



AX GROUP

AX GROUP P.L.C.
C 12271

INTERIM REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 April 2022

AX DEVELOPMENT

AX CONSTRUCTION

AX HOTELS

AX CARE

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INTERIM DIRECTORS' REPORT

The Directors present their report and the interim condensed consolidated financial statements ("Interim Financial Statements") for the six-month period ended 30 April 2022.

PRINCIPAL ACTIVITIES

The AX Group is engaged in six key business sectors: Construction, Development, Care, Hospitality, Estates and Renewable Energy. The Group comprises of 28 companies that own and manage property for its operational businesses and for rental and investment purposes.

REVIEW OF THE BUSINESS

The Group registered total revenue of EUR 15.4 million, representing an increase of EUR 5.6 million over same period last year.

The main rebound came from the hospitality division as revenues increased by EUR 5.2 million when compared to the same period last year despite Suncrest Hotel being closed for redevelopment throughout the six-month period ended 30 April 2022.

The recovery in business experienced during the 2021 summer season was sustained until mid-December 2021, when the hospitality division experienced a renewed downturn following the surge in cases from the new virus strain.

As restrictions started to be lifted and confidence restored, the hotels experienced a steady increase in occupancy. In fact during the month of April 2022, the hospitality division achieved above budget occupancies in almost all the hotels and exceeded the budgeted revenues. Management expects that this positive trajectory will continue during the rest of the year.

The Healthcare division registered an increase in revenue of 6.8% compared to the same period last year. The independent apartments at Hilltop Gardens were almost fully occupied throughout the period. On the other hand, the uncertainty of the Covid-19 pandemic continued to hinder the expected recovery in occupancy at the Simblija Care Home with elderly people still reluctant to move into a care home environment. Subsequent to period end, during the month of May, we experienced a surge in occupancy as restrictions started to be lifted and life inched to normality.

The Construction division was largely involved in two main internal developments, the extension of the Suncrest Hotel in Qawra and the redevelopment of Verdala site in Rabat. Construction works on the Isla Bastions were almost finalised during the interim period, whilst works on the Maritime Museum in Birgu and the restoration of the Jesuits Church in Valletta were still ongoing.

The Estates division closed the sale of the remaining apartments at Targa Gap Complex in Mosta and Falcon House in Sliema. In addition, the new office development at Falcon House in Sliema as well as the remaining offices at AX Business Centre in Mosta were fully taken up by third parties.

Following the attainment of the development permits for the redevelopment of the Verdala site in Rabat and the extension of the Suncrest Hotel in Qawra last year, the Group has obtained another full development permit for the redevelopment of the Suncrest lido. Construction works on both projects started during 2021 and continued steadily during the period under review. As planned, Suncrest Hotel is expected to reopen to the public in April 2023. On the other hand, the structural works of one of the residential blocks at Verdala is expected to be finalised by this September. It is management's intention to launch a sales campaign in Q4 of 2022. Restoration works at the site previously known as 41 Merchants Street, Valletta, now rebranded as 'Palazzo Lucia' are progressing steadily with the office complex expected to be completed by the end of 2022.

Through the investment in an associate undertaking, Imselliet Solar Limited, a new photovoltaic plant at Hilltop Gardens has been built, this being the Group's third investment in renewable energy projects.

EBITDA increased from a marginal loss of EUR 0.1 million in 2021 to a profit of EUR 1.2 million in the current period.

INTERIM DIRECTORS' REPORT - CONTINUED

In February 2022, the Group managed to successfully list AX Real Estate p.l.c. on the Malta Stock Exchange, with 25% of the ordinary A shares being taken up by the general public. Through this transaction, AX Real Estate p.l.c. raised EUR13,645,644. In conjunction with the share issue, AX Real Estate p.l.c. also issued EUR40 million unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. It is the intention of AX Group p.l.c. to dispose of the allocated bonds at the opportune time to ascertain further liquidity for the Group's planned developments.

Net assets at period end stood at EUR 247 million compared to EUR 237 million as at 31 October 2021. The Group's balance sheet remains sound with a low gearing ratio of 33%.

FINANCIAL KEY PERFORMANCE INDICATORS

€ millions	30 April 2022	30 April 2021
Revenue	€15.4	€9.8
Operating loss	(€2.2)	(€3.5)
Loss before tax	(€4.1)	(€5.3)
EBITDA	€1.2	(€0.1)
Operating loss margin (%)	(14%)	(36.0%)
Interest cover (times)	0.6	(0.1)

OUTLOOK FOR THE REST OF THE FINANCIAL YEAR AFTER THE REPORTING PERIOD

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. As various countries across the world, including Malta, are lifting restrictions, the demand for travel is projected to grow. Management expects that the positive performance experienced throughout Q2 of 2022 will continue during the rest of the year. The other operating divisions of the Group were affected to a lesser extent by the pandemic and are expected to perform broadly in line with the budgeted forecast.

The Group is experiencing new challenges as a result of the pandemic as well as the impact of the war in Ukraine. An increase in demand together with disruptions in the supply chain has caused a significant surge in inflation resulting in rising prices for key construction materials such as steel and fuel. The Group is also experiencing a shortage of labour supply in the market.

The AX Group has ensured that the safety and wellbeing of AX Group employees, customers, tenants, residents and any workers or professionals directly or indirectly engaged by the Group in its properties has been highest on our agenda and will continue to do so going forward. The Board will keep the situation under close review and will respond to any material changes in circumstance as necessary. The Board will keep stakeholders fully informed of any matters that require disclosure.

GOING CONCERN

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

INTERIM DIRECTORS' REPORT - CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to risks inherent to its operations 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 Group's revenue is mainly derived from the performance of the six business segments in which the Group operates. The Group 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 Group is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the Group's ability to operate. The Group has embedded operating policies and procedures to ensure compliance with existing legislation.



Angelo Xuereb
Chairman



Michael Warrington
Chief Executive Officer

By Order of the Board
23 June 2022

STATEMENT PURSUANT TO CAPITAL MARKETS RULE 5.75.3 ISSUED BY THE MALTA FINANCIAL SERVICES AUTHORITY

We confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements give a true and fair view of the financial position of the Group 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); and
- The interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.



Angelo Xuereb
Chairman



Michael Warrington
Chief Executive Officer

By Order of the Board
23 June 2022

Report on Review of Interim Condensed Consolidated Financial Information

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

Introduction

We have reviewed the accompanying interim condensed consolidated financial statements of AX Group p.l.c. ('the Company') and its subsidiaries (collectively 'the Group'), which comprise the interim condensed consolidated statement of financial position as at 30 April 2022 and the related interim condensed consolidated 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 Group 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
23 June 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Period ended 30 April 2022

	Note	30 April 2022 (unaudited) EUR	30 April 2021 (unaudited) EUR
Revenue	8	15,401,707	9,836,924
Other operating income		119,112	175,448
Staff costs		(7,343,393)	(5,029,963)
Other operating costs		(7,015,548)	(5,110,202)
Depreciation		(3,391,789)	(3,408,456)
Operating loss		(2,229,911)	(3,536,249)
Share of results of associates and joint venture		57,526	158,711
Net finance costs		(1,953,126)	(1,919,699)
Loss before taxation		(4,125,511)	(5,297,237)
Taxation	11	1,179,951	1,811,865
Loss after tax		(2,945,560)	(3,485,372)
Other comprehensive income		-	-
Total comprehensive loss for the period		(2,945,560)	(3,485,372)
Attributable to:			
Owners of the parent		(2,506,406)	(3,595,005)
Non-controlling interest		(439,154)	109,633
Total comprehensive loss for the period		(2,945,560)	(3,485,372)
Basic loss per share	4	(2.53)	(2.99)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

	Note	30 April 2022 (unaudited) EUR	31 October 2021 (audited) EUR
ASSETS AND LIABILITIES			
Non-current assets			
Property, plant and equipment	12	276,361,616	268,545,869
Investment property	13	53,185,264	48,445,539
Inventories		27,361,200	23,195,407
Loans receivable		1,779,275	1,730,318
Investments in associates and joint ventures		7,459,228	7,401,701
		<u>366,146,583</u>	<u>349,318,834</u>
Current assets			
Inventories		3,183,377	3,509,837
Trade and other receivables		16,041,371	10,228,300
Current tax asset		252,577	843,882
Cash at bank and in hand		21,869,073	5,911,979
		<u>41,346,398</u>	<u>20,493,998</u>
Investment property held for sale	13	-	4,286,418
Total assets		<u>407,492,981</u>	<u>374,099,250</u>
Current liabilities			
Trade and other payables		19,333,364	13,684,744
Bank borrowings		5,784,722	6,474,023
Debt securities in issue		907,173	2,316,985
		<u>26,025,259</u>	<u>22,475,752</u>
Non-current liabilities			
Trade and other payables		12,697,241	13,299,808
Bank borrowings		18,532,733	14,939,199
Debt securities in issue		81,827,835	63,956,123
Deferred tax liabilities		21,039,776	22,285,687
		<u>134,097,585</u>	<u>114,480,817</u>
Total liabilities		<u>160,122,844</u>	<u>136,956,569</u>
Net assets		<u>247,370,137</u>	<u>237,142,681</u>

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION -
CONTINUED**
As at 30 April 2022

	Note	30 April 2022 (unaudited) EUR	31 October 2021 (audited) EUR
EQUITY			
Share capital		1,164,688	1,164,688
Revaluation reserve		209,425,003	209,425,003
Other reserves		616,095	616,095
Retained earnings		22,717,806	25,224,212
		<hr/>	<hr/>
		233,923,592	236,429,998
Non-controlling interest		13,446,545	712,683
		<hr/>	<hr/>
Total equity		247,370,137	237,142,681

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Period ended 30 April 2022

(Unaudited)	Share capital EUR	Revaluation reserve EUR	Other reserves EUR	Retained earnings EUR	Attributable to equity holders of the parent EUR	Non- controlling interest EUR	Total EUR
At 1 November 2021	1,164,688	209,425,003	616,095	25,224,212	236,429,998	712,683	237,142,681
Loss for the period	-	-	-	(2,506,406)	(2,506,406)	(439,154)	(2,945,560)
Total comprehensive loss for the period	-	-	-	(2,506,406)	(2,506,406)	(439,154)	(2,945,560)
Non-controlling interest following equity issue	-	-	-	-	-	13,173,016	13,173,016
As at 30 April 2022	1,164,688	209,425,003	616,095	22,717,806	233,923,592	13,446,545	247,370,137
(Unaudited)							
At 1 November 2020	1,164,688	185,890,949	616,095	28,764,995	216,436,727	1,011,845	217,448,572
(Loss)/profit for the period	-	-	-	(3,595,005)	(3,595,005)	109,633	(3,485,372)
Total comprehensive (loss)/income for the period	-	-	-	(3,595,005)	(3,595,005)	109,633	(3,485,372)
At 30 April 2021	1,164,688	185,890,949	616,095	25,169,990	212,841,722	1,121,478	213,963,200

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Period ended 30 April 2022

	30 April 2022 (unaudited)	30 April 2021 (unaudited)
	EUR	EUR
Net cash flows used in operating activities	(4,582,425)	(3,222,954)
Net cash flows used in investing activities	(13,298,859)	(3,936,204)
Net cash flows from financing activities	33,822,194	8,873,524
Net movement in cash and cash equivalents	15,940,910	1,714,366
Cash and cash equivalents at the beginning of the period	3,711,728	(166,501)
Cash and cash equivalents at end of the period	19,652,638	1,547,865

Cash and cash equivalents as at 30 April 2022 included in the cash flow statement comprise of cash at bank and in hand of EUR21,869,073 (30 April 2021: EUR2,646,597) net of bank overdrafts of EUR2,216,431 (30 April 2021: EUR1,098,732).

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Period ended 30 April 2022

1. GENERAL INFORMATION

The interim condensed consolidated financial statements ("Interim Financial Statements") of AX Group p.l.c. and its subsidiaries (collectively "the Group") for the period ended 30 April 2022 were authorised for issue in accordance with a resolution of the directors on 23 June 2022.

AX Group p.l.c. ("the Company") (C 12271) is a public limited liability company incorporated in Malta with its registered office at AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta. The Group is principally engaged in six key business sectors, namely construction, development, healthcare, hospitality, real estate and renewable energy.

2. BASIS OF PREPARATION

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. These Interim Financial Statements 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 Group.

The financial information of the Group as at 30 April 2022 and for the six-month period then ended reflect the financial position and the performance of AX Group p.l.c. and all its subsidiaries. The comparative amounts reflect the position of the Group 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 have been prepared under the historical cost convention, except for property, plant and equipment and 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 Group's annual 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 Group'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

As at 30 April 2022, the Group's current assets exceeded its current liabilities by EUR15,321,139 (31 October 2021: current liabilities exceeded its current assets by EUR1,981,754) whereas the Group's total assets exceeded its total liabilities by EUR247,370,137 (31 October 2021: EUR237,142,681). The current liabilities position as at 30 April 2022 include a balance of EUR1,679,351 (31 October 2021: EUR1,488,203) that represents deferred income which does not have an impact on the Group's liquidity. Current assets as at 30 April 2022 include funds of EUR10,000,000 held in a term deposit account with a local bank which funds were obtained from the recent bond and equity issue by AX Real Estate p.l.c.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

3. GOING CONCERN - CONTINUED

Business update

Despite the ongoing pandemic until early 2022 caused by the resurgence of the Omicron variant, the interim period under review was negatively impacted to a lesser extent by the COVID-19 pandemic compared to 2021. Group revenue surged by 57% compared to same period last year. All of the business streams except for the sale of immovable property exceeded previous year revenues. The hospitality division saw its revenues for the period under review more than triple when compared to the same period last year despite the Suncrest hotel in Qawra being closed.

As expected, all properties that were on a promise of sale were contracted during the period under review. As at end of April, the stock of developed residential property have been disposed of and the Group does not forecast that it will be selling any immovable property during the rest of the financial year.

The redevelopment permit for the Suncrest Lido in Qawra was obtained during the period under review is another crucial milestone to ensure that the Group's master plan for the Qawra foreshore is achieved. Demolition and excavation works are at an advanced stage with the plan aiming to have the lido open shortly after the hotel re-opening.

Profitability

During the six months ended 30 April 2022, the Group experienced an increase in revenue of 57% over the same period last year and has reported a loss before tax of EUR4,125,511 (30 April 2021: EUR 5,297,237). The Group managed to significantly improve performance over the prior year. One performance measure used by the Group is Earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA"), which reconciles to the Group's operating profit/(loss) before gain on revaluation of investment properties and depreciation on the Statement of Profit or Loss. During the period, the Group achieved a positive EBITDA of EUR 1,161,878 (30 April 2021: negative EBITDA of EUR 127,793). This result is attributable to several factors:

a. Recovery post-COVID

As mentioned above, most local COVID-related restrictions have been lifted by the health authorities. The same has been done in other European countries. This has led to an increase in tourism and a rise in reservations for the summer months in our hotels. A similar surge has been noted in the restaurants as more people are going out compared to the previous year.

b. Internal operating structures

As previously reported, during the past years a decision was taken to reorganise and centralise various administrative functions within the Group. This strategy which has now been successfully extended to the Finance, Human Resources and Sales & Marketing departments is giving the desired results with cost efficiencies being seen across these administrative functions. In addition, during the period under review, management has fared well in controlling direct costs amid an inflationary increase in prices across all divisions.

c. Government support

The support from Government through the Wages Supplement Scheme was crucial to ensure the Group continued to operate and sustain the low levels of turnover experienced during certain months. During the six-month interim period ended 30 April 2022 the Group received EUR1,203,213 (30 April 2021: EUR1,060,148) in assistance from Malta Enterprise under the Wage Supplement Scheme.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Period ended 30 April 2022

3. GOING CONCERN – CONTINUED

Liquidity

During the year, management took various steps to retain a high level of liquidity in line with the Group's 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. During the six-month interim period, the Group has limitedly benefited of a bank loan repayment moratorium with its' bankers.

Despite the increase in gearing, the Group still retains a low gearing ratio of 33% as at reporting date. The low gearing coupled with the healthy relationship that the Group enjoys with local banks places the Group in a good position to raise further funding through bank loans.

In order to finance the extension of the Suncrest Hotel and Verdala developments, the Group went through a reorganisation exercise, with the ultimate aim of consolidating the main property letting activities of the Group into one newly formed division under AX Real Estate p.l.c. In February 2022, AX Group managed to successfully list AX Real Estate p.l.c. on the Malta Stock Exchange, with 25% of the ordinary A shares being taken up by the general public. Through this transaction, AX Real Estate p.l.c. raised EUR13,645,644. In conjunction with the share issue, AX Real Estate p.l.c. also issued EUR40million unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated by AX Real Estate p.l.c. to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c.. It is the intention of AX Group p.l.c. to dispose of the allocated bonds at the opportune time to ascertain further liquidity for the Suncrest and Verdala developments. In addition, in February 2022 the Group has obtained a bank loan of EUR15 million on these projects, out of which EUR5 million have been drawn as at reporting date, with the balance of EUR10 million included within the undrawn banking facilities of EUR16 million available to the Group as noted above.

Forecast

Management has prepared a forecast for the Group covering eighteen-months from reporting date. In the hospitality sector, the assumptions modelled are based on a positive outlook and continuing steady recovery from the COVID-19 pandemic taking into consideration the lifting of restrictions by the local health authorities and in other EU countries 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 to maintain normal operations.

Forecasted capital expenditure

The Suncrest and Verdala projects are currently being financed through the proceeds from the recent equity and bond issue, as well as the EUR15 million bank financing secured by AX Real Estate p.l.c. earlier this year. As noted above, AX Group p.l.c. intends to dispose of the allocated bonds at the opportune time to ascertain further liquidity. Moreover, the Group requires additional financing of circa EUR85 million to complete the Suncrest Hotel extension & lido and the development of the Verdala residential units in Rabat. The Group has applied for additional bank loan facilities from local banks and is awaiting the approval of these new facilities which approval is expected to be received within the coming months. Meanwhile, the Group will continue to manage the projected cash outflows in line with the planned programme of works and with the funds currently available, which are expected to continue sustaining both projects till the end of the calendar year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

3. GOING CONCERN - CONTINUED

Forecasted capital expenditure - continued

Whilst the response from the banks has been positive, management is also actively considering alternative financing options should the banks reject the requests made. Management notes that most of the Group's properties are unencumbered and could potentially be used as a guarantee to obtain additional financing from banks. Furthermore, the Group has also earmarked certain immovable property that can be disposed of should the need arise.

Impact of the Ukraine war

In February 2022, following the military conflict between Russia and Ukraine, the European Union and other countries announced several packages of restrictive measures against Russia, as well as personal sanctions against a number of high-ranking individuals. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the Ruble against the US dollar and the Euro. It is expected that these events may significantly affect the activities of Russian and Ukrainian enterprises in various sectors of the economy. Consequently, an increase in demand together with disruptions in the supply chain has caused a significant surge in inflation resulting in rising prices for key construction materials such as steel and fuel.

Conclusion

After due consideration of all of the above, management have concluded that as a result of the strength of the Group's financial position and the positive outlook and continuing steady 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 consolidated financial statements the Directors have reasonable expectation that the Group 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 consolidated financial statements is appropriate.

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 1,164,688 shares (30 April 2021: 1,164,688 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 Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group'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 Group'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 consolidated interim financial statements, that are mandatory for the Group's accounting periods beginning after 1 November 2021. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

In preparing these Interim Condensed Consolidated Financial Statements, management has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised. The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

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

7. FAIR VALUE MEASUREMENT

All assets and liabilities 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 and 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 Group determines whether transfers have occurred between levels in the hierarchy by reassessing the 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.

The Group's policy is to recognise 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.

8. REVENUE

In the following table, revenue is disaggregated by revenue category. Revenue falling under IFRS15 Revenue from Contracts with Customers and IFRS16 Leases is recognised as follows:

	1 November 2021 to 30 April 2022 (unaudited) EUR	1 November 2020 to 30 April 2021 (unaudited) EUR
<i>Revenue from contracts with customers</i>		
Construction works, building materials and management services	3,510,118	2,731,454
Hospitality and entertainment	7,050,185	1,996,661
Healthcare	2,886,391	2,703,603
Sale of property and real estate	1,270,000	1,983,350
	<hr/> 14,716,694	<hr/> 9,415,068
<i>Leasing income</i>		
Rental income	685,013	421,856
Total Revenue	<hr/> 15,401,707	<hr/> 9,836,924

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

8. REVENUE - CONTINUED

Timing of revenue recognition from contracts with customers:

	1 November 2021 to 30 April 2022 (unaudited) EUR	1 November 2020 to 30 April 2021 (unaudited) EUR
At a point in time:		
Sale of property and real estate	1,270,000	1,983,350
Hospitality and entertainment	7,050,185	1,996,661
Healthcare	831,271	822,029
	<hr/> 9,151,456	<hr/> 4,802,040
Over time:		
Construction works, building materials and management services	3,510,118	2,731,454
Healthcare	2,055,120	1,881,574
	<hr/> 5,565,238	<hr/> 4,613,028
Total revenue from contracts with customers	<hr/> 14,716,694	<hr/> 9,415,068

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

9. SEGMENT INFORMATION

30 April 2022 (unaudited)	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenue	7,185,435	8,394,990	2,959,077	12,084,922	680,864	(15,903,581)	15,401,707
Other operating income	-	10,412	12,724	90,047	5,929	-	119,112
Staff costs	(2,905,649)	(2,988,252)	(1,445,899)	(158,578)	(1,261,948)	1,416,933	(7,343,393)
Other operating costs	(5,452,017)	(5,453,029)	(1,635,299)	(1,626,938)	(655,743)	7,807,478	(7,015,548)
EBITDA	(1,172,231)	(35,879)	(109,397)	10,389,453	(1,230,898)	(6,679,170)	1,161,878
Depreciation	(946,374)	(149,424)	(13,829)	-	(110,600)	(2,171,562)	(3,391,789)
Operating loss							(2,229,911)
Share of results of associates							57,526
Net finance costs							(1,953,126)
Loss before taxation							(4,125,511)
Tax credit							1,179,951
Loss for the period							(2,945,560)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

9. SEGMENT INFORMATION - CONTINUED

30 April 2021 (unaudited)	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenue	1,988,969	3,599,910	2,703,603	3,401,426	345,216	(2,202,200)	9,836,924
Other operating income	-	10,184	10,502	123,729	13,997	17,036	175,448
Staff costs	(1,312,724)	(1,641,037)	(1,280,427)	-	(1,076,311)	280,536	(5,029,963)
Other operating costs	(1,386,721)	(1,864,174)	(1,762,900)	(1,488,595)	(562,739)	1,954,927	(5,110,202)
EBITDA	(710,476)	104,883	(329,222)	2,036,560	(1,279,837)	50,299	(127,793)
Depreciation	(55,319)	(87,892)	(11,181)	(1,672,758)	(119,929)	(1,461,376)	(3,408,456)
Operating loss							(3,536,249)
Share of results of associates							158,711
Net finance costs							(1,919,699)
Loss before taxation							(5,297,237)
Tax credit							1,811,865
Loss for the period							(3,485,372)

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

10. GOVERNMENT GRANTS

In the reporting period the Group received EUR1,203,213 (30 April 2021: EUR1,060,148) in government grants under the COVID Wage Supplement. These amounts were deducted from the line item 'Staff Costs' in the Condensed Consolidated Statement of Comprehensive Income.

11. INCOME TAX

The interim period income tax is based on the Maltese corporate tax rate of 35%. Income taxes for the interim reporting period represent a best estimate of the weighted average annual income tax rate expected for the full financial year.

12. PROPERTY, PLANT AND EQUIPMENT

During the reporting period the Group acquired tangible fixed assets amounting to EUR3,162,719 (30 April 2021: EUR676,803).

Most of the Group's land and buildings were revalued by independent professional qualified valuers as at 31 October 2021 and as a result, no new revaluations were obtained during this reporting period. The note below provides detailed information regarding the key assumptions used in performing such revaluations. The carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR67,363,585 (31 October 2021: EUR60,254,474).

Valuation process

The Group's land and buildings are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the International Valuation Standards and professional practice. In the years or periods 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 hold discussions with the independent valuer, as necessary. For all properties, their current use equates to the highest and best use.

Details of the land and buildings and information about their most recent fair value and level within the hierarchy as at the end of the period:

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Commercial property	9,025,159	9,025,159	19/12/2020
Commercial property	242,775,437	242,775,437	31/10/2021
Total	251,800,596	251,800,596	

The Group's land and buildings have been determined to fall within level 3 of the fair value hierarchy.

Description of valuation techniques used and key inputs to valuation of lands and buildings

For land and buildings categorized under Level 3 of the fair value hierarchy, the valuation was determined by a combination of the market approach, the replacement cost approach and the income capitalization approach as applicable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

12. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

Description of valuation techniques used and key inputs to valuation of lands and buildings - continued

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR7,874,185	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 and EUR270 per square meter at a capitalisation rate in the range of 5.75%-6%	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR39,660,362	Average of profits method; income capitalisation approach and replacement cost approach	Profits method: EBITDA of €2,189,955, EBITDA multipliers ranging between 11.7 times to 16.5 times, estimated terminal land value based on current land value, capitalisation yield of 4.5% and discount rate of 5%.	Profits method: The higher the EBITDA multiples and capitalisation yield, the higher the fair value.
		Income capitalization approach: EBITDA of €1,596,000 using an average growth of 2%, discount rate of future income ranging from 7.5% to 11.83%, estimated terminal land value based on current land value, capitalisation yield of 4.5% and discount rate of 5%.	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value.
		Replacement cost approach: taking 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.	Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value
Commercial property amounting to EUR6,725,704	Income capitalisation approach	Income capitalization approach: EBITDA of €1,215,200 using an average growth of 2%, discount rate of future income of 11.83%, estimated terminal land value, capitalisation yield of 4.5% and discount rate of 5%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR 188,515,186	Average of income capitalisation approach and replacement cost approach	Income capitalization approach: EBITDA range between €1,136,310 and €7,496,738, capitalisation yield of 8.33%, land appreciation of 4.5% per annum, discount rate for commercial property sale at termination 6% and discount rate for future income of 11.83% 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.	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value. Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property amounting to EUR9,025,159	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 to which a multiplication factor was applied to factor-in the property's unique characteristics. The main inputs used were EUR250/sqm for shell construction, EUR200/sqm for building services, EUR200/sqm to EUR250/sqm for finishing depending on the area.	The higher the rates for construction, finishing, services and fittings, the higher the fair value.

During the period, the Group used the same valuation techniques used in the previous year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

13. INVESTMENT PROPERTY

At 31 October 2021, AX House in Lija was classified as an asset held for sale following the Group's advanced negotiations with a prospective buyer who was interested in buying the property for a consideration approximately amounting to its fair value, with the intention to complete the sale in the short term. During the six-month period ended 30 April 2022, the prospective buyer pulled out from negotiations. Management has not yet reassessed its intention with respect to realising the asset and in the short-term the property continues to be leased out to its existing tenant. Consequently, the Group transferred EUR4,286,418 from assets held for sale to investment property during the reporting period.

Moreover, during the interim period, the Group registered additions to its investment property amounting to EUR453,307. No further movement in investment property occurred during the reporting period.

Valuation process

The Group's investment properties are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the international valuation standards and professional practice. In the years or periods 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 hold discussions with the independent valuer, as necessary.

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group's investment property has been determined to fall within level 3 of the fair value hierarchy.

Details of the investment property and information about their fair value hierarchy as at the end of the period:

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Land	18,757,836	18,757,836	06/01/2019
	6,125,134	6,125,134	31/10/2020
Commercial property	14,403,714	14,403,714	31/10/2021
Residential	3,846,833	3,846,833	28/01/2019
	410,990	410,990	31/10/2020
	9,640,757	9,640,757	31/10/2021
Total	53,185,264	53,185,264	

The Group's policy is to recognise 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.

Description of valuation techniques used and key inputs to valuation of investment properties

For investment property categorized under Level 3 of the fair value hierarchy, the valuation was determined by a combination of the market approach, the replacement cost approach and the income capitalization approach as applicable.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

13. INVESTMENT PROPERTY – CONTINUED

Description of valuation techniques used and key inputs to valuation of investment properties - continued

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR3,846,833	Income capitalisation approach	Income capitalization approach: total projected EBITDA of €520,800 using an average growth of 2%, discount rate of future income of 11.83%, estimated terminal land value, capitalisation yield of 4.5% and discount rate of 5%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR10,115,716	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 and EUR177 per square meter at a capitalisation rate of 6%	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Land amounting to EUR18,757,836	Income capitalisation approach	The inputs used to calculate the total value of the property on completion is an annual return of EUR 145 per square meter at a capitalisation rate of 5%.	The higher the capitalisation rate, the lower the fair value. The higher the annual return per square meter the higher the fair value.
Land amounting to EUR6,125,134	Market approach	Market transaction	The higher the rates, the higher the fair value.
Residential property amounting to EUR410,990	Market approach	Based on prices of similar property	The higher the market rates, the higher the fair value
Residential property amounting to EUR5,250,000	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 higher the rates for construction, finishings, services and fittings the higher the fair value.
Residential property amounting to EUR4,390,757	Market approach	The valuation of investment property was based on market rates for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market.	The higher the market rates, the higher the fair value.
Commercial property amounting to EUR4,287,998	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return of EUR100-EUR300 per square meter at a capitalisation rate of 5.5%	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.

During the period, the Group used the same valuation techniques used in the previous year.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

14. DEBT SECURITIES IN ISSUE

During the six-month interim period, AX Real Estates p.l.c., a subsidiary of the Group, issued an aggregate principal amount of EUR40,000,000 bonds (2022 -2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. 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 3.5% bonds (2022 – 2032) was EUR100.5. The fair value of the bond as at 30 April 2022 amounted to EUR40,200,000. The carrying value of the bond as at 30 April 2022 amounted to EUR39,455,482. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

During 2019, AX Group p.l.c. issued an aggregate principal amount of EUR25,000,000 bonds, split in two tranches of EUR15,000,000 (2019 – 2026) and EUR10,000,000 (2019 – 2029), having a nominal value of EUR100 each, bearing interest at the rate of 3.25% and 3.75% respectively per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 22 November 2019. 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 3.25% bonds (2019 – 2026) was EUR100 (31 October 2021: EUR102.25) and for the 3.75% bonds (2019 – 2029) was EUR99.75 (31 October 2021: EUR103). The fair value of the bonds as at 30 April 2022 amounted to EUR15,000,000 (31 October 2021: EUR15,337,500) and EUR9,975,000 (31 October 2021: EUR10,303,000) respectively, which amounts to an aggregated fair value of EUR24,975,000 (31 October 2021: EUR25,640,500). The carrying value of the bonds as at 30 April 2022 amounted to EUR24,708,211 (31 October 2021: EUR24,689,873).

In addition to the above, during 2014, AX Investments p.l.c., a subsidiary 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 bond as at 30 April 2022 amounted to EUR41,700,000 (31 October 2021: EUR41,600,000). The carrying value of the bond as at 30 April 2022 amounted to EUR39,284,826 (31 October 2021: EUR39,851,606). Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate. In terms of the offering memorandum of the "6% AX Investments p.l.c. 2024 Bond", AX Group p.l.c., has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all payment obligations undertaken by the subsidiary under the bonds if it fails to do so.

As at interim period end, the Group has a balance of EUR81,827,835 from the bonds issued. The amount is made up of the total bonds issued amounting to EUR105,000,000 net of bond issue costs which are being amortised over the respective term of the bonds and bonds subscribed by Group companies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

14. DEBT SECURITIES IN ISSUE – CONTINUED

	30 April 2022	31 October 2021
	EUR	EUR
	(unaudited)	(audited)
At beginning of year	63,956,123	63,856,761
Bonds issued during the period (net of bond issue costs)	39,455,484	-
Bonds held by group entities	(21,645,400)	-
Bond issue costs amortisation for the year	61,628	99,362
	81,827,835	63,956,123
Accrued interest	907,173	2,316,985
At year end	82,735,008	66,273,108
Current	907,173	2,316,985
Non-current	81,827,835	63,956,123
	82,735,008	66,273,108

15. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The Group's financial assets and financial liabilities comprise trade and other receivables, and cash and cash equivalents, as well as trade and other payables, bank borrowings and debt securities in issue. All financial assets and financial liabilities are classified as measured at amortised cost.

Fair values

The fair value of non-current trade and other payables, and bank borrowings, is not materially different from their carrying amounts particularly due to re-pricing. The fair values of non-current debt securities in issue can be defined by reference to the quoted market price on the Malta Stock Exchange.

At 30 April 2022 and 31 October 2021 carrying amounts of the Group's current financial assets and current financial liabilities approximated their fair values due to the short-term nature of these financial instruments.

16. CONTINGENCIES AND CAPITAL COMMITMENTS

There were no major changes in contingent assets and liabilities, and they remain in essence as reported in the Group's annual financial statements of 31 October 2021.

Commitments for capital expenditure with respect to the development and completion of a number of projects stood as follows:

	30 April 2022
	EUR
Authorised and contracted	18,962,747
Authorised but not contracted	109,569,006

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

Period ended 30 April 2022

17. RELATED PARTY TRANSACTIONS

Transactions with related parties are subject to review by the Audit Committee in terms of the Capital Markets Rules, ensuring that such transactions are carried out on an arm's length basis and are for the benefit of the AX Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Outstanding balances with other related parties have been disclosed in note 22 and note 27 to the audited financial statements as at 31 October 2021. Transactions and balances with these related parties during the interim period were not significant and are disclosed within trade and other receivables and trade and other payables.

18. EVENTS AFTER THE REPORTING PERIOD

At its meeting to be held on 23 June 2022, the Board of Directors of AX Real Estate p.l.c., a subsidiary of the Group, intends to resolve to distribute a net interim dividend of €0.0125 per ordinary share equivalent to €3,429,208.75.