Registration Number C 27586

AX Investments p.l.c.

Report and Financial Statements

For the year ended 31 October 2014

Contents

	Page
Directors, Officer and Other Information	1
Directors' Report	2
Statement of Directors' Responsibilities	3
Corporate Governance - Statement of Compliance	4 - 7
Independent Auditors' Report on Corporate Governance Matters	8
Independent Auditors' Report	9 - 10
Statement of Profit or Loss and Other Comprehensive Income	11
Statement of Financial Position	12
Statement of Changes in Equity	13
Statement of Cash Flows	14
Notes to the Financial Statements	15 - 32

AX Investments p.l.c.

Directors, Officer and Other Information

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

AX Investments p.l.c.

Directors' Report

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. The activities of the company are expected to remain consistent for the foreseeable future.

Performance review
The company registered a profit before taxation of €1,807,654 (2013 – Loss of €126,522). On 15 December 2013, the company repaid the remaining balance on the 4% bond, together with the 40% redemption premium. In February 2014, the company issued €40,000,000 6% bonds redeemable on 6 March 2024. The new bond issue was fully subscribed, with 86% of the existing 6.7% bondholders opting to exchange their bonds for the new 6% issue. The remaining balance on the 6.7% bonds was redeemed in December 2014.

During the year rental income remained constant, investment income increased significantly due to the investment in Malta Government Stocks and interest receivable from related parties. Finance costs were relatively high as a result of the interest that was paid on the new bond issue. The activities of the company are expected to remain consistent in the foreseeable future.

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
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 22 January 2015 by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

Statement of Directors' Responsibilities

The directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the company 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

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 2006 and 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.

Corporate Governance – Statement of Compliance

Mr Angelo Xuereb chairs the Board which met seven 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 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 seven 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 Finance Director; 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.

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 Galea	5,000 *
Chev. Philip 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 Finance Director with the majority corporate shareholder; AX Holdings Limited.

AX Investments p.l.c.

Corporate Governance – Statement of Compliance

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 2014, 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 22 January 2015 and signed on its behalf by:

Mr Angelo Xuereb Director	**Mr Michael Warrington** Director

AX Investments p.l.c.

Independent Auditors' Report
to AX Investments p.l.c. on corporate governance matters

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 4 to 7 has been properly prepared in accordance with the requirements of the Listing Rules.

Mr Manuel Castagna

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: 22 January 2015

AX Investments p.l.c.

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

We have audited the accompanying financial statements of AX Investments p.l.c. which comprise the statement of financial position as at 31 October 2014, and the statement of Profit or Loss and Other Comprehensive Income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

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

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

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

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

AX Investments p.l.c.

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

Opinion
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 2014 and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act, 1995.

Mr Manuel Castagna

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: 22 January 2015

AX Investments p.l.c.

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 October 2014

	Note	2014 €	2013 €
Operating income	**4**	162,945	162,945
Administrative expenses		(245,022)	(144,394)
Operating (loss) / profit		(82,077)	18,551
Investment income	**5**	3,985,728	864,903
Finance costs	**6**	(2,037,510)	(1,009,976)
Profit / (loss) before taxation	**7**	1,866,141	(126,522)
Income tax	**8**	356,265	31,328
Profit / (loss) for the year		2,222,406	(95,194)
Total comprehensive income/(expense) for the year		2,222,406	(95,194)
Earnings / (loss) per share	**9**	1.85	(0.08)

AX Investments p.l.c.

Statement of Financial Position

At 31 October 2014

	Note	2014 €	2013 €
ASSETS			
Non-current assets			
Property, plant and equipment	**10**	35,487	69,959
Investment property	**11**	8,250,000	8,250,000
Investment in group company	**12**	2,787,938	2,740,657
Loans and receivables	**12**	20,815,133	10,246,472
		31,888,558	21,307,088
Current assets			
Financial assets at fair value through profit or loss	**12**	16,874,478	-
Trade and other receivables	**13**	1,323,238	198,818
Cash and cash equivalents	**14**	1,910,389	3,773
		20,108,105	202,591
Total assets		51,996,663	21,509,679
EQUITY AND LIABILITIES			
Capital and reserves			
Called up issued share capital	**15**	2,795,248	2,795,248
Retained earnings		2,803,797	416,391
Revaluation reserve		2,380,348	2,545,348
Total equity		7,979,393	5,756,987
Non-current liabilities			
Debt securities in issue	**16**	39,415,985	11,586,563
Deferred taxation	**18**	913,043	1,061,495
		40,329,028	12,648,058
Current liabilities			
Trade and other payables	**19**	1,982,939	772,608
Tax payable		24,566	7,086
Debt securities in issue	**16**	1,673,651	2,027,061
Other borrowings	**17**	-	198,138
Other financial liabilities	**20**	7,086	99,741
		3,688,242	3,104,634
Total liabilities		44,017,270	15,752,692
Net equity and liabilities assets		51,996,663	21,509,679

These financial statements were approved by the board of directors, authorised for issue on 22 January 2015 and signed on its behalf by:

Mr Angelo Xuereb
Director

Mr Michael Warrington
Director

AX Investments p.l.c.

Statement of Changes in Equity

For the year ended 31 October 2014

	Called up issued share capital €	Retained earnings €	Revaluation reserve €	Total €
At 1 November 2012	2,795,248	511,585	2,545,348	5,852,181
Loss for the year	-	(95,194)	-	(95,194)
Other comprehensive income	-	-	-	-
Total Comprehensive Expense	-	(95,194)	-	(95,194)
At 1 November 2013	2,795,248	416,391	2,545,348	5,756,987
Profit for the year	-	2,222,406	-	2,222,406
Deferred tax on revaluation of property	-	165,000	(165,000)	-
Other comprehensive income	-	-	-	-
Total Comprehensive income	-	2,387,406	(165,000)	2,222,406
At 31 October 2014	2,795,248	2,803,797	2,380,348	7,979,393

AX Investments p.l.c.

Statement of Cash Flows

For the year ended 31 October 2014

	Note	2014 €	2013 €
Cash flows used in operating activities			
Profit / (loss) before taxation		1,866,141	(126,522)
Adjustments for:			
Group loss movement		232,379	-
Depreciation		34,472	34,156
Capitalisation of bond issue costs		(622,339)	-
Bond issue costs amortisation for the year		96,888	19,413
Interest expense		2,037,510	1,009,976
Interest income		(1,617,539)	(974,656)
Share of results of associate		(47,281)	109,753
Gain on disposal of investment		(347,545)	-
Fair value movements of investments		(1,973,363)	-
Operating profit before working capital movements		(340,677)	72,120
Movement in trade and other receivables		(1,124,420)	(197,072)
Movement in trade and other payables		59,600	(6,357)
Cash flows used in operations		(1,405,497)	(131,309)
Interest paid		(886,779)	(851,346)
Interest received		1,617,539	974,656
Taxation paid		(7,086)	-
Net cash used in operating activities		(681,823)	(7,999)
Cash flows (used in) / from investing activities			
Acquisition of investments		(17,675,369)	-
Movement in loans to related parties		(10,568,661)	1,308,947
Proceeds from disposal of investments		3,121,799	-
Net cash (used in) / from investing activities		(25,122,231)	1,308,947
Cash flows from / (used in) financing activities			
Purchase of own bonds		(11,647)	(469,939)
Issue of new bonds		30,040,173	-
Bonds redeemed		(2,027,063)	-
Movement in bank loan		(198,138)	198,138
Movement in amounts owed to related parties		(92,655)	(1,029,335)
Net cash from / (used in) financing activities		27,710,670	(1,301,136)
Net movement in cash and cash equivalents		1,906,616	(188)
Cash and cash equivalents at the beginning of the year		3,773	3,961
Cash and cash equivalents at the end of the year	**14**	1,910,389	3,773

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).

Property, plant and equipment

The company's property, plant and equipment are classified as furniture and fixtures.

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.

2. Significant accounting policies (continued)

Property, plant and equipment (continued)

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

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.

2. Significant accounting policies (continued)

Financial instruments (continued)

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.

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.

Financial assets at fair value through profit or loss are stated at fair value.

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.

2. Significant accounting policies (continued)

Financial instrument (continued)

(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.

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.

2. Significant accounting policies (continued)

Impairment (continued)

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.

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.

2. Significant accounting policies (continued)

Impairment (continued)

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:

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.

2. Significant accounting policies (continued)

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.

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. Judgments in applying accounting policies and key sources of estimation uncertainty

In the process of applying the company's accounting policies, management has made no judgments 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.

4. Operating income

	2014 €	2013 €
Rental income from investment property	162,945	162,945

There are no direct operating costs associated with investment property.

5. Investment income

	2014 €	2013 €
Interest income from group companies	1,186,644	974,496
Interest received from investments	430,895	160
Share of results of associate	47,281	(109,753)
Fair value movement	1,973,363	-
Gain on disposal of investments	347,545	-
	3,985,728	864,903

6. Finance costs

	2014 €	2013 €
Interest on bonds in issue	2,014,128	1,009,976
Bank interest	23,382	-
	2,037,510	1,009,976

7. Profit / (loss) before taxation

	2014	2013
	€	€
Profit / (loss) before taxation is stated after charging:		
Auditors' remuneration	3,127	3,127
Directors' remuneration	43,000	43,000
Depreciation charge	34,472	34,156

Staff costs

	2014	2013
	€	€
The average number of employees (based pro-rata on a 40-hour week) during the year were:		
Administration	2	2

8. Income tax expense

	2014	2013
	€	€
Malta Income Tax:		
Tax for the year	24,566	7,086
Deferred taxation	(148,452)	(38,414)
Losses surrendered to group companies	(232,379)	-
	(356,265)	(31,328)

As at year end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised amounted to € 828,302 (2013: € 136,627) and € 29,882 (2013: € 26,018) respectively.

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

	2014	2013
	€	€
Profit / (loss) before tax	1,866,141	(126,522)
Tax thereon at 35%	653,149	(44,283)
Tax effect of:		
Tax effect of unrecognised temporary differences	243,417	10,928
Tax effect of permanent differences	(1,020,452)	2,027
Losses surrendered to group companies	(232,379)	-
Income tax credit for the year	(356,265)	(31,328)

9. Earnings / (loss) per share

The earnings / (loss) per share has been calculated on the profit for the year of €2,222,406 (2013 – loss of €95,194) divided by the weighted average number of ordinary shares in issue during the year.

	2014	2013
Weighted average number of shares In issue	1,200,000	1,200,000
	€	€
Earnings / (loss) per share	1.85	(0.08)

AX Investments p.l.c.

Notes to the Financial Statements

For the year ended 31 October 2014

10. Property, plant and equipment

	Improvements	Furniture and Fittings	Computer equipment	Plant and machinery	Total
	€	€	€	€	€
Cost					
At 1 November 2012	29,333	221,403	413	46,581	297,730
Additions	-	-	-	-	-
At 31 October 2013	29,333	221,403	413	46,581	297,730
At 1 November 2013	29,333	221,403	413	46,581	297,730
Additions	-	-	-	-	-
At 31 October 2014	29,333	221,403	413	46,581	297,730
Depreciation					
At 1 November 2012	5,865	169,580	165	18,005	193,615
Charge for the year	2,932	22,140	82	9,002	34,156
At 31 October 2013	8,797	191,720	247	27,007	227,771
At 1 November 2013	8,797	191,720	247	27,007	227,771
Charge for the year	2,933	22,140	83	9,316	34,472
At 31 October 2014	11,730	213,860	330	36,323	262,243
Net book value					
At 31 October 2014	17,603	7,543	83	10,258	35,487
At 31 October 2013	20,536	29,683	166	19,574	69,959
At 31 October 2012	23,468	51,823	248	28,576	104,115

11. Investment property

	€
Fair value	
At 31 October 2012/At 31 October 2013/At 31 October 2014	8,250,000

The fair value of the investment property has been arrived at on the basis of a valuation carried out on 18 November 2011 by an independent professionally qualified valuer.

12. Financial assets

Non Current Financial Assets	**Investment in group company**
	€
Carrying amount	
At 1 November 2012	2,850,410
Share of results of associate	(109,753)
At 31 October 2013	2,740,657
Share of results of associate	47,281
At 31 October 2014	2,787,938

Investment in group company

Company	**Registered address**	**Shares held Class**	**Shares held Percentage**
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.lc. AX Investments p.l.c. and Suncrest Hotels p.l.c. have the following common director on the board of directors: Mr Angelo Xuereb.

At 31 October 2014 Suncrest Hotels p.l.c. had total assets of €26,287,318 and total liabilities of €12,546,145. During the year its revenue amounted to €848,720 and its loss before taxation amounted to €25,996.

12. Financial assets (continued)

Loans and receivables

	Loan to parent €	Loans to related parties €	Total €
Amortised cost			
At 1 November 2012	4,712,231	6,843,188	11,555,419
Movement	(1,530,261)	221,314	(1,308,947)
At 1 November 2013	3,181,970	7,064,502	10,246,472
Movement	6,712,255	3,856,406	10,568,661
At 31 October 2014	9,894,225	10,920,908	20,815,133

The above amounts are unsecured and have no fixed date of repayment. The average interest rate for the year was of 6.90% (2013 : 9.31%) per annum.

Current Financial Assets

	Financial assets at fair value through profit or loss €
Carrying amount	
Additions	17,675,369
Disposals	(2,774,254)
Fair value movement	1,973,363
At 31 October 2014	16,874,478

Financial assets at fair value through profit or loss held as at year end consisted of Malta Government Stocks.

13. Trade and other receivables

	2014 €	2013 €
Financial assets: Other receivables	1,321,492	197,072
Prepayments	1,746	1,746
	1,323,238	198,818

14. Cash and cash equivalents

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

	2014	2013
	€	€
Cash at bank and in hand	1,910,389	3,773

15. Called up issued share capital

	2014	2013
	€	€
Authorised		
1,200,000 ordinary shares of €2.329373 each	2,795,248	2,795,248
Called up issued and fully paid up		
1,200,000 ordinary shares of €2.329373 each	2,795,248	2,795,248

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

16. Debt securities in issue

	2014	2013
	€	€
At beginning of year	13,613,624	13,885,517
Issue of new bonds	30,040,173	-
Bonds redeemed	(2,027,063)	-
Purchase of own bonds	(11,647)	(469,939)
Adjustment to reflect fair value of debt securities	-	178,633
	41,615,087	13,594,211
Capitilisation of bond issue costs	(622,339)	-
Bond issue costs amortisation for the year	96,888	19,413
At end of year	41,089,636	13,613,624
Falling due within one year	1,673,651	2,027,061
Falling due in between two and five years	39,415,985	11,586,563
At end of year	41,089,636	13,613,624

16. Debt securities in issue (continued)

As at year end, the company had a remaining balance of €1,673,651 from the bond issue of €11,646,867 (Lm5 million), 6.7% bonds of €100 nominal value each, which were deemed to be redeemable at par between 2014 and 2016. Interest on the bonds is due and payable annually in arrears on 15 December of each year at the above mentioned rates. These bonds were all redeemed on 15th December 2014.

During the year, the company issued a bond issue of €40 million. Interest is payable annually on 6 March (first interest payment date is 6 March 2015), with the bonds maturing during 2024.

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

17. Other borrowings

	2014	2013
	€	€
Falling due within one year		
Bank loan	-	198,138

18. Deferred taxation

	2014	2013
	€	€
Arising on:		
Revaluation of investment property	825,000	990,000
Movement in value of financial assets	88,043	71,495
	913,043	1,061,495

19. Trade and other payables

	2014	2013
	€	€
Trade payables	62,341	2,738
Indirect taxes	4,890	4,890
Accruals	1,915,708	764,980
	1,982,939	772,608

20. Other financial liabilities

	2014	2013
	€	€
Amounts owed to related parties	7,086	99,741

The above amounts are unsecured, interest-free and have no fixed date of repayment.

21. 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, Malta.The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

During the course of the year, the company entered into transactions with related parties, as follows:

	2014	2013
	€	€
Interest receivable		
Related party transactions with:		
Parent company	449,725	335,430
Other related parties	736,912	639,066
	1,186,637	974,496
Rent receivable		
Related party transactions with:		
Other related parties	162,945	162,945

Outstanding balances with related parties at year-end are disclosed in notes 12 and 20 to these financial statments.

22. 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, 13 and 14.

22. Risk management objectives and policies (continued)

The company continously monitors defaults of cutomers 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 2014 and 31 October 2013, 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.

	2014	2013
	€	€
Bank borrowings		
Less than 6 months	-	200,231
Other borrowings		
Less than 6 months	2,890,192	2,439,539
From 6 to 12 months	1,200,000	390,202
From 1 to 5 years	9,600,000	13,304,841
More than 5 years	50,428,493	-

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.

23. Fair value

Financial instruments carried at fair value are all valued at quoted prices in active markets for identical assets (Level 1).

24. 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.