AX GROUP

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 OCTOBER 2020

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MISSION STATEMENT

At AX Group 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.

VALUES

Our values underpin and support everything we do.

CREATIVITY

We harness the creativity and ingenuity of our people to develop new solutions, identify different lines of business, and pursue new opportunities to move the business forward.

DETERMINATION

We endeavour to create projects with exceptional quality that exceed client expectations. We seek to remain at the forefront of innovation to inspire growth and progress in the industries we operate in.

INTEGRITY

We deliver on what we promise by operating on a level of transparency and trust. We act ethically in the interest of the environment and communities we work in.

WHO WE ARE

AX Group is a diversified group of companies operating in four key sectors: construction, development, healthcare, and hospitality. We strive to deliver on our promise to provide the highest quality for the best possible value.

Founded by chairman Angelo Xuereb in 1977, AX Group began its existence as a civil engineering firm. In the ensuing decades, the company took steps towards diversification by expanding its business portfolio to include restoration works, hotels, restaurants, care homes, and many other high-quality projects. In 2018, the Group consolidated its various businesses under the AX brand.

AX Group remains a family-run business, with the second generation of the Xuereb family actively involved in driving the company forward by seeking new avenues for growth related to our core activities.

Driven by our family-inspired values, our 1000-strong workforce contributes to the continued success of the Group. Together, our focus is on exceeding client expectations and leaving a positive legacy in the industries we serve.

Listed on the Malta Stock Exchange since 1997, AX Group's net assets stand at EUR217m as of 31st October 2020.

CHAIRMAN'S STATEMENT

When I look back and reflect on the AX Group's performance during the financial year ended 31 October 2020, I am convinced that the business that I started 45 years ago will be here for many years to come. Few people can fairly claim that they foresaw the COVID-19 pandemic and how it has changed the business world and our society irreversibly. Like most other businesses, the AX Group has been effected commercially but thanks to our diversity, the economic loss in one business segment have been mitigated by positive outcomes in the other sectors we operate in. It is this resilience that gives me the confidence to make my opening statement.

The Group's board has throughout this year, shown how dynamic and responsive it is in difficult times. Together with my management, we were quick to take measures in response to the developments that happened so suddenly in March of 2020. Our first response was to focus on cost reduction and cash preservation within all our businesses. We made sure that we could meet our operating and capital commitments without difficulty. We took steps to raise further finance for the businesses to retain as a buffer firstly to ensure that we retained the high degree of liquidity that we have maintained in recent years but also to have financial resources available should business opportunities arise.

We recognised that the pandemic was not a short term event but that the effects of the virus as it mutates, would continue to depress the travel and tourism industry over a few years. The board recognises that the Group's Development Division is one of the sectors that generates the highest value added over time. While the Hospitality Division is normally the main generator of cash within the Group, we understood that those profits would not flow at the same level for a few years. The important distinction between the two being that the cash to cash cycle in development is much longer than in an operating hospitality business.

In 2014 the AX Group had consolidated its property holdings in Qawra following the acquisition of the Luzzu Complex which lies between our two hotel properties. Our vision from the start was that at the opportune time, the AX Group would redevelop its hotels in the area and create an outstanding development. Following careful analysis, our board and management decided that the AX Group would for the foreseeable future retain the properties in their current touristic use. We therefore developed a masterplan for the area and during 2020 succeeded in obtaining outline planning approval to extend both hotels. We are currently in an advanced stage in securing the full development permit to add an additional 160 rooms to the Suncrest Hotel's current 451 rooms.

CHAIRMAN'S STATEMENT

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Our plan, subject to the necessary planning approvals is to commence work on the extension during the last quarter of 2021.

Another important milestone in 2020 was the approval of the outline development permit for the Verdala Hotel site. This will be another exceptional development by the AX Group, encompassing a hotel, serviced apartments and a number of high end residential units intended for resale. The full planning application has been submitted and we are optimistic that current plans submitted for approval will once executed be another outstanding development synonymous with the AX Group's reputation for quality and exceptional design.

Our luxury boutique hotel "Rosselli" was recognised by the Planning Authority and received the "Hospitality, Tourism Accommodation and Leisure" Award. Our restaurant "Under Grain" also obtained a Michelin Star rating.

These projects along with a number of other developments that the Group's management focused upon will see the AX Group take on a new dimension in the coming years. To execute these ambitious projects the Group will need to raise new finance and it is our intention to approach the local capital market once again at the right time with an attractive investment offer.

My vision for the AX Group in the coming years is that we will continue to expand in the sectors that we know well. Although we have ventured into new areas such as the solar energy plant, we have done this in a cautious and well planned move by partnering with Solar Solutions Ltd who are experts in this area and utilising existing land assets that are owned by the Group in partnership with my brother, Paul Xuereb. We will continue to explore such opportunities in the coming years.

We are also keen to enter into new ventures that are related to our core sectors. Our expertise in hotel management can help us expand in the hospitality sector by entering into management contracts with other property owners. We have some distinct and unique operating structures that can benefit hotel owners and which can give them advantageous market positioning and financial returns.

This year, we completed the Tarġa Gap Complex, which consists of new offices with extensive underground parking and a number of apartments intended for letting. We also developed 21 other apartments targeted at the mid-tier market, 14 of which have already been sold. In November we moved the AX Group's head office to this new building. As the Group grows it is important to have the right environment for our employees to work in. Once again the Group's focus on developments of high quality can be seen in this prestigious development.

I am proud today to see the Group I set up having a dedicated and resourceful management team. I am also happy that my two daughters, Claire and Denise are actively engaged in the business and that together with our CEO and management we are charting an ambitious but well structured growth trajectory.

The Group is grateful to the numerous investors who have supported us during the years through the three listed bond issues and who continue to show confidence in our instruments.

In spite of the difficult times we experienced in 2020, my board and management remained positive throughout and worked hard to make the best out of a very challenging situation. The AX Foundation continued with the sterling work that it does to help people with hidden learning disabilities and the Group still contributed generously to other causes as we want to support our community and those who particularly at times like these need assistance.

Angelo Xuereb
Chairman

TOGETHER WITH OUR CEO AND MANAGEMENT WE ARE CHARTING AN AMBITIOUS BUT WELL STRUCTURED GROWTH TRAJECTORY.

BOARD OF DIRECTORS

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Angelo Xuereb
Chairman

Michael Warrington
Director / Chief Executive Officer

Denise Micallef Xuereb
Executive Director Construction and Development

Claire Zammit Xuereb
Executive Director Hospitality

John Soler
Independent Non-Executive Director

Josef Formosa Gauci
Independent Non-Executive Director

Christopher Paris
Independent Non-Executive Director

Edmond Zammit Laferla
Company Secretary

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REGISTERED OFFICE

AX Business Centre,
Triq id-Diviza Civili,
Mosta MST1741,
Malta

BOARD OF DIRECTORS

Angelo Xuereb - Chairman
Michael Warrington - Director / Chief Executive Officer
Denise Micallef Xuereb - Executive Director Construction and Development
Claire Zammit Xuereb - Executive Director Hospitality
John Soler - Independent Non-Executive Director
Josef Formosa Gauci - Independent Non-Executive Director
Christopher Paris - Independent Non-Executive Director
Dr Edmond Zammit Laferla - Company Secretary

BOARD COMMITTEES

AUDIT COMMITTEE
John Soler - Chairman
Josef Formosa Gauci
Christopher Paris

REMUNERATION AND NOMINATIONS COMMITTEE
Christopher Paris - Chairman
Josef Formosa Gauci
John Soler

AUDITORS

Ernst and Young Malta Limited,
Regional Business Centre,
Achille Ferris Street,
Msida MSD 1751

SENIOR MANAGEMENT TEAM

CONTENTS

Michael Warrington
Director / Chief Executive Officer

Denise Micallef Xuereb
Executive Director Construction and Development

Claire Zammit Xuereb
Executive Director Hospitality

Albert Bonello
Chief Financial Officer

Dr. David Wain
Chief Legal Officer

Lawrence Degabriele
Head of Information Technology

Josephine Grima
Head of Human Resources

Charmaine Attard
General Manager AX Care

Kevin Callus
General Manager Sliema and Valletta hospitality properties

Joseph Vella
General Manager Qawra hospitality properties

Caroline Schembri
Administration Manager

CEO'S REVIEW

2020 has been a particular year for most people and organisations. It has certainly not been the year we had planned when we looked forward at the end of 2019. The COVID-19 pandemic has changed people's perspectives and outlook. The confidence businesses had after a number of good years of growth and investment has been unsettled and, more than ever, we are all much more cautious than we were just over a year ago.

After five consecutive years of growth in the AX Group's Total Revenue, the Group saw its turnover for the year ended 31.10.2020 decline to EUR29 million from EUR52 million in 2019. The impact of the COVID-19 pandemic was principally felt in the hospitality operations. Tourist arrivals for 2020 fell by 76.2% to just 700,000 people partly due to the airport's closure. The decline in revenue in the hospitality division impacted the valuation of the AX Group's hotel properties where we carried out revaluations in accordance with the requirements of International Financial Reporting Standards.

The AX Group registered a loss after taxation of EUR7,889,730 for the year (2019 – profit of EUR4,556,741). On a positive note the Group's EBITDA was a positive EUR2.6 million confirming that our normal operations still generated cash as a result of the measures taken by management in response to the crisis.

The Group's gearing remains low even though the Group had raised EUR25 million through the bond issues in December 2019 and the revaluation loss of EUR15 million registered during the year. Total shareholder funds at the end of financial year 2020 stood at EUR217 million down from EUR239 million reported the previous year.

The AX Group's financial year starts on 1st November and from then until the early part of March 2020, our businesses were all reporting steady growth over the same period during 2019. Things changed suddenly in March when many of the source markets for tourists imposed travel restrictions in response to the pandemic. As a consequence, our hotels saw cancellations of reservations as guests rushed to board the first flight they could find to return to their countries, and within a few weeks we closed down our hotels.

Our care business on the other hand had to take on a new challenge. Several measures were taken to try to contain the spread of the virus.

CEO'S REVIEW

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Our employees spent 10 weeks in lockdown not leaving the Simblija care home and Hilltop Gardens. These drastic measures ensured that none of our residents were affected in the first wave. Sadly, the second wave affected our islands much more than the first, and in spite of our employees taking steps to prevent the spread of the virus, we had a number of instances where residents and employees contracted the illness.

The construction industry continued to operate throughout the year and although the industry has started to show signs of contraction, our order book for 2021 remains healthy. We completed two of our main projects during the year, namely the new AX Business Centre in Mosta and the Farsons Brewhouse project. There were also several other projects that were completed for clients.

In a time of crisis, it is the response and reaction that determine the outcome. The AX Management team carefully studied and evaluated the opportunities that presented themselves during the pandemic.

Our first response was to trim costs and preserve cash within the Group. We were fortunate that we had completed a successful funding raise in December 2019 with the listing of the 3.25% AX Group Plc 2026 and the 3.75% AX Group Plc 2029 bond issues through the Malta Stock Exchange. Both of these issues were heavily oversubscribed and their trading range following the pandemic retained a slight premium to the issue price.

Another opportunity was to press forward in those areas that could lead to potential growth. We were successful in obtaining the outline development permits for three major projects: the extension to the Sunny Coast Hotel, the extension for the Suncrest Hotel, and the redevelopment of the Verdala Hotel site. We are pressing ahead with the work to obtain the full development permits for these three projects. Applications for the full development permits for all three sites have since been submitted to the Planning Authority. We have enlarged our team in the Development division by recruiting two architects, an engineer, a quantity surveyor, and administrative support. Work is progressing rapidly on the detailed plans for a number of projects so that once we obtain the necessary approvals, work on site will commence at the earliest.

We also took steps to reorganise a number of important administrative functions. These measures would have been difficult to achieve at other times when our operations are busy. These measures have brought about significant cost reduction and operational efficiency, which were opportune at this time but will also serve our operations in the coming years. Our cost structures have been optimised to allow us to operate profitably at low levels of activity, as we expect the full recovery, particularly in the tourism industry, to take some years.

In July, we were pleased to note the quick uptake of the travel industry as soon as public confidence levels started to return. Our hotels did relatively well during the brief period before countries started to impose travel restrictions again. We expect the winter period 2020/21 to be particularly trying until the vaccine rollout becomes effective, travel restrictions are lifted, and public confidence returns.

At the end of October, we transferred our head office to new premises at the AX Business Centre in Mosta. This EUR12 million investment is a state-of-the-art office which will cater for the next expansion phase of the AX Group. The development has been mostly funded from internally generated cash flows and is part financed by a bank loan.

CEO'S REVIEW

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In addition to the offices, we also developed 21 other apartments targeted at the mid-tier market, 14 of which have already been sold.

In 2020, AX Group consolidated its property letting activities into a business unit called AX Real Estate. This business unit has a portfolio of residential, commercial and industrial property which is let out. We have plans to add to this portfolio by developing high-end office properties in key locations. We modified our plans for the property we purchased in Merchant Streets in January 2020, and rather than develop the building for short residential letting, we have applied to the planning authority to use the building as a high-end office. We are also focused on three other sites, one which we already own and two which are on promise of sale agreements where we wish to develop similar concepts.

I am proud to say that all through the challenges we faced during 2020, the management and staff of the Group were exceptional in their commitment and determination to prevail. We all know that the crisis will pass, but we can only speculate when it will pass. With the support of the Xuereb family, the AX Group board, and our management and staff, I am confident that we will come through this.

Michael Warrington
Chief Executive Officer

IN A TIME OF CRISIS, IT IS THE RESPONSE AND REACTION THAT DETERMINE THE OUTCOME.

AX INVESTMENTS P.L.C.

AX Investments PLC is the finance vehicle of AX Group, which was set up in 2001.

The company's first financing initiative was a private placement for the financing of the Verdala Mansions project in Rabat. In 2006, AX Investments listed two public bonds on the Malta Stock Exchange. The first of these bonds, the 6.7% AX Investments PLC 2014-2016 for the amount of €11.6 million, was raised for the general funding of AX Group. Another bond the 4% AX Investments PLC 2013, for an amount of €2.3 million, was to re-purchase the shares in Suncrest Hotels PLC held by the general public. This bond was repaid in December 2013. In 2014 the company issued a 6% Bond redeemable in 2024 for €40 million. The investment was primarily used towards building Hilltop Gardens, the first retirement village on the island.

AX Investments PLC is managed through its board of directors. The Directors are Mr Angelo Xuereb – Chairman, Mr Michael Warrington, Dr Patrick Galea, Mr Michael Sciortino, and Chev Philip Ransley. Dr Ian Vella Galea is the Company Secretary.

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Angelo Xuereb
Chairman

Michael Warrington
Executive Director

Chev. Phillip Ransley
Independent Non-Executive Director

Dr. Patrick Galea
Independent Non-Executive Director

Michael Sciortino
Independent Non-Executive Director

Dr. Ian Vella Galea
Company Secretary

BOARD OF DIRECTORS

Angelo Xuereb
Chairman

Michael Warrington
Executive Director

Chev. Phillip Ransley
Independent Non-Executive Director

Dr. Patrick Galea
Independent Non-Executive Director

Michael Sciortino
Independent Non-Executive Director

Dr Ian Vella Galea
Company Secretary

AUDIT COMMITTEE

Chev. Phillip Ransley
Chairman

Dr. Patrick Galea

Michael Sciortino

AX CARE

Hilltop Gardens

AX CARE

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AX Care encompasses a two-pillar business model comprised of Hilltop Gardens and Simblija Care Home. Collectively, we strive to improve the quality of life of our residents by providing high-quality care in a safe, healthy, and fulfilling environment at our "village within a village" concept in Naxxar.

December 2020 marked the fifth anniversary since we opened Malta's first premium retirement village, Hilltop Gardens. Our self-contained village environment, which features its own gardens, pools, chapel, and restaurant, caters to all our residents' day-to-day domestic and leisure needs. Hilltop Gardens achieved full occupancy within three years and remains a successful retirement option with many having come to call Hilltop Gardens home.

The greater Hilltop complex houses AX Care's three other healthcare operations. Our elderly care home Simblija offers tailor-made packages covering different levels of long- and short-term care including respite, convalescence, and palliative treatments. Our facilities also include St. Anthony's Clinic and Revive, which is our physio- and hydro-therapy clinic.

As can be expected, 2020 created a number of unprecedented challenges for AX Care due to the pandemic. The AX Care team's commitment to looking after our clients has remained unwavering throughout. Again and again, we saw our staff willingly go above and beyond the call of duty to prioritise the safety of our clients and ensure they were well looked after during this difficult time.

In order to help minimise the risk of anyone bringing the virus into the home, around 100 members of our staff volunteered to reside within Hilltop for a period of 10 weeks. This arrangement naturally came at great personal sacrifice to our employees, many of whom left behind family and loved ones to prioritise the health and safety of our residents. It is thanks to our staff's selfless dedication to providing holistic, person-centred care that we successfully navigated the first wave of coronavirus without contagion.

Hilltop Gardens

AX CARE

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At Simblija Care Home, we also set up a dedicated communications room purposely built to facilitate communication between residents and their next of kin. Since relatives could not physically be with their loved ones, we wanted to create an atmosphere where residents could communicate with their families freely without the need to hold mobile devices, while ensuring their dignity and privacy.

It is this level of care and consideration that has made AX Care one of Malta's most respected healthcare providers.

Furthermore, throughout lockdown Revive Physiotherapy & Aquatic Centre serviced clients remotely through online sessions hosted on videoconferencing platforms. This ensured clients could maintain their physio programmes whilst having our healthcare professionals on hand to ensure they were on track with their training and recovery goals.

While lockdown measures have eased, we continue to be proactive in employing strict precautions to maintain optimal safety throughout our facilities. Our security team has put in place robust protocols to effectively handle any emergency situations. Due to visitation restrictions, staff also see that Hilltop residents' daily needs are being met by arranging for groceries and other necessities to be delivered directly to the home from the store conveniently located nearby.

Going forward, we will continue to kindle a sense of community throughout our village by introducing a greater variety of communal activities inspired by our residents' interests. We are committed to creating an engaging community for all AX Care clients, where they can remain connected with friends and family, while receiving personalised care focused on their individual needs and preferences.

OUR STAFF WILLINGLY WENT ABOVE AND BEYOND THE CALL OF DUTY TO PRIORITIZE THE SAFETY OF OUR CLIENTS.

Dedicated communications room at Simbilja Care Home

AX HOTELS

Rosselli - AX Privilege Boutique Hotel

AX HOTELS

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Since 1985, AX Hotels has grown to own and operate a well-regarded portfolio of seven hotel properties located in Valletta, Sliema, and Qawra. Throughout all of our hotels and dining outlets, the AX brand has become synonymous with high standards. Furthermore, as part of AX Group, we are able to harness our resources to optimise our operations and create efficient hotel businesses.

Towards the start of the year, the business outlook for all of our hotels was positive, with guest numbers up by almost 10% on the previous year. All in all, AX Hotels was looking forward to a year of further growth until the pandemic put a complete halt to guest activity for a number of months. During this period of downtime, the Hotels team pivoted its focus and resources to use this time productively, starting with carrying out repairs and maintenance duties in our hotel properties.

From a management perspective, we centralised our operations across our Valletta, Sliema, and Qawra back-offices to create a more synergised hospitality team with enhanced economies of scale. Marketing, finance, and procurement were brought under a central unit, which has streamlined our resources and ensured our operations are more cost-effective.

Once Malta International Airport re-opened in July and lockdown restrictions started to lift, AX Hotels began to experience healthy occupancy rates relative to the ongoing situation. We continued to use our resourcefulness to implement new incentives to drive business to our hotels. Various hotel and dining promotions in combination with the government voucher scheme ensured we remained economically afloat throughout. Our catering staff at AX Events diverted their efforts to promoting a "dine at home" service, with meals prepared by our award-winning kitchen teams delivered directly to guests' homes, an enterprise that gained traction around the festive season.

Despite the unprecedented circumstances, 2020 also saw our hotels achieve significant industry recognition. At the World Travel

AX The Saint John Boutique Hotel

AX HOTELS

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Awards, which celebrate excellence across all major sectors of the global hospitality industry, our five-star Rosselli AX Privilege in Valletta was recognised as Malta's Leading Boutique Hotel, while the five-star AX The Palace in Sliema clinched Leading Business Hotel in Malta for the second year running.

Further success was enjoyed by our various dining outlets. Under Grain's Michelin-star accomplishment was a momentous occasion for the Group.

Housed within Rosselli AX Privilege, Under Grain is our fine dining restaurant specialising in classic French cuisine with a contemporary twist. Executive chef Victor Borg and his kitchen brigade achieved Michelin status only five months after the restaurant opened—an achievement that is testament to the talent and dedication of our people.

Under Grain, along with our fusion restaurant TemptAsian in Sliema and our Cheeky Monkey Gastro pub and diner in Qawra, won further awards at the 2020 World Culinary Awards and the Malta Bar & Cocktail Awards. From their style of cuisine to their ambiance and décor, our restaurants are individually diverse, yet they share a common AX mission to deliver on culinary excellence and stellar service.

As we emerge into a new normal for travel and holidays, we will continue to enhance our hospitality offering holistically by improving our quality of service, guest experiences, online presence, operations, and properties. The Group has acquired permits to begin the redevelopment and extension of our two hotels located on the Qawra seafront. This large-scale project, which will see four storeys and a new lido added to AX Seashells Resort at Suncrest and a complete ground-up redevelopment of AX Sunny Coast Resort & Spa, is expected to begin in 2021.

Under Grain

UNDER GRAIN'S MICHELIN-STAR ACCOMPLISHMENT WAS A MOMENTOUS OCCASION FOR THE GROUP.

3 Herons Junior Suites
Roselli AX Privilege

Over Grain,
Roselli AX Privilege

AX DEVELOPMENT

Targa Gap Complex, Mosta

AX DEVELOPMENT

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AX Group's diversified business model ensures we are agile and able to divert our energies and resources to different pillars of the business when necessary. In 2020, a year where our hospitality brands were hit by the pandemic, our Development arm was positioned to create new business opportunities that kept the Group moving forward. The knowledge, skills, and intellectual capital of our people ensure we are able to manage and integrate development projects with vision and agility.

As a family-owned business, we share a deep sense of responsibility towards developing high-quality projects, which benefit communities. We remain at the forefront of innovative ideas and seek to develop projects where quality design meets practical functionality that will serve well into the future.

It is in this spirit of developing projects for a better tomorrow that the Group invested in Malta's first ever solar power plant, as part of a joint venture with PXC Investments Ltd. and SSL Investments Ltd. The Imselliet Solar Farm project in the limits of Mġarr sought to give a disused quarry renewed purpose and generate sustainable growth. 50,000 m^2 of the solar farm is dedicated to 16,896 ground-mounted photovoltaic panels connected to the national energy grid—enough energy to power around 2,200 homes across Malta and Gozo each year. The remainder of the land is dedicated to the plantation of pine and olive trees, which will help improve air quality by displacing approximately 4,000 tonnes of CO^2 per year.

We have long felt that Valletta is a beautiful capital city. Following our acquisition and renovation of two Merchant Street buildings into luxury boutique hotels, we acquired a 17th-century Baroque palazzo at 41 Merchant Street. The Group has recognised an untapped opportunity within the heart of the capital to create an upmarket, shared office complex. The 41 Merchant project—which is set to be completed in 2022—will offer an intelligently designed, service-led workspace solution,

Falcon House, Sliema

AX DEVELOPMENT

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which reflects evolving attitudes towards the role and functionality of a modern office.

The Group anticipates that regeneration within Valletta will ultimately spill out to adjacent areas of the city, including Marsa. Ideally located between the capital and the airport, we believe Marsa offers great potential to evolve into a thriving commercial hub that places businesses within easy reach of the capital. With this forecast in mind, we have begun expanding our portfolio of land in the Marsa area with the intention to develop a commercial project. While development of such land will not begin in earnest for some time, the Group sees this increased foothold within the Marsa area as a long-term strategic project.

In 2020, we completed our mixed-use Tarġa Gap complex in Mosta, which houses our new AX Business Centre. The development also incorporates office spaces for rent and apartments, some of which have been sold and others leased out. We also built a new block within our Falcon House apartment complex in Sliema, targeted at the high-end of the market. These apartments have luxury finishes, energy efficient design, and a private landscaped area.

THE KNOWLEDGE, SKILLS AND INTELLECTUAL CAPITAL OF OUR PEOPLE ENSURE WE ARE ABLE TO MANAGE AND INTEGRATE DEVELOPMENT PROJECTS WITH VISION AND AGILITY.

41 Merchant Street, Valletta

AX Business Centre

AX Business Centre

AX CONSTRUCTION

AX Construction works on Senglea Bastions and Gardjola

AX CONSTRUCTION

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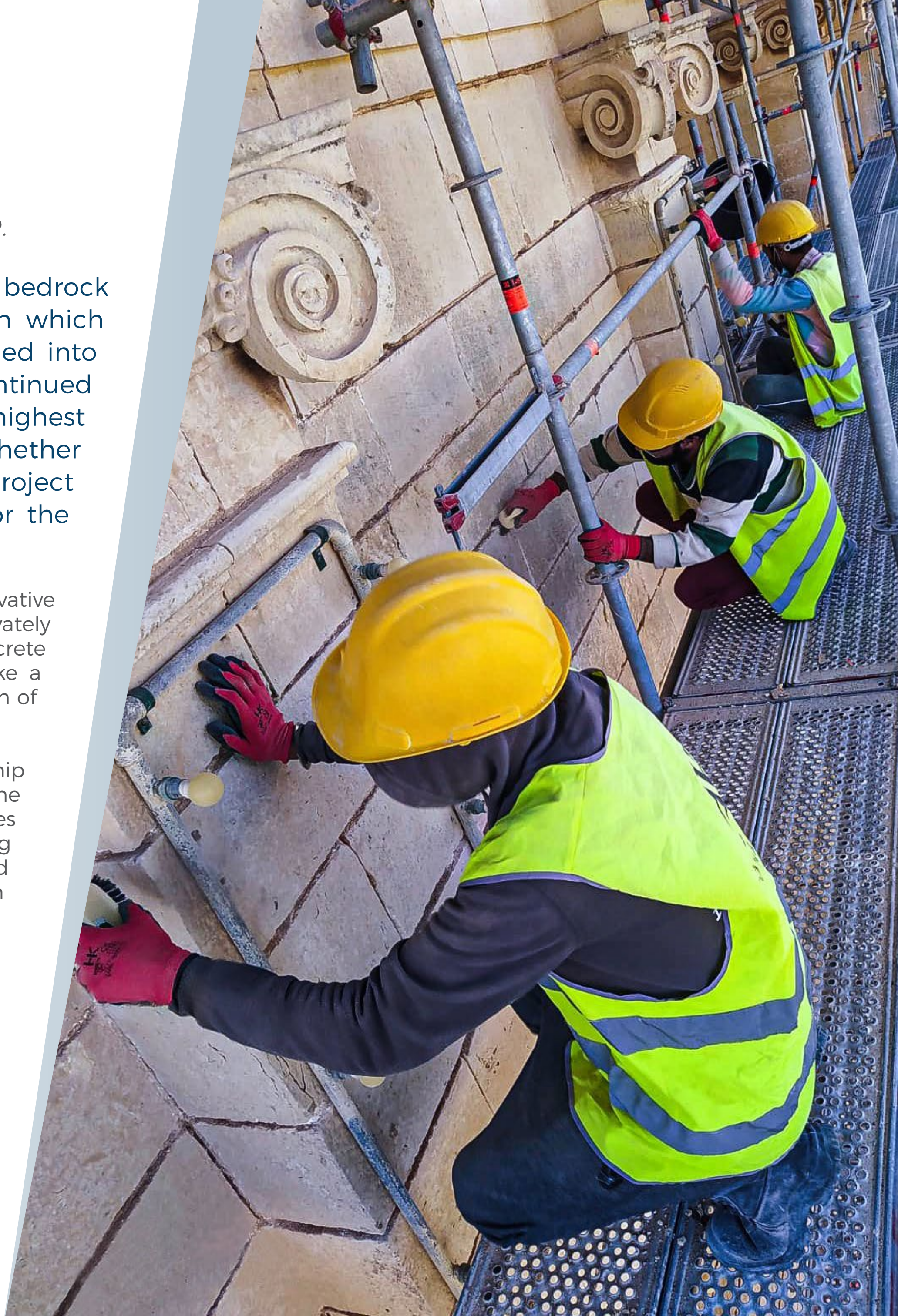
Building our future, restoring our heritage.

Established in 1976, AX Construction remains the bedrock of AX Group and is the enabling conduit through which our portfolio of development projects is transformed into tangible, profitable businesses. The past year has continued to see us deliver on our promise to provide the highest quality for the best possible value in all that we do, whether it be restoration works, civil engineering projects, project management, or turnkey assignments executed for the Group or third-party clients.

From the start, AX Construction has been at the forefront of innovative and pioneering technologies in construction. We were the first privately owned company to manufacture and utilise pre-cast concrete elements in the local sector. We have also continued to make a long-term investment in our people by training a new generation of builders in the local tradition of limestone masonry.

Our years of experience combined with the exceptional workmanship of our team have given us the vision, confidence, and above all, the essential assets and skills to expedite project milestones. This makes us uniquely positioned to maintain our reputation for delivering a standard of the highest calibre in all of our construction and restoration projects. It is this concurrent commitment to both legacy and innovation that allows us to fulfil our mission statement of "Building our future, restoring our heritage".

Undoubtedly, the new AX Business Centre has been our highlight accomplishment over the past year. This 3,000 m^2, three-storey, state-of-the-art office complex in Mosta was designed to set a benchmark for the next-wave of modern business headquarters in Malta, with the building being a true reflection of the high level of quality we're renowned for. Our experience and resources in construction and development were instrumental in the various phases of the building process. This enabled us to complete the entire project in 15 months, despite the many unforeseen obstacles created by the pandemic.



AX CONSTRUCTION

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The AX Business Centre draws from our history of being on the vanguard of building design in Malta. Our former headquarters, AX House in Lija, was hailed as an office space that was ahead of its time back in 1990. We've taken great care to ensure that our new headquarters is a worthy successor. Through its intelligent, eco-conscious design, the AX Business Centre sets new standards and will remain an innovative building for decades to come.

AX Construction was also entrusted with a number of prestigious restoration projects in 2020, including the conversion of the old Farsons brewery in Mrieħel; the restoration of the historic Maritime museum in Vittoriosa; the restoration of the fortifications at Senglea Gates; and the rehabilitation of the Old University Building in Valletta. We pride ourselves on the level of workmanship, attention to detail, and expertise we bring to the conservation of our stone heritage.

In addition to our brick-and-mortar achievements, AX Construction strives to lead the market in building strong relationships with its clients. We operate on a level of transparency, trust, and understanding between all parties concerned and provide practical, efficient and cost-effective solutions where quality is never compromised. It is this commitment to excellence that ensures AX Construction remains a byword for superior civil engineering and restoration projects that stand the test of time.

AX CONSTRUCTION HAS BEEN AT THE FOREFRONT OF INNOVATIVE AND PIONEERING TECHNOLOGIES IN CONSTRUCTION.

AX Construction works on Senglea Bastions and Gardjola

AX CONSTRUCTION

THE FOLLOWING ARE A FEW OF OUR HIGHLIGHT PROJECTS COMPLETED OVER THE PAST YEAR.

TARĠA GAP COMPLEX

AX Construction oversaw the development of Tarġa Gap in Mosta. The mixed-used complex houses the new AX Business Centre, commercial office spaces, deluxe residential apartments, and a multi-level underground parking facility. The open plan, wide-fronted Tarġa Gap offices allow for greater customisation of interior layouts according to client requirements. Clover apartments have been built to reflect the expectations of modern living through spacious open-plan interiors, energy-efficient design, and wide, sheltered terraces and balconies that allow residents to enjoy their outdoor living space all year round. While Springfield Court is a newly built residential block, which includes five designer finished penthouses, with custom-made furniture and panoramic views. The project was completed within a record 15 months.

FARSONS BREWERY

AX Construction was entrusted with the civil works and restoration related to the conversion of the Farsons brewery building in Mrieħel as part of The Brewhouse project. The project aims to transform the old brewery into a visitors' experience centre, which includes display areas, café, brasserie, skybar, and offices. Works involved various structural alterations and retrofit interventions, including erection of temporary support structures. These were necessary to ensure the preservation of the structural integrity of the existing building. Immense care was taken to retain the unique aesthetic quality and stunning architectural merit of the brewery, which was one of the first and finest examples of a concrete reinforced Art Deco building on the island. Interventions were very delicate due to the fragility of the building. Works commenced in January 2019 and were completed in August 2020.

MARITIME MUSEUM

Housed within the old naval bakery on the Birgu waterfront, the Malta Maritime Museum dates back to the 1840s. AX Construction is responsible for the infrastructural rehabilitation works on the museum site to restore the building to its former glory. Works include restoration of concrete and masonry to preserve the building's historical details, such as period arches and vaulted ceilings. By repairing structural damages within the building, the museum will open up more exhibition areas for it to display its unique collection of over 20,000 artefacts that chronicle Malta's Maritime past. Works are currently underway and the project is estimated to be completed by the end of 2021.

SENGLEA BASTIONS

AX Construction is responsible for the restoration of the bastion, gate, belvedere, and Gardjola within the historic fortified city of Senglea. With this renovation, the bastion facades, stone masonry, and clock tower, were cleaned from overgrown vegetation, stains, and biological growth while damaged stone features were repaired or replaced, depending on their condition. Timber and metal apertures were also restored or replaced with structures of identical design. The Gardjola overlooking the dockyard and Senglea gate are set to be replaced with replicas due to the severe damage they have suffered along the years. Works commenced in April of 2020 and are projected to be completed in 2021.

OLD UNIVERSITY BUILDING

The Old University Building on Merchant Street, Valletta is the original campus of the University of Malta and dates back to 1595. AX Construction was entrusted with the restoration of various elements of buildings A and B within the campus. The team took great care to rehabilitate the building's striking façade and original masonry work. Restoration works were also carried out on many of the building's original features, including the timber apertures, various statues, and a gilded bronze halo. The project was completed to a high level within 10 months.

FALCON HOUSE

Already considered a landmark in Sliema's High Street, Falcon House has been designed to maximise on this quiet location, providing ample natural light, spacious terraces, and internal layouts tailored to residents' requirements. In 2020, AX Construction oversaw the building of a new block within Falcon House, which includes two floors of commercial units and four levels of residential apartments and penthouses. The cladded façade will be finished in high-quality travertine with apertures and railing in a champaign hue. Additionally, an outdoor landscaped area will be added exclusively for the tenants of this new block. Falcon House's private landscaped areas provide spaces for peace and relaxation within the complex. This results in a piece of architecture that adds to a higher quality of life for residents. The project is expected to be completed within the second quarter of 2021.

AX CAREERS


AX Group Employees

AX CAREERS

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At AX Group, we believe that our assets and finances are only as strong as our people. We seek to employ trustworthy, skilled individuals and do our utmost to invest in our workforce as we do in our assets—by building up their value for the long-term. Our mission is to be an employer of choice in the markets we operate in. We do this with a strong sense of appreciation of the value of our people and by creating a workplace culture that is engaging, inclusive, and dynamic.

The Group's employment strategy centres on several key principles:

- We welcome top talent
- We pay fairly
- We give our people opportunity to grow within the organisation
- We train our people and encourage continuous learning

To achieve these goals, we have set up an in-house recruitment agency, comprised of AX Careers and the AX Academy. We believe that by raising the bar for recruitment, people applying to work with AX Group will have a better understanding of who we are and feel more confident that they can fit into our organisation.

A WORKPLACE CULTURE THAT IS ENGAGING, INCLUSIVE, AND DYNAMIC.

Grain Executive Chef
Victor Borg

AX CAREERS

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The AX Careers online portal provides applicants with an understanding of our values and company culture. The Knowledge Centre acts as a platform for key personnel within the organisation to share their views and first-hand experiences on a wide range of topics, not exclusively related to AX Group. This depository of resources offers an insight into the Group's people, our motivations and knowledge culture.

AX Group is also a strong advocate for workplace diversity, a principle we have put into practice for well over 30 years. Around 700 of our 1000+ workforce is comprised of foreign nationals, many hailing from outside the EU. Embracing multiculturalism has brought about new opportunities, a wider talent pool, and different perspectives to the organisation. A crucial part of our success in integrating such a large multicultural contingent is the AX Academy, which was set up to help recruits overcome barriers and foster cross-cultural respect and understanding.

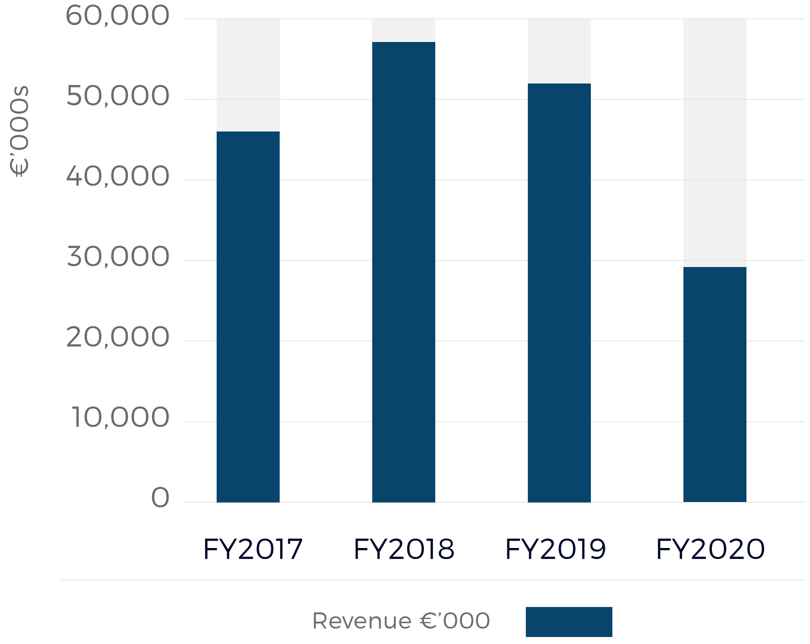
In today's business climate, the recruitment and training of employees is essential to the retention of talent. This has been at the core of the Group's philosophy since inception and is why the Academy also specialises in the training and development of our personnel. By offering opportunities for professional training and career advancement, we ensure our employees feel more satisfied, confident, and secure in their jobs. Not only does this create a stronger, more engaged workforce, it is also an attractor for fresh talent looking to build a satisfying career with us.

We believe that by looking out for our employees' best interests and helping them succeed, they are more likely to show loyalty and go over and above their core duties to contribute to AX Group's success.

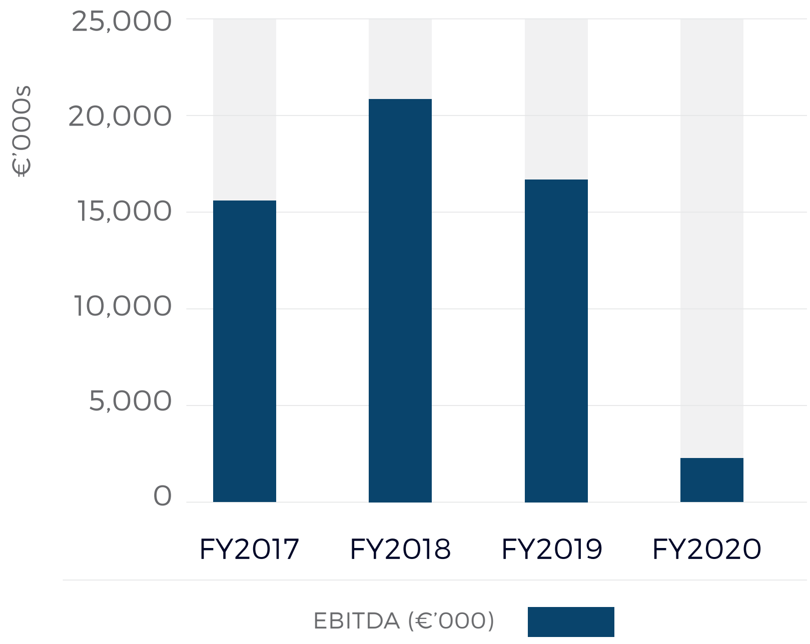
KEY FINANCIAL HIGHLIGHTS

CONTENTS

REVENUE

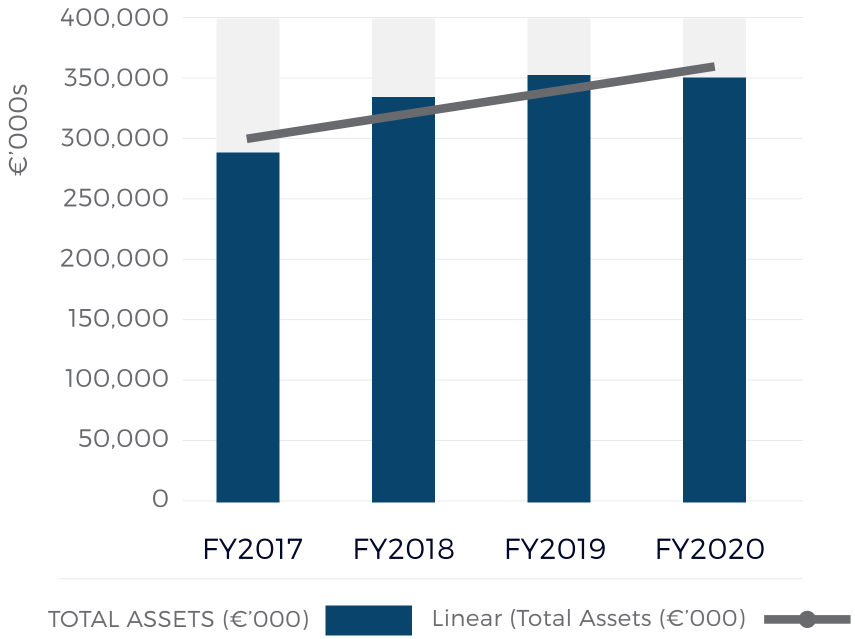


EBITDA

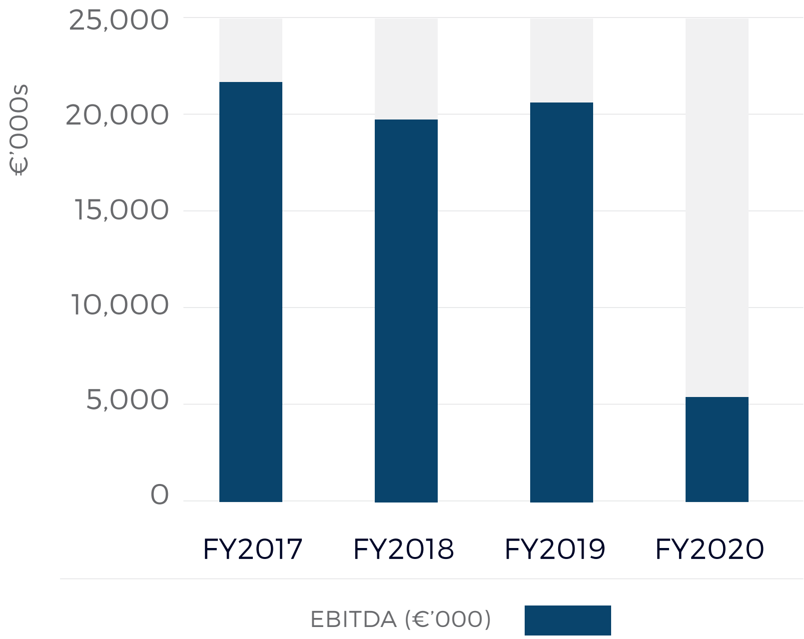


CONTENTS

TOTAL ASSETS



CASH FLOWS FROM OPERATING ACTIVITIES



Key Accounting Ratios	2017	2018	2019	2020
Return on Equity	6.8%	13.9%	1.9%	-3.6%
Return on capital employed	6.0%	6.9%	5.0%	0.8%
Net Debt/EBITDA	5.52x	3.60x	5.02x	39.79x
Interest Cover	4.44x	6.97x	5.55x	0.76x
Gearing	33.1%	25.3%	26.0%	32.5%

BEYOND THE BUSINESS

TO DRIVE POSITIVE SOCIAL CHANGE THAT WILL CREATE A MORE INCLUSIVE FUTURE FOR ALL.

AX FOUNDATION

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Board members from left to right:

Oswald Tanti, David Xuereb, Romina Pace, Joseph Borg, Claire Zammit Xuereb (Chairperson), Jessie Xuereb (Honorary member and founder), Ludgarda Schembri, Freddie Clark, Marthese Galea, Anthony Micallef. Absent: Claudio Camilleri

BEYOND THE BUSINESS

CONTENTS

AX FOUNDATION

Supporting people with learning invisible disabilities.

The AX Group believes that successful businesses are in tune with their communities and strive to help those who may need support from time to time. The AX Foundation was relaunched for the purpose of supporting people living with learning invisible disabilities, with its first project primarily focusing on those on the autism spectrum.

The Foundation was officially launched in 2006 by AX Group Founder and Chairman Mr Angelo Xuereb who was inspired by the many philanthropic endeavours his wife Mrs Josephine Xuereb had carried out on behalf of the company since its early days. In 2019, Ms Claire Zammit Xuereb succeeded her mother as Chairperson of the Foundation and, under her auspices, the team has honed its focus to a specific mission of assisting persons with learning invisible disabilities gain vital skillsets that facilitate independent living. The organisation has also made strides in contributing to national policy-making to drive positive social change that will create a more inclusive future for all.

The Foundation's ongoing first project—which has been placed on temporary hold due to the pandemic—is to foster and implement a long-term systematic change in national schools, one which will equip educators with the practical skills and resources needed to provide holistic support to autistic children in the classroom.

The project involves working hand-in-hand with the National School Support Services within the Ministry for Education & Employment to find solutions that will facilitate more effective teaching practices geared towards children with autism. Experts from the UK's National Autistic Society (NAS) were invited on board to collaborate on creating a tailor-made training programme for educators across Malta and Gozo. By adequately supporting children with autism through their education, the AX Foundation hopes to guide them on the path to reach their full potential as they progress towards the world of employability and beyond.

Tailor-made training programme for educators

BEYOND THE BUSINESS

CONTENTS

COMMUNITY INITIATIVES

We believe AX Group is at its strongest when the company and its employees are united in their values and larger responsibility towards making a difference within society. Throughout the year, the Group reaches out to its employees to foster a giving spirit, where those who are able to, can participate and join in our charitable initiatives.

We also recognise that by prioritising our employees' mental health, we can help create a supportive workplace where people are empowered to bring their best selves to work. Through the Group's affiliation with the Richmond Foundation, our employees can seek professional and confidential help, free of charge, if they ever find themselves struggling with mental health issues in their personal life.

Outside of the Group, we also take great pride in our community investment initiatives. In 2020, the Group continued to raise funds and awareness to help people in need through supporting various charities, initiatives, and organisations in aid of various causes.

AX Group donated a passenger lift valued at €25,000 to Dar il-Kaptan, a non-profit NGO committed to providing professional respite services to persons with disability and their families. AX Group has long admired the vital work the Dar il-Kaptan team carry out and wanted to make a contribution that would leave a lasting impact on accessibility and quality of life inside the home for residents, visitors, and staff alike. The new lift ensures that Dar il-Kaptan can continue its mission of providing an accessible environment where their clients feel safe and supported.

AX Group also participated in Rigal b'Imħabba, a national Christmas gift drive initiative that collected toys and presents to be distributed to Malta's children in need over the festive season. Director of Construction & Development Ms Denise Micallef Xuereb and her family personally visited Castille Square to deliver presents on behalf of the Group.

Director of Construction and Development and Mr Silvan Magri, Administrator Dar il-Kaptan.

BEYOND THE BUSINESS

CONTENTS

ENVIRONMENTAL GOVERNANCE

At AX Group, we take our ecological responsibilities seriously and strive to minimise any adverse impacts that our activities have on the environment. Our ambition is to be at the forefront of the Maltese business community in championing actionable carbon neutral policies and protocols in all that we do.

The Group's commitment to sustainability has been at the heart of the way we design our buildings for many years. Our Development and Construction teams take great care to design homes and buildings that take advantage of solar orientation, ensuring the architecture is less reliant on electrical heating and cooling systems.

To further reduce our buildings' carbon emissions long term, we implement eco-conscious features such as thermal and acoustic insulation, natural ventilation systems, and double-glazed windows, among other energy efficient measures.

Over the last year, AX Group has also taken several strides in generating renewable energy, oxygen, and other natural resources that are beneficial to the environment. As part of a joint venture with PXC Investments Ltd. and SSL Investments Ltd., we developed the Imselliet Solar Farm in the limits of Mġarr. This solar power plant was built on a former quarry through a careful process of landscaping and rehabilitation. On average, the plant produces 5.4 MW of electricity every year. Moreover, the project has restored this disused land with renewed purpose, one that actively contributes to reducing the country's carbon footprint.

Imselliet Solar Farm
Limits of Mġarr

BEYOND THE BUSINESS

CONTENTS

We believe this eco-friendly mindset should be applied not only to the developments we build but also to our own internal practices. Key management from our diverse sectors continue to identify opportunities that will reduce waste, carbon, and greenhouse gases. While these initiatives require significant investment, they have also proven to inversely bring about cost savings and incremental revenue generating spin-offs.

Through an internal education programme and technology, we have reduced our annual paper consumption from our offices by almost 70%. Employees are encouraged to go paperless in a bid to eliminate paper from our processes wherever possible. We also recycle all paper generated in offices. In one year more than 30 tons of paper were taken for recycling. In line with this initiative, we have also substituted all cheque settlements with electronic payments. Remittance advices are also sent digitally, resulting in significant cost savings on paper and postage.

Our hotels have replaced single-use plastics with recyclable materials. This successful shift resulted in our properties being awarded the Green Mobility label by the Malta Tourism Authority. Across our properties, we have replaced electric light bulbs with energy efficient alternatives and switched to eco-friendly appliances. One recent initiative saw our hotels introduce new energy-efficient minibars in guest rooms.

Within our construction division, we practice source separation, which eliminates waste and separates materials that can be recycled. This has resulted in a near total elimination of all waste previously dumped in mixed landfills.

One of our next objectives is to move towards the adoption of electric vehicles with the aim of providing state-of-the-art urban mobility solutions for the Group.

Through improving our energy efficiency, using resources responsibly, and reducing waste, we continue to holistically reduce our environmental footprint. We will remain committed to broadening our sustainable policies through researching, investing, and implementing even more practical initiatives and solutions that will help the Group attain its ultimate goal of achieving carbon neutrality.

FINANCIAL STATEMENTS

DIRECTORS, OFFICERS AND OTHER INFORMATION

Registration:	AX Group p.l.c. was registered in Malta as a Liability Company under the Companies Act, Cap. 386 of the Laws of Malta on 18 January 1991, with the registration number C 12271.
Directors:	Mr Angelo Xuereb Mr Michael Warrington Ms Denise Micallef Xuereb Ms Claire Zammit Xuereb Mr John Soler Mr Josef Formosa Gauci Mr Christopher Paris
Secretary:	Dr Edmond Zammit Laferla
Registered Office:	AX Group AX Business Centre Triq id-Difiza Civili Mosta, MST 1741 Malta
Country of incorporation:	Malta
Company registration number:	C 12271
Auditors:	Ernst & Young Malta Limited Regional Business Centre Achille Ferris Centre Msdia, MSD 1751 Malta
Bankers:	Bank of Valletta p.l.c. Labour Avenue Naxxar Malta
Legal adviser:	Dr David Wain AX Group AX Business Centre Trq id-Difiza Civili Mosta, MST 1741 Malta

DIRECTORS' REPORT

The Directors present their annual report and the audited financial statements of AX Group p.l.c. ("the Company") and its subsidiaries ("the Group") for the year ended 31 October 2020.

PRINCIPAL ACTIVITIES

The Company is the ultimate parent company of the AX Group, which is mainly involved in the provision of hospitality and entertainment services, construction, healthcare and property development.

PERFORMANCE REVIEW

Company

The profit for the year amounted to EUR287,156 (2019: EUR5,406,218). During the year, the Company received less dividends when compared to the previous year. Subsequent to year end, the Company is in the process of merging with AX Holdings Limited, a subsidiary of the Company. Following the finalisation of the merger of AX Holdings Limited into the Company, the Directors expect that the activities of the Company will increase, reflecting the current activities of both companies.

Group

2020 was a year of contrasting results. During the period from November 19 until February 2020, all the Group's business sectors were performing well with results for this period exceeding budget as well as prior year. As COVID-19 struck that strong performance changed in different ways in the different sectors.

The Hospitality sector was the worst hit as we had to close the hotels for a 10-week period. When the airport reopened in July, we quickly saw demand return, but it was nowhere near the 2019 level. The Care sector had its own challenges. We had to ask the residents of the Simblija Care Home and Hilltop Gardens Retirement village to enforce a strict lock down of the entire complex. Our employees moved into the village too to ensure the safety of our residents. This brought about a significant increase in operating cost.

The Construction Sector continued to operate although with some capacity limitations. What followed the initial wave of the pandemic was a drastic slowdown in new orders and a number of projects were put on hold. Nevertheless, the construction division retained its momentum with Group projects, the main focus being on the completion of the construction of Falcon House in Sliema and the Targa Gap complex in Mosta.

With other revenue streams under pressure, we took the strategic decision to expedite a number of projects in the Development division. We were successful in obtaining the outline development permits for the Verdala site in Rabat, the extension of the Suncrest Hotel as well as the Sunny Coast Resort in Qawra.

We also saw the completion and inauguration of the Imselliet Solar power plant in Mgarr. Valletta Cruise Port experienced a difficult year with most of the cruise calls cancelled and significantly reduced food and beverage activity at the Valletta Waterfront.

Revenue decreased by EUR23,200,782 over the previous year, mainly due to the impact of the COVID-19 pandemic as noted above. Operating results during the year decreased by EUR14,521,393, from a profit of EUR10,054,248 to a loss of EUR4,467,145. The Group's loss before taxation for the year amounted to EUR8,229,603 (2019: profit before tax of EUR6,387,832). As at year end, the AX Group's equity stood at EUR217,448,572 (2019: EUR239,115,438).

Financial Key Performance Indicators

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Operating income	**29,056,495**	52,217,716	**333,333**	5,412,357
Operating (loss)/profit	**(4,467,145)**	10,054,248	**196,453**	5,406,218
Net finance (costs)/income	**(3,441,793)**	(2,997,015)	**97,793**	-
(Loss)/profit after tax	**(7,889,730)**	4,556,741	**287,156**	5,406,218
Earnings per share	**(6.77)**	3.91		
Total equity and liabilities	**348,657,388**	353,522,508	**29,148,604**	3,771,967

GOING CONCERN

Having made an appropriate assessment of going concern as discussed in Note 2.1 to these financial statements, the Directors, at the time of approving these 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 Company is exposed to risks inherent to its operation and can be summarized as follows:

1. Strategy risk

Risk management falls under the responsibility of the Board of Directors. The Board is continuously analysing its risk management strategy to ensure that risk is adequately identified and managed. The Audit Committee regularly reviews the risk profile adopted by the Board of Directors.

2. Operational risks

The Company's revenue is mainly derived from interest charges and rental income charged to related parties and hence the Company is heavily dependent on the performance of the AX Group. The Company regularly reviews the financial performance of the AX Group of companies to ensure that there is sufficient liquidity to sustain its operations.

3. Legislative risks

The Company is governed by a number of laws and regulations. Failure to comply could have financial and reputational implications and could materially affect the Company's ability to operate. The Company has embedded operating policies and procedures to ensure compliance with existing legislation.

FINANCIAL RISK MANAGEMENT AND EXPOSURES

Note 35 to the financial statements provides a detailed analysis of the financial risk to which the Company is exposed.

DIVIDENDS AND RESERVES

The Directors do not recommend payment of a final dividend.

EVENTS AFTER THE REPORTING PERIOD

The Company is in the process of merging with AX Holdings Limited, a subsidiary of the Company. The latter's rights, obligations, assets and liabilities will be amalgamated with the Company once the merger is finalised.

DIRECTORS

In accordance with the Company's Articles of Association, the present Directors remain in office.

AUDITORS

Ernst & Young Malta have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

STATEMENT ON NON-FINANCIAL INFORMATION

Pursuant to Article 177 of the Companies Act (Cap. 386) and in terms of the Sixth Schedule to the Act, the directors hereby report the impact of its activities on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters.

Our business model

The AX Group is a diversified group of companies operating in four key sectors: construction, development, healthcare, and hospitality. We strive to deliver on our promise to provide the highest quality for the best possible value. Founded by chairman Angelo Xuereb in 1977, AX Group began its existence as a civil engineering firm. In the ensuing decades, the company took steps towards diversification by expanding its business portfolio to include restoration works, hotels, restaurants, care homes, and many other high-quality projects. In 2018, the Group consolidated its various businesses under the AX brand.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Environmental matters

As outlined in the AX Group plc Annual Report 2020 specifically within the section Beyond the business – Environmental governance, the Group is committed to increasingly focus on policies and processes to reduce the impact on the environment of its operations and activities. These policies are at the forefront of every investment undertaken by the Group. Existing operations are regularly reviewed to monitor energy usage and efficiency, and waste management which are the relevant non-financial key performance indicators. The AX Group plc Annual Report 2020 details the policies and extensive investments undertaken during the year to mitigate the adverse impacts that the Group activities have on the environment.

Our people and diversity

At AX Group, we consider our people as one of the main pillars of our organization. We are committed to foster a culture that is engaging, inclusive and dynamic with a strong respect for human rights. The Group's policy aims to attract top talent, pay fairly, train and encourage continuous learning, and give our people opportunity to grow within our organization. AX Group is also a strong advocate for workplace diversity, a principle put in practice for well over 30 years. The section AX Careers within the AX Group plc Annual Report 2020 gives a detailed overview of the strategy and initiatives undertaken by the Group throughout the year.

Social matters

The Group has always recognized its corporate responsibility towards all stakeholders and the wider community. Following the relaunch of AX Foundation in 2019, the foundation has embarked on a project to support people living with learning invisible disabilities to gain vital skillsets that facilitate independent living. Throughout the year, the group also continued to raise funds and awareness to help people in need through supporting various charities, initiatives, and organizations in aid of various causes. A comprehensive overview of the Group's social responsibility matters is disclosed in the section Beyond the business - AX Foundation & Community initiatives within the AX Group plc Annual Report 2020.

Anti-bribery and corruption

Being one of the Group's core values, AX Group is committed to comply with local legislation and has a zero-tolerance towards bribery and corruption. The Group set a code of ethics which reflects the ethical ethos of the Group and is applicable to both employees and board members alike. The code of ethics sets out the principles and necessary controls to mitigate against bribery and corruption. All Group procedures and policies are built to ensure that this is achieved and that high ethical standards are maintained. Through its academy, the Group is constantly reminding employees about the risks and obligations associated with bribery and corruption. Cognizant of the reputational damage, the Group has also set out procedures to ensure that its principal suppliers operate and comply with local legislation. During the year there were no reports of bribery and corruption. Whilst the Group is satisfied that as at reporting date, it was not implicated in any corruption or bribery allegations, it is committed to uphold and enhance its policy against bribery and corruption.

Conclusion

Driven by our family-inspired values, our workforce contributes to the continued success of the Group. Together, our focus is on exceeding client expectations and leaving a positive legacy in the industries we serve.

APPROVED BY THE BOARD OF DIRECTORS AND SIGNED ON ITS BEHALF ON 25 FEBRUARY 2021 BY:

MR ANGELO XUEREB
Chairman

MR MICHAEL WARRINGTON
Chief Executive Officer

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act (Chap. 386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the Directors should:

- adopt the going concern basis unless it is inappropriate to presume that the Company will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Chap. 386). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE

Pursuant to Listing Rule 5.97 issued by the Malta Financial Services Authority, AX Group p.l.c. (the Company) is hereby reporting on the extent of its adoption of "the Code of Principles of Good Corporate Governance" (the Code) previously established by the Malta Stock Exchange. The Board has reviewed its Corporate Governance practices and an explanation of how the Principles of Good Governance have been applied is contained in this report.

The Company acts as the ultimate holding company to the AX Holdings Group of Companies and does not itself carry on any trading activities rather than for the purpose of funding the Group as and when the demands of its business so requires, and accordingly is economically dependent on the subsidiaries.

COMPLIANCE

Although the adoption of the Code is not mandatory, the Board has considered the principles embodied in the Code and has noted the Code's recommended practices aimed towards the fulfilment of these same principles. The Board has also taken into account the nature of the Company's structure, business activities and operations and in the light of such considerations it has formulated the view that the Company was generally in compliance with the Code throughout the period.

THE BOARD

The Board of Directors of AX Group p.l.c. (the Board) is currently made up of seven Directors, three of whom are completely independent from the Company or any related Group Company. Pursuant to generally accepted practices, as well as the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders.

The present Directors are Mr Angelo Xuereb, Ms Denise Micallef Xuereb, Ms Claire Zammit Xuereb, Mr Josef Formosa Gauci, Mr Christopher Paris, Mr John Soler and Mr Michael Warrington. Messrs Formosa Gauci, Paris and Soler are independent Directors in that they have no involvement or relationship with the Company or with the majority shareholder.

Mr Angelo Xuereb has been appointed as Chairman of the Board and Mr Michael Warrington as the Chief Executive Officer of the Company.

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board's functions are governed by Chapter 5 of the Listing Rule and the Code of Corporate Governance for Listed entities.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

The Board met five times during the year under review. The Board has a formal schedule of matters reserved to it for decision. Directors receive board and committee papers 10 days in advance of meetings and have access to the advice and services of the Company Secretary. Directors may, in the furtherance of their duties, take independent professional advice on any matter at the Company's expense.

The Company, due to its continuous oversight and communication with its shareholders, has not established a committee chaired by a non-executive Director in order to carry out a performance evaluation of its role.

AUDIT COMMITTEE

The Committee is chaired by Mr John Soler, and its other members are Mr Josef Formosa Gauci and Mr Christopher Paris. All three Directors forming the audit committee are non-executive Directors and are totally independent from the Company or the AX Group of Companies. Mr Josef Formosa Gauci is considered by the Board to be competent in accounting and, or auditing in terms of the Listing Rules.

The Company Secretary acts as secretary to the committee which also receives the assistance of the Group Chief Executive Officer; Mr Michael Warrington, and the Chief Financial Officer; Mr Albert Bonello.

The Audit Committee met two times during the year under review.

REMUNERATION AND NOMINATION COMMITTEE

The Remuneration and Nomination Committee (the "RemNom Committee") is composed of Christoper Paris (Chairperson), Josef Formosa Gauci and John Soler, all of which are independent non-executive Directors.

In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the Group with respect to its senior management.

REMUNERATION AND NOMINATION COMMITTEE - CONTINUED

In its function as nominations committee, the RemNom Committee is charged with enhancing the quality of nominees to the Board and ensuring the integrity of the nominating process, and with proposing the remuneration package of Directors and senior executives of the Company and its subsidiaries.

The RemNom Committee met one time during the year under review.

DEALINGS BY DIRECTORS AND SENIOR OFFICERS

Conscious of its responsibility for monitoring dealings by Directors and senior officers in the Company's securities, the Board approved a Code of Conduct for Securities Transactions by Directors, Executives and Employees in compliance with Listing Rules 5.102 to 5.116. The code provides guidance to the Company's officers and serves as a minimum standard of good practice when dealing in the Company's securities.

During the year under review, there were no transactions in the Company's securities involving Directors or any of the Company's employees in possession of unpublished price-sensitive information.

INTERNAL CONTROL

The Board is ultimately responsible for the Company's system of internal control and for reviewing its effectiveness. However, such a system is designed to manage rather than eliminate the risk of failure to achieve objectives, and can provide only reasonable, and not absolute, assurance against material misstatement or loss.

A policy is in place, laying down the minimum required reports that should be made available to the Board in order to keep it informed in a structured and systematic manner on the operational and financial performance of the Company.

INSTITUTIONAL SHAREHOLDERS

The Company is privately held and has no institutional shareholders.

RISK IDENTIFICATION

Management is responsible for the identification and evaluation of key risks applicable to their areas of business. Risks may be associated with a variety of internal or external sources including control breakdowns, disruption in information systems, competition, natural catastrophe and regulatory requirements.

The Board is responsible to review its risk management policies and strategies and oversee their implementation to ensure that identified operational risks are properly assessed and managed.

DIRECTORS' REMUNERATION

The Board determines the remuneration of the Directors. No Directors' remuneration was issued during the financial year under review.

COMMITMENT TO MAINTAIN AN INFORMED MARKET

The Company recognises the importance of maintaining a dialogue with its stakeholders to ensure that its strategies and performance are understood. The Company communicates with bondholders by way of the Annual Report and Financial Statements and by publishing its results on a six-monthly basis during the year, and through company announcements to the market in general.

The Board has also implemented an Investor Relations Program, which aims at giving Bondholders rewards to be used within the Group to foster loyalty. This program, which is managed by AX Holdings Limited executives, includes the issue of the AX Investments Platinum Card and the AX Group Gold and Platinum Cards and the periodic dissemination of the AX Investments Newsletter.

CORPORATE SOCIAL RESPONSIBILITY

The Company is conscious of its responsibility towards the society in which it operates. It promotes environmentally friendly measures such as the reduction in the Company's carbon footprint as well as encourages its employees to lead a healthy and active lifestyle.

Furthermore, the AX Foundation, which is the charitable arm of the Group, is devoted to supporting people living with invisible disabilities, with its primary focus being on the autism spectrum. AX Foundation was originally founded in 2006 to provide support to people who are going through social, mental or physical difficulties. Along the years AX Foundation has supported numerous other NGOs.

Approved by the Board of Directors on 25 February 2021 and signed on its behalf by:

MR ANGELO XUEREB
Chairman

MR MICHAEL WARRINGTON
Chief Executive Officer

Building a better working world

Ernst & Young Malta Limited
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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AX GROUP P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

We have audited the separate and consolidated financial statements of AX Group p.l.c. (the "Company") and its subsidiaries (the "Group"), set on pages 62 to 110, which comprise the separate and consolidated statements of financial position as at 31 October 2020, and the separate and consolidated statements of comprehensive income, the separate and consolidated statements of changes in equity and the separate and consolidated statements of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 October 2020, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company and the Group in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud.

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Going concern (including COVID-19 considerations)

As required by International Financial Reporting Standards and as disclosed in the Statement of Directors' Responsibilities, the Directors are required to adopt the going concern basis in the preparation of the financial statements, unless it is inappropriate to presume that the Group will continue in business in the foreseeable future.

As disclosed in Note 2.1 to the financial statements, based on the Group's budget and forecast, the Directors confirm that they are satisfied that the Group will be able to meet its working capital commitments and assess that the Group has sufficient liquidity to meet all its obligations when and as they fall due in the foreseeable future. At the time of approving these financial statements, the Directors have also determined that there is a reasonable expectation that the Group has adequate resources to continue in operation and existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these financial statements.

The COVID-19 pandemic is of an unprecedented scale and has severely impacted the global economy and businesses across different industries. In the light of this global outbreak, an overall lower economic activity and travel restrictions have created an uncertain environment which may impact significant assumptions that are used in the Group's assessment of its ability to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AX GROUP P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Going concern (including COVID-19 considerations) - continued

The Group's liquidity forecast underlying the going concern assessment is subject to significant estimation and therefore represents a key audit matter.

Our audit procedures included evaluating the Directors' going concern assessment in order to assess whether there are events and conditions that exist that create material uncertainty that may cast significant doubt of the Group's ability to continue as a going concern. In obtaining sufficient, appropriate audit evidence we:

- Obtained the Group's cash flow forecast for the period subsequent to the reporting date up until April 2022 and discussed these with management, focusing on updates made to respond to the expected impacts and uncertainties around COVID-19 developments. We also tested the arithmetical accuracy of the forecast.

- Evaluated the Directors' ability to accurately forecast by comparing actual to historical information, and as part of our procedures on events after the reporting period, to obtain an understanding of the precision of management's forecast and to identify any potential management bias included in such projections.

- Assessed for reasonableness of the main inputs and assumptions used in the projections, such as operational cash flows and EBITDA forecasts, capital expenditures, debt financing and other funding availability against our understanding of the business and industry developments, historical data and any other available information.

- Performed an independent sensitivity analysis, stress testing key inputs and assumptions to assess whether the liquidity headroom calculations are reasonable.

We also assessed the relevance and adequacy of disclosures relating to going concern presented in Note 2.1 to the accompanying financial statements.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Fair valuation of land and buildings classified as property, plant and equipment, and investment properties

The Group's land and buildings classified as property, plant and equipment, which are being further described in Notes 5.16, 6 and 17 to the accompanying financial statements, account for 62% of total assets as at 31 October 2020. Land and buildings are measured at fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses.

The Group also holds investment properties, which is being further described in Notes 5.17, 6 and 18 to the accompanying financial statements, accounting for 22% of total assets as at 31 October 2020. Investment properties are stated at fair value, which reflects market conditions at the reporting date.

The Group uses the services of professional qualified and independent valuers or surveyors to revalue the land and buildings classified as property, plant and equipment, and the investment properties, on the basis of assessments of the fair value of the property in accordance with international valuation standards and professional practice. The valuations are arrived at by a combination of the income capitalization approach, the replacement cost approach and the market approach as applicable.

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

The valuation of property at fair value is highly dependent on estimates and assumptions such as:
- the capitalisation rate, rental income and respective growth rate under the income capitalisation approach;
- the estimated land value and going rates for construction, finishing, services and fittings under the replacement cost approach; and
- the market prices for comparable advertised properties under the market approach.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued

Fair valuation of land and buildings classified as property, plant and equipment, and investment properties – continued

Therefore, due to the significance of the balances and the estimation uncertainty involved in the fair valuation of properties, we have considered the fair valuation of land and buildings classified as property, plant and equipment, and investment properties as a key audit matter.

Our audit procedures over the fair valuation of land and buildings classified as property, plant and equipment, and investment properties included amongst others:

- evaluating the design and implementation of key controls over the Group's property valuation process by inquiring with the valuation process owners;
- performing tests relating to the valuation of the Group's property, focusing on management reviews over the property valuations by inspecting management analysis and minutes of meetings of the board and audit committee where such valuation was discussed;
- obtaining an understanding of the scope of work of the professional valuers by reviewing the available valuation reports and considered the independence and expertise thereof;
- including a valuation specialist on our team to assist us in assessing the appropriateness of the valuation approaches applied, as well as evaluating the reasonability and validity of key assumptions and estimates used in the valuations by comparing to independent sources and relevant market data and conditions; and
- performing procedures over the accuracy and completeness of the inputs used in the valuations in the light of our understanding of the business and industry developments, historical data and other available information focusing on updates made to respond to the expected impacts and uncertainties around the outbreak of the COVID-19 pandemic.

We also assessed the relevance and adequacy of disclosures relating to the Group's fair valuation of land and buildings classified as property, plant and equipment, and investment properties presented in notes 5.16, 5.17, 6, 17 and 18 to the accompanying financial statements.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AX GROUP P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OTHER INFORMATION

The Directors are responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company's financial reporting process.

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INDEPENDENT AUDITOR'S REPORT
TO THE SHAREHOLDERS OF AX GROUP P.L.C.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's and the Group's internal control;

- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

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

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

- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsibl1e for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS - CONTINUED

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Matters on which we are required to report by the Companies Act

Directors' report
We are required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have not nothing to report in this regard.

Other requirements
We also have responsibilities under the Companies Act to report if in our opinion:

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

We have nothing to report to you in respect of these responsibilities.

Appointment
We were appointed as the statutory auditor by the General Meeting of Shareholders of the Company and the Group on 28 October 2020. The total uninterrupted engagement period as statutory auditor, including previous renewals and reappointments amounts to 1 year.

Consistency with the additional report to the audit committee
Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company and the Group, which was issued on the same date as this report.

Non-audit services
No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and the Group and we remain independent of the Company and the Group as described in the Basis for opinion section of our report.

No other services besides statutory audit services and services disclosed in the annual report and in the financial statements, were provided by us to the Company and the Group and its controlled undertakings.

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INDEPENDENT AUDITOR'S REPORT
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REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY THE LISTING RULES

Corporate governance statement
The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their annual report a statement of compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the statement of compliance prepared by the Directors. We are also required to express an opinion as to whether, in the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we have identified material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5.

We read the statement of compliance and consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with the other information included in the annual report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the statement of compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's governance procedures or its risk and control procedures.

In our opinion:

- the corporate governance statement set out on pages 50-52 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority
- in the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit the information referred to in Listing Rules 5.97.4 and 5.97.5 are free from material misstatement

Under the Listing Rules we also have the responsibility to:
- review the statement made by the Directors, set out on page 47, that the business is a going concern, together with supporting assumptions or qualifications as necessary.

We have nothing to report to you in respect of these responsibilities.

The partner in charge of the audit resulting in this independent auditor's report is Christopher Balzan for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

25 February 2021

A member firm of Ernst & Young Global Limited.
Registered in Malta No: C30252

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
			Restated		
		2020	2019	2020	2019
	Notes	EUR	EUR	EUR	EUR
Revenue	8	28,715,967	51,916,749	333,333	5,412,357
Other operating income	9	340,528	300,967	-	-
Other operating costs		(12,858,782)	(17,331,513)	(136,880)	(6,139)
Staff costs	10	(13,577,524)	(18,251,879)	-	-
Depreciation	17	(7,087,334)	(6,580,076)	-	-
Operating (loss)/profit		(4,467,145)	10,054,248	196,453	5,406,218
Share of results of associates	19	(320,665)	(666,426)	-	-
Loss on disposal of investment in subsidiary		-	(2,975)	-	-
Finance income	11	61	43	846,868	-
Finance costs	12	(3,441,854)	(2,997,058)	(749,075)	-
(Loss)/profit before taxation	13	(8,229,603)	6,387,832	294,246	5,406,218
Taxation	15	339,873	(1,831,091)	(7,090)	-
(Loss)/profit for the year		(7,889,730)	4,556,741	287,156	5,406,218
Attributable to:					
Owners of the parent		(7,846,470)	4,501,588		
Non-controlling interest		(43,260)	55,153		
		(7,889,730)	4,556,741		
Basic (loss)/earnings per share	16	(6.77)	3.91		
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
(Loss)/Gain on property revaluation	17	(14,921,966)	19,574,690	-	-
Taxation	15	1,532,062	(2,293,423)	-	-
Other comprehensive (loss)/income net of tax		(13,389,904)	17,281,267	-	-
Total comprehensive (loss)/income		(21,279,634)	21,838,008	287,156	5,406,218
Attributable to:					
Owners of the parent		(21,236,374)	21,782,855		
Non-controlling interest		(43,260)	55,153		
Total comprehensive (loss)/income		(21,279,634)	21,838,008		

The notes on pages 68 to 110 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2020 EUR	Group Restated 2019 EUR	Group Restated 01.11.2018 EUR	Company 2020 EUR	Company 2019 EUR
ASSETS AND LIABILITIES						
Non-current assets						
Property, plant and equipment	17	250,054,604	267,752,367	243,541,114	-	-
Investment property	18	75,646,399	58,804,763	58,722,176	-	-
Investments in subsidiaries	19	-	-	-	1,655,298	1,655,297
Loans receivable	19	-	457,228	5	27,333,237	2,096,569
Investments in associates	19	6,512,096	6,832,761	7,499,182	-	-
		332,213,099	333,847,119	309,762,477	28,988,535	3,751,866
Current assets						
Inventories	20	4,968,461	3,054,921	2,369,512	-	-
Trade and other receivables	21	8,247,536	12,714,190	12,556,888	2,370	20,000
Other financial assets	19	-	-	489,659	-	-
Current tax asset		1,041,232	-	-	-	-
Cash at bank and in hand	22	2,187,060	2,172,096	6,852,390	157,699	101
		16,444,289	17,941,207	22,268,449	160,069	20,101
Total assets		348,657,388	351,788,326	332,030,926	29,148,604	3,771,967
Current liabilities						
Trade and other payables	24	15,730,768	16,377,824	14,639,150	755,209	1,700
Bank borrowings	25	5,375,904	2,633,355	2,919,013	-	-
Other financial liabilities	26	454,620	531,913	-	1,162,357	1,162,357
Current tax liabilities		-	613,811	1,929,231	7,090	-
		21,561,292	20,156,903	19,487,394	1,924,656	1,164,057
Non-current liabilities						
Trade and other payables	24	13,903,041	13,456,255	11,590,942	-	-
Bank borrowings	25	7,192,376	12,560,687	12,866,404	-	-
Other financial liabilities	26	-	577,270	826,208	-	-
Debt securities in issue	27	63,856,761	39,518,498	39,456,339	24,662,214	-
Deferred tax liabilities	28	24,695,346	26,403,275	24,514,870	-	-
		109,647,524	92,515,985	89,254,763	24,662,214	-
Total liabilities		131,208,816	112,672,888	108,742,157	26,586,870	1,164,057
Net assets		217,448,572	239,115,438	223,288,769	2,561,734	2,607,910

STATEMENTS OF FINANCIAL POSITION – CONTINUED

		Group			Company	
			Restated	Restated		
		2020	2019	01.11.2018	**2020**	2019
	Notes	**EUR**	EUR	EUR	**EUR**	EUR
EQUITY						
Capital and reserves						
Share capital	**29**	**1,164,688**	1,164,687	1,164,687	**1,164,688**	1,164,687
Revaluation reserve	**29**	**185,890,949**	200,861,644	184,299,177	**-**	-
Other reserves	**29**	**616,095**	616,095	616,095	**-**	-
Retained earnings	**29**	**28,764,995**	35,364,007	36,154,958	**1,397,046**	1,443,223
		216,436,727	238,006,433	222,234,917	**2,561,734**	2,607,910
Non-controlling interest		**1,011,845**	1,109,005	1,053,852	**-**	-
Total equity		**217,448,572**	239,115,438	223,288,769	**2,561,734**	2,607,910

The notes on pages 68 to 110 form an integral part of these financial statements.

The financial statements on pages 62 to 110 were approved by the Directors on 25 February 2021 and were signed on its behalf by:

MR ANGELO XUEREB
Chairman

MR MICHAEL WARRINGTON
Chief Executive Officer

STATEMENTS OF CHANGES IN EQUITY

GROUP

	Share capital EUR	Revaluation reserve EUR	Other reserves EUR	Capital reserves EUR	Retained earnings EUR	Attributable to equity holders of the parent EUR	Non-controlling interest EUR	Total EUR
At 31 October 2018 (as previously stated)	**1,164,687**	**181,793,301**	**616,095**	**3,948,666**	**23,723,501**	**211,246,250**	**1,503,458**	**212,749,708**
Effect of restatement	-	2,505,876	-	(3,948,666)	12,431,457	10,988,667	(449,606)	10,539,061
At 31 October 2018 (as restated)	**1,164,687**	**184,299,177**	**616,095**	**-**	**36,154,958**	**222,234,917**	**1,053,852**	**223,288,769**
Adjustment from the adoption of new IFRSs retrospectively	-	-	-	-	(193,422)	(193,422)	-	(193,422)
Adjusted balance at 1 November 2018	**1,164,687**	**184,299,177**	**616,095**	**-**	**35,961,536**	**222,041,495**	**1,053,852**	**223,095,347**
Profit for the year	-	-	-	-	4,501,588	4,501,588	55,153	4,556,741
Other comprehensive income for the year, net of tax	-	17,281,267	-	-	-	17,281,267	-	17,281,267
Total comprehensive income for the year	-	17,281,267	-	-	4,501,588	21,782,855	55,153	21,838,008
Dividends paid (Note 29)	-	-	-	-	(4,250,000)	(4,250,000)	-	(4,250,000)
Loss of control	-	(400,000)	-	-	(5,560)	(405,560)	-	(405,560)
Revaluation of investment property, net of tax	-	(318,800)	-	-	318,800	-	-	-
Redemption of preference shares	(1,162,357)	-	-	-	-	(1,162,357)	-	(1,162,357)
Capitalisation of profits	1,162,357	-	-	-	(1,162,357)	-	-	-
At 31 October 2019	**1,164,687**	**200,861,644**	**616,095**	**-**	**35,364,007**	**238,006,433**	**1,109,005**	**239,115,438**
Loss for the year	-	-	-	-	(7,846,470)	(7,846,470)	(43,260)	(7,889,730)
Other comprehensive loss for the year, net of tax	-	(13,389,904)	-	-	-	(13,389,904)	-	(13,389,904)
Total comprehensive loss for the year	-	(13,389,904)	-	-	(7,846,470)	(21,236,374)	(43,260)	(21,279,634)
Increase in share capital	1	-	-	-	-	1	-	1
Dividends paid (Note 29)	-	-	-	-	(333,333)	(333,333)	(53,900)	(387,233)
Fair value movement of Investment Property, net of tax	-	(1,580,791)	-	-	1,580,791	-	-	-
At 31 October 2020	**1,164,688**	**185,890,949**	**616,095**	**-**	**28,764,995**	**216,436,727**	**1,011,845**	**217,448,572**

STATEMENTS OF CHANGES IN EQUITY - CONTINUED

COMPANY

	Share capital EUR	Retained earnings EUR	Total EUR
At 31 October 2018	**1,164,687**	**1,451,039**	**2,615,726**
Adjustment from the adoption of new IFRSs retrospectively	-	(1,677)	(1,677)
Adjusted balance as at 1 November 2018	**1,164,687**	**1,449,362**	**2,614,049**
Profit for the year	-	5,406,218	5,406,218
Total comprehensive income for the year	-	5,406,218	5,406,218
Dividends paid (Note 29)	-	(4,250,000)	(4,250,000)
Redemption of preference shares	(1,162,357)	-	(1,162,357)
Capitalisation of profits	1,162,357	(1,162,357)	-
At 31 October 2019	**1,164,687**	**1,443,223**	**2,607,910**
Profit for the year	-	287,156	287,156
Total comprehensive income for the year	-	287,156	287,156
Increase in share capital	1	-	1
Dividend paid	-	(333,333)	(333,333)
At 31 October 2020	**1,164,688**	**1,397,046**	**2,561,734**

The notes on pages 68-110 form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

		Group		Company	
			Restated		
		2020	2019	**2020**	2019
	Notes	**EUR**	EUR	**EUR**	EUR
Cash flows from operating activities					
(Loss)/Profit before taxation		**(8,229,603)**	6,387,832	**294,246**	5,406,218
Adjustments for:					
Depreciation		**7,087,334**	6,580,076	-	-
Share of results of associates		**320,665**	666,426	-	-
Loss on disposal of property, plant and equipment		-	6,779	-	-
Loss on disposal of financial assets		-	13,141	-	-
Property, plant and equipment written off		-	16,652	-	-
Expected credit loss		**(5,273)**	(34,756)	**42,839**	(180)
Movement in provision for bad debts		-	(118,603)	-	-
Movement in fair value of financial assets		-	(7,765)	-	-
Issue cost amortization		**94,345**	62,159	**32,016**	-
Movement in fair value of investment property		-	-	-	-
Interest expense		**3,441,854**	2,997,058	**749,075**	-
Interest income		-	-	**(846,868)**	-
Operating profit before working capital changes		**2,709,322**	16,568,999	**271,308**	5,406,038
Movement in inventories		**(1,913,540)**	(517,200)	-	-
Movement in trade and other receivables		**4,664,873**	855,628	**17,630**	(20,000)
Movement in trade and other payables		**(422,917)**	3,608,212	**412,553**	(1,120)
Cash flows from operating activities		**5,037,738**	20,515,639	**701,491**	5,384,918
Net interest paid		**(3,441,854)**	(3,001,283)	**(749,075)**	-
Net interest received		-		**846,868**	-
Taxation paid		**(2,183,985)**	(3,423,529)	**7,090**	-
Net cash flows (used in) / from operating activities		**(588,101)**	14,090,827	**806,374**	5,384,918
Cash flows from investing activities					
Purchase of property, plant and equipment		**(4,311,537)**	(9,841,905)	-	-
Payments to acquire investment property		**(16,341,636)**	(4,601,339)	-	-
Acquisition of financial assets		-	484,283	-	27,531
Proceeds from disposal of property, plant and equipment		-	533,626	-	-
Movement in loan to subsidiary		-	-	**(25,278,974)**	-
Net cash flows (used in) /from investing activities		**(20,653,173)**	(13,425,335)	**(25,278,974)**	27,531
Cash flows from financing activities					
Movement on bank borrowings		-	(1,930,020)	-	-
Movement in a new bank loan		**(4,382,339)**	1,300,610	-	-
Movement on other loans		**(74,685)**	(4,754,411)	-	-
Movement in debt securities in issue		**24,243,918**	-	**24,630,198**	-
Dividends paid to minority interest		**(53,900)**	-	-	-
Dividends paid		**(233,333)**	-	-	(5,412,357)
Net cash flows from / (used in) financing activities		**19,499,661**	(5,383,821)	**24,630,198**	(5,412,357)
Net movement in cash and cash equivalents		**(1,741,613)**	(4,718,329)	**157,598**	92
Cash and cash equivalents at beginning of year		**1,575,112**	6,293,441	**101**	9
Cash and cash equivalents at end of year	22	**(166,501)**	1,575,112	**157,699**	101

The notes on pages 68-110 form an integral part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. GENERAL INFORMATION

AX Group p.l.c. (C 12271) is a limited liability company incorporated in Malta. The Company is the holding company of AX Holdings Group, which is mainly involved in the provision of hospitality and entertainment services, healthcare services, construction and property development. The Company's registered office is at AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta, MST 1741, Malta.

2. BASIS OF PREPARATION

The financial statements have been prepared in accordance with the requirements of the International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

The financial statements have been prepared on a historical cost basis, except for investment property and land and buildings which are stated at fair value.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Company's accounting policies. Significant accounting policies are disclosed in Note 5 and accounting estimates are disclosed in Note 6.

These financial statements are presented in Euro (EUR) which is the Company's functional currency. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

2.1 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. The Hospitality sector of the Group was constrained to close all the AX Group's hotels, restaurants and bars resulting in the loss of revenue for the months of April, May and the early part of June. These restrictions started to be eased in June. However, social distancing rules, certain travel restrictions and restrictions on capacity in retail establishments still applied. Some measures continued throughout the year and are still in place at the date of approval of these financial statements.

The Hospitality sector is the largest business sector within the AX Group and hence, the present and future impact of the COVID-19 situation has had and will continue to have a material impact on profitability and results. With the re-opening of the Malta International Airport in July 2020, a rise in hotel reservations was noted but this was still short of normal operating levels.

The Group operates in four key business sectors: Construction, Development, Care and Hospitality. 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, whereby management accelerated activity in the development division's ongoing property developments. The development division moved forward with a number of new projects - the Verdala site in Rabat, the extension of the Suncrest Hotel as well as the Sunny Coast Resort in Qawra.

The Care division continued to operate but with significantly higher cost structures due to the precautionary measures that were taken to safeguard the residents at Hilltop Gardens Retirement Village and the Simblija Care Home.

AX Construction also continued to operate with little disruption but with higher operating cost structures. The division's order book slowed down during the first few months of the pandemic, but demand has since picked up at a strong pace.

The AX Group's investment in Valletta Cruise Port p.l.c. was also impacted by the pandemic. Cruise lines cancelled all trips planned for most of the year. The retail outlets, bars and restaurants at the Valletta Waterfront were all compelled to close as a result of the restrictions imposed.

2. BASIS OF PREPARATION – CONTINUED

2.1 GOING CONCERN – CONTINUED

Profitability

During the year, the Group has experienced a reduction in revenue of 44.69% over the previous year and has reported a loss for the year of EUR7,889,730. Despite the reduction in revenue, the Group still managed to report a positive EBITDA of EUR2,620,189. This result is attributable to several factors:

i. Strong performance pre Covid-19.

Pre COVID-19, all operating units within the Group were achieving and, in some cases, exceeding budgeted performance. Following the addition of AX-Rosselli Hotel in Valletta in June 2019, the hospitality division exceeded previous year revenues by almost 20% and previous year Gross Operating Profit by 52%.

ii. Management's quick response

Management took immediate action to curtail both operational and capital expenditure. For a number of months senior management, employees in the hospitality division and head office employees were asked to work reduced hours. On the other hand, certain capital investment that were not deemed critical was postponed to future dates.

iii. Internal operating structures

Throughout the years, the Group has adopted a strategy to acquire a number of sites in close proximity to one another. This strategy of managing properties in clusters together with internal re-organisation were key factors that yielded various benefits, including economies of scale and cost efficiencies especially in this period of unparalleled disruption.

iv. Government support

A key element supporting the ability to operate at these low levels is the Government wage supplement. This assistance has been renewed in the 2021 Government budget up until 31 March 2021. Without this crucial support, the AX Group would have to reconsider its commitment to retain the employees in its hospitality division on full pay.

It is still uncertain as to when this pandemic will be over. However, Governments around the world are in the process of administrating mass vaccinations to the population in order to reduce transmission of the virus.

Liquidity

As at 31 October 2020, the Group's current liabilities exceeded its current assets by EUR5,117,003 (2019: EUR 2,215,696) whereas the Group's total assets exceeded its total liabilities by EUR217,448,572 (2019: EUR 239,115,438). However, EUR2,330,167 of the current liabilities relate to deferred income which do not impact cash flows.

The AX Group took various steps to retain a high level of liquidity in line with Group policy.

In December 2019 the AX Group successfully raised EUR25,000,000 by way of two bond issues that are listed on the Malta Stock Exchange. Both issues were oversubscribed, and the proceeds of the issues have been used as indicated in the prospectus to acquire two properties, one in Merchants Street, Valletta and the other in Marsa as well as to repay bank loans and for general corporate funding purposes.

As at reporting date, the Group had aggregate banking facilities of EUR29,079,844 (2019: EUR26,196,448) of which EUR15,880,407 (2019: EUR11,002,407) were undrawn banking facilities. During the financial year, the Group had successfully negotiated various bank loan repayment moratoriums with its bankers which have been extended till Q1 of 2021.

The undrawn banking facilites referred to above includes an EUR8,000,000 loan granted under the Company Guarantee Scheme by the Government of Malta through the Malta Development Bank. The purpose of the loan is to cover working capital requirements and shortfall in cashflow resulting from the impact of the COVID-19 pandemic.

The development division of the Group has successfully concluded a number of promises of sale agreements on Targa Gap in Mosta and Falcon House in Sliema. The contracts are expected to be signed in the first six months of 2021 for a net cash generation of circa EUR4,000,000. The Group is in advanced negotiations for the sale of the remaining units and is confident that the sale of the remaining stock will be concluded in 2021.
Furthermore, should it be deemed necessary, the Group may consider the disposal of a parcel of land having a market value of circa EUR10,000,000 which is currently classified as stock of immovable property.

Despite the increase in gearing, the Group still retains a low gearing ratio of 32.5% 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.

2. BASIS OF PREPARATION - CONTINUED

2.1 GOING CONCERN – CONTINUED

Forecast

Management has prepared an eighteen-month forecast for the Group in order to assess the impact of the current crisis on the businesses. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations and expected levels of demand, along with management's proposed responses over the course of the period. The base case scenario includes the benefits of actions already taken by management to mitigate the trading downsides brought by COVID-19. The forecast also includes the curtailment of capital expenditure in the Group's hotels in which only essential hotel maintenance is planned. A minimum level of capital expenditure is still budgeted on other projects. 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.

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.

3. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS

Reclassifications and restatements have been identified which are treated as corrections of prior period errors and corrected retrospectively. As a result, comparative information has been restated and a third Statement of Financial Position as at 1 November 2018 has been presented to reflect correction of errors in the opening balances for the earliest prior period presented. Below is a description of the nature of such errors and effects on the items affected as at 1 November 2018, 31 October 2019 and for the year then ended

A. RESERVES

A reclassification between the other reserve, capital reserve, revaluation reserve, non-controlling interest and retained earnings was required to rectify the calculations of these reserves as at 1 November 2018 and 31 October 2019.

B. PROPERTY, PLANT AND EQUIPMENT

i. Accumulated depreciation not eliminated at the date of revaluation

The accounting policy of the Group is to measure its Land and Buildings within Property, Plant and equipment at revalued amount, being the fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset. Up to 1 November 2018 and 31 October 2019, accumulated depreciation was being partially eliminated at the date of the revaluation. The restatement has an effect on the carrying amount of land and buildings, revaluation reserve and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and other comprehensive income for the year ended 31 October 2019.

ii. Depreciation overprovided on land

Up to 1 November 2018 and 31 October 2019, the Group was providing depreciation on land and buildings at 1% on a straight-line basis on the combined value of land and buildings, as opposed to at 2% on a straight-line basis on the value of the buildings. The restatement has an effect on the carrying amount of land and buildings and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and on depreciation charge for the year ended 31 October 2019.

C. TAXATION

Up to 1 November 2018 Group's tax charge was incorrectly calculated resulting in an overstatement with a corresponding overstatement in current tax liabilities. The restatement has an effect on retained earnings and current tax liabilities as at 1 November 2018. This error was carried forward to 31 October 2019.

D. MINORITY INTEREST

Minority interest up to 1 November 2018 was overstated, with a corresponding effect in retained earnings.

3. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS – CONTINUED

E. DEFERRED TAX LIABILITIES

Deferred tax liabilities up to 1 November 2018 was incorrectly calculated resulting in an overstatement, with a corresponding effect in retained earnings.

The impact of the prior period reclassifications and restatements on the consolidated statement of comprehensive income and the consolidated statement of financial position is as follows:

	Adjustment	As previously reported	Re-statement	As restated
Effect on amounts as at 1 November 2018				
Property, plant and equipment	b	235,044,639	8,496,475	243,541,114
Current tax liabilities	c	3,663,413	(1,734,182)	1,929,231
Deferred tax liabilities	e	24,823,274	(308,404)	24,514,870
Non-controlling interest	d	1,503,458	(449,606)	1,053,852
Revaluation reserve	a	181,793,301	2,505,876	184,299,177
Capital reserve	a	3,948,666	(3,948,666)	-
Retained earnings	All	23,723,501	12,431,457	36,154,958
Effect on amounts for the year ended 1 November 2019				
Consolidated statement of financial position				
Property, plant and equipment	b	257,748,673	10,003,694	267,752,367
Current tax liabilities	c	2,347,993	(1,734,182)	613,811
Retained earnings	b	23,254,997	12,109,010	35,364,007
Consolidated statement of comprehensive income				
Depreciation	b(ii)	6,257,629	322,447	6,580,076
Profit for the year				
Other comprehensive income				
Fair value movement on PPE	b(i)	17,745,024	1,829,666	19,574,690
Total comprehensive income for the year				

4. BASIS OF CONSOLIDATION

Subsidiaries, are those companies in which the Group, directly or indirectly, has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights.

The consolidated financial statements comprise the financial statements of AX Group p.l.c ("the Company") and its subsidiaries ("the Group") as at 31 October 2020. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

4. BASIS OF CONSOLIDATION – CONTINUED

These consolidated financial statements comprise the Company and its subsidiaries, namely:

	Group % of equity and voting rights held		Group % of preference shares held	
	2020	2019	2020	2019
AX Construction Limited	100	100	-	-
AX Contracting Limited	100	100	-	-
AX Finance Limited	100	100	-	-
AX Holdings Limited	100	100	-	-
AX Hotel Operations p.l.c.	100	100	-	-
AX Investments p.l.c.	100	100	-	-
AX Port Holding Company Limited	100	100	-	-
AX Port Investments Company Limited	100	100	-	-
Capua Palace Investments Limited	100	100	-	-
Central Hotels Limited	100	100	-	-
Central Leisure Developments Limited	100	100	100	100
Harbour Connections Limited	100	100	-	-
Hardrocks Estates Limited	51	51	-	-
Heritage Developments Limited	100	100	-	-
Hilltop Gardens Retirement Village Limited	100	100	-	-
Hilltop Management Services Limited	100	100	-	-
Holiday Resorts Limited	100	100	-	-
Luzzu Properties Limited	100	100	-	-
AX Business Park Limited	100	100	-	-
Palazzo Merkanti Leisure Limited	100	100	-	-
Prime Buildings Limited	75	75	-	-
Renewables Limited	100	100	-	-
Royal Hotels Limited	100	100	-	-
Simblija Developments Limited	100	100	-	-
Skyline Developments Limited	100	100	100	100
St. John's Boutique Hotel Limited	100	100	-	-
Suncrest Finance Limited	100	100	-	-
Suncrest Hotels p.l.c.	100	100	-	-
41M Limited (formally The Waterfront Entertainment Venture Ltd)	100	100	-	-
Verdala Mansions Limited	100	100	-	-
AX Real Estate Limited	100	100	-	-
Engage People Limited	100	100	-	-

The registered address of these subsidiaries is AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta.

The financial statements of the subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these financial statements are set out below. These policies have been consistently applied in the financial statements presented, unless otherwise stated.

5.1 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS ENDORSED BY THE EUROPEAN UNION EFFECTIVE IN THE CURRENT YEAR

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- IFRS 16 Leases
- IFRIC 23 Uncertainty over Income Tax Treatments
- Amendments to IFRS 9: Prepayment Features with Negative Compensation
- Amendments to IAS 19: Plan Amendment, Curtailment or Settlement
- Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures
- Annual Improvements to IFRS Standards 2015 – 2017
- Amendment to IFRS 16: Leases (Covid-19 Related Rent Concessions)

The Group applied IFRS 16 Leases for the first time. The nature and effect of the change as a result of adoption of this new accounting standard are described below. Several other amendments and interpretations apply for the first time during the current year, but do not have an impact on the financial statements of the Group. The Group has not early adopted any standard, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 LEASES

IFRS 16 supersedes IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains Lease, SIC-15 Operating Leases-Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 does not have an impact for leases where the Group is the lessor.

The Group adopted IFRS 16 using the modified retrospective method of adoption, with the date of initial application of 1 November 2019. The Group elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 November 2019. Instead, the Group applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.

AMENDMENT TO IFRS 16 LEASES (COVID-19 RELATED RENT CONCESSIONS)

The amendment is effective 1 June 2020 but, to ensure the relief is available when needed most, lessees can apply the amendment immediately in any financial statements—interim or annual—not yet authorised for issue.

The adoption of these standards did not have significant impact on the financial statements or performance of the Group.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.2 STANDARDS, INTERPRETATIONS AND AMENDMENTS TO PUBLISHED STANDARDS AS ADOPTED BY THE EU WHICH ARE NOT YET EFFECTIVE

Up to date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Group has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 17 Insurance Contracts (effective for financial year beginning on or after 1 January 2023)
- Amendments to References to the Conceptual Framework in IFRS Standards
- Amendments to IFRS 3: Business Combinations
- Amendments to IFRS 9, IAS 39 and IFRS 7: Interest Rate Benchmark Reform
- Amendments to IAS 1 and IAS 8: Definition of Material
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Company. The Company will adopt the changes in standards on their effective date.

5.3 STANDARDS, INTERPRETATIONS AND AMENDMENTS THAT ARE NOT YET ENDORSED BY THE EUROPEAN UNION

These are as follows:

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020)
- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively)
- Amendments to

  i. IFRS 3 Business Combinations (issued 14 May 2020);
  ii. IAS 16 Property, Plant and Equipment (issued 14 May 2020);
  iii. IAS 37 Provisions, Contingent Liabilities and Contingent Assets (issued 14 May 2020);
  iv. Annual Improvements 2018-2020 (issued 14 May 2020).

The Group is still assessing the impact that these new standards will have on the financial statements.

5.4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue includes all revenues from the ordinary business activities of the Group and are recorded net of value added tax. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. The Group recognises revenue when (or as) it satisfies a performance obligation by transferring control of a promised good or service to the customer. The Group has generally concluded that it is the principal in its revenue arrangements.

The Group recognises revenue from the following major sources:

i. Sale of goods
ii. Provision of hospitality services primarily accommodation in hotels and boutique properties and catering services offered by the Group outlets
iii. The provision of accommodation services within a retirement home, independent living facilities and other ancillary services
iv. Construction, turnkey and restoration works of residential, commercial and industrial properties

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.4 REVENUE FROM CONTRACTS WITH CUSTOMERS – CONTINUED

i. Sale of goods

The Group, through its subsidiaries, sells food and beverage products and healthcare items directly to customers through its own outlets. Revenue is recognised when control of the goods has transferred, being at the point the customer purchases the goods at the outlet or property. Customers do not have the right of return and no warranties are given on the items sold.

ii. Provision of services - Hospitality and healthcare

The Group, through various subsidiaries, provides hospitality and healthcare services. Revenue from healthcare services is partly recognised at a point in time when transferring control of the contracted service to the customer and partly is recognised over time, on a systematic basis based on the period consumed as a proportion to the contractual period. Revenue from Hospitality is recognised at a point in time when transferring control of the contracted service to the customer.

iii. Provision of services – Construction

The Group provides construction related works to its customers. Revenue from construction works is recognised over time, based on the proportion of works performed to date. The Directors consider that this input method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under IFRS15. The Group becomes entitled to invoice customers for construction works, when a third-party assessor signs off a certificate confirming the achievement of a milestone.

5.5 EMPLOYEE BENEFITS

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

5.6 BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised from the time that expenditure for these assets and borrowing costs are being incurred and activities that are necessary to prepare these assets for their intended use or sale are in progress. Borrowing costs are capitalised until such time as the assets are substantially ready for their intended use or sale. Other borrowing costs are recognised as an expense in the profit and loss in the period in which they are incurred.

5.7 LEASES

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis as rental income.

5.8 GOVERNMENT GRANTS

Government grants are recognised where there is reasonable assurance that the grant will be received, and all attached conditions will be complied with. When the grant relates to an expense item, it is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate are expensed. When the gant relates to an asset, it is recognised as income in equal amounts over the expected useful life of the related asset.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.9 TAXATION

i. Current income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted at the reporting date in the country where the Group operates and generates taxable income.

Current income tax is charged or credited to profit or loss. Current income tax relating to items realized directly in equity is realized in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

The charge for current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in profit or loss because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods.

ii. Deferred income tax

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit.

Deferred tax is measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the reporting date.

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

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Deferred tax assets and liabilities are offset when the Group has a legally enforceable right to settle its current tax assets and liabilities on a net basis.

5.10 FAIR VALUE MEASUREMENT

The Group measures non-financial assets such as investment properties at fair value at each balance sheet date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.10 FAIR VALUE MEASUREMENT – CONTINUED

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

- Level 1: Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2: Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3: Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

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

5.11 INVESTMENT IN SUBSIDIARIES

Subsidiaries are all entities over which the investor has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Company

Investments in subsidiaries are initially recognized at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. Subsequent to initial recognition, the investments are measured at the lower of their carrying amounts and fair value less costs to sell.

5.12 INVESTMENT IN ASSOCIATES

An associated undertaking is an entity over which the Company and Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investment in associates are initially recognized at cost.

Group

The Group subsequently recognizes for the investment in associates using the equity method. The consolidated financial statements include the Group's share of the income and expenses of the equity movements of the associate, after adjustments to align the accounting policies of the Group, from the date that significant influence commences until the year ended 31 October 2020. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Groups' share of losses in an associated undertaking equals or exceeds its interest in the associated undertaking, including any other unsecured receivables, the Group does not recognize further losses, unless it has incurred obligations or made payments on behalf of the associated undertaking. The use of the equity method should cease from the date that significant influence ceases.

Company

The Company subsequently measures the investments in associates using the lower of their carrying amounts and fair value less costs to sell.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

i. Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

Subsequent measurement

For purposes of subsequent measurement, financial assets are classified in four categories:

i. Financial assets at amortised cost (debt instruments)
ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
iv. Financial assets at fair value through profit or loss

FINANCIAL ASSETS AT AMORTISED COST (DEBT INSTRUMENTS)

Financial assets at amortised cost (debt instruments) are the most relevant to the Group. The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Group's debt instruments at amortised cost includes loans and receivables, trade and other receivables and cash and cash equivalents which are classified under this category.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

i. Financial assets – continued

Subsequent measurement – continued

FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI WITH RECYCLING OF CUMULATIVE GAINS AND LOSSES (DEBT INSTRUMENTS)

The Group measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

For debt instruments at fair value through OCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

The Group holds no financial assets in this category.

FINANCIAL ASSETS AT FAIR VALUE THROUGH OCI (EQUITY INSTRUMENTS)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at fair value through OCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument by instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment.

FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are measured at fair value through profit or loss (FVTPL). Specifically:

- Investments in equity instruments are classified as at FVTPL. However, a company may designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets measured at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses including foreign exchange gains and losses, recognised in profit or loss.

Where applicable, dividend income is recognised with other dividend income, if any, arising on other financial assets within the line item 'Investment income'. Where applicable, interest income is disclosed within the line item 'Investment income'. Fair value gains and losses are recognised within the line items 'Investment income' and 'Investment losses' respectively.

The Group holds no financial assets in this category.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

i. Financial assets – continued

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

- The rights to receive cash flows from the asset have expired, or
- The Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of its continuing involvement.

ii. Financial Liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Group's financial liabilities include loans and borrowings and trade and other payables.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability as at fair value through profit or loss.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

ii. Financial Liabilities – continued

Subsequent measurement – continued

FINANCIAL LIABILITIES AT AMORTISED COST (LOANS AND BORROWINGS)

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

iii. Impairment of financial assets

The Group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, there is objective evidence of impairment as a result of one or more events that has occurred since the initial recognition of the asset (an incurred 'loss event') and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

iii. Impairment of financial assets – continued

GENERAL APPROACH

Under the general approach, the Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL). The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition rather than on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring.

Lifetime ECL represents the ECLs that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within 12 months after the reporting date.

The 12-month ECL is calculated by multiplying the 12-month Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD). Lifetime ECL is calculated on a similar basis for the residual life of the exposure.

The Group considers a financial asset to be in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

For financial assets for which the Group has no reasonable expectations of recovering either the entire outstanding amount, or a proportion thereof, the gross carrying amount of the financial asset is impaired.

SIMPLIFIED APPROACH

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

iv. Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the consolidated statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

5.14 IMPAIRMENT OF NON-FINANCIAL ASSETS

All other assets are tested for impairment in terms of this accounting policy except for financial assets measured at fair value through profit or loss, equity instruments designated as at FVTOCI, inventories, deferred tax assets, and investment property measured at fair value.

At the end of each reporting period, the carrying amount of assets, including cash-generating units, is reviewed to determine whether there is any indication or objective evidence of impairment, as appropriate, and if any such indication or objective evidence exists, the recoverable amount of the asset is estimated.

An impairment loss is the amount by which the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the higher of fair value (which is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date) less costs of disposal and value in use (which is the present value of the future cash flows expected to be derived, discounted using a pre-tax discount rate that reflects current market assessment of the time value of money and the risks specific to the asset). Where the recoverable amount is less than the carrying amount, the carrying amount of the asset is reduced to its recoverable amount, as calculated.

Impairment losses are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case, the impairment loss is recognised in other comprehensive income to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that asset.

Impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss has been recognised.

5.15 PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment other than land and buildings are initially recorded at cost. These are subsequently stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes purchase price and any directly attributable cost of preparing the asset for its intended use.

Property, plant and equipment are derecognised on disposal or when no future economic benefits are expected from their use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Depreciation is provided on the below items, at rates intended to write down the cost less residual value of the assets over their expected useful lives. The annual rates used, which are consistent with those applied in the previous year, are as follows:

Improvements	10% per annum
Furniture, fixtures and fittings	5% - 33% per annum
Computer equipment	20% per annum
Plant and machinery	5% - 20% per annum

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.15 PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Gains and losses on disposal of property, plant and equipment are determined by reference to their carrying amount and are taken into consideration in determining the operating profit. The residual useful lives of the assets are reviewed and adjusted as appropriate, at each financial reporting date. The carrying amount of an asset is written down immediately to its recoverable amount if the carrying amount of the asset is greater than its estimated recoverable amount.

Subsequent costs are included in the carrying amount of the asset or recognized as separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group during the financial period in which they are incurred.

5.16 REVALUATION OF LAND AND BUILDINGS

Land and buildings are held for use in the production or supply of goods or services or for administrative purposes. Subsequent to initial recognition, land and buildings are stated at revalued amount at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made for the entire class of land and buildings and with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using revaluations at the date of the statement of financial position. Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset.

Any revaluation increase arising on the revaluation is credited to the revaluation reserve unless it reverses a revaluation decrease for the same asset previously recognised in the profit and loss, in which case, the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation is recognised in profit and loss to the extent that it exceeds the balance, if any, held in the revaluation reserve relating to a previous revaluation of that asset.

An annual transfer from the asset revaluation surplus to retained earnings is made for the difference between depreciation based on the revalued carrying amount of the asset and depreciation based on the asset's original cost. Additionally, accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. Upon disposal, any revaluation surplus relating to the particular asset being sold is transferred to retained earnings.

Depreciation commences when the depreciable assets are available for use and is charged to profit or loss so as to write off the cost /revalued amount, less any estimated residual value, over their estimated useful lives, using the straight-line method, on the following bases:

Buildings	2%

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.17 INVESTMENT PROPERTY

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognized as an asset when it is probable that the future economic benefits that are associated with the investment property will flow to the entity and the cost can be measured reliably.

Investment properties are initially measured at cost, including transaction costs, less impairment losses. Subsequent to initial recognition, investment property is stated at fair value, which reflects market conditions at the reporting date. Gains or losses arising from changes in fair values of investment properties are included in profit and loss in the period in which they arise, including the corresponding tax effect. Fair values are determined by a professionally qualified architect/surveyor on the basis of market values.

Investment properties are derecognized either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognized in profit and loss in the period of derecognition. The amount of consideration to be included in the gain or loss arising from the derecognition of investment property is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment property only when there is a change in use. For transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

5.18 INVENTORIES

Inventories are valued at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Net realisable value is the price at which stocks can be sold in the course of business less anticipated costs of selling. Provision is made where necessary for obsolete, slow moving and defective stock.

Property held for development and re-sale is stated at the lower of cost and net realisable value. The cost includes the purchase price of the property and development costs incurred to date. Net realisable value represents the estimated selling price less all estimated costs to completion and costs to be incurred in marketing and selling.

The cost of development and common costs are apportioned on the basis of the costs absorbed during the stage of development and the cost of land is apportioned on the basis of the floor area.

5.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents are defined as cash in hand, demand deposits and short term, highly liquid investments readily convertible to known amounts of cash and subject to significant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash in hand and deposits at banks, net of outstanding overdrafts.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.20 ORDINARY SHARES

Ordinary shares are classified as equity. Incremental costs directly attributable to issue of ordinary shares are recognized as a deduction from equity.

5.21 DIVIDENDS

Dividends to holders of equity instruments are recognised as liabilities in the period in which they are declared. Dividends to holders of equity instruments are debited directly in equity.

5.22 PROVISIONS

Provisions are recognised when the Group and the Company have a present obligation as a result of a past event, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the financial reporting date and are discounted to present value when the effect is material. Provisions are reviewed each financial reporting date and adjusted to reflect the current best estimate.

5.23 RELATED PARTIES

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at cost, net of any impairment charge.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the Directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and, if a change is needed, it is accounted for in the year the changes become known.

Except for the below, in the opinion of the Directors, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) - 'Presentation of financial statements'.

JUDGEMENTS

In the process of applying the Group's accounting policies, the Directors have made the following judgements:

Deferred taxation

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon likely timing and level of future taxable profits together with future tax planning strategies.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS – CONTINUED

ESTIMATES

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year, are described below.

Fair value of land and buildings and investment property

The Group uses the services of professional valuers to revalue the land and buildings and investment property. The professional valuers take into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- A use that is physically possible, takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).
- A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property).
- A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 18, the Group uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of land and building and investment property. Note 18 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

Provision for expected credit losses of trade receivables

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers.

7. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on its products and services and has five reportable segments, as follows:

- Hospitality
- Construction
- Healthcare
- Real Estate & Property Rentals
- Administration, Finance & Investment

No operating segments have been aggregated to form the above reportable operating segments.

The Chief Operating Decision Maker (CODM) of the Group is deemed to be the Board of Directors, who monitors the operating results of the business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements. the Group's financing (including finance costs, finance income and other income) and income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

7. SEGMENT INFORMATION - CONTINUED

Intra-segment revenues are eliminated upon consolidation and reflected below.

SEGMENTS FOR THE YEAR ENDED 31 OCTOBER 2020

	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenue	15,335,868	9,256,296	7,558,655	8,312,656	2,565,751	(14,313,259)	28,715,967
Other operating income	-	2,282	27,730	310,516	2,958	(2,958)	340,528
Staff costs	(6,166,775)	(3,746,023)	(2,940,329)	-	(1,737,984)	1,013,587	(13,577,524)
Other operating costs	(11,480,571)	(5,165,169)	(5,517,191)	(1,503,562)	(1,061,533)	11,869,244	(12,858,782)
EBIDTA	(2,311,478)	347,386	(871,135)	7,119,610	(230,808)	(1,433,386)	2,620,189
Depreciation							(7,087,334)
Share of results of associates							(320,665)
Net finance costs							(3,441,793)
Loss before tax							(8,229,603)
Tax credit							339,873
Loss for the year							(7,889,730)
Segment assets	28,842,868	12,054,279	13,449,910	345,736,248	205,763,211	(257,189,128)	348,657,388
Segment liabilities	(10,985,852)	(11,848,372)	(20,973,116)	(103,005,813)	(151,284,166)	166,888,563	(131,208,816)

SEGMENTS FOR THE YEAR ENDED 31 OCTOBER 2019

	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Revenue	38,115,440	12,986,940	8,061,859	11,846,704	4,542,687	(23,636,881)	51,916,749
Other operating income	-	-	56,990	342,053	-	(98,076)	300,967
Staff costs	(11,448,118)	(3,547,179)	(2,781,917)	-	(1,808,673)	1,334,008	(18,251,879)
Other operating costs	(21,863,268)	(8,997,221)	(6,833,958)	(870,483)	(1,260,389)	(22,493,806)	(17,331,513)
EBIDTA	(4,804,054)	442,540	(1,497,026)	11,318,274	1,473,625	(92,857)	16,634,324
Depreciation							(6,580,076)
Share of results of associates							(666,426)
Loss on disposal of investment in subsidiary							(2,975)
Net finance costs							(2,997,015)
Profit before tax							6,387,832
Tax charge							(1,831,091)
Profit for the year							4,556,741
Segment assets	29,246,543	12,213,019	13,112,846	347,979,774	149,018,924	(198,048,598)	353,522,508
Segment liabilities	(10,655,657)	(12,126,951)	(19,711,913)	(132,783,745)	(97,651,864)	158,523,060	(114,407,070)

8. REVENUE

Revenue by category of activity:

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Construction works, building materials and management services	**6,039,800**	4,858,354	-	-
Hospitality and entertainment	**15,378,122**	38,115,440	-	-
Healthcare	**5,876,608**	5,680,459	-	-
Sale of property and real estate	**750,000**	-	-	-
Rental income	**671,437**	544,810	-	-
Dividends receivable	-	2,717,686	**333,333**	5,412,357
	28,715,967	51,916,749	**333,333**	5,412,357

Construction works, building materials and management services, hospitality and entertainment, healthcare and sale of property and real estate fall under IFRS 15 and are recognized as follows:

TIMING OF REVENUE RECOGNITION

GROUP

	2020	2019
	EUR	EUR
At a point in time		
Sale of property and real estate	**750,000**	-
Hospitality and entertainment	**15,378,122**	38,115,440
Healthcare	**1,532,412**	1,402,550
	17,660,534	39,517,990
Over time		
Construction works, building materials and management services	**6,039,800**	4,858,354
Healthcare	**4,344,196**	4,277,909
	10,383,996	9,136,263

9. OTHER OPERATING INCOME

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Ancillary services	**340,528**	300,967	-	-

10. STAFF COSTS

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Personnel costs				
Wages and salaries	**11,146,324**	13,904,899	**-**	-
Social security costs	**934,101**	972,458	**-**	-
	12,080,425	14,877,357	**-**	-
Subcontracted labour	**2,510,686**	4,708,530	**-**	-
Salaries capitalised	**(1,013,587)**	(1,334,008)		
Total staff costs	**13,577,524**	18,251,879	**-**	-

Wages and salaries are net of COVID-19 related wage supplement received from the Government of Malta during the period March to October 2020 amounting to EUR 1,629,944.

The average number of employees (including the Directors) during the year were:

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Management and administration	**127**	144	**-**	-
Operations and distribution	**501**	517	**-**	-
	628	661		

11. FINANCE INCOME

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Interest income from investments	**61**	43	**-**	-
Interest income from loans and receivables	**-**	-	**846,868**	-
	61	43	**846,868**	-

12. FINANCE COSTS

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Interest on bank loans and overdrafts	**273,824**	584,146	**-**	-
Interest on debt securities in issue	**3,149,075**	2,400,000	**749,075**	-
Interest on other loans	**28,330**	12,912	**-**	-
Unrealised exchange differences	**(9,375)**	-	**-**	-
	3,441,854	2,997,058	**749,075**	-

13. EXPENSES BY NATURE

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Profit before taxation is stated after charging:				
Auditors' remuneration				
For audit services	**109,500**	86,250	**6,000**	1,700
For non-audit services	**9,800**	-	**300**	-
Depreciation	**7,087,334**	6,580,076	**-**	-
Movement in allowance for expected credit losses	**23,305**	(34,756)	**42,839**	(180)
Amortisation of bond issue costs	**94,345**	62,159	**32,016**	-

14. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Directors' compensation				
Short-term benefits	**784,704**	810,857	**-**	-
Other key management personnel compensation				
Salaries and social security contributions	**517,237**	654,873	**-**	-

15. TAXATION

As at year-end, unabsorbed tax losses and other temporary differences for which no deferred tax asset is recognised in the Group amounted to EUR15,452,016 (2019: EUR15,582,283).

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Malta income tax:				
Current				
- for the year (i)	**(163,802)**	2,095,572	7,090	-
- over provision in prior years	-	12,537	-	-
Deferred tax through profit or loss	**(176,071)**	(277,018)	-	-
	(339,873)	1,831,091	7,090	-
Deferred tax through other comprehensive income	**(1,532,062)**	2,293,423	-	-
	(1,871,935)	4,124,514	7,090	-

(i) Current income tax credit for the year relates to tax at source refundable, net of withholding taxes Group Company

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
(Loss)/profit before taxation	**(8,229,603)**	6,387,832	**294,246**	5,406,218
Tax thereon at 35%	**(2,880,361)**	2,235,741	**102,986**	1,892,176
Tax effect of:				
Tax effect of permanent difference	**1,008,426**	1,851,150	**(95,896)**	(1,892,176)
Over provision in respect of previous years	-	12,537	-	-
Tax effect of unrecognised temporary differences	-	25,086	-	-
Income tax expense for the year	**(1,871,935)**	4,124,514	**7,090**	-

16. EARNINGS PER SHARE

The earnings per share has been calculated on the Group's loss for the year of EUR7,889,730 (2019 restated: profit for the year of EUR4,556,741) divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2020	2019
	EUR	EUR
Weighted average number of shares in issue	**1,164,688**	1,164,687
	EUR	EUR
Basic (loss)/earnings per share	**(6.77)**	3.91

17. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Fair value/cost						
At 01.11.2018	224,037,014	469,553	20,698,783	584,346	35,901,655	281,691,351
Additions	663,929	-	1,024,550	263,117	7,890,309	9,841,905
Revaluation	19,574,690	-	-	-	-	19,574,690
Transfer to inventory	(168,209)	-	-	-	-	(168,209)
Transfer from investment property	2,100,000	-	-	-	-	2,100,000
Disposal	(445,246)	-	(42,177)	(24,834)	(559,789)	(1,072,046)
Write offs	-	(440,220)	-	-	(148,428)	(588,648)
Transfer*	(1,829,666)	-	-	-	-	(1,829,666)
At 31.10.2019 (as restated)	243,932,512	29,333	21,681,156	822,629	43,083,747	309,549,377
Additions	777,572	-	608,102	9,000	3,041,658	4,446,332
Revaluation	(14,921,966)	-	-	-	-	(14,921,966)
Disposal	(118,081)	-	-	(11,188)	-	(129,269)
Write offs	-	-	-	-	-	-
Transfer*	(6,614,636)	-	-	-	-	(6,614,636)
At 31.10.2020	**223,055,401**	**29,333**	**22,289,258**	**820,441**	**46,125,405**	**292,319,838**
Depreciation						
At 01.11.2018 (as previously stated)	11,751,415	448,557	11,497,405	458,714	22,490,621	46,646,712
Effect of restatement (Note 3)	(8,496,475)	-	-	-	-	(8,496,475)
At 31.10.2018 (as restated)	3,254,940	448,557	11,497,405	458,714	22,490,621	38,150,237
Provision for the year	2,704,180	1,465	933,007	91,059	2,850,365	6,580,076
Released on disposal	-	-	(29,903)	(24,834)	(476,904)	(531,641)
Released on write offs	-	(425,092)	-	-	(146,904)	(571,996)
Transfer*	(1,829,666)	-	-	-	-	(1,829,666)
At 31.10.2019	4,129,454	24,930	12,400,509	524,939	24,717,178	41,797,010
Provision for the year	3,093,290	4,403	918,942	17,542	3,053,157	7,087,334
Provision released on disposal	-	-	-	(4,474)	-	(4,474)
Transfer*	(6,614,636)	-	-	-	-	(6,614,636)
At 31.10.2020	**608,108**	**29,333**	**13,319,451**	**538,007**	**27,770,335**	**42,265,234**
Net book value						
At 31.10.2020	**222,447,293**	-	**8,969,807**	**282,434**	**18,355,070**	**250,054,604**
At 31.10.2019 (As restated)	239,803,058	4,403	9,280,647	297,690	18,366,569	267,752,367
At 01.11.2018 (As restated)	220,782,074	20,996	9,201,378	125,632	13,411,034	243,541,114

*This transfer relates to accumulated depreciation at the date of revaluation, eliminated against the gross carrying amount for the asset.

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

The Group's land and buildings were revalued by independent professional qualified valuers. The surplus on revaluation was transferred to the revaluation reserve. Note 18 provides detailed information regarding the key assumptions used in performing such revaluation. The Directors assumed that the fair value of these additions is equivalent to its cost.

The carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR54,153,972 (2019: EUR53,376,400).

18. INVESTMENT PROPERTY

Group	
	EUR
Fair value	
At 31 October 2018	58,722,176
Additions	4,601,339
Disposals	(2,418,752)
Transfer to property, plant and equipment	(2,100,000)
At 31 October 2019	**58,804,763**
At 31 October 2019	58,804,763
Additions	16,841,636
At 31 October 2020	**75,646,399**

Valuation process

The Group's land and buildings are classified as either property, plant and equipment or investment property depending on their intended use. 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 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.

18. INVESTMENT PROPERTY – CONTINUED

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 property has been determined to fall within level 3 of the fair value hierarchy. The different levels in the fair value are defined in Note 5.10.

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

(i) Investment Property

Type of Property	Level 3	Total	Date of valuation
	EUR	EUR	
Land	18,755,896	18,755,896	06/01/2019
	28,877,092	28,877,092	18/10/2018
	3,703,550	3,703,550	10/11/2017
	750,000	750,000	16/12/2019
Commercial property	4,249,418	4,249,418	31/10/2019
	3,588,930	3,588,930	10/11/2017
	5,705,038	5,705,038	31/10/2020
	367,520	367,520	31/10/2020
Residential	4,994,269	4,994,269	28/01/2019
	3,800,000	3,800,000	07/08/2013
	854,686	854,686	10/11/2017
Total	**75,646,399**	**75,646,399**	

(ii) Land and Buildings

Type of Property	Level 3	Total	Date of valuation
	EUR	EUR	
Commercial property	178,639,202	178,639,202	19/12/2020
Commercial property	2,100,000	2,100,000	31/10/2019
Commercial property	36,669,508	36,669,508	28/12/2018
Total	**217,408,710**	**217,408,710**	

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 year.

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

18. INVESTMENT PROPERTY – CONTINUED

(i) Investment Property

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR8,205,868	Market approach	Based on the prices of similar property.	The higher the rates, the higher the fair value.
Land amounting to EUR18,755,896*	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 EUR4,453,550	Market approach	Based on the prices of similar property.	The higher the rates for land, the higher the fair value.
Commercial property amounting to EUR5,705,038	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 EUR854,686	Market approach	Based on the prices of similar property.	The higher the rates for land, the higher the fair value.
Residential property amounting to EUR28,877,092	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.

*This amount includes an amount of EUR7,000,674 which was acquired during the year and for which cost is deemed to be equal to fair value.

18. INVESTMENT PROPERTY – CONTINUED

ii. Land and Buildings

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR165,778,944	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%. 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*	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. The higher the rental income and the lower the management cost the higher the fair value.
Commercial property amounting to EUR2,100,000	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. 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 EUR36,669,508.

During the year the Group used the same valuation technique used in the previous year.

19. FINANCIAL ASSETS

GROUP	Loans to other related party	Investments in associates	AFS investments quoted at fair value	Financial assets at FVTPL	AFS investments unquoted
	EUR	EUR	EUR	EUR	EUR
At 31 October 2018	-	7,499,182	489,659	-	5
Share of results	-	(666,421)	-	-	(5)
Transfer	-	-	(489,659)	489,659	-
Movement for the year	457,228	-	-	-	-
Disposal	-	-	-	(497,424)	-
Movement in impairment of financial assets	-	-	-	7,765	-
At 31 October 2019	**457,228**	**6,832,761**	**-**	**-**	**-**
Share of results	-	(320,665)	-	-	-
Movement for the year	(457,228)		-	-	-
Movement in impairment of financial assets	-	-	-	-	-
At 31 October 2020	**-**	**6,512,096**	**-**	**-**	**-**

Loans to other related party

Loans to other related party are unsecured, interest-free and have no fixed date of repayment but expected to be paid within 12 months from the reporting date. Accordingly, this balance was transferred to current assets during the year. The entity determines the expected credit loss allowance on these loans based on a probability of default of 0.16% and a loss given default of 100%.

19. FINANCIAL ASSETS – CONTINUED

Investments in associates

The Group has a 36% interest and voting rights in Valletta Cruise Port p.l.c. (2019: 36%) and 33% interest and voting rights in Imselliet Solar Limited (2019: 33%). The entities are privately owned entities registered and operating in Malta and are not listed on any public exchange. The Group's interest in Valletta Cruise Port p.l.c. and Imselliet Solar Limited is accounted for using the equity method in the consolidated financial statement.

The Group's carrying amount of the investments includes goodwill amounting to EUR1,449,613 (2019: same) resulting upon acquisition of an interest at an amount higher than its book value.

The following table illustrates the summarised financial information of the Group's investment in these entities:

	2020	2019
	EUR	EUR
Current assets	**3,656,023**	5,850,255
Non-current assets	**53,427,332**	54,430,151
Current liabilities	**4,739,872**	3,812,145
Non-current liabilities	**37,653,191**	39,973,389
Revenue	**3,373,376**	11,244,022
Loss/Profit for the year	**(1,058,027)**	3,170,740

The associates had no contingent liabilities or capital commitments at 31 October 2020 and 31 October 2019.

19. FINANCIAL ASSETS – CONTINUED

COMPANY

	Investment in subsidiary	Subsidiary undertaking loan
	EUR	EUR
Cost		
At 1 November 2019	1,655,297	**2,098,066**
Additions	1	**25,278,974**
At 31 October 2020	1,655,298	**27,377,040**
Expected credit loss		
At 1 November 2019	-	**1,497**
Movement for the year	-	**42,306**
At 31 October 2020	-	**43,803**
Net book value		
At 31 October 2020	1,655,298	**27,333,237**
At 31 October 2019	1,655,297	**2,096,569**

Investment in subsidiary

The consolidated financial statements comprise the results and position of the Company and the Group as at 31 October 2020, which is a common year end of all subsidiaries forming part of the Group. The list of subsidiaries consolidated is disclosed in Note 4. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

Subsidiary undertaking loan

The subsidiary undertaking loan is unsecured, carries interest at 4% (2019: 4%) and has no fixed date of repayment. The entity determines the expected credit loss allowance on the Group undertakings loans based on a probability of default of 0.16% and a loss given default of 100%.

20. INVENTORIES

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Property held for development and re-sale	**3,619,793**	1,189,647	-	-
Raw materials and consumables	**1,348,668**	1,865,274	-	-
	4,968,461	3,054,921	-	-

21. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Trade receivables (i)	**3,160,479**	6,391,424	-	-
Provision for doubtful debts (i)	**(202,029)**	(456,097)	-	-
Allowance for ECL on trade receivables (i)	**(179,336)**	(157,949)	-	-
	2,779,114	5,777,378	-	
Amounts owed by associates (ii)	**1,371,714**	1,091,247	-	-
Amounts owed by other related parties (ii)	**16,051**	49,956	-	-
Shareholders' current account (ii)	**450,686**	-	-	-
Other receivables	**2,326,587**	4,473,085	-	20,000
Prepayments and accrued income	**1,303,384**	1,322,524	**2,370**	-
	8,247,536	12,714,190	**2,370**	20,000

(i) Trade and other receivables are non-interest bearing, and repayable on 60 day terms.

Impairment of financial assets – trade receivables

The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31 October 2020 was determined as follows:

		Current	>30 days	>60 days	>90 days	>180 days	>365 days	Total
Expected credit loss rate	%	0.09-2.39	0.12-2.94	0.16-3.78	0.85-6.9	1.73-8.68	100	
Gross carrying amount	EUR	858,783	190,487	189,925	243,652	1,206,674	470,958	3,160,479
Lifetime expected credit loss	EUR	426	1,536	2,550	464	27,566	146,694	179,336
Provision for doubtful debts	EUR	-	-	-	-	202,029	-	202,029

21. TRADE AND OTHER RECEIVABLES – CONTINUED

(ii) Amounts owed by associates and amounts owed by other related parties are unsecured, interest-free and have no fixed date of repayment. Amounts owed by associates are dividends receivable.

22. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Cash at bank and in hand	**2,187,060**	2,172,096	**157,699**	101
Bank overdrafts (Note 25)	**(2,353,561)**	(596,984)	-	-
	(166,501)	1,575,112	**157,699**	101

23. CONSTRUCTION CONTRACTS

As at year-end, retentions held by customers for contract works amounted to EUR669,740 (2019: EUR350,848).

24. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Trade payables (i)	**4,286,786**	5,380,473	136	-
Other payables	**3,938,336**	3,613,135	-	-
Indirect taxation and social security	**522,743**	767,718	-	-
Accruals and deferred income	**20,885,944**	20,072,753	755,073	1,700
	29,633,809	29,834,079	**755,209**	1,700
Current	**15,730,768**	16,377,824	**755,209**	1,700
Non-current	**13,903,041**	13,456,255	-	-
	29,633,809	29,834,079	**755,209**	1,700

(i) Trade payables are non-interest bearing and repayable within a 60-day term.

25. BANK BORROWINGS

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Bank loans	**10,214,719**	14,597,058	-	-
Bank overdrafts (Note 22)	**2,353,561**	596,984	-	-
	12,568,280	15,194,042	-	-

Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
On demand or within one year	**5,375,904**	2,633,355	-	-
Between two and five years	**4,946,695**	9,289,348	-	-
After five years	**2,245,681**	3,271,339	-	-
	12,568,280	15,194,042	-	-
Current	**5,375,904**	2,633,355	-	-
Non-current	**7,192,376**	12,560,687	-	-
	12,568,280	15,194,042	-	-

The Group has aggregate bank facilities of EUR29,079,844 (2019: EUR26,196,448) of which EUR15,880,407 (2019: EUR11,002,407) were undrawn as at the reporting date. These facilities are secured by general hypothecs over the group assets, by special hypothecs over various immovable properties, by pledges over various insurance policies, and by personal guarantees of the ultimate controlling party. They bear interest at 3.25% to 5.15% per annum (2019: 3.9% to 5.15%).

26. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2020	2019	**2020**	2019
	EUR	EUR	**EUR**	EUR
Other loans (i)	-	104,821	-	-
Shareholder's loan (ii)	-	531,913	**1,162,357**	1,162,357
Amounts owed to other related parties (i)	**454,620**	472,449	-	-
Total other financial liabilities	**454,620**	1,109,183	**1,162,357**	1,162,357
Current	**454,620**	531,913	**1,162,357**	1,162,357
Non-current	-	577,270	-	-
Total other financial liabilities	**454,620**	1,109,183	**1,162,357**	1,162,357

(i) Other loans and amounts owed to other related parties are unsecured, interest-free and have no fixed date of repayment.
(ii) The shareholder's loan is unsecured, interest free and repayable on demand.

27. DEBT SECURITIES IN ISSUE

GROUP AND COMPANY

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 31 October 2020 for the 3.25% bonds (2019 – 2026) was EUR100.25 and for the 3.75% bonds (2019 – 2029) was EUR101.10.

As at year end, the Company had a balance of EUR24,662,214 from this bond issue. The amount is made up of the bond issue of EUR25,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds.

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 31 October 2020 for the 6% bonds (2014 – 2024) was EUR 104 (2019: EUR 112). Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate. The parent company, AX Holdings Limited, has provided a corporate guarantee in favour of the bondholders to effect the due and punctual performance of all payment obligations undertaken by the subsidiary under the bonds if it fails to do so.

As at year end, AX Investments p.l.c. had a balance of EUR39,789,277 from this bond issue. The amount is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds.

As at year end, the Group had a balance of EUR64,243,041 from the bond issues. The amount is made up of the bond issues of EUR65,000,000 net of bond issue costs which are being amortised over the life of the bonds.

GROUP

	2020	2019
	EUR	EUR
At beginning of year	**39,518,498**	39,456,339
Bonds issued during the year (net of bond issue costs)	**24,630,198**	-
Bonds held by group entities	**(386,280)**	-
Bond issue costs amortization for the year	**94,345**	62,159
At end of year	**63,856,761**	39,518,498
Falling due between two and five years	**39,194,547**	39,518,498
Falling due after more than five years	**24,662,214**	-
At end of year	**63,856,761**	39,518,498

COMPANY

	2020
	EUR
At beginning of year	-
Bonds issued during the year	**25,000,000**
Bond issue costs	**(369,802)**
Proceeds from bond issue	**24,630,198**
Bond issue costs amortised for the year	**32,016**
At end of year	**24,662,214**
Falling due after more than five years	**24,662,214**

28. DEFERRED TAX LIABILITIES

	Group			Company	
		Restated	Restated		
	2020	2019	01.11.2018	**2020**	2019
	EUR	EUR	EUR	**EUR**	EUR
Arising on:					
Excess of capital allowances over depreciation	**498,333**	464,558	289,545	-	-
Provision for doubtful debts	**(128,290)**	(261,997)	(201,145)	-	-
Unabsorbed tax losses and capital allowances	**(3,942,392)**	(2,109,868)	(1,765,943)	-	-
Revaluation of investment property	**28,495,219**	28,446,490	26,481,658	-	-
Movement in value of financial assets	**(247,949)**	(153,435)	(308,404)	-	-
Unrealised difference on exchange	**20,425**	17,527	19,159	-	-
	24,695,346	26,403,275	24,514,870	-	-

29. CALLED UP ISSUED SHARE CAPITAL

COMPANY AND GROUP

	2020	2019
	EUR	EUR
Authorised		
300,000,000 ordinary shares of EUR1 each	**300,000,000**	300,000,000
Called up issued and fully paid up		
1,164,688 (2019: 1,164,687) ordinary shares of EUR1 each	**1,164,688**	1,164,687

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

Revaluation reserve

The Company's revaluation reserve arises on the revaluation of investment property. When the revalued property is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

Retained earnings

The reserve represents accumulated retained profits that are available for distribution to the Company's shareholders.

DIVIDEND PAID

Dividend of EUR0.28 per share was declared and paid during the year ended 31 October 2020 (year ended 31 October 2019: EUR3.65 per share).

30. LEASES

Group as a lessor

The operating lease relating to the investment property owned by the Group have terms between 1 and 20 years. The lessee does not have the option to purchase the property at the expiry of the lease period. The income earned under the operating lease amounted to EUR 529,378 (2019: EUR544,810).

At the end of the reporting period, the lessee had outstanding commitments under non-cancellable operating leases, which fall due as follows:

	2020	2019
	EUR	EUR
Within one year	973,779	1,020,207
Between two and five years	1,900,827	2,005,694
Over five years	1,917,075	1,689,520
	4,791,681	4,715,421

31. CONTINGENT LIABILITIES

At 31 October 2020, the Group had the following contingent liabilities, for which no provision has been made in these financial statements:

- The Commissioner of Lands is claiming damages for alleged illegal occupation of two tracts of land by two different subsidiaries of the Group. The subsidiaries are currently in negotiations with the commissioner to settle the matter amicably.
- A third party is claiming damages from a subsidiary for injuries suffered. The court adjudicated the case in favour of the third party and awarded the sum of EUR 78,906 in damages which the subsidiary has appealed in terms of both responsibilities and quantification of damages. The subsidiary is fully covered by insurance.
- As at year-end, two subsidiaries had blocked funds relating to a garnishee order in favour of third parties amounting to EUR74,251 (2019: EUR74,251). The Directors are confident that the outcome of all the above claims will be in favour of the subsidiaries.
- Various guarantees were given in favour of third parties amounting to EUR2,299,266 (2019: EUR7,770,985).

32. CONTINGENT ASSETS

A subsidiary of the Group was awarded the sum of EUR40,986 in compensation for services rendered with the third party appealing the judgement. In 2019, a subsidiary was adjudicated a compensation amounting to EUR310,848 for damages in a court case it had initiated relating to a building permit which was withheld. Both parties are appealing to this decision and are requesting a revision of the compensation.

33. CAPITAL COMMITMENTS

Commitments for capital expenditure with respect to the development and completion of a number of projects as at 31 October 2020 stand as follows:

	2020
	EUR
Authorised and contracted	1,617,631
Authorised but not contracted	1,761,801

34. RELATED PARTIES

The ultimate controlling party of the Group is Mr Angelo Xuereb, who holds 55% of the voting rights of the Company.

Group

All entities in which Mr Xuereb has control, has significant influence or is a member of the key management personnel are considered to be "related parties" in these financial statements. Related parties also comprise of key management who have the ability to control or exercise a significant influence in financial and operating decisions.

Balances with related parties are disclosed in Note 24 and Note 26.

Company

All subsidiaries of AX Group p.l.c. are deemed to be related parties in these financial statements.

Balances and transactions with related parties are disclosed in Note 24 and Note 26 respectively.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES

The most significant financial risks to which the Company is exposed to are described below.

The Group and the Company are exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating, investing and financing activities. The Group's and the Company's risk management is coordinated by the Directors and focuses on actively securing the Group's and the Company's short term to medium term cash flows by minimising the exposure to financial risks.

Credit risk

The Group's and the Company's credit risk is limited to the carrying amount of financial assets recognised at the date of the statement of financial position, which are disclosed in Notes 17, 19 and 27.

The Group and the Company continuously monitor defaults of customers and other counterparts and incorporate this information into their credit risk controls. The Group and the Company's policy is to deal with creditworthy counterparties.

None of the Group's and the Company's financial assets are secured by collateral or other credit enhancements.

The credit risk for liquid funds is considered to be negligible, since the counterparties are reputable institutions with high quality external credit ratings.

Quoted investments are acquired after assessing the quality of the relevant investments.

Cash is placed with reliable financial institutions.

35. RISK MANAGEMENT OBJECTIVES AND POLICIES – CONTINUED

Liquidity risk

The Group's and the Company's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise debt securities, trade and other payables and other financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the Group's and the Company's obligations when they become due.

At 31 October 2020 and 31 October 2019, the contractual maturities on the financial liabilities of the Company and the Group were as summarized below. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the statement of financial position.

GROUP

2020	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Bank borrowings	367,405	2,881,286	5,647,772	2,476,194	11,372,657
Debt securities in issue	1,631,250	1,631,250	57,969,486	26,731,123	87,963,109
Other Payables	8,241,734	-	-	-	8,241,734
Total	**10,240,389**	**4,512,536**	**63,617,258**	**29,207,317**	**107,577,500**

2019	Less than 6 months	From 6 to 12 months	From 1 to 5 years	More than 5 years	Total
	EUR	EUR	EUR	EUR	EUR
Bank borrowings	986,248	1,181,957	9,432,624	5,871,531	17,472,360
Debt securities in issue	1,200,000	1,200,000	48,028,943	-	50,428,943
Other Payables	9,761,326	-	-	-	9,761,326
Total	**11,947,574**	**2,381,957**	**57,461,567**	**5,871,531**	**77,662,629**

Foreign currency risk

Foreign currency transactions arise when the Group and the Company enter into transactions denominated in a foreign currency. Foreign currency transactions mainly comprise transactions in US Dollars and GB Pounds.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates. The Directors consider foreign exchange risk exposure to not be material and accordingly a sensitivity analysis disclosing how profit or loss and other comprehensive income would change as a result of a reasonable possible shift in foreign exchange rates, is not considered necessary.

Interest rate risk

The Group and the Company's exposure to interest rate risk is limited to the variable interest rates on borrowings. Based on observations of current market conditions, the director considers an upward or downward movement in interest of 1% to be reasonably possible. However, the potential impact of such a variance is considered immaterial.

36. CAPITAL MANAGEMENT

For the purpose of the Group's and the Company's capital management, capital includes issued capital and all other equity reserves attributable to the equity holders of the parent. The primary objective of the Group's and the Company's capital maximise the shareholder value.

The Group and the Company manage their capital structure and make adjustments in light of changes in economic conditions. To maintain and adjust the capital structure, the Group and the Company may adjust the dividend payment to shareholders or issue new debt. The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group includes within net debt Interest bearing loans and borrowings, trade and other payables and other financial liabilities less cash and cash equivalents.

GROUP

2020	2020	2019
	EUR	EUR
Interest bearing loans and borrowings	**76,425,041**	54,712,540
Other financial liabilities	**454,620**	1,109,183
Trade and other payables	**29,633,809**	29,834,079
Less: Cash and cash equivalents	**(2,187,060)**	(2,172,096)
Net Debt	**104,326,410**	83,483,706
Equity	**1,164,688**	1,164,687
Other reserves	**215,272,039**	236,841,746
Total Capital	**216,436,727**	238,006,433
Capital and Net Debt	**320,763,137**	321,490,139
Gearing Ratio	**32.5%**	26.0%

No changes were made in the objectives, policies and processes for managing capital during the years ended 31 October 2020 and 2019.

37. SUBSEQUENT EVENTS

The Company is in the process of merging with AX Holdings Limited, a subsidiary of the Company. The latter's rights, obligations, assets and liabilities will be amalgamated with the Company once the merger is finalised.

AX GROUP