

# **AX Investments P.L.C.**

## **Interim Report and Interim Condensed Financial Statements (unaudited)**

30 April 2022

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## **AX Investments P.L.C.**

### **Interim directors' report**

Period ended 30 April 2022

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#### **Principal activities**

The Company's principal activity is to act as a finance and investment company, in particular the financing or re-financing of the funding requirements of related companies within the AX Group P.L.C. group of companies.

Being the finance vehicle of AX Group P.L.C. ("the Group"), the Company has raised finance through the bond issued on the Malta Stock Exchange which it lent to subsidiaries of the Group in order to finance projects and developments. As such the Company is reliant on AX Group P.L.C. and its subsidiaries for the payment of interest due on the bond as well as the repayment of the bond at maturity. In this regard, AX Group P.L.C. has in terms of the offering memorandum of the 6% AX Investments P.L.C. 2024 bond, given a corporate guarantee to support this commitment.

#### **Performance review**

Rental income from the lease of Palazzo Capua to a related party remained constant in line with the comparative period. Administrative expenses were EUR5,678 lower than the comparative period. The company generated a surplus of EUR282,771 (period ended 30 April 2021: EUR179,490) on interest charged on loans to related parties net of bond interest payable.

Profit before taxation for the six months under review, amounted to EUR320,716 (period ended 30 April 2021: EUR119,738).

#### **Going Concern**

Having made an appropriate assessment of going concern as discussed in Note 3 to these condensed financial statements, the Directors, at the time of approving these condensed financial statements, have determined that there is reasonable expectation that the Company has adequate resources to continue operating for the foreseeable future. For this reason, these condensed financial statements have been prepared on a going concern basis which assumes that the Company will continue in operational existence for the foreseeable future and will meet its financial obligations as and when they fall due.

## **AX Investments P.L.C.**

### **Interim directors' report – continued**

Period ended 30 April 2022

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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.

#### **Dividend and reserves**

The Directors do not recommend the payment of an interim dividend.



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Angelo Xuereb  
**Chairman**



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Michael Warrington  
**Director**

*By order of the Board*  
21 June 2022

## **AX Investments P.L.C.**

### **Statement pursuant to Capital Markets Rule 5.75.3 issued by the Malta Financial Services Authority**

Period ended 30 April 2022

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We confirm that to the best of our knowledge:

- The condensed interim financial information gives a true and fair view of the financial position of the Company as at 30 April 2022, and of its financial performance and its cash flows for the six-month period then-ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).
- The interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.



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Angelo Xuereb  
**Chairman**



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Michael Warrington  
**Director**

*By order of the Board*  
21 June 2022

## Report on Review of Interim Condensed Financial Information

To the Directors of AX Investments p.l.c.

### Introduction

We have reviewed the accompanying interim condensed financial statements of AX Investments p.l.c. ('the Company'), which comprise the interim condensed statement of financial position as at 30 April 2022 and the related interim condensed statements of comprehensive income, changes in equity and cash flows for the six-month period then ended, and selected explanatory notes ('the interim financial information').

The Directors are responsible for the preparation and presentation of this interim financial information in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34, *Interim Financial Reporting*). Our responsibility is to express a conclusion on this interim financial information based on our review.

### Scope of review

We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity*. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

This report has been prepared for and only for the Company for the purpose of the Capital Markets Rules issued by the Malta Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

### Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information is not prepared, in all material respects, in accordance with IAS 34, *Interim Financial Reporting*.



The partner in charge of the review resulting in this report is  
Christopher Balzan for and on behalf of

Ernst & Young Malta Limited  
Certified Public Accountants  
21 June 2022

## AX Investments P.L.C.

### Condensed statement of comprehensive income

Period ended 30 April 2022

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	Note	30 April 2022 EUR (unaudited)	30 April 2021 EUR (unaudited)
Operating income	12	119,180	119,180
Administrative expenses		(50,327)	(56,005)
<b>Operating profit</b>		<b>68,853</b>	<b>63,175</b>
Finance income	6	1,482,771	1,379,490
Finance costs	7	(1,230,908)	(1,230,908)
Share of results of associate		-	(92,019)
<b>Profit before tax</b>		<b>320,716</b>	<b>119,738</b>
Income tax expense		(106,745)	(36,402)
<b>Profit after tax</b>		<b>213,971</b>	<b>83,336</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>213,971</b>	<b>83,336</b>
<b>Basic earnings per share</b>		<b>0.04</b>	<b>0.02</b>

## AX Investments P.L.C.

### Condensed statement of financial position

As at 30 April 2022

	Note	30 April 2022 EUR (unaudited)	31 October 2021 EUR (audited)
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment		1,949	2,551
Investment property	8	9,025,157	9,025,157
Loans and advances to group companies	9	44,993,685	45,002,078
<b>Total non-current assets</b>		<b>54,020,791</b>	<b>54,029,786</b>
<b>Current assets</b>			
Trade and other receivables		834,928	1,098,803
Cash and cash equivalents		27,279	487
<b>Total current assets</b>		<b>862,207</b>	<b>1,099,290</b>
<b>Total assets</b>		<b>54,882,998</b>	<b>55,129,076</b>
<b>Equity and liabilities</b>			
<b>Capital and reserves</b>			
Called up issued share capital		5,000,000	5,000,000
Retained earnings		6,693,686	6,479,715
Fair value reserves		848,080	848,080
<b>Total equity</b>		<b>12,541,766</b>	<b>12,327,795</b>
<b>Non-current liabilities</b>			
Debt securities in issue	10	39,882,514	39,851,606
Deferred tax liabilities		877,186	877,186
<b>Total non-current liabilities</b>		<b>40,759,700</b>	<b>40,728,792</b>
<b>Current liabilities</b>			
Trade and other payables		1,211,259	502,216
Debt securities in issue	10	370,273	1,570,273
<b>Total current liabilities</b>		<b>1,581,532</b>	<b>2,072,489</b>
<b>Total liabilities</b>		<b>42,341,232</b>	<b>42,801,281</b>
<b>Total equity and liabilities</b>		<b>54,882,998</b>	<b>55,129,076</b>



## AX Investments P.L.C.

### Condensed statement of changes in equity

Period ended 30 April 2022

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	Share capital EUR	Retained earnings EUR	Fair value reserve EUR	Total EUR
(unaudited)				
<b>At 1 November 2020</b>	5,000,000	12,684,432	848,080	18,532,512
Profit for the period	-	83,336	-	83,336
<b>At 30 April 2021</b>	<b>5,000,000</b>	<b>12,767,768</b>	<b>848,080</b>	<b>18,615,848</b>
(unaudited)				
<b>At 1 November 2021</b>	5,000,000	6,479,715	848,080	12,327,795
Profit for the period	-	213,971	-	213,971
<b>At 30 April 2022</b>	<b>5,000,000</b>	<b>6,693,686</b>	<b>848,080</b>	<b>12,541,766</b>

## AX Investments P.L.C.

### Condensed statement of cash flows

Period ended 30 April 2022

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	30 April 2022 EUR (unaudited)	30 April 2021 EUR (unaudited)
Net cash flows from operating activities	26,792	37,479
Net cash flows from investing activities	-	-
Net cash flows used in financing activities	-	-
	<hr/>	<hr/>
Net movement in cash and cash equivalents	26,792	37,479
Cash and cash equivalents at the beginning of the period	487	7,248
	<hr/>	<hr/>
Cash and cash equivalents at the end of the period	27,279	44,727
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## AX Investments P.L.C.

### Notes to the condensed financial statements

Period ended 30 April 2022

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#### 1. General information

AX Investments P.L.C. ("The Company") is a public limited liability company incorporated in Malta. The Company's principal activity is that of financing and re-financing the funding requirements of related companies within the AX Group P.L.C. group of companies.

The interim condensed financial statements ("Interim Financial Statements") of AX Investments P.L.C. for the six-month period ended 30 April 2022 were authorised for issue in accordance with a resolution of the directors on 21 June 2022.

#### 2. Basis of preparation

The financial information of the Company as at 30 April 2022 and for the six-month period then ended reflect the financial position and the performance of AX Investments P.L.C. The comparative amounts reflect the position of the Company as included in the audited financial statements ended 31 October 2021 and the unaudited results for the six-month period ended 30 April 2021.

The Interim Financial Statements for the period ended 30 April 2022 have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and in terms of the Capital Markets Rules 5.81 to 5.84 and are being published pursuant to Capital Markets Rule 5.74 issued by the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The Interim Financial Statements attached to this report have been reviewed in terms of ISRE2410 'Review of interim financial information' performed by the independent auditor of the Company.

The Interim Financial Statements have been prepared under the historical cost convention, except for investment property which are stated at fair value. The same accounting policies, presentation and methods of computation have been followed in these Interim Financial Statements as were applied in the preparation of the Company's financial statements for the year ended 31 October 2021.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Company's annual financial statements as at 31 October 2021, which form the basis for these Interim Financial Statements. These Interim Financial Statements are intended to provide an update on the latest complete set of annual financial statements and accordingly they focus on new activities, events and circumstances.

#### 3. Going concern

During the six-month period ended 30 April 2022, the Company recorded a profit before tax of EUR320,716 (30 April 2021: EUR119,738) and as at reporting date, its net asset position stood at EUR12,541,766 (31 October 2021: EUR12,327,795). As of this date, current liabilities exceeded current assets by EUR719,320 (31 October 2021: EUR973,199).

The increase in profit before tax compared to the previous period is primarily due to the interest on the additional loan receivable from AX Group P.L.C. and the decrease in share of loss of associate. The investment in associate undertaking was sold to a related party on 15 October 2021 against a non-cash consideration of EUR12,701,083. At 31 October 2021 the loan receivable was assigned to AX Group P.L.C.

## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

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#### 3. Going concern – continued

AX Investments P.L.C. is a finance vehicle of AX Group P.L.C. (“AX Group” or “the Group”). It has raised finance through the bond issued on the Malta Stock Exchange which it lent to subsidiaries of the AX Group in order to finance projects and developments. As such the Company is reliant on AX Group and its subsidiaries for the payment of interest due on the bond as well as the repayment of the bond at maturity. In this regard, AX Group P.L.C. has in terms of the offering memorandum of the 6% AX Investments P.L.C. 2024 bond, given a parent Company Guarantee to support this commitment.

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

Management of AX Group P.L.C. has prepared an eighteen-month forecast for the Group, and has concluded that as a result of the strength of the Group’s financial position and the positive outlook and continuing recovery from the COVID-19 pandemic, the Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive.

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

#### *Business update*

The past two years were characterised by various disruptions brought about by the COVID-19 pandemic including global border restrictions, forced closure of hotels and food and beverage outlets. In mid-December 2021, the performance of the hotels was dampened by the surge in cases following the new Omicron variant. However, following the roll out of the vaccination program by the local authorities, almost all restrictions have been lifted as at the date of approval of these interim condensed financial statements. This has led to an increase in tourism with the hospitality segment of the Group exceeding budgeted revenue in April 2022. Management expects that this positive trajectory will continue throughout the rest of the year. The other operating segments of the Group were affected to a lesser extent by the pandemic and performed broadly in line with the budgeted forecast.

#### *Liquidity*

The Group took various steps to retain sufficient liquidity in line with Group policy. As at reporting date, the Group had aggregate banking facilities of EUR 40,301,026 (31 October 2021: EUR 27,412,974) of which EUR 15,996,097 (31 October 2021: EUR 6,011,835) were undrawn banking facilities.

## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

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#### 3. Going concern – continued

##### *Liquidity – continued*

Despite the increase in gearing, the Group still retains a low gearing ratio of 33.4% as at reporting date. This places the Group in a good position to raise further funding through bank loans or the issue of debt securities. In addition, should it be necessary, the Group has identified certain non-operating immovable property that can be disposed of in order to ensure sufficient liquidity within the Group.

##### *Cashflow forecast*

Management has prepared a forecast for the Group covering eighteen-months from reporting date. In the hospitality segment, the assumptions modelled are based on a positive outlook and continuing steady recovery taking into consideration the lifting of restrictions by the local authorities and across the world and the observed increase in demand for hotel bookings. The base case scenario contemplates the ongoing actions taken by management to mitigate the downsides brought by COVID-19 and the curtailment of capital expenditure within the hospitality and care divisions to the extent of essential capital expenditure only. The Group also plans to continue with the development of a limited number of capital projects, in addition to Suncrest and Verdala, that are considered to be key to its long-term strategy.

Management has also performed stress testing on the base case, in which the expected economic recovery ensues at a slower pace. Under all scenarios tested, the Group is expected to continue to have sufficient liquidity relative to the funding available.

#### 4. Earnings per share

Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 5,000,000 shares (period ended 30 April 2021: 5,000,000 shares).

#### 5. Application of new or revised international financial reporting standards

##### *Standards, interpretations and amendments to published standards effective during the reporting period.*

During the financial period under review, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company's accounting period beginning on 1 November 2021. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Company's accounting policies.

##### *Standards, interpretations and amendment to published standards that are not yet effective.*

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed interim financial statements, that are mandatory for the Company's accounting periods beginning after 1 November 2021. The Company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Company's directors are of the opinion that there are no requirements that will have a possible significant impact on the Company's financial statements in the period of initial application.

## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

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6. Finance income	<b>1 November 2021 to 30 April 2022</b>	1 November 2020 to 30 April 2021
	<b>EUR</b>	EUR
	<b>(unaudited)</b>	(unaudited)
Interest income from loans and receivables	<b>1,482,771</b>	1,379,490
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7. Finance costs	<b>1 November 2021 to 30 April 2022</b>	1 November 2020 to 30 April 2021
	<b>EUR</b>	EUR
	<b>(unaudited)</b>	(unaudited)
Interest on debt securities in issue	<b>1,200,000</b>	1,200,000
Amortisation of bond issue costs	<b>30,908</b>	30,908
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	<b>1,230,908</b>	1,230,908
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#### 8. Investment property at fair value

##### *Valuation process*

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

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

The fair value of the investment property is based on a valuation carried out by an independent architect on 19 December 2020 which was substantially confirmed by the same architect as of 30 April 2022. The architect is qualified and has experience in the valuation of properties.

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

## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

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#### 8. Investment property at fair value – continued

The Company's investment property has been determined to fall within Level 3 of the fair valuation hierarchy. Details of the investment property and information about the fair value hierarchy as at the end of the period is as follows:

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

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

#### *Fair value hierarchy*

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

Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities

Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable

Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

There were no changes in the Company's valuation processes, valuation techniques and types of inputs used in the fair value measurements during the period.

## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

#### 8. Investment property at fair value – continued

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

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

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

#### 9. Loans and advances to group companies

Loans to group companies are unsecured and have no fixed date of repayment but are expected to be repaid between 2024-2034 and have an annual average interest rate of 5.5% (31 October 2021: 6.6%). The Company determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

#### 10. Debt securities in issue

	30 April 2022 EUR (unaudited)	31 October 2021 EUR (audited)
At beginning of period/year	39,851,606	39,789,277
Bond issue costs amortisation for the period/year	30,908	62,329
	<b>39,882,514</b>	39,851,606
Accrued interest	370,273	1,570,273
At period/year end	<b>40,252,787</b>	41,421,879
Current	370,273	1,570,273
Non-current	<b>39,882,514</b>	39,851,606
	<b>40,252,787</b>	41,421,879



## AX Investments P.L.C.

### Notes to the condensed financial statements – continued

Period ended 30 April 2022

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#### 10. Debt securities in issue - continued

During 2014, the Company issued an aggregate principal amount of EUR40,000,000 bonds (2014 - 2024), having a nominal value of EUR100 each, bearing interest at the rate of 6% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 3 February 2014. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2022 for the 6% bonds (2014 – 2024) was EUR104.25 (31 October 2021: EUR104). The fair value of the loan as at 30 April 2022 amounted to EUR41,600,000 (31 October 2021: EUR41,600,000).

The carrying amount in the condensed interim statement of financial position is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate.

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

#### 11. Contingencies and capital commitments

The Company had no commitments for capital related expenditure as at 30 April 2022 and 31 October 2021.

#### 12. Related party transactions

The Company entered into transactions with related parties during the six-month periods ended 30 April 2022 and 2021 as follows:

	<b>1 November 2021 to 30 April 2022 EUR (unaudited)</b>	1 November 2020 to 30 April 2021 EUR (unaudited)
<b>Interest receivable</b>		
Immediate parent company	<b>1,012,537</b>	914,434
Other related parties	<b>470,234</b>	465,056
	<b>1,482,771</b>	1,379,490
 <b>Rent receivable</b>		
Other related parties	<b>119,180</b>	119,180

#### 13. Prior period reclassifications

Certain amounts within the comparative interim condensed statement of comprehensive income and interim condensed statement of cashflows have been reclassified to achieve better comparability with the current period and conformity with the financial statements as at 31 October 2021. In this respect, EUR30,908 was reclassified from administrative expenses to finance costs in the interim condensed statement of comprehensive income. EUR1,084,249 and (EUR1,061,337) were reclassified from net cash flows from investing and financing activities respectively to net cashflows from operating activities.