**COMPANY ANNOUNCEMENT**

The following is a Company Announcement issued by AX Group p.l.c. pursuant to the Listing Rules, as issued by the Listing Authority:

**Quote**

**Half-yearly financial report as at 30th April 2021**

The Board of Directors of AX Group p.l.c. (the "Issuer"), during its meeting of the 24th June 2021, has considered and approved the Issuer's half-yearly financial report as at 30th April 2021. A copy thereof is attached to this company announcement, and is also available for viewing at the Issuer's registered office and on the following online link to the Issuer's web portal: https://axgroup.mt/investment/.

**Unquote**

Dr. Edmond Zammit Laferla
*Company Secretary*

24 June 2021

Company Announcement
AXG29/2021

# AX Group p.l.c.

C 12271

Interim Report and Interim Condensed Consolidated Financial Statements (unaudited)

30 April 2021

*Mission Statement*

*“We strive to leverage our entrepreneurial skills to deliver high quality innovative developments. This is achieved by inspiring our people to learn from our past, and to embrace the future with courage and optimism.”*

# Contents

## Interim Directors' Report

The Directors present their report and the condensed consolidated financial statements for the six-month period ended 30 April 2021.

### PRINCIPAL ACTIVITIES

The AX Group is engaged in five key business sectors: Construction, Development, Care, Hospitality and Estates. The Group comprises of 32 companies that own and manage property for its' operational businesses and for rental and investment purposes.

### REVIEW OF THE BUSINESS

The Board of Directors is pleased to present the financial results for the six-month period ended 30 April 2021.

The trading activity during the period continued to be severely impacted by the COVID-19 pandemic. The hospitality division experienced a substantial decline in business compared to the same period last year when the hospitality division had achieved an above average performance in the months preceding the COVID-19 outbreak.

During the period under review, the Group registered total revenue of EUR 9.8 million, a decrease of EUR 6.6 million over the same period last year. Revenue from hospitality and entertainment fell by EUR 8m compared to the same period last year.

This was partially compensated by the sale of apartments at Targa Gap which generated revenue of EUR 2m. EBITDA fell from EUR 1.4m in 2020 to a marginal loss of EUR 0.1m in the current period.

The Group completed work on a number of key investment projects, principally its mixed-use development at Targa Gap in Mosta, and is in the final stages of completing the Falcon House development in Sliema. The properties earmarked for sale at the Targa gap complex have mostly been concluded during the period. The Group has also successfully concluded a number of promise of sale agreements on Falcon House which are due to be signed in the second half of 2021.

The Group has moved its Head Office from AX House in Lija to its new Business Centre at Targa Gap complex in the early part of November 2020.

As part of a reorganisation exercise, AX Holdings Ltd was merged into AX Group Plc as of 24 March 2021. Following this transaction AX Holdings Ltd ceased to exist with AX Group plc assuming the rights, obligations, assets and liabilities of AX Holdings Ltd.

## Interim Directors' Report – continued

Following the approval of an outline permit last year, on the 6 May 2021 the Planning Authority approved the full development permit for the Verdala Hotel and the Verdala Terraces project in Rabat. Furthermore, on 10 May 2021 the Planning Authority approved the full development permit to add 4 additional floors to Suncrest hotel. Construction works on Suncrest Hotel has commenced while that on the Verdala Site is scheduled to commence in the coming weeks.

Net assets at period end stood at EUR 214m compared to EUR 217m as at 31 October 2020. The Group's balance sheet remains sound with a low gearing ratio of 33.8%.

### FINANCIAL KEY PERFORMANCE INDICATORS

| € millions | 30 April 2021 | 30 April 2020 |
|---|---|---|
| Revenue | €9.8 | €16.5 |
| Operating loss | (€3.5) | (€2.1) |
| Loss before tax | (€5.3m) | (€3.6) |
| EBITDA | (€0.1) | €1.4 |
| Operating loss margin (%) | -36.0% | -12.5% |
| Interest cover (times) | -0.1 | 0.8 |

### OUTLOOK FOR THE REST OF THE FINANICAL YEAR AFTER THE REPORTING PERIOD.

The COVID-19 pandemic continued to disrupt the world economy with governments having to re-introduce restrictions and implement lockdowns during these past six months.

The Maltese Government imposed a partial lockdown on 11 March 2021 whereby all non-essential shops, restaurants, and schools, among others were forced to close. This allowed the country to contain the spread of the virus and focus on the national vaccination programme.

As at 26 May 2021, Malta was the first EU state to obtain herd immunity with 70% of adults getting at least a first dose of the COVID-19 vaccine. As a result, transmission of the virus has lowered drastically in recent weeks. Restrictions have started to be gradually eased as of May. However, social distancing rules, certain travel restrictions and restrictions on capacity in retail establishments still apply. As the rate of vaccinations increases, more restrictions are planned to be gradually lifted while the situation is monitored.

# Interim Directors' Report – continued

The main consequence of the pandemic is the uncertainty and difficulty of reasonably forecasting business in the coming year. While the construction, development and care divisions of the Group were not severely impacted, the hospitality division has only started its journey to recovery. Tourism in Malta is on the rise and we have noted a gradual increase in hotel bookings for the coming summer months. We have in fact reopened 3 of our hotels in June – The Victoria, Sunny Coast and St John Boutique Hotel, which were closed for most of these past 6 months. Our plan going forward is to keep all hotels open.

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 condensed consolidated 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 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.

## 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.

## Interim Directors' Report – continued

2. Operational risks

The Group's revenue is mainly derived from the performance of the five business segments the Group operates in. 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*
*24 June 2021*

## Statement Pursuant to Listing Rule 5.75.3 Issued by the Listing 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 2021, 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 Listing Rules 5.81 to 5.84.

**Angelo Xuereb**
Chairman

**Michael Warrington**
Chief Executive Officer

*By Order of the Board*
*24 June 2021*

Building a better working world

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## 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. and its subsidiaries (the "Group"), which comprise the interim condensed consolidated statement of financial position as at 30 April 2021 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 Listing Rules issued by the Listing 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.

### Other matters

Comparative financial information for the period ended 30 April 2020 included in the accompanying interim financial information of the Group has not been reviewed or audited.

### 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.

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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

24 June 2021

## Condensed Consolidated Statement of Comprehensive Income

Period ended 30 April 2021

| | Note | *30 April 2021* *(unaudited)* | *30 April 2020 (unaudited and unreviewed)* |
|---|---|---|---|
| | | **EUR** | **EUR** |
| Revenue | 8 | 9,836,924 | 16,476,227 |
| Other operating income | | 175,448 | 154,964 |
| Staff costs | | (5,029,963) | (8,299,286) |
| Other operating costs | | (5,110,202) | (6,917,150) |
| Depreciation | | (3,408,456) | (3,478,732) |
| **Operating loss** | | **(3,536,249)** | **(2,063,977)** |
| Share of results of associates | | 158,711 | 126,265 |
| Net finance costs | | (1,919,699) | (1,685,548) |
| **Loss before taxation** | | **(5,297,237)** | **(3,623,260)** |
| Taxation | 11 | 1,811,865 | 123,348 |
| **Loss after tax** | | **(3,485,372)** | **(3,499,912)** |
| Other comprehensive income | | - | - |
| **Total comprehensive loss for the period** | | **(3,485,372)** | **(3,499,912)** |
| **Attributable to:** | | | |
| Owners of the parent | | (3,595,005) | (3,534,465) |
| Non-controlling interest | | 109,633 | 34,553 |
| **Total comprehensive loss for the period** | | **(3,485,372)** | **(3,499,912)** |
| *Basic loss per share* | 4 | *(2.99)* | *(3.01)* |

## Condensed Consolidated Statement of Financial Position

As at 30 April 2021

| | Note | 30 April 2021 (unaudited) | 31 October 2020 (audited) |
|---|---|---|---|
| **ASSETS AND LIABILITIES** | | **EUR** | **EUR** |
| **Non-current assets** | | | |
| Property, plant and equipment | 12 | 248,222,585 | 250,054,604 |
| Investment property | 13 | 77,673,523 | 75,646,399 |
| Investments in associates | | 6,670,810 | 6,512,096 |
| Other investments | 14 | 258,250 | - |
| | | **332,825,168** | **332,213,099** |
| **Current assets** | | | |
| Inventories | | 3,762,348 | 4,968,461 |
| Trade and other receivables | | 8,046,620 | 8,247,536 |
| Current tax asset | | 839,574 | 1,041,232 |
| Cash at bank and in hand | | 2,646,597 | 2,187,060 |
| | | **15,295,139** | **16,444,289** |
| ***Total assets*** | | ***348,120,307*** | ***348,657,388*** |
| **Current liabilities** | | | |
| Trade and other payables | | 12,929,674 | 15,730,768 |
| Bank borrowings | | 4,731,653 | 5,375,904 |
| Other financial liabilities | | 455,025 | 454,620 |
| | | **18,116,352** | **21,561,292** |
| **Non-current liabilities** | | | |
| Trade and other payables | | 13,400,689 | 13,903,041 |
| Bank borrowings | | 15,903,020 | 7,192,376 |
| Debt securities in issue | | 63,914,257 | 63,856,761 |
| Deferred tax liabilities | | 22,822,789 | 24,695,346 |
| | | **116,040,755** | **109,647,524** |
| ***Total liabilities*** | | ***134,157,107*** | ***131,208,816*** |
| ***Net assets*** | | ***213,963,200*** | ***217,448,572*** |

## Condensed Consolidated
## Statement of Financial Position – continued

As at 30 April 2021

| | Note | 30 April 2021 (unaudited) EUR | 31 October 2020 (audited) EUR |
|---|---|---|---|
| **EQUITY** | | | |
| Share capital | | 1,164,688 | 1,164,688 |
| Revaluation reserve | | 185,890,949 | 185,890,949 |
| Other reserves | | 616,095 | 616,095 |
| Retained earnings | | 25,169,990 | 28,764,995 |
| | | **212,841,722** | **216,436,727** |
| Non-controlling interest | | 1,121,478 | 1,011,845 |
| ***Total equity*** | | ***213,963,200*** | ***217,448,572*** |

# Condensed Consolidated Statement of Changes in Equity

Period ended 30 April 2021

| (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 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) |
| **As at 30 April 2021** | **1,164,688** | **185,890,949** | **616,095** | **25,169,990** | **212,841,722** | **1,121,478** | **213,963,200** |
| (Unaudited and unreviewed) | | | | | | | |
| **At 1 November 2019** | **1,164,687** | **200,861,644** | **616,095** | **35,364,007** | **238,006,433** | **1,109,005** | **239,115,438** |
| (Loss)/profit for the period | - | - | - | (3,534,465) | (3,534,465) | 34,553 | **(3,499,912)** |
| Total comprehensive (loss)/income for the period | - | - | - | (3,534,465) | (3,534,465) | 34,553 | **(3,499,912)** |
| **At 30 April 2020** | **1,164,687** | **200,861,644** | **616,095** | **31,829,542** | **234,471,968** | **1,143,558** | **235,615,526** |

## Condensed Consolidated Statement of Cash Flows

Period ended 30 April 2021

| | 30 April 2021 (unaudited) | 30 April 2020 (unaudited and unreviewed) |
|---|---|---|
| Net cash flows (used in)/from operating activities | (3,222,954) | 288,494 |
| Net cash flows used in investing activities | (3,936,204) | (8,641,221) |
| Net cash flows from financing activities | 8,873,524 | 19,354,882 |
| | | |
| Net movement in cash and cash equivalents | 1,714,366 | 11,002,155 |
| Cash and cash equivalents at the beginning of the period | (166,501) | 1,575,112 |
| | | |
| ***Cash and cash equivalents at end of the period*** | ***1,547,865*** | ***12,577,267*** |

Cash and cash equivalents as at 30 April 2021 included in the cash flow statement comprise of cash at bank and in hand of EUR2,646,597 (30 April 2020: EUR13,351,924) net of bank overdrafts of EUR1,098,732 (30 April 2020: EUR774,657).

# Notes to the Interim Condensed Consolidated Financial Statements

Period ended 30 April 2021

## 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 2021 were authorised for issue in accordance with a resolution of the directors on 24 June 2021.

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 five key business sectors, namely construction, development, healthcare, hospitality and estates.

## 2. Basis of Preparation

The financial information of the Group as at 30 April 2021 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 2020 and the unaudited results for the period ended 30 April 2020.

These Interim Financial Statements for the period ended 30 April 2021 are being published pursuant to Listing Rule 5.74 issued by the Listing 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 Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in terms of the Listing Rules 5.81 to 5.84.

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 financial statements for the year ended 31 October 2020.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 2. Basis of Preparation – continued

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 2020, 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

On 11 March 2020, the World Health Organisation (WHO) declared the COVID–19 outbreak to be a global pandemic. The local authorities responded by introducing measures aimed at containing the spread of the virus and minimising fatalities. Several restrictions were in force during this interim period which resulted in the closure or limited operations of all the Group's hotels, restaurants and bars resulting in a loss of revenue.

The Hospitality sector is the largest business sector within the AX Group and hence, the impact of the COVID-19 situation has had a material impact on profitability and results of this division during the interim period. On 5 March 2021, Malta entered a partial-lockdown following a spike in COVID-19 cases resulting in the closure of all restaurants and non-essential shops. This allowed the country to focus on the national vaccination programme while reducing the pressure on the public health sector.

As at 26 May 2021, Malta was the first EU state to obtain herd immunity with 70% of adults getting at least a first dose of the COVID-19 vaccine. As a result, transmission of the virus has lowered drastically in recent weeks. Restrictions have started to be gradually eased as of May. However, social distancing rules, certain travel restrictions and restrictions on capacity in retail establishments still apply at the time of writing. As the rate of vaccinations increases, more restrictions are planned to be gradually lifted while the situation is monitored.

## 3. Going Concern – continued

The Group operates in five key business sectors: Construction, Development, Care, Hospitality and Estates. This diversification is a key strength of the Group since if a particular market suffers a setback, the other business sectors may help compensate for that loss. This was in fact the case in 2020 and 2021 to date, whereby management accelerated activity in the ongoing property developments with a view to completing two key projects. During the period under review, the development division completed the mixed-use development at Targa Gap in Mosta and works on the Falcon House development in Sliema were at an advanced stage. The residential apartments at Targa Gap have almost all been sold or rented out. The rental space designed as offices have been partly rented out. The apartments at Falcon House are all subject to promise of sale agreements. In addition, the Group obtained a full development permit for the Verdala site in Rabat, and another full development permit for the extension of the Suncrest Hotel in Qawra.

The performance of the Care division continued to suffer from various restrictions and measures imposed by the health authorities throughout the six-month period under review. Besides the challenges at the top line, this division incurred significant costs due to the ongoing additional precautionary measures that were taken to safeguard the residents at Hilltop Gardens Retirement Village and the Simblija Care Home.

The Construction division was not materially affected by the pandemic and continued to operate with little disruption.

The AX Group's investment in Valletta Cruise Port p.l.c. remained heavily impacted by the pandemic. Following the restrictions imposed on 5 March 2021, the retail outlets, bars and restaurants at the Valletta Waterfront were closed in accordance with the restrictions imposed by the Health Authorities.

## 3. Going Concern – continued

***Profitability***

The performance of the six-month period under review was characterised by the full impact of the COVID-19 pandemic whereas the comparative period was only very limitedly affected. During the period, the Group experienced a reduction in revenue of 40% over the previous year and has reported a loss for the period of EUR 3,485,372 (30 April 2020: Loss of EUR 3,499,912). Despite the significant reduction in revenue, the Group managed to report a marginal negative EBITDA of just EUR 127,793 (30 April 2020: positive EBITDA of EUR 1,414,755). This result is attributable to several factors:

a. Management's quick response

Management continued to adapt and respond to the changing circumstances by being pro-active and agile. Immediate action to curtail both operational and capital expenditure remained key to minimise operational losses and preserve cash.

b. Internal operating structures

The decision taken last year to reorganise and centralise various administrative functions within the Group was crucial. During this period the Group managed to launch the centralisation of various accounting processes, the procurement function and the payroll function. Apart from ensuring a streamlined process across these functions, this strategy has ensured a leaner structure and yielded economies of scale and cost efficiencies. The Group is now looking at opportunities to extend this strategy to a number of other administrative processes.

c. Government support

A key element supporting the ability to operate at these low levels is the Government wage supplement. This assistance has been renewed until end of year 2021.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 3. Going Concern – continued

***Liquidity***

As at 30 April 2021, the Group's current liabilities exceeded its current assets by EUR 2,821,213 (31 October 2020: EUR 5,117,003) whereas the Group's total assets exceeded its total liabilities by EUR 213,963,200 (31 October 2020: EUR 217,448,572). The current liabilities position as at 30 April 2021 include a sum of EUR 1,652,158 (31 October 2020: EUR 2,330,167) that represents deferred income which does not have an impact on the Group's liquidity.

During the period under review, 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 28,938,842 (31 October 2020: EUR 29,079,844) of which EUR 7,110,995 (31 October 2020: EUR 15,880,407) were undrawn banking facilities. During the six-month period under review, the Group has benefitted from various bank loan repayment moratoriums which had been extended till October 2021.

In 2020, the development division of the Group had successfully concluded a number of promise of sale agreements on the apartments situated at Targa Gap in Mosta. A total of 6 apartments have been sold during the period under review generating revenues of EUR 2 million. The remaining apartments are on a promise of sale agreement and contracts are expected to be signed during the second half of financial year 2021.

Furthermore, earlier this year, the development division had also concluded the promise of sale agreements of all apartments situated at Falcon House in Sliema. Construction and finishing works on this development are at an advanced stage and all contracts are expected to be signed by the end of August 2021.

Despite the increase in gearing, the Group still retains a low gearing ratio of 33.8% as at reporting date. This places the Group in a good position should it need to raise further funding through bank loans or the issue of debt securities.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 3. Going Concern – continued

***Forecast***

Management has prepared an eighteen-month forecast for the Group in order to assess the impact of the current situation on the businesses. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, and expected gradual recovery following the easing of restrictions by the local authorities. The base case scenario also includes the benefits of actions already taken by management to mitigate the trading downsides brought by COVID-19 as well as the government assistance referred to above. The forecast also includes the curtailment of capital expenditure within the Care and Hospitality divisions in which only essential capital expenditure is planned. The Group plans to carry on with the development of a limited number of projects that are key to the long-term strategy of the Group. Management has also considered a stress tested scenario, in which a slower recovery in the economy is forecasted with current restrictions remaining in place for a longer period. Under all scenarios tested, the Group is expected to continue to have sufficient liquidity relative to the funding available to it.

In addition, the Group has also set up a contingency plan and has earmarked various immovable property that can be disposed of should the expected recovery take a downturn.

Management has concluded that as a result of the strength of the Group's financial position and the measures being taken by management to address and mitigate the impact of the COVID–19 crisis, 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 financial statements management has 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 financial statements is appropriate.

## Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

### 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 2020: 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 2020. 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 2020. 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 2021

## 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 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 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 Company 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.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 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 2020 to 30 April 2021 (unaudited) EUR | 1 November 2019 to 30 April 2020 (unaudited and unreviewed) EUR |
|---|---|---|
| Revenue from contracts with customers | | |
| Construction works, building materials and management services | 2,731,454 | 3,098,157 |
| Hospitality and entertainment | 1,996,661 | 10,018,393 |
| Healthcare | 2,703,603 | 2,988,190 |
| Sale of property and real estate | 1,983,350 | - |
| | **9,415,068** | **16,104,740** |
| Leasing income | | |
| Rental income | 421,856 | 371,487 |
| **Total Revenue** | **9,836,924** | **16,476,227** |

Timing of revenue recognition from contracts with customers:

| | 1 November 2020 to 30 April 2021 (unaudited) EUR | 1 November 2019 to 30 April 2020 (unaudited and unreviewed) EUR |
|---|---|---|
| ***At a point in time:*** | | |
| Sale of property and real estate | 1,983,350 | - |
| Hospitality and entertainment | 1,996,661 | 10,018,393 |
| Healthcare | 822,029 | 772,247 |
| | **4,802,040** | **10,790,640** |
| ***Over time:*** | | |
| Construction works, building materials and management services | 2,731,454 | 3,098,157 |
| Healthcare | 1,881,574 | 2,215,943 |
| | **4,613,028** | **5,314,100** |
| **Total revenue from contracts with customers** | **9,415,068** | **16,104,740** |

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 9. Segment Information

| 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 | | | | | | | (3,408,456) |
| 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 2021

### 9. Segment Information – continued

| 30 April 2020 (unaudited and unreviewed) | Hospitality | Construction | Healthcare | Real estate and property rentals | Admin, finance and investment | Adjustments and eliminations | Consolidated |
|---|---|---|---|---|---|---|---|
| | EUR | EUR | EUR | EUR | EUR | EUR | EUR |
| Revenue | 10,018,393 | 5,147,462 | 2,975,276 | 6,248,420 | 1,692,259 | (9,605,583) | 16,476,227 |
| Other operating income | - | - | 16,281 | 138,683 | - | - | 154,964 |
| Staff costs | (4,545,282) | (2,051,256) | (1,537,384) | - | (1,025,762) | 860,398 | (8,299,286) |
| Other operating costs | (8,822,796) | (2,635,607) | (2,263,416) | (372,119) | (519,930) | 7,696,717 | (6,917,150) |
| **EBITDA** | **(3,349,685)** | **460,599** | **(809,243)** | **6,014,984** | **146,568** | **(1,048,468)** | **1,414,755** |
| Depreciation | | | | | | | (3,478,732) |
| Share of results of associates | | | | | | | 126,265 |
| Net finance costs | | | | | | | (1,685,548) |
| **Loss before taxation** | | | | | | | **(3,623,260)** |
| Tax credit | | | | | | | 123,348 |
| **Loss for the period** | | | | | | | **(3,499,912)** |

### 10. Government Grants

In the reporting period the Group received EUR1,060,148 (30 April 2020: EUR341,700) 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 EUR676,803 (30 April 2020: EUR7,042,070).

Most of the Group's land and buildings were revalued by independent professional qualified valuers as at 31 October 2020 and as a result, no new valuations were obtained during this reporting period. The note below provides detailed information regarding the key assumptions used in performing such revaluation. The carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR55,283,961 (31 October 2020: EUR54,153,972).

*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.

### 12. Property, Plant and Equipment – continued

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 | 178,861,997 | 178,861,997 | 19/12/2020 |
| | 2,100,000 | 2,100,000 | 31/10/2019 |
| | 36,668,113 | 36,668,113 | 28/12/2018 |
| | 6,635,588 | 6,635,588 | 10/11/2017 |
| **Total** | **224,265,698** | **224,265,698** | |

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.

## 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 EUR166,001,739 | Average of Income capitalization approach and replacement cost approach | Income capitalization approach: EBIDTA Range between EUR212,682 and EUR4,495,091, 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%.<br>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.<br>Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value. |
| Commercial property* | Income capitalisation approach | The main inputs used are a rental income of EUR414,500 per annum, a management cost of 5% and a capitalisation rate of 5.75%. | The higher the capitalisation rate, the lower the fair value.<br>The higher the rental income and the lower the management cost the higher the fair value. |
| Commercial property amounting to EUR8,735,588 | Market approach | The value of the property is based on the selling price of a similar commercial property. | The higher the market rate, the higher the fair value. |
| Commercial property* | Market approach | Market rate per square meter and EUR1,750/sqm which was multiplied by 1.5 given the exclusive setting of the project and by 1.2 considering the location. Units enjoying country views have been factored upward by 25% while those enjoying town views have been factored upward by 15%. The value of the committed units was reduced taking into account a growth of 3.5% per annum discounted at a rate of 8.5%. | The higher the market rate, the higher the fair value.<br>The higher the growth rate and the lower the discount rate the higher the fair value |
| Commercial property amounting to EUR12,860,258 | 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. |
| Commercial property* | Replacement cost approach | The main inputs used were EUR350/sqm for shell construction, EUR180/sqm for building services, EUR200/sqm to EUR300/sqm for finishings depending on the area, EUR150/sqm for landscaped areas and EUR300/sqm for the pool area. Property, plant and equipment with a net book value of EUR10,400,000 was deducted from the total valuation. | The higher the rates the higher the fair value |

*Total fair value of such commercial properties amounts to EUR36,668,113.

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 2021

## 13. Investment Property

During the reporting period, the Group transferred EUR4,884,321 from investment property to property, plant and equipment in respect to the new AX Group offices at Targa Gap, as well as a transfer of EUR4,180,078 from property, plant and equipment to investment property in relation to the previous head office of the Group at AX House in Lija.

Moreover, during the interim period, the Group registered additions to its investment property amounting to EUR2,731,368. 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. For all properties, their current use equates to the highest and best use.

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.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 13. Investment Property – continued

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 |
| | 28,892,022 | 28,892,022 | 18/10/2018 |
| | 750,000 | 750,000 | 16/12/2019 |
| Commercial property | 4,508,895 | 4,508,895 | 31/10/2019 |
| | 1,948,964 | 1,948,964 | 10/11/2017 |
| | 4,180,078 | 4,180,078 | 16/12/2019 |
| | 6,090,413 | 6,090,413 | 30/04/2021 |
| | 367,520 | 367,520 | 30/04/2021 |
| Residential | 4,994,269 | 4,994,269 | 28/01/2019 |
| | 3,800,000 | 3,800,000 | 20/09/2017 |
| | 410,990 | 410,990 | 30/04/2021 |
| | 2,972,536 | 2,972,536 | 10/11/2017 |
| **Total** | **77,673,523** | **77,673,523** | |

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.

## 13. Investment Property – continued

*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.

| Type of Property | Valuation Technique | Inputs | Sensitivity |
|---|---|---|---|
| Commercial property amounting to EUR11,005,457 | Market approach | Based on the prices of similar property. | The higher the rates, 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 EUR750,000 | Market approach | Based on the prices of similar property. | The higher the rates for land, the higher the fair value. |
| Commercial property amounting to EUR6,090,413 | Market approach | Market transaction | The higher the rates, the higher the fair value. |
| Residential property amounting to EUR3,800,000 | 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 EUR2,972,536 | Market approach | Based on the prices of similar property. | The higher the rates for land, the higher the fair value. |
| Residential property amounting to EUR410,990 | Market approach | Market transaction | The higher the rates, the higher the fair value. |
| Residential property amounting to EUR28,892,022 | 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 |
| Residential property amounting to EUR4,994,269 | Income capitalisation approach | Capitalisation rate at 4% and a yearly rental income of EUR144,000 | 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 2021

## 14. Financial Assets and Financial Liabilities

The Group's financial assets and financial liabilities comprise other investments, 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, except for other investments which are measured at fair value through profit or loss.

*Fair values*

Other investments include a financial instrument which is listed on the Malta Stock Exchange, which the Group acquired during the six-month period ended 30 April 2021. The instrument price is quoted on a daily basis in an active market, and therefore the Group uses Level 1 valuation technique for determining the fair value of this financial instrument.

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 2021 and 31 October 2020 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.

## 15. 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 2020.

Authorised and contracted commitments for capital expenditure with respect to the development and completion of a number of projects as at 30 April 2021 amount to EUR1,253,518.

# Notes to the Interim Condensed Consolidated Financial Statements – continued

Period ended 30 April 2021

## 16. Related Party Transactions

Transactions with related parties are subject to review by the Audit Committee in terms of the Listing 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 24 and note 26 to the audited financial statements as at 31 October 2020. 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.

## 17. Seasonality of Operations

The normalised revenue and earnings before interest, tax and depreciation (EBIDTA) of the first six months of the year generally represent around 38% and 22% of the total annual revenue and EBIDTA of the Group, respectively. It is expected that such percentages will significantly change during the financial year 2021 in view of the disruption caused by the Covid-19 pandemic.

## 18. Prior Period Reclassifications and Restatements

Certain amounts within the comparative statement of financial position have been reclassified or amended to achieve better comparability with the current period and conformity with the consolidated financial statements as at 31 October 2020. In this respect, EUR897,957 was reclassified from revenue to share of results in associates whilst depreciation charge for the period was increased by EUR344,525 and revenue was decreased by EUR183,679.

## 19. Events After the Reporting Period

During May 2021, two subsidiaries within the Group obtained two key permits, namely, the full development permit for the Verdala site in Rabat and the full development permit to extend the Suncrest Hotel in Qawra. Construction works on the Suncrest Hotel have already started with works on the Verdala site expected to start in the coming weeks. In addition, after the reporting period the Group embarked on a reorganization process, whereby a number of companies will be merged with other Group entities in order to streamline and simplify the Group structure.