

Registration Number C 27586

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

Report and Financial Statements

For the year ended 31 October 2018

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# AX Investments p.l.c.

## Directors, Officer and Other Information

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<i>Directors:</i>	Mr Angelo Xuereb - Chairman Dr Patrick J. Galea Chev Philip A. Ransley Mr Michael Sciortino Mr Michael Warrington
<i>Secretary:</i>	Dr Ian Vella Galea
<i>Registered office:</i>	AX House Mosta Road Lija LJA 9010 Malta
<i>Country of incorporation:</i>	Malta
<i>Company registration number:</i>	C 27586
<i>Auditors:</i>	Nexia BT The Penthouse, Suite 2 Capital Business Centre, Entrance C Triq taz-Zwejt San Gwann SGN 3000 Malta
<i>Bankers:</i>	Bank of Valletta p.l.c. Labour Avenue Naxxar Malta
<i>Legal adviser:</i>	Dr David Wain AX House Mosta Road Lija LJA 9010 Malta

# AX Investments p.l.c.

## Directors' Report

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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.

### Performance review

#### Financial

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 €58,128 (2017: €53,224).

The share of results of associate relate to the holding of 19.91% in Suncrest Hotels plc. In 2018, Suncrest Hotels plc reversed an impairment on available for sale investments and there was a movement in fair value of available for sale investments. These resulted in an exceptionally higher profits and therefore a higher share of profits from associate.

Interest income from related parties decreased by €2,358, from €2.91 million in 2017 to €2.90 million in 2018, reflecting an overall decrease of 0.08%. On the other hand finance costs remained constant at €2.4 million in line with previous year.

During the year under review, the company registered a net profit before taxation of €1,425,048 (2017: €814,026).

The resulting earnings per share for the year under review increased from €0.12 per share to €0.19 per share. This comprises the profit attributable to ordinary shareholders divided by the average number of shares in issue during the year.

Total equity increased by €936,690 from €17,726,106 to €18,662,796 reflecting the retained profits for the year.

#### *Financial Key Performance Indicators*

	2018 €	2017 €	2016 €
Operating income	238,360	238,360	238,005
Operating profit	58,128	53,224	58,609
Net finance income	502,778	505,136	384,132
Net profit after tax	936,690	611,267	7,615,017
Earnings per share	0.19	0.12	1.52
Total equity and liabilities	65,330,349	63,844,424	63,077,380

# AX Investments p.l.c.

## Directors' Report

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### 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.

### Financial risk management and exposures

Note 19 to the financial statements provides a detailed analysis of the financial risk 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.

# AX Investments p.l.c.

## Directors' Report

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### Auditors

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

Approved by the board of directors and signed on its behalf on 29th January 2019 by:



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**Mr Angelo Xuereb**  
Director



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**Mr Michael Warrington**  
Director

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

## **Statement of Directors' Responsibilities**

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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**

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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 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 Company does not have a Remuneration Committee as recommended in Principle Eight, since the Company has no employees other than the Directors and the Company Secretary.

### **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.

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

## **Corporate Governance – Statement of Compliance**

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Mr Angelo Xuereb chairs the Board which met three 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.

### **Audit Committee**

The Audit Committee held four 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 Financial Controller; 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.

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance

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### 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, and is satisfied with their effectiveness.

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.

### 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:

	€
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

Mr Angelo Xuereb indirectly, through Fulcrum Services Limited 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.

# AX Investments p.l.c.

## Corporate Governance – Statement of Compliance

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### 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.

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.

### Going Concern

Under Corporate Governance requirements, the Directors confirm that, having reviewed the Group's budget and forecast for 2019, they consider that the Group has adequate resources to continue in operation and existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

**Approved by the Board of Directors on 29th January 2019 and signed on its behalf by:**



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**Mr Angelo Xuereb**  
Director



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**Mr Michael Warrington**  
Director

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

## **Independent Auditors' Report to AX Investments p.l.c. on Corporate Governance Matters**

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Pursuant to the Listing Authority Rules issued by the Malta Financial Services Authority, the directors are required to include in their annual report a Statement of Compliance to 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 with these principles.

Our responsibility as laid down by Listing Rule 5.98 requires us to include a report on the Statement of Compliance.

We read the Statement of Compliance and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

We are not required to perform additional work necessary to, and we do not, express an opinion on the effectiveness of either the company's system of internal control or its corporate governance procedures.

In our opinion, the Statement of Compliance set out on pages 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules.



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**Mr Darren Bugeja**

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

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

**Date: 29 January 2019**

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

## **Independent Auditors' Report to the members of AX Investments p.l.c.**

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### **Opinion**

We have audited the accompanying financial statements of AX Investments p.l.c., which comprise the statements of financial position as at 31 October 2018, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of AX Investments p.l.c. as of 31 October 2018 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

### **Basis for Opinion**

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

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

### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgement, 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.

# AX Investments p.l.c.

## Independent Auditors' Report to the members of AX Investments p.l.c.

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### 1. Loans and receivables

#### *Key audit matter*

The company acts as the main finance vehicle of the AX Group of companies. The loans and receivables are the largest asset category of the company.

#### *How the key audit matter was addressed in our audit*

Loans and receivables were checked and confirmed with the financial information of the respective related parties and related agreements. We also checked the financial situation of the related parties to ensure that there are no recoverability issues.

### 2. Investment property

#### *Key audit matter*

The valuation of the investment property is inherently subjective.

#### *How the key audit matter was addressed in our audit*

The architect's valuation was reviewed and tested by accessing the reasonableness of the inputs, verifying the calculations and the appropriateness of the resulting fair value.

### 3. Investment in associated undertaking

#### *Key audit matter*

The valuation of the investment in associated undertaking depends on the financial information of the associate, as it is accounted for using the equity method.

#### *How the key audit matter was addressed in our audit*

The financial report of the associated undertaking was audited by us, and there were no material issues that will affect the value of the investment in associated undertaking.

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

## **Independent Auditors' Report to the members of AX Investments p.l.c.**

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### **Other information**

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

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

Based on the work we have performed, in our opinion, the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

### **Responsibilities of the directors**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

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

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

## **Independent Auditors' Report to the members of AX Investments p.l.c.**

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

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional 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 entity's internal control.

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

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

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

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

## **Independent Auditors' Report to the members of AX Investments p.l.c.**

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



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**Mr Darren Bugeja**

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

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

**Date: 29 January 2019**

# AX Investments p.l.c.

## Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2018

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	Note	2018 €	2017 €
Operating income	4	238,360	238,360
Administrative expenses		(180,232)	(185,136)
<b>Operating profit</b>		<u>58,128</u>	<u>53,224</u>
Interest income	5	2,902,778	2,905,136
Share of results of associate		864,142	255,666
Finance costs	6	(2,400,000)	(2,400,000)
<b>Profit before taxation</b>	7	<u>1,425,048</u>	<u>814,026</u>
Income tax	8	(488,358)	(202,759)
<b>Profit for the year</b>		<u>936,690</u>	<u>611,267</u>
<b>Total comprehensive income for the year</b>		<u>936,690</u>	<u>611,267</u>
<b>Earnings per share</b>	9	<u>0.19</u>	<u>0.12</u>

The notes on pages 20 to 37 form an integral part of these financial statements.

# AX Investments p.l.c.

## Statement of Financial Position

At 31 October 2018

	Note	2018 €	2017 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	10	8,048	12,385
Investment property	11	9,025,157	9,025,157
Investment in associated undertaking	12	13,930,280	13,066,138
Loans and receivables	12	42,313,923	41,482,685
		<u>65,277,408</u>	<u>63,586,365</u>
<b>Current assets</b>			
Cash and cash equivalents	13	52,941	258,059
		<u>52,941</u>	<u>258,059</u>
<b>Total assets</b>		<u>65,330,349</u>	<u>63,844,424</u>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Called up issued share capital	14	5,000,000	5,000,000
Retained earnings		12,814,716	11,878,026
Revaluation reserve		848,080	848,080
<b>Total equity</b>		<u>18,662,796</u>	<u>17,726,106</u>
<b>Non-current liabilities</b>			
Trade and other payables	17	185,063	-
Debt securities in issue	15	39,664,789	39,602,460
Deferred taxation	16	4,890,793	4,588,391
		<u>44,740,645</u>	<u>44,190,851</u>
<b>Current liabilities</b>			
Trade and other payables	17	1,740,952	1,927,467
Current tax liability	18	185,956	-
		<u>1,926,908</u>	<u>1,927,467</u>
<b>Total liabilities</b>		<u>46,667,553</u>	<u>46,118,318</u>
<b>Total equity and liabilities</b>		<u>65,330,349</u>	<u>63,844,424</u>

These financial statements were approved by the board of directors, authorised for issue on 29th January 2019 and signed on its behalf by:

  
\_\_\_\_\_  
**Mr Angelo Xuereb**  
Director

  
\_\_\_\_\_  
**Mr Michael Warrington**  
Director

The notes on pages 20 to 37 form an integral part of these financial statements.

# AX Investments p.l.c.

## Statement of Changes in Equity

For the year ended 31 October 2018

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	Called up issued share capital €	Retained earnings €	Revaluation reserve €	Total €
At 1 November 2016	5,000,000	11,264,243	850,596	17,114,839
Profit for the year	-	611,267	-	611,267
Revaluation of property	-	-	-	-
Deferred tax on revaluation of property	-	2,516	(2,516)	-
Other comprehensive income	-	-	-	-
Total Comprehensive Income/(Expense)	-	613,783	(2,516)	611,267
At 1 November 2017	5,000,000	11,878,026	848,080	17,726,106
Profit for the year	-	936,690	-	936,690
Revaluation of property	-	-	-	-
Deferred tax on revaluation of property	-	-	-	-
Other comprehensive income	-	-	-	-
Total Comprehensive Income	-	936,690	-	936,690
At 31 October 2018	5,000,000	12,814,716	848,080	18,662,796

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# AX Investments p.l.c.

## Statement of Cash Flows

For the year ended 31 October 2018

	2018	2017
	Note	
	€	€
<b>Cash flows from operating activities</b>		
Profit before taxation	1,425,048	814,026
Adjustments for:		
Group loss movement	-	(110,805)
Depreciation	4,337	4,341
Bond issue costs amortisation for the year	62,329	62,329
Interest expense	2,400,000	2,400,000
Interest income	(2,902,778)	(2,902,785)
Share of results of associate	(864,142)	(255,666)
	<hr/>	<hr/>
<b>Operating profit before working capital movements</b>	124,794	11,440
Movement in trade and other receivables	-	77,271
Movement in trade and other payables	(1,452)	(254,379)
	<hr/>	<hr/>
<b>Cash flows used in operations</b>	123,342	(165,668)
Interest paid	(2,400,000)	(2,400,000)
Interest received	2,902,778	2,902,785
	<hr/>	<hr/>
<b>Net cash from operating activities</b>	626,120	337,117
	<hr/>	<hr/>
<b>Cash flows used in investing activities</b>		
Addition of investment property	-	(25,157)
Movement in loans to related parties	(831,238)	(982,310)
	<hr/>	<hr/>
<b>Net cash used in investing activities</b>	(831,238)	(1,007,467)
	<hr/>	<hr/>
<b>Cash flows used in financing activities</b>		
Movement in amounts owed to related parties	-	255,873
	<hr/>	<hr/>
<b>Net cash used in financing activities</b>	-	255,873
	<hr/>	<hr/>
Net movement in cash and cash equivalents	(205,118)	(414,477)
Cash and cash equivalents at the beginning of the year	258,059	672,536
	<hr/>	<hr/>
Cash and cash equivalents at the end of the year	13 52,941	258,059
	<hr/>	<hr/>

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 1. General information

AX Investments p.l.c is a limited liability company incorporated in Malta. The company was principally formed for the financing or re-financing of the funding requirements of related companies.

### 2. Significant accounting policies

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

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the company. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Companies Act, 1995 enacted in Malta, and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

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

#### *Application of new and revised International Financial Reporting Standards*

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

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

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. This standard is effective for financial periods beginning on, or after, 1 January 2018. The application of IFRS 9 will have no material impacts on the company's financial statements.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

IFRS 15, 'Revenue from contracts with customers' deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for annual periods beginning on or after 1 January 2018 and earlier application is permitted. The application of IFRS 15 will have no impact on the company's financial statements.

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. IFRS 16 will supersede the current lease guidance of IAS 17 Leases and the related interpretations when it becomes effective. This standard is mandatory for financial years commencing on or after 1 January 2019. The application of IFRS 16 will have no impact on the company's financial statements.

#### *Property, plant and equipment*

Property, plant and equipment are initially measured at cost. Subsequent costs are included in the asset's carrying amount when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. Expenditure on repairs and maintenance of property, plant and equipment is recognised as an expense when incurred.

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 at rates intended to write down the cost of the assets on 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

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### *Investment property*

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably. Investment property is initially measured at cost, including transaction costs. Subsequent to initial recognition, investment property is stated at fair value at the statement of financial position date. Gains or losses arising from changes in the fair value of investment property are recognised in profit or loss in the period in which they arise.

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

### *Financial instruments*

Financial assets and financial liabilities are recognised when the company becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially recognised at their fair value plus directly attributable transaction costs for all financial assets or financial liabilities not classified at fair value through profit or loss.

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

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

An equity instrument is any contract that evidences a residual interest in the assets of the company after deducting all of its liabilities.

#### (i) Investments

The investment in group company relates to a 19.91% participating interest in a company whose other (majority) shareholder is AX Holdings Limited which is AX Investments p.l.c.'s parent company. This participating interest is being accounted for as an investment in associated undertaking, since the company has significant influence over the running of the entity.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control over those policies.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

#### *Financial instruments (continued)*

Investments in associated undertakings are accounted for under the equity method. Under the equity method, investments in associates are initially recognized at cost and adjusted thereafter for the post-acquisition change in the company's share of net assets of the associates, less any impairment in the value of the investments. The company's share of the post-acquisition reserves is recognized directly in equity. 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 undertakings.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market other than those that are held for trading or are designated upon initial recognition as at fair value through profit or loss or as available-for-sale financial assets or those for which the company may not recover substantially all of its initial investment other than because of credit deterioration.

After initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the financial asset is derecognised or impaired and through the amortisation process.

#### (ii) Other borrowings

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

#### (iii) Trade payables

Trade payables are classified with current liabilities and are stated at their nominal value.

#### (iv) Shares issued by the company

Ordinary shares issued by the company are classified as equity instruments.

#### (v) Debt securities in issue

Debt securities in issue are stated at amortised cost. The amortisation is calculated using the effective yield method and is recognised in profit or loss over the period of the debt security.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

#### *Offsetting financial instruments*

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### *Impairment*

At each statement of financial position date, the carrying amount of assets is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount.

For loans and receivables, if there is objective evidence that an impairment loss has been incurred, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate. The carrying amount of the asset is reduced directly or through an allowance account.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, is measured as the difference between the carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative impairment loss that had been recognised directly in equity is removed from equity and recognised in profit or loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

In the case of assets tested for impairment, the recoverable amount is the higher of fair value less costs to sell (which is the amount obtainable from sale in an arm's length transaction between knowledgeable, willing parties, less the 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.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

#### *Impairment (continued)*

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 directly against the asset's revaluation surplus to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

For loans and receivables if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly.

In the case of assets tested for impairment, an impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

Impairment losses recognised in profit or loss for an available-for-sale investment in an equity instrument are not reversed through profit or loss. Impairment losses recognised in profit or loss for an available-for-sale investment in a debt instrument are reversed through profit or loss if an increase in the fair value of the instrument can be objectively related to an event occurring after the recognition of the impairment loss.

The impairment loss on investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured is not reversed in a subsequent period.

#### *Revenue recognition*

Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

#### *Interest income*

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to the asset's net carrying amount.

#### *Rental income*

Rental income is accounted for on an accrual basis.

#### *Operating leases*

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or services of payments the right to use an asset for an agreed period of time. A finance lease is that transfers substantially all the risks and rewards incidental to ownership of an asset. An operating lease is a lease other than a finance lease.

Assets leased out under operating leases are included in investment property in the statement of financial position. Lease income from operating leases shall be recognized in income on a straight line basis over the lease term.

#### *Taxation*

Current tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

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. It is calculated using tax rates that have been enacted or substantively enacted by the statement of financial position date.

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.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 2. Significant accounting policies (continued)

#### *Taxation (continued)*

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

Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates that have been enacted or substantively enacted by the statement of financial position date.

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.

#### *Employee benefits*

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

#### *Cash and cash equivalents*

Cash and cash equivalents comprise cash in hand and deposits repayable on demand.

### 3. Judgements in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements.

At the statement of financial position date, there were no key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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<b>4. Operating income</b>	2018 €	2017 €
Rental income from investment property	163,360	163,360
Rental income from moveable property	75,000	75,000
	<u>238,360</u>	<u>238,360</u>

There are no direct operating costs associated with investment property. The lease term is not covered by a non-cancellable lease agreement.

<b>5. Interest income</b>	2018 €	2017 €
Interest income from group companies	2,902,778	2,902,785
Interest received from investments	-	2,351
	<u>2,902,778</u>	<u>2,905,136</u>

<b>6. Finance costs</b>	2018 €	2017 €
Interest on debt securities in issue	<u>2,400,000</u>	<u>2,400,000</u>

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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<b>7. Profit before taxation</b>	2018	2017
	€	€
<i>Profit before taxation is stated after charging:</i>		
Auditors' remuneration	3,000	4,872
Directors' remuneration	43,000	43,000
Depreciation charge	4,337	4,341
	<hr/>	<hr/>
<i>Staff costs</i>	2018	2017
The average number of employees (based pro-rata on a 40-hour week) during the year were:		
Administration	2	2
	<hr/>	<hr/>
<b>8. Income tax</b>	2018	2017
	€	€
<i>Malta Income Tax:</i>		
Current taxation	(185,956)	-
Deferred taxation	(302,402)	(91,954)
Losses surrendered from group companies	-	(185,064)
Adjustment to losses surrendered in prior year	-	74,259
	<hr/>	<hr/>
	(488,358)	(202,759)
	<hr/>	<hr/>

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 8. Income tax (continued)

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

	2018 €	2017 €
Profit before tax	1,425,048	814,026
Tax thereon at 35%	(498,767)	(284,909)
Tax effect of:		
Tax effect of unrecognised temporary differences	-	-
Tax effect of permanent differences	10,409	82,151
Income tax charge for the year	(488,358)	(202,759)

### 9. Earnings per share

The earnings per share has been calculated on the profit for the year of €936,690 (2017: €611,267) divided by the weighted average number of ordinary shares in issue during the year.

	2018	2017
Weighted average number of shares in issue	5,000,000	5,000,000
	€	€
Earnings per share	0.19	0.12

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

### 10. Property, plant and equipment

	Improvements €	Furniture and Fittings €	Computer equipment €	Plant and machinery €	Total €
<b>Cost</b>					
At 1 November 2016	29,333	221,403	3,991	46,581	300,308
Additions	-	-	-	-	-
At 31 October 2017	29,333	221,403	3,991	46,581	301,308
At 1 November 2017	29,333	221,403	3,991	46,581	301,308
Additions	-	-	-	-	-
At 31 October 2018	29,333	221,403	3,991	46,581	301,308
<b>Depreciation</b>					
At 1 November 2016	17,597	219,903	1,127	45,955	284,582
Charge for the year	2,934	376	716	315	4,341
At 31 October 2017	20,531	220,279	1,843	46,270	288,923
At 1 November 2017	20,531	220,279	1,843	46,270	288,923
Charge for the year	2,934	376	716	311	4,337
At 31 October 2018	23,465	220,655	2,559	46,581	293,260
<b>Net book value</b>					
At 31 October 2018	5,868	748	1,432	-	8,048
At 31 October 2017	8,802	1,124	2,148	311	12,385
At 31 October 2016	11,736	1,500	2,864	626	16,726

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

### 11. Investment property

	€
<b>Fair value</b>	
At 31 October 2017/ At 31 October 2018	9,025,157

The fair value of the investment property has been arrived at on the basis of a valuation carried out on 11 November 2016 by an independent professionally qualified valuer.

The replacement cost approach was used to value the investment property. This approach takes into account the actual physical building and the estimated land value. The valuation calculated the replacement cost of the components of the existing accommodation facility and office space. The estimated going rates for shell construction, finishing, external spaces, landscaping and building services, were adjusted using a multiplication factor between 1 to 3, to value the historical building.

### 12. Financial assets

<b>Non Current Financial Assets</b>	<b>Investment in associated undertaking</b>
	€
<b>Carrying amount</b>	
At 1 November 2016	12,810,472
Share of results of associate	255,666
	<hr/>
At 31 October 2017	13,066,138
Share of results of associate re prior year	37,304
Share of results of associate	826,838
	<hr/>
At 31 October 2018	13,930,280
	<hr/>

#### *Investment in group company*

<b>Company</b>	<b>Registered address</b>	<b>Shares held</b>	
		<b>Class</b>	<b>Percentage</b>
Suncrest Hotels p.l.c.	AX House, Mosta Road, Lija LJA 9010, Malta	Ord	19.91%

AX Investments p.l.c. invested in Suncrest Hotels p.l.c. as part of the Bond Issue Series II which was raised to acquire the minority shareholding held by third parties. The company receives interest on its loans from Suncrest Hotels p.l.c. AX Investments p.l.c. and Suncrest Hotels p.l.c. have the following common director on the board of directors: Mr Angelo Xuereb.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 12. Financial assets (continued)

#### *Investment in group company (continued)*

At 31 October 2018, Suncrest Hotels p.l.c. had total assets of €87,885,131 and total liabilities of €17,918,885. During the year its revenue amounted to €5,197,100 and its profit after taxation amounted to €2,361,710 and its total comprehensive income amounted to €4,152,878.

#### *Loans and receivables*

	<b>Loan to parent</b> €	<b>Loans to related parties</b> €	<b>Total</b> €
<b>Amortised cost</b>			
At 1 November 2016	7,195,384	33,304,991	40,500,375
Movement	1,786,108	(803,798)	982,310
	<hr/>	<hr/>	<hr/>
At 1 November 2017	8,981,492	32,501,193	41,482,685
Movement	4,116,922	(3,285,684)	831,238
	<hr/>	<hr/>	<hr/>
At 31 October 2018	13,098,414	29,215,509	42,313,923
	<hr/>	<hr/>	<hr/>

The above amounts are unsecured and have no fixed date of repayment. The average interest rate for the year was of 7.4% (2017: 7.5%) per annum.

### 13. Cash and cash equivalents

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

	2018 €	2017 €
Cash at bank and in hand	52,941	258,059
	<hr/>	<hr/>

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

### 14. Called up issued share capital

	2018 €	2017 €
<b>Authorised</b>		
5,000,000 ordinary shares of €1 each	5,000,000	5,000,000
<b>Called up issued and fully paid up</b>		
5,000,000 ordinary shares of €1 each	5,000,000	5,000,000

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.

### 15. Debt securities in issue

	2018 €	2017 €
At beginning of year	39,602,460	39,540,131
Bond issue costs amortisation for the year	62,329	62,329
At end of year	39,664,789	39,602,460
<b>Falling due after more than five years</b>	39,664,789	39,602,460

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

The bonds are listed on the Official Companies List of the Malta Stock Exchange and are guaranteed by AX Holdings Limited.

### 16. Deferred taxation

	2018 €	2017 €
<i>Arising on:</i>		
Revaluation of investment property	902,516	902,516
Movement in value of financial assets	3,987,862	3,685,413
On other temporary differences	415	462
	4,890,793	4,588,391

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

### 17. Trade and other payables

	2018	2017
	€	€
<b>Current</b>		
Trade payables	2,806	2,806
Amounts owed to related party	70,809	255,873
Indirect taxes	7,151	20,651
Accruals	1,589,531	1,589,238
Other payables	70,655	58,899
	<u>1,740,952</u>	<u>1,927,467</u>
<b>Non-current</b>		
Amounts owed to related party	185,063	-
	<u>185,063</u>	<u>-</u>
	<u>1,926,015</u>	<u>1,927,467</u>

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

### 18. Current tax payable

	2018	2017
	€	€
Provision for the year	185,956	-
	<u>185,956</u>	<u>-</u>

### 19. Related parties

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

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

### 19. Related parties (continued)

The company entered into transactions with related parties, as follows:

	2018 €	2017 €
<b>Interest receivable</b>		
<i>Related party transactions with:</i>		
Parent company	968,424	634,529
Other related parties	1,934,354	2,268,256
	<u>2,902,778</u>	<u>2,902,785</u>
<b>Rent receivable</b>		
<i>Related party transactions with:</i>		
Other related parties	238,360	238,360
	<u>238,360</u>	<u>238,360</u>
<b>Interest payable</b>		
<i>Related party transactions with:</i>		
Other related parties	15,228	3,587
	<u>15,228</u>	<u>3,587</u>

Outstanding balances with related parties at year-end are disclosed in note 12 and 17 to these financial statements.

### 20. 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 12 and 13.

The company continuously monitors defaults of customers and other counterparties, 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.

# AX Investments p.l.c.

## Notes to the Financial Statements

For the year ended 31 October 2018

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### 20. Risk management objectives and policies (continued)

#### *Credit risk (continued)*

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 2018 and 31 October 2017, 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.

	2018	2017
	€	€
<i>Non-bank borrowings</i>		
Less than 6 months	1,200,000	1,200,000
From 6 to 12 months	1,200,000	1,200,000
From 1 to 5 years	9,600,000	9,600,000
More than 5 years	40,828,493	43,228,493
	<hr/>	<hr/>

#### *Foreign currency risk*

Most of the company's transactions are carried out in Euro. Exposure to currency exchange rates arise from the company's transactions in foreign currencies.

The company's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

#### *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.

### 21. 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.

