income tax – continued

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods.

##### ii. Deferred income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

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

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

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

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

#### 3.6 Fair Value Measurement

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

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

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

The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.6 Fair Value Measurement – continued

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

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

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

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

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

#### 3.7 Investment in associated undertaking

An associate is an entity over which the Company has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

Investments in associated undertakings are accounted for under the equity method. Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Company's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The statement of profit or loss reflects the Company's share of the results of operations of the associate. The Company's share of losses in excess of its interest in that associate is not recognized, unless the Company has incurred obligations or made payments on behalf of the associated undertaking. Any change in OCI of the investee is presented as part of the Company's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Company recognises its share of any changes, when applicable, in the statement of changes in equity.

The financial statements of the associate are prepared for the same reporting period as the Company. When necessary, adjustments are made to bring the accounting policies in line with those of the Company.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.7 Investment in associated undertaking – continued

After application of the equity method, the Company determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Company determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Company calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of results of associate' in the statement of profit or loss.

Upon loss of significant influence over the associate, the Company measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

#### 3.8 Financial instruments

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

i. Financial assets

*Initial recognition and measurement*

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

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

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

*Subsequent measurement*

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### i. Financial assets – continued

*Subsequent measurement – continued*

#### **Financial assets at amortised cost (debt instruments)**

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

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

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

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

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

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

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

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

The Company holds no financial assets in this category.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### i. Financial assets – continued

*Subsequent measurement – continued*

#### **Financial assets at fair value through OCI (equity instruments)**

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

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

#### **Financial assets at fair value through profit or loss**

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

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

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

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

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

The Company holds no financial assets in this category.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### i. Financial assets – continued

###### *Derecognition*

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

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

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

##### ii. Financial Liabilities

###### *Initial recognition and measurement*

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

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

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

###### *Subsequent measurement*

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### ii. Financial Liabilities – continued

##### **Financial liabilities at fair value through profit or loss**

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

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

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

##### **Financial liabilities at amortised cost (loans and borrowings)**

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

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

##### *Derecognition*

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### iii. Impairment of financial assets

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

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

#### **General approach**

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

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.8 Financial instruments – continued

##### iii. Impairment of financial assets - continued

##### **General approach – continued**

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

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

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

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

##### **Simplified approach**

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

##### iv. Offsetting of financial instruments

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

#### 3.9 Impairment of non-financial assets

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

At the end of each reporting period, the carrying amount of assets, including cash-generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.9 Impairment of non-financial assets – continued

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

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

#### 3.10 Property, plant and equipment

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

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

Depreciation is provided on all items of property, plant and equipment, except freehold land, at rates intended to write down the cost less residual value of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

Improvements	10% per annum
Furniture and fittings	10% per annum
Computer equipment	20% per annum
Plant and machinery	20% per annum

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

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.10 Property, plant and equipment - continued

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

#### 3.11 Investment property

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

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

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

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

#### 3.12 Cash and cash equivalents

Cash in hand and at banks and short-term deposits repayable on demand are carried at cost.

#### 3.13 Provisions

Provisions are recognized when the Company has a present obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the financial reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognized for future operating losses.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

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### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

#### 3.14 Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognized as a deduction from equity, net of any tax effects.

#### 3.15 Dividends

Dividends payable on ordinary shares are recognized in the period in which they are approved by the Board of Directors.

#### 3.16 Related parties

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

### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

#### Judgements

In the process of applying the Company’s accounting policies, the Directors have made the following judgements:

##### *Determination as to whether the Company has significant influence*

The investment in associated undertaking relates to a 19.91% participating interest in a company whose other (majority) shareholder is AX Holdings Limited, the immediate parent company of AX Investments p.l.c. This participating interest is being accounted for as an investment in associated undertaking, since the Company has determined that it has significant influence over Suncrest Hotels p.l.c. through Mr Angelo Xuereb being a common Director for both entities.

## Notes to the Financial Statements – continued

31 October 2020

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### 4 SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS – continued

#### Estimates

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

#### *Fair value of investment property*

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

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

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

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 12, the Company uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of land and building and investment property. Note 12 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

#### *Recoverability of loans receivable*

The Directors have assessed the recoverability of loans receivable by reference to the cashflow projections of AX Group p.l.c. ("the Group"), including planned inflows, outflows and available financing facilities with a focus on updates made to respond to the expected impacts and uncertainties emanating from the COVID-19 pandemic, as described further in Note 2.1 to these financial statements. The Directors have also considered the financial position and performance of the parent entity and other related parties.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

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### 5. OPERATING INCOME

	<b>2020</b> <b>EUR</b>	2019 EUR
Rental income from investment property	<b>163,360</b>	163,360
Rental income from moveable property	<b>75,000</b>	75,000
	<u><b>238,360</b></u>	<u>238,360</u>

Rental income is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. There are no direct operating costs associated with investment property.

### 6. FINANCE INCOME

	<b>2020</b> <b>EUR</b>	2019 EUR
Interest income from loans and receivables	<b>2,759,022</b>	2,872,747

### 7. FINANCE COSTS

	<b>2020</b> <b>EUR</b>	2019 EUR
Interest on debt securities in issue	<b>2,400,000</b>	2,400,000

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 8. EXPENSES BY NATURE

	2020 EUR	2019 EUR
Auditors' remuneration		
For audit services	7,000	2,978
For other non-audit services	400	325
Directors' remuneration	43,000	43,000
Depreciation charge	6,529	2,010
Amortisation of bond issue costs	62,329	62,329
Other administrative expenses	40,295	68,338
	<u>159,553</u>	<u>178,980</u>

#### *Staff costs*

	2020	2019
The average number of employees (based pro-rata on a 40-hour week) during the year were:		
Administration	-	2
	<u>-</u>	<u>2</u>

### 9. CURRENT INCOME TAX

	2020 EUR	2019 EUR
<i>Malta Income Tax:</i>		
Current taxation		
- for the year	-	(175,226)
- losses surrendered by parent company	(143,587)	-
Deferred taxation	554,823	(131,369)
	<u>411,236</u>	<u>(306,595)</u>

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 9. CURRENT INCOME TAX – continued

The accounting profit and the tax charge for the year are reconciled as follows:

	<b>2020</b> <b>EUR</b>	2019 EUR
(Loss)/Profit before tax	<b>(1,142,117)</b>	974,894
Tax thereon at 35%	<b>399,741</b>	(341,213)
Tax effect of: Rent maintenance allowance	<b>11,495</b>	-
Tax effect of permanent differences	-	34,618
Income tax credit/(charge) for the year	<b>441,236</b>	(306,595)

### 10. EARNINGS PER SHARE

The earnings per share has been calculated on the loss for the year of EUR730,881 (2019: profit of EUR668,299) divided by the weighted average number of ordinary shares in issue during the year.

	<b>2020</b>	2019
Weighted average number of shares in issue	<b>5,000,000</b>	5,000,000
	<b>EUR</b>	EUR
Earnings per share	<b>(0.15)</b>	0.13

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 11. PROPERTY, PLANT AND EQUIPMENT

	Improvements EUR	Furniture and Fittings EUR	Computer equipment EUR	Plant and machinery EUR	Total EUR
<b>Cost</b>					
At 1 November 2018	29,333	221,403	3,991	46,581	301,308
Additions	-	-	4,248	-	4,248
At 31 October 2019	29,333	221,403	8,239	46,581	305,556
At 1 November 2019	29,333	221,403	8,239	46,581	305,556
Additions	-	-	-	-	-
At 31 October 2020	<b>29,333</b>	<b>221,403</b>	<b>8,239</b>	<b>46,581</b>	<b>305,556</b>
<b>Depreciation</b>					
At 1 November 2018	23,465	220,655	2,559	46,581	293,260
Charge for the year	1,465	187	358	-	2,010
At 31 October 2019	24,930	220,842	2,917	46,581	295,270
At 1 November 2019	24,930	220,842	2,917	46,581	295,270
Charge for the year	4,403	561	1,565	-	6,529
At 31 October 2020	<b>29,333</b>	<b>221,403</b>	<b>4,482</b>	<b>46,581</b>	<b>301,799</b>
<b>Net book value</b>					
At 31 October 2020	-	-	<b>3,757</b>	-	<b>3,757</b>
At 31 October 2019	4,403	561	5,322	-	10,286

At 31 October 2020, cost of fully depreciated assets still in use amounted to EUR297,317 (2019: EUR46,581).

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 12. INVESTMENT PROPERTY

<b>Fair value</b>	<b>EUR</b>
At 31 October 2019 / At 31 October 2020	<b>9,025,157</b>

#### *Valuation process*

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

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

The fair value of the investment property as at 31 October 2020 is based on a valuation carried out by an independent architect on 19 December 2020. The architect is qualified and has experience in the valuation of properties.

The current use of the property equates to the highest and best use. The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Company's property has been determined to fall within Level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 3.6. Details of the investment property and information about the fair value hierarchy as at the end of the year is as follows:

Type of Property	Level 3	Total
	EUR	EUR
Commercial property	9,025,157	9,025,157
<b>Total</b>	<b>9,025,157</b>	<b>9,025,157</b>

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

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 12. INVESTMENT PROPERTY – continued

*Description of valuation techniques used and key inputs to valuation of the investment property*

For investment property categorized under Level 3 of the fair value hierarchy, the following approaches and inputs were used:

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building. The main inputs used were EUR250/sqm for shell construction, EUR200/sqm for building services, EUR200/sqm to EUR250/sqm for finishings depending on the area.	The higher the rates for construction, finishings, services and fittings, the higher the fair value.

During the year, the Company used the same valuation technique used in the previous year.

### 13. FINANCIAL ASSETS

*Investment in associated undertaking*

	EUR
<b>Carrying amount</b>	
At 1 November 2018	13,930,280
Share of results of associate re prior year	(100,563)
Share of results of associate	543,330
<b>At 31 October 2019</b>	<b>14,373,047</b>
Share of results of associate	(1,579,946)
<b>At 31 October 2020</b>	<b>12,793,101</b>

Company	Registered address	Class	Shares held Percentage
Suncrest Hotels p.l.c.	AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST1741 Malta	Ordinary	19.91%

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 13. FINANCIAL ASSETS – continued

The investment in associated undertaking relates to a 19.91% participating interest in a company whose other (majority) shareholder is AX Holdings Limited, the immediate parent company of AX Investments p.l.c. This participating interest is being accounted for as an investment in associated undertaking, since the Company has determined that it has significant influence over Suncrest Hotels p.l.c. Mr Angelo Xuereb is a common Director of both entities.

Suncrest Hotels p.l.c. is a limited liability company incorporated in Malta. The company rents its investment property to a related party. Its registered office is at AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST1741, Malta.

The following table illustrates the summarized financial information of Suncrest Hotels p.l.c.:

	<b>2020</b>	<b>2019</b>
	<b>EUR</b>	<b>EUR</b>
Non-current assets	<b>77,574,471</b>	87,818,209
Current assets	<b>1,246,807</b>	2,202,353
Total assets	<b>78,821,278</b>	90,020,562
Non-current liabilities	<b>8,484,732</b>	14,526,463
Current liabilities	<b>3,679,550</b>	3,304,009
Total liabilities	<b>12,164,282</b>	17,830,472
Revenue	<b>1,898,550</b>	3,797,100
(Loss)/profit after tax	<b>(7,933,094)</b>	2,731,274
Total comprehensive (loss) / income	<b>(7,933,094)</b>	2,731,274

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 13. FINANCIAL ASSETS – continued

#### *Loans and receivables*

	<b>Loan to parent EUR</b>	<b>Loans to related parties EUR</b>	<b>Total EUR</b>
<b>Cost</b>			
At 1 November 2019	20,230,189	22,312,032	42,542,221
Movement	2,717,304	(2,863,743)	(146,439)
<b>At 31 October 2020</b>	<b>22,947,493</b>	<b>19,448,289</b>	<b>42,395,782</b>
<b>Expected credit loss allowance</b>			
At 1 November 2019	32,368	36,194	68,562
Movement	4,348	(5,101)	(753)
<b>At 31 October 2020</b>	<b>36,716</b>	<b>31,093</b>	<b>67,809</b>
<b>Net book value</b>			
<b>At 31 October 2020</b>	<b>22,910,777</b>	<b>19,417,196</b>	<b>42,327,973</b>

Loans to parent and related parties are unsecured, have no fixed date of repayment and have an annual average interest rate of 6.7% (2019: 6.7%). These are expected to be repaid by 2024. The Company determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

Consideration of the estimation uncertainty around the recoverability of loans and receivables is described in Notes 2.1 and Note 4 to the financial statements.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 14. TRADE AND OTHER RECEIVABLES

	2020 EUR	2019 EUR
<b>Current</b>		
Trade receivables (i)	759	-
Amounts owed by other related parties (ii)	469,826	-
Prepayments	15,212	-
	<u>485,797</u>	<u>-</u>

(i) Trade receivables are non-interest bearing and are generally on a 60-day term.

(ii) Amounts owed by other related parties are unsecured, interest-free and have no fixed date of repayment. The balance is net of expected credit losses of EUR753 (2019: Nil).

### 15. CASH AND CASH EQUIVALENTS

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

	2020 EUR	2019 EUR
Cash at bank and in hand	<u>7,248</u>	<u>3,920</u>

### 16. CALLED UP ISSUED SHARE CAPITAL

	2020 EUR	2019 EUR
<b>Authorised</b>		
5,000,000 ordinary shares of EUR1 each	<u>5,000,000</u>	<u>5,000,000</u>
<b>Called up issued and fully paid up</b>		
5,000,000 ordinary shares of EUR1 each	<u>5,000,000</u>	<u>5,000,000</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.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

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### 17. RESERVES

#### *Fair value reserve*

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

#### *Retained earnings*

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

### 18. DEBT SECURITIES IN ISSUE

	2020 EUR	2019 EUR
At beginning of year	39,726,948	39,664,789
Bond issue costs amortisation for the year	62,329	62,159
At end of year	<u>39,789,277</u>	<u>39,726,948</u>
<b>Falling due between two and five years</b>	<u><b>39,789,277</b></u>	<u>39,726,948</u>

During 2014, the Company issued an aggregate principal amount of EUR40,000,000 bonds (2014-2024), having a nominal value of EUR100 each, bearing interest at the rate of 6% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 3 February 2014. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 31 December 2020 for the 6% bonds (2014 – 2024) was EUR104 (2019: EUR112).

As at year end, the Company had a balance of EUR39,789,277 from this bond issue. The amount is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate.

The parent company, AX Holdings Limited, has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all payment obligations undertaken by the subsidiary under the bonds if it fails to do so.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 19. DEFERRED TAXATION

	2020 EUR	2019 EUR
<i>Arising on:</i>		
Fair valuation of investment property	902,516	902,516
Movement in value of financial assets	3,589,850	4,142,831
On other temporary differences	(25,027)	(23,185)
	<u>4,467,339</u>	<u>5,022,162</u>

### 20. TRADE AND OTHER PAYABLES

	2020 EUR	2019 EUR
<b>Current</b>		
Trade payables (i)	20,438	2,806
Indirect taxes	7,151	17,877
Accruals (ii)	1,594,658	1,589,317
Other payables (iii)	88,071	88,349
Amount due to parent (iv)	143,587	-
	<u>1,853,905</u>	<u>1,698,349</u>

- (i) Trade payables are non-interest bearing and are generally on a 60-day credit term.
- (ii) Accruals mainly relate to the bond interest that has been incurred by but not yet paid to bondholders.
- (iii) Other payables relate to unclaimed interest by bondholders.
- (iv) Amounts due to parent company are unsecured and repayable on demand

### 21. CURRENT TAX PAYABLE

	2020 EUR	2019 EUR
Balance at beginning of year	175,226	185,956
Settlement tax paid	(175,226)	(185,956)
Provision for the year	-	175,226
	<u>-</u>	<u>175,226</u>

### 22. LEASES

Company as a lessor

The operating lease relating to the investment property owned by the Company has a 10-year term. The lessee does not have the option to purchase the property at the expiry of the lease period. The income earned under the operating lease amounted to EUR238,360 (2019: EUR238,360).

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 22. LEASES – continued

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

	2020 EUR	2019 EUR
Within one year	238,360	238,360
Between two and five years	953,440	953,440
Over five years	953,440	1,191,800
	<u>2,145,240</u>	<u>2,383,600</u>

### 23. RELATED PARTIES

The immediate parent and ultimate parent companies of AX Investments p.l.c. are AX Holdings Limited and AX Group p.l.c. respectively, which are both incorporated in Malta. The individual financial statements of the Company are incorporated in the group financial statements of AX Holdings Limited and AX Group p.l.c., the registered addresses of which are AX House, Mosta Road, Lija LJA 9010, Malta and AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta respectively. The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

All companies owned by AX Group p.l.c. are deemed to be related parties in these financial statements.

#### Transactions with related parties

*The Company entered into transactions with related parties, as follows:*

	2020 EUR	2019 EUR
<b>Interest receivable</b>		
Parent company	1,686,021	1,672,395
Other related parties	1,073,001	1,200,352
	<u>2,759,022</u>	<u>2,872,747</u>
<b>Rent receivable</b>		
Other related parties	238,360	238,360
	<u>238,360</u>	<u>238,360</u>
<b>Interest payable</b>		
Other related parties	22,579	12,518
	<u>22,579</u>	<u>12,518</u>

#### Balances with related parties

Outstanding balances with related parties at year-end are disclosed in Note 13 and Note 14 to these financial statements.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

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### 24. 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 is coordinated by the Directors and focuses on actively securing 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 is exposed to are described below.

#### *Credit risk*

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, Note 14 and Note 15.

The Company continuously monitors defaults of customers and other counterparts and incorporates this information into its credit risk controls. The Company's policy is to deal only with creditworthy counterparties.

None of the Company's financial assets is 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.

#### *Liquidity risk*

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 Company's obligations when they become due.

At 31 October 2020 and 31 October 2019, the contractual maturities on the financial liabilities of the Company were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

# AX Investments p.l.c.

## Notes to the Financial Statements – continued

31 October 2020

### 24. RISK MANAGEMENT OBJECTIVES AND POLICIES – continued

#### *Liquidity risk – continued*

	Within 1 year EUR	Between 1-5 years EUR	Total EUR
<b>At 31 October 2020</b>			
Debt securities in issue	2,400,000	45,628,493	48,028,493
Trade and other payables	140,045	-	140,045
	Within 1 year EUR	Between 1-5 years EUR	Total EUR
<b>At 31 October 2019</b>			
Debt securities in issue	2,400,000	48,028,493	50,428,493
Trade and other payables	126,865	-	126,865

#### *Foreign currency risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the entity's functional currency. Since most of the Company's transactions are carried out in Euro, the directors consider foreign exchange risk exposure to not be material and accordingly a sensitivity analysis disclosing how profit or loss and other comprehensive income would change as a result of a reasonable possible shift in foreign exchange rates, is not considered necessary.

#### *Interest rate risk*

The Company's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the Directors consider an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a movement is considered immaterial.

### 25. CAPITAL MANAGEMENT POLICIES AND PROCEDURES

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 Company monitors 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 ongoing basis.

### 26. SUBSEQUENT EVENTS

There were no events subsequent to reporting date.