2022

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 OCTOBER 2022

GROUP

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PART 01

GROUP PROFILE

AX Group has grown steadily over the past four decades to become one of Malta's most successful diversified businesses. Our reputation for excellence is built on a legacy of delivering innovative, high-quality projects that consistently enhance the value of the core sectors in which we operate.

PART 01 - GROUP PROFILE

WHO WE ARE

AX Group is a diversified group of companies, that operates across multiple sectors, including construction, development, healthcare, real estate, hospitality and renewable energy. We are committed to challenging the status quo, setting new industry standards, and exceeding expectations in all that we do.

ANGELO XUEREB
CHAIRMAN

CLAIRE ZAMMIT XUEREB
EXECUTIVE DIRECTOR HOSPITALITY AND CARE

DENISE XUEREB
EXECUTIVE DIRECTOR CONSTRUCTION AND DEVELOPEMNT

MICHAEL WARRINGTON
CHIEF EXECUTIVE OFFICER

WHO WE ARE

In 1975, Chairman Angelo Xuereb founded AX Group, laying the foundation of the organization's operations as a civil engineering firm. Over the 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 owned business, with the second generation of the Xuereb family also actively involved in driving the company forward by seeking new avenues for growth.

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

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.

OUR VALUES

At AX Group, our values form the foundation of everything we do. They guide our decision-making, shape our company culture, and inspire us to strive for excellence in all our endeavors.

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 at a high level of transparency and trust. We act ethically in the interest of the environment and communities we work in.

PART 01 - GROUP PROFILE

CHAIRMAN’S STATEMENT

With great satisfaction, I am pleased to share with you the progress and notable achievements of the AX Group during 2022. In my report for 2021, I had stated that this year would be a very busy year. It is evident to both myself and the AX Group’s management team that this year has not only been characterized by a significant level of activity, but also by a great deal of strategic focus.

With the demolition of the old Verdala Hotel complete and the foundations at an advanced stage, we started construction of the first block of apartments in February of 2022 and work progressed rapidly in spite of the complexity of the foundations and the building structure. The f irst of the three blocks was complete in shell form by November of last year. Concurrently we commenced work on the second of the three blocks and as of the time of writing I am happy to state that this has been progressing steadily and the second block should be completed by May of this year.

Work on the new Verdala Hotel has started. This will be a challenging project also due to the building’s design, but I am confident that the team of experts engaged on the project under the guidance of our management will execute the works in a timely manner and keeping with the high quality standards synonymous with the AX Group. We aim to have the hotel complete in shell form before the end of this year.

I am confident that we will be ready to open the Hotel in Q2 of 2024 and that the residential apartments will be complete before that.

In addition to the structural works, the detailed design of the whole complex has been proceeding

ANGELO XUEREB
CHAIRMAN

steadily. We will have our show apartment ready by the start of Q2 this year and intend to launch the units for sales in the market then.

Our management, under the direction of my daughter Claire has also worked hard to develop the concept for the new Verdala Hotel, Sanctuary and Spa. Our aim is to develop a new and unique concept which will be another first of its kind in Malta.

The work to complete the structure of the former Suncrest hotel was ready by September last year. In March we obtained the full development permit for the hotel's lido and started work in April. The demolition of the old lido and the excavation works were completed by the middle of June. The structure of the new lido is ready and our aim is to open this in June of this year.

These two properties are going to set new standards in the local 4 star market. With 599 guest rooms, 11 restaurants, our extensive outdoor areas, roof bar and sky lounge, this property will undoubtedly be a market leader. I am proud to recognize the pivotal roles played by my daughter, Denise, in executing this project and Claire in meticulously overseeing the design of the hotel to guarantee its adherence to the standards of AX Hotels.

> "ALL AX DIVISIONS ACHIEVED THEIR BUDGETED REVENUE TARGETS DURING 2022. I AM CONFIDENT THAT THIS GROWTH WILL CONTINUE IN 2023 AND BEYOND."

MR XUEREB RECEIVING THE MALTA STOCK EXCHANGE LIFETIME ACHIEVEMENT AWARD BY MINISTER FOR FINANCE AND EMPLOYMENT CLYDE CARUANA.

CHARIMAN ADDRESSING STRUCTURAL ENGINEERING STUDENTS AT THE VERDALA SITE.

> WE INVITED STRUCTURAL ENGINEERING STUDENTS TO THE VERDALA DEVELOPMENT FOR A BETTER UNDERSTANDING OF THE INTRICACIES OF THIS PROCESS.

In addition to these developments, the Group's management has been fully engaged in providing our businesses with the stimulus needed to return our operations to the levels we had achieved in 2019. I am pleased to state that all our divisions achieved their budgeted revenue targets during 2022. I am also confident that this growth will continue in 2023 and beyond. The reopening of our Qawra properties will ensure that our hotel turnovers are augmented to the level that will sustain the investment we have made, and provide the expected returns.

At the start of 2022 we listed our subsidiary AX Real Estate p.l.c. on the Malta Stock Exchange. The listing was a success but we have since seen considerable turbulence in the market due to rising interest rates.

We have remained prudent in our financial management of the AX Group knowing full well that we are increasing our leverage in order to finance these significant investments.

We chose this year to focus our annual report on the AX Group's many brands. Our Group identity as well as the ability of our customers to relate to the different products and services that we offer are all integral parts of the AX Group's success. Today the name of AX Group is well established and is held in high regard. We remain focused on providing high quality developments and managing these properties effectively and efficiently. It is this philosophy that has contributed strongly to our success.

At AX Group, we continue to search for new investments and projects that will help us achieve our growth objectives. We firmly believe that sustained growth can only be achieved through strategic investments in new and innovative projects. During the year we completed along with our partners another photovoltaic installation on the roof of the blocks at Hilltop Gardens Retirement Village. We are actively studying new possibilities in the renewable energy sector because we understand its importance and the commercial opportunities it provides.

The AX Group takes its corporate social responsibility seriously. The AX Foundation continued to carry out its mission to help those with invisible disabilities. I am very proud that at the Gala Dinner organised in November, my son Richard presented a number of his works of art which were sold in order to raise funds for the Foundation.

The AX Group also is a founding member of the ESG Alliance. Together with other leading businesses in Malta we are working to set norms and standards and to be proactive to address climate change and to be leaders in governance.

As at the end of 2022 our employees exceeded 960. With the re-opening of the properties in Qawra we expect our compliment to increase to around 1,400 individuals. This will be our biggest expansion over a short period of time and a major milestone in the AX Group's history. Our management has worked hard to prepare for this growth to be able to recruit and assimilate that number of employees within such a short period of time.

I conclude by thanking the AX Group's management for their dedication and support during the past year. Our board of directors continues to provide strategic guidance and oversight to our businesses. As we grow and expand, we intend strengthening further our organisational structures, seeking always to bring in the best and the brightest.

I thank our many investors and stakeholders for their continued support during 2022. We remain determined to deliver superior returns and committed towards reaching higher goals.

Angelo Xuereb
Chairman

MR XUEREB AT THE VERDALA SITE WITH TVM CREW.

PART 01 - GROUP PROFILE

CEO’S REVIEW

The start of our financial year was a somewhat turbulent period because although the summer of 2021 had seen business volumes particularly in the hospitality business start to pick up, a wave of COVID-19 cases in mid-December resulted in the loss of significant business over the December holiday season. This carried on into the early part of 2022.

Thankfully by early summer, business volumes started increasing once again and this trend continued throughout the rest of 2022. The key variable creating new uncertainty was definitely the unexpected war in Ukraine. Although we had seen the clear signs that Russia was preparing for war, like many we expected good sense to prevail. Sadly it did not. The fall-out from the war for the AX Group was not on our output side but on our supplies with costs of most of our business inputs rising sharply.

In the Construction and Development divisions, the prices of steel, concrete and other building materials rose substantially and remained so for much of the year. In the Hospitality and Care and care businesses we saw significant increases in the costs of food and related products. The lockdown in China put further pressure on the timing and cost of deliveries from that part of the world.

However the biggest rise in our cost base was experienced in the labour market which remains very much an employee market. The labour shortage prevails at many levels, somewhat restricting operational efficiency and the ability of our businesses to move forward at the pace we wish.

2022 was a year of significant change and in spite of the limitations referred to above, we look back positively at what we achieved during the year.

MICHAEL WARRINGTON
CHIEF EXECUTIVE OFFICER

The Group's revenue for the year amounted to Eur38,269,722 up from Eur35,418,160. The mix of that revenue was significantly different as during the prior financial year, the group had sold a number of apartments in Falcon House in Sliema and Targa Gap in Mosta. The 2022 increase is mainly attributable to hotels even though the Suncrest Hotel was closed throughout the period. The Group registered a loss before taxation of Eur1,303,002. The main cause of this change in performance was the rise in salary costs mainly due to the increase in the number of employees working on the new developments in Qawra and Rabat, as well as the general inflationary pressures experienced in many key areas of our businesses.

The Group's total equity increased from Eur237,142,681 to Eur248,222,647 as a result of the issue of shares by AX Real Estate p.l.c. The Group's total assets increased from Eur374,099,250 in 2021 to Eur422,759,390 in 2022 reflecting the significant investment being undertaken in our two major developments. We are confident that with the re-opening of our Qawra hotel by May 2023, the Group's total revenue for 2023 will again increase quite substantially though it will take up to 2024 for the full potential of the investment to be seen in our revenues.

In November 2021 work on the construction of the additional floors of the former Suncrest Hotel commenced as planned. By September the building structure was ready and work on the finishes was advancing according to plan. The hotel will reopen in May 2023 under a new name which was chosen after a thorough process of consultation. Our aim is to ensure that the name of the new property captures the essence of the AX Group's role in creating a new, one-of-a-kind destination in Qawra.. We commenced work on the foreshore in front of the Suncrest Hotel in April as soon as we had the full development permit in hand. The lido structure will be finished by the time this report is published, with work on the finishes targeted for completion and reopening of the lido set for the end of June 2023.

Our plans for Qawra envision two additional phases, one which will see the redevelopment of the Luzzu and Sunny Coast lido areas and a final phase which will focus on demolishing and rebuilding the Sunny Coast Hotel. We obtained the full development permits for all these projects and while we have no intention to start work on either of these phases until the new hotel is well established we expect to be in a position to do so in 2025/2026.

Our biggest achievement during 2022 was the speed at which we undertook the construction of the Verdala site. I had reported in 2021 that the old hotel was demolished in the latter part of that year. Construction work commenced in earnest in early 2022 following a long period of constructing the foundations for this

"2022 WAS A YEAR OF SIGNIFICANT CHANGE AND ACCOMPLISHMENTS."


REGULAR MEETINGS WITH CEO AT THE BUSINESS CENTER.

CEO ADDRESSING EMPLOYEES DURING THE QUARTERLY TOWN HALL MEETINGS.

marvellous building. Works are progressing on site very rapidly. The shell construction of the first block of apartments was finalised in September while the larger block that overlooks the ridge will be ready by June this year. Work on the new hotel has commenced and is advancing steadily. This is the most complicated of the three structures due to the design chosen for the building but we are confident that we should be in a position to finish this no later than the early part of quarter 4 this year. Naturally works on the finishes are starting as our plan remains to finish the entire development at Verdala no later than Quarter 2 of 2024. We plan to launch the sale of the units in Quarter 2 this year and are confident that there will be strong interest in the apartments that we will be selling. Work on identifying the team that will mange the hotel opening has started with key individuals already formalizing the detailed planning that goes into such a challenging project.

This is not all we achieved during 2022.

The Simblija Care Home has again achieved the occupancies that we were accustomed to prior to the lockdowns imposed by the Health Authorities during the Covid-19 pandemic. We are proud of the high standard of care our team continues to provide, and in spite of the reality that covid remains prevalent in our society, we know that the residents at Simblija Care Home are well cared for. Hilltop Gardens too retained the high occupancy throughout the year, further evidence that the concept remains in strong demand. We explored some opportunities to build similar projects overseas during the year and while interest remains in doing so, we want to ensure that we will have the right partners for such a project.

AX Construction was also very active in the local market even though many of our employees were committed to the Qawra and Verdala Projects. As you will see in the detailed report on the company's activities, AX Construction continued to build on its key strength of undertaking projects in the restoration of historic buildings and churches. The works carried out by our team at the Church of the Jesuits in Valletta is a tribute to the skill and expertise of our team.

During 2022 we acquired a property in a very strategic location in Tower Road Sliema. This property that has strong investment potential and while we do not envisage starting developing this in the immediate future, its potential for future development remains. We are currently working on plans with a view to obtaining permits for its redevelopment.

The AX Group is currently undertaking very significant investments and the need to strengthen our capital base and to raise funds to finance this investment led us to approach the stock market during the year. We had in the prior year consolidated our investment property into a new structure which we called AX Real Estate Plc. We listed the company in February 2022 on the Malta Stock Exchange. The market was undergoing a very strong shift at the time, away from the period of low interest rates, as inflationary pressures and the war in Ukraine shifted investor confidence. We now seem to be returning to a degree of stability as central banks around the world regain control over inflation and supply chains stabilise. The AX Group will almost certainly return to the stock market during 2023 with a view to refinancing the AX Investments Plc bond that is due for repayment in March 2024.

Meanwhile we have secured the financing that the Group envisages as necessary over the coming years in order to complete both the Qawra development and the Verdala Project. In this regard, loan agreements with our banks have been signed. The AX Group's gearing remains low in spite of this additional debt burden and our interest cover is more than adequate to meet our ongoing obligations.

2022 was an exciting but challenging year for the AX Group. I am grateful to our management who invariably rise to the challenges we put to them. We are a multicultural organisation today and in the coming months as we recruit and engage almost another 400 people who will operate the new hotel, we will become more diverse. We embrace this as a strength and are doing everything we can to learn and benefit from this reality.

As we move forward into 2023 and beyond, we are strengthening the Group's managerial and administrative backbone to ensure that we can maximise internal efficiencies and retain the strong momentum we have achieved today.

The boards of directors of our listed entities are supportive of our plans and continue to guide and oversee our growth and progress.

Most inspirational of all remains our Chairman Mr Angelo Xuereb who is so closely involved in the developments taking place in Rabat and Qawra.

We are grateful to you, our shareholders for your trust and confidence. We remain determined to report to you regularly on the progress of the business and the opportunities we are furthering to grow the AX Group.

Michael Warrington
Chief Executive Officer

"WE ARE PROUD OF THE HIGH STANDARD OF CARE THAT OUR TEAM CONTINUES TO PROVIDE."

CEO IN CONVERSATION WITH RESIDENTS AT HILLTOP RETIREMENT VILLAGE.

PART 01 - GROUP PROFILE

BOARD OF DIRECTORS

AX Group, with the full backing of the family and the Board of Directors, look ahead with optimism to new opportunities, and further investment in its core businesses with optimism.

Angelo Xuereb
Chairman

Michael Warrington
Director / Chief Executive Officer

Denise Xuereb
Executive Director Construction and Developemnt

Claire Zammit Xuereb
Executive Director Hospitality and Care

John Soler
Independent Non-Executive Director

Josef Formosa Gauci
Independent Non-Executive Director

Christopher Paris
Non-Executive Director

Edmond Zammit Laferla
Company Secretary

PART 01 - GROUP PROFILE

EXECUTIVE MANAGEMENT TEAM

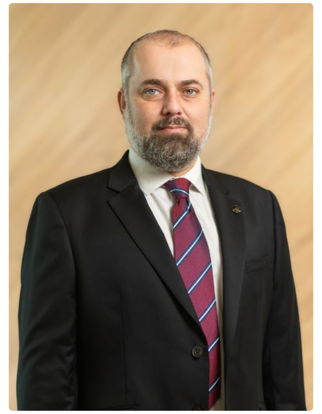
The members of the Executive Management Team at AX Group have consistently demonstrated ability to make the best use of their vast experience, resources, and knowledge to move the organization forward.

Michael Warrington
Director / Chief Executive Officer

Denise Xuereb
Executive Director Construction and Developemnt

Claire Zammit Xuereb
Executive Director Hospitality and Care

Albert Bonello
Chief Financial Officer



Dr. David Wain
Chief Legal Officer

Caroline Schembri
Head of Administration

Josephine Grima
Head of Human Resources

Kevin Callus
General Manager Sliema and Valletta hospitality properties

Joseph Vella
General Manager Qawra hospitality properties

Jocelyn Cuomo
Head of Marketing & PR

Lawrence Degabriele
Head of Information Technology

PART 01 - GROUP PROFILE

AX INVESTMENTS P.L.C.

AX Investments p.l.c. is a finance vehicle of AX Group and 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 p.lc. 2014-2016 for the amount of EUR 11.6M, was raised for the general funding of AX Group. Another listing, the 4% AX Investments p.l.c. bond of 2013, for an amount of EUR 2.3M, was issued to finance the re-purchase of shares in Suncrest Hotels p.l.c. held by the general public. This bond was repaid in December 2013. In 2014, the company issued a 6% Bond redeemable in 2024 for EUR 40M. The investment was primarily used towards building Hilltop Gardens, the first retirement village on the island.

AX Investments p.lc. is managed through its board of directors. The Directors are Mr Angelo Xuereb – Chairman, Mr Michael Warrington, Dr Patrick Galea, Mr Josef Formosa Gauci, and Chev Philip Ransley. Dr Ian Vella Galea is the 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

Josef Formosa Gauci
Independent
Non-Executive Director

Dr. Ian Vella Galea
Company Secretary

PART 02

OUR BRANDS PORTFOLIO

At AX Group, building equity for our brands is a top priority. We recognize the importance of creating strong brand identities that resonate with our target audiences and add value to our products and services.

AX CARE AX HOTELS AX DEVELOPMENT AX GROUP AX CONSTRUCTION AX REAL ESTATE AX CAREERS










AX GROUP

SKIP

AX GROUP

OUR BRANDS

Our focus is on enriching our brand collection year after year by expanding into new segments and adapting to changing consumer trends and demands.

AX CARE

A *Community* that Cares.

WWW.SIMBLIJACAREHOME.COM

Simblija
CARE HOME

SKIP

AX CARE


HILLTOP
GARDENS
The Retirement
you Deserve.
www.hilltopgardens.com.mt

SKIP

AX CARE

FEEL STRONGER, HEALTHIER, HAPPIER.

www.revivephysiocentre.com

revive
PHYSIOTHERAPY AND AQUATIC CENTRE

AX CARE

The Orchard

Where generations come together

www.theorchardmalta.com

SKIP

AX HOTELS

COMING SOON

ONE DESTINATION.
ENDLESS POSSIBILITIES.

AX HOTELS


SUNNY COAST
RESORT & SPA
YOUR HOST
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#GET
CHEEKY
AX HOTELS


Cheeky Monkey
GASTROPUB
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AX HOTELS

SKIP

AX HOTELS

WEDDINGS
REIMAGINED

Your wedding day deserves
a stellar backdrop, superior
service, and top-class-catering.

INQUIRE

ROSSELLI

AX PRIVILEGE

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SKIP

AX HOTELS

AX HOTELS


Grain
STREET
Hop on the
LUNCHEON
EXPRESS
Book now
MICHELIN
2022
ROSSELLI
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SKIP

AX HOTELS

SIP & SAVOUR

Taste our cocktail concoctions
under the Mediterranean stars

OVER Grain

AX HOTELS


THE SAINT JOHN®
BOUTIQUE ACCOMMODATION
URBAN LIVING.
REDEFINED.
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A Classic
Hotel Experience.

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AX HOTELS

AX HOTELS


The PALACE
Where hospitality
meets fashion.
www.thepalacemalta.com

AX HOTELS


TEMPTAsian
AWARD-WINNING
ASIAN FUSION CUISINE
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AX HOTELS

Palazzo Capua

Romance & Luxury in a Historic Palazzo

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SKIP

AX HOTELS

Memories to
Last a Lifetime.

www.axeventsmalta.com

AX CATERERS

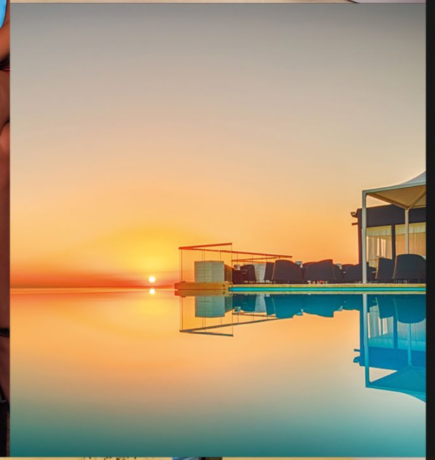
GIFT VOUCHER
The Gift of Experience
€25

GIFT VOUCHER
The Gift of Experience
€50

GIFT VOUCHER
The Gift of Experience
€100

GIFT VOUCHER
The Gift of Experience
€200

AX HOTELS



AX HOTELS

GIFT VOUCHER

The Gift of Experience

www.axhotelsmalta.com

AX DEVELOPMENT

PALAZZO LUCIA

PRIVATE OFFICES

Give your business
a prominent address in
the heart of the capital.

www.palazzolucia.com

SKIP

SKIP

AX CONSTRUCTION

AX REAL ESTATE

AX REAL ESTATE

Our Diversified Property Portfolio

Residential

Care Facilities

Commercial

Hotels

Industrial

Local - Secure - Investment | www.axrealestate.mt

SKIP

“It’s enough to be sincere and wish deeply. You will be able to rock the world, go try again!

- Raul Seixas”

Amanda Bimonti

Graphic Designer at AX Group

AX CAREERS

SKIP

FOUNDATION

FOUNDATION

SUPPORTING PEOPLE WITH
INVISIBLE DISABILITIES

axfoundationmt

AX GROUP

PART 03

BUSINESS SECTORS

At the core of our diverse operations lies an unwavering dedication to innovate and a commitment to leave a positive impact within the industries and communities we serve.

AX CARE

PART 03 - BUSINESS SECTORS

EMERGING STRONGER

With the appointment of new director Claire Zammit Xuereb, the past year has seen AX Care strengthen the foundations of each of its sub-brands in order to pave the way for greater growth and add greater value to our clients.

STEADFAST FRIENDSHIPS AT SIMBLIJA CARE HOME.

EMERGING STRONGER

Following two years of managing the pressing challenges presented by the pandemic, 2022 was a period of transitioning back to normality for both AX Care and the entire healthcare industry. At the height of the pandemic, care homes were presented with the urgent task of implementing strict social distancing and health and safety measures to protect the vulnerable entrusted in our care. As a result, tough decisions had to be made about limiting family visits and restricting residents from leaving the premises in order to prevent contagion.

For AX Care, these restrictions proved effective in that we experienced minimal COVID-19 infection among our residents. However, we also recognise that caring for the elderly extends far beyond keeping our residents physically safe; social interaction and connection is also a fundamental need. While we took great care to implement extensive measures and initiatives to see to our residents' psychological and emotional wellbeing — including a purposefully set up private room for residents and relatives to communicate whilst being safely separated by a protective window – nothing can substitute the holistic benefits of face-to-face interactions among friends and loved ones.

With most restrictions having been eased or removed entirely in 2022, this has resulted in a new lease of life across all facets of AX Care, both for our

PROFESSIONAL CARE AT SIMBLIJA CARE HOME.

HILLTOP RETIREMENT VILLAGE.

> INQUIRIES AND INTEREST IN AX CARE'S SERVICES HAVE BOUNCED BACK TO PRE-PANDEMIC LEVELS.

residents and our staff. Inquiries and interest in AX Care's services have bounced back to pre-pandemic levels. As a result of our successful navigation through the worst months of the pandemic, families and next of kin have expressed a renewed sense of trust and admiration for the professionality and quality of care our teams. Furthermore, the loosening of restrictions has also manifested in a noticeably happier staff who had been working in a high-pressured environment throughout the pandemic, often going out of their way to safeguard residents at great personal sacrifice.

With more freedom and flexibility in our hands once again, the past year saw the entire AX Care team, from management and our healthcare specialists to all our care staff, work together with renewed vigour to boost morale within our community and improve the quality of life around our homes.

Rekindling our community calendar of activities and events was high on the priority list. Residents at both Hilltop Gardens and Simblija Care Home continued to express their desire to socialise with people from outside the community and engage in new experiences. From active ageing sessions and arts and crafts workshops to inviting local singers and musicians to perform around the care home, every week presented us with countless opportunities to organise interesting activities, while keeping the health and safety of residents at the forefront.

We organised several outdoor excursions for the first time since the outbreak of the pandemic, including trips to Gingell farm, Esplora, and day outings to Għadira and Gozo, among many other activities, all of which were opportunities to reconnect and enjoy quality moments together. Needless to say, these initiatives were greatly appreciated by our residents, and we plan to continue to organise more going forward.

The ability to welcome visitors once again also enabled us to generate greater interest in and awareness of AX Care and its ancillary services within the local market. Two open days were organised at Simblija Care Home in April and October, which gave us the opportunity to showcase our facilities and services to potential residents and their families. Each event was purposefully designed to welcome newcomers into Simblija's community environment. Guided tours showed visitors around the home, providing them with an opportunity to meet members of the care team and seek professional advice and guidance regarding our spectrum of senior care services.

The open days also acted as community events in their own right with several activities taking place throughout the weekend. Visitors and residents could benefit from free blood pressure monitoring tests and isometric strength tests from Simblija's qualified care and physio teams, while the kitchen staff served refreshments for everyone. Live entertainment was also put on by local musicians. Both events were an unmitigated success, with residency rates at Simblija reaching occupancy levels that we were accustomed to prior to the lockdowns imposed by the Health Authorities during the Covid-19 pandemic. Interest in Hilltop Gardens also remained strong, with all units currently sold or on lease.

AX Care's ancillary operations and services also benefited from the easing of restrictions. With Mater Dei resuming operations, we experienced an increase in uptake of our post-op rehabilitation

> "THE OPEN DAYS ALSO ACTED AS COMMUNITY EVENTS, WITH SEVERAL ACTIVITIES TAKING PLACE THROUGHOUT THE WEEKEND."

SIMBLIJA CARE HOME OPEN WEEKEND.

REVIVE PHYSIOTHERAPY AND AQUATIC CENTRE.

> "REVIVE HAS EXPERIENCED SIGNIFICANT INTEREST FOR SPECIALISED PHYSIO CLASSES AND TREATMENT SESSIONS."

services as patients recovering from orthopaedic surgical procedures sought out our tailored packages for convalescence and recuperation. As international borders re-opened and interest in travel resumed, primary caregivers looking after elderly family members at home continued to seek out our respite services to ensure their loved ones were in good hands as they travelled abroad. While our family dining restaurant The Orchard also resumed operations with a new garden-to-table concept, utilising various herbs and vegetables grown within the grounds at Hilltop Gardens. The restaurant has experienced a gradual but steady rise in interest, especially among families with young children visiting relatives at the home on Sundays.

Moreover, our Physiotherapy & Aquatic Centre, Revive has experienced significant interest over the last year from non-residents signing up for specialised physio classes and treatment sessions. In the months following the recommencement of team sports, athletes from various sports clubs returned to the Centre for treatment and training. In May, the Revive team also launched an initiative to give back to the community by welcoming hospice patients to the clinic on a complimentary basis every week. Assisted by qualified nurses and physiotherapists, hospice patients avail themselves of our state-of-the-art hydrotherapy pool, which was purposefully designed to offer accessibility to anyone suffering from impaired mobility and chronic pain.

Staffing issues continued to be a rising concern across the local healthcare market. A concerted effort was also made to boost recruitment initiatives locally and demonstrate why AX Care continues to be considered an employer of choice within the local sector. We believe our people are our strength. That's why we extend a promise to all our staff to offer continual investment and training so that they are equipped with the skills and expertise to offer the best quality care in Malta.

Rising costs was another key challenge, which affected various operational facets of the business. At AX Care we are committed to offering the best quality to all our residents, whether it's through our premium F&B services or the medicines and therapeutic equipment we offer. To this end, management successfully managed to improve

“WE RECOGNIZE THAT CARING FOR THE ELDERLY EXTENDS FAR BEYOND KEEPING OUR RESIDENTS PHYSICALLY SAFE - SOCIAL INTERACTION AND CONNECTION IS A FUNDAMENTAL NEED.”

INDEPENDENT LIVING AT HILLTOP GARDENS.

INSPIRING STORIES TOLD BY RESIDENTS AT SIMBLIJA CARE HOME.

economies of scale to create spending efficiencies and cost savings. Despite the obstacles, the exercise succeeded in controlling rising expenses to ensure the business remained lean and profitable.

With day-to-day operations firmly back on track, management, under the guidance of the unit's newly appointed Director, Claire Zammit Xuereb also took stock of each sub-brand in order to set out a long-term strategy and vision to put AX Care on the path for greater growth, both locally and internationally.

Earlier in the year Simblija Care Home underwent a significant brand refresh, which in conjunction with the open days, has made the home more appealing to the market. By fortifying the foundations of each AX Care sub-brand, we seek to create greater synergies and cross-selling opportunities across all aspects of the business by tapping into the full potential of each of the business' offerings, facilities, and services.

As part of this initiative, more effort is being dedicated to promoting AX Care's lesser-known services within the local market, including our high-quality post-op and respite packages as well as the complex's fitness and spa facilities, function spaces, and The Orchard restaurant. Through its state-of-the-art facilities and highly specialised physio services, Revive also has the potential to become a first point of reference for physio and hydrotherapy in Malta. We believe that these endeavours will help diversify AX Care's revenue streams while making the business more robust.

As we continue our journey, AX Care remains committed to bringing quality and value to residents and their families, employees and clients. We continue to listen to our residents to model our product to better suit their needs and to exceed their expectations on every level. As we look ahead, we aim to continue building on our reputation as Malta's most premium operator in elderly health care.

DINING AT THE ORCHARD RESTAURANT.

BUILDING COMMUNITIES AT HILLTOP GARDENS.

DIRECTOR OF CARE, CLAIRE ZAMMIT XUEREB WITH A RESIDENT AT HILLTOP GARDENS.

SIMBLIJA CARE HOME.










AX CARE

AX HOTELS

PART 03 - BUSINESS SECTORS

A TRANSFORMATIVE YEAR

The AX Hotels brand has carved a unique status for itself in the local market as a hotel and hospitality operator that caters to a wide range of diverse tastes. Across our seven hotel properties located in Valletta, Sliema, and Qawra, as well as our many highly distinguished food and beverage outlets, we specialise in offering distinctive journeys to exacting standards.

ARTISTIC IMPRESSION - SUNCREST DEVELOPMENT, QAWRA.

A TRANSFORMATIVE YEAR

Despite a slow start to tourism trade at the start of 2022 due to the sudden outbreak of the Omicron variant of coronavirus, AX Hotels experienced an encouraging year which points to renewed interest from travellers wanting to visit Malta to enjoy quality hospitality experiences.

As social distancing measures eased and travel borders re-opened in earnest, demand for all our hotels improved significantly over the summer months, with revenues for individual hotels returning to 2019 levels. As expected, the closure of AX Seashells Resort by Suncrest in Qawra back in 2021 due to redevelopment impacted total earnings for our hotels division, however our other hotels performed well, meeting budgets and, in some cases, even exceeding forecasts.

Capitalising on the sense of calm that is steadily returning to the industry, management has continued to build upon an exercise that was put into motion at the start of the pandemic to further develop and strengthen each of our AX Hotels sub-brands. Among other initiatives, in select hotels we are introducing self-check-in kiosks and dispensing of physical key cards in favour of contactless digital versions accessible through guests' portable devices. We are also placing a greater focus on providing an improved digital experience through our online platforms, one which enhances the customer journey from the first touchpoint to booking and beyond.

In other instances, more drastic updates are being made to better cater our hotels towards the expectations of today's travellers and holidaymakers. The most significant of these updates is in progress across AX Seashells by Suncrest.

ARTISTIC IMPRESSION - SUNCREST DEVELOPMENT, QAWRA.

ARTISTIC IMPRESSION - SUNCREST DEVELOPMENT, QAWRA.

QAWRA

Construction work on the Suncrest site began in late 2021 and is expected to be completed in spring 2023. The extensive development and full refurbishment of the hotel will add four storeys to the existing construction, increasing the number of guestrooms to almost 600, ranging from economy options to luxurious. This large-scale project will also see an all-new lido, complete with an aqua park, added to the hotel's waterfront promenade.

Furthermore, the hotel is also set to become a hub for a diverse range of culinary experiences through the launch of 11 new and innovative food and beverage outlets.

Through this landmark undertaking, management has taken the opportunity to rebuild our Qawra brands from the ground up and additionally includes a thorough rebranding of the Suncrest hotel. The new development is designed to be a brand-new destination concept, one which will reignite interest in this coastal community and inspire further regeneration in this popular tourist hotspot which has lost some of its allure in recent years. By appealing to a wider demographic of holidaymakers, from young families and short breakers to festivalgoers and business travellers seeking more exclusive experiences, the new destination is set to become a thriving year-round destination with plenty to offer both tourists and locals alike.

At the opportune time, following the completion of the lido, we will commence with the demolition and construction of the Sunny Coast Hotel which will transform the resort into a new 200-unit aparthotel featuring self-catering suites.

Despite trade being affected somewhat by construction works at the Suncrest, our Qawra F&B outlets also continued to innovate and attract new and repeat customers. Our casual dining restaurant Luzzu generated good attendances and revenues, especially throughout the summer months.

And following a recent move to a new premises on Qawra's coast road, our Cheeky Monkey outlet also performed exceedingly well. The gastropub set new records in terms of revenues generated compared to performances from previous years. The team is constantly evolving new ideas and concepts to maintain brand consistency to ensure diners are treated to unique casual dining experiences in both Qawra and Valletta every time.

> "OUR QAWRA F&B OUTLETS ALSO CONTINUED TO INNOVATE AND ATTRACT NEW AND REPEAT CUSTOMERS."

CHEEKY MONKEY GASTROPUB.

VALLETTA

In Valletta, AX The Saint John performed solidly, commanding a strong occupancy rate in spite of the increased competition in the capital, while Rosselli AX Privilege has continued to establish itself as one of the most premium hospitality properties on the island.

Rosselli hotel's stature within the international market was further solidified last year through recognition from Forbes Travel Guide, this being the only global rating system for luxury hotels, restaurants, and spas.

Management has ambitious plans to improve Rosselli's presence on the international market and plans are also in motion for Rosselli to be featured at ILTM Cannes, the flagship luxury travel trade show that exhibits the very best in high-end niche travel experiences.

On the F&B side, our restaurants continued to perform well over the past year. Our fine dining restaurant Under Grain retained its MICHELIN-star status for the third consecutive year, while sister restaurant Grain Street, which specialises in Mediterranean-inspired dishes and sharing plates, earned itself the coveted Michelin Bib Gourmand which recognises good value restaurants that deliver exceptional cuisine.

Under Grain's Executive Chef Victor Borg received a further honour when he was hand-picked by MICHELIN Guide to participate in the prestigious Four Hands event in London. This highly distinguished

MICHELIN ACHIEVMENTS, UNDER GRAIN AND GRAIN STREET.

GRAIN STREET OUTDOOR PLATFORM.

"THE NEW PURPOSE-BUILT OUTDOOR DINING PLATFORM HAS GIVEN A NEW DIMENSION TO AL FRESCO DINING IN THE CAPITAL."

collaborative event sees top-rated international chefs team up to curate a one-off tasting menu.

As more and more diners returned to eating out, we were encouraged to fulfil plans which had been in the pipeline prior to the pandemic. Chief among these was the launch of the Sip & Savour Series at Under Grain. These exclusive events see Under Grain's team collaborate with viticulturists and wine importers of note to create unique gourmet experiences.

We also realised plans to add greater value to the standard of Merchants Street through the introduction of a purpose-built outdoor dining platform, which has given a new dimension to al fresco dining in the capital.

Our Cheeky Monkey brand also continued to be a local favourite in the capital. The gastropub is now a much-loved social hang-out that has cemented itself firmly on the capital's bar and pub scene.

SLIEMA

Likewise, our Sliema properties experienced an outstanding rebound from April onwards, with revenues not only exceeding pre-pandemic levels but recouping losses incurred in the low months. The 5-star AX The Palace and the 4-star AX The Victoria continue to attract solid interest, particularly among UK and German tourists.

With new hospitality operators continuing to enter the market, management are continuing to invest in our Sliema properties to capitalise on the AX name and ensure both hotels retain the highest levels of quality and a competitive edge. The outdoor heated jacuzzis which were added to the designer suites at The Palace proved immensely popular and are now highly sought after by guests. Meanwhile, TemptAsian continued its reign as Malta's finest Asian fusion dining establishment, clinching Malta's Best Hotel Restaurant at the third edition of the World Culinary Awards, marking the third consecutive year the restaurant took home this award. While at AX Victoria in Sliema, the re-opening of our Copperfields and Penny Black outlets has seen both outlets enjoying packed-out attendances on weekends as customers, old and new, returned to these establishments.

The last year also saw the successful relaunch of our popular Sunday buffet lunches, which prompted a great resurgence of interest among local diners and positively impacted our F&B revenues, boosting overall revenues at AX Hotels.

Additionally, we strengthened our catering services through the announcement of a new collaboration with NGO Din L-Art Ħelwa, which enables AX Events

> OUR SLIEMA HOTELS EXPERIENCED AN IMPRESSIVE REBOUND.

AX THE PALACE 5-STAR HOTEL.

ASIAN FUSION CUSINE AT TEMPTASIAN.

"TEMPTASIAN AWARDED MALTA'S BEST HOTEL RESTAURANT AT THE WORLD CULINARY AWARDS."

to cater for events hosted within several historic venues across Malta, including the Red Tower in Mellieħa, Ta' Xutu Tower in Qrendi, and Wignacourt Tower in St Paul's Bay, among others. We have seen substantial uptake through this initiative among a variety of clients looking to organise highly exclusive wedding and business events.

To further support the Group's mission to restore and add greater value to the island's heritage, a portion of proceeds from each event is donated to Din L-Art Ħelwa for the upkeep and restoration of these unique buildings.

LOOKING AHEAD

We eagerly anticipate the eighth addition to our hotel portfolio through the development of the new Verdala Hotel, Spa and Sanctuary, set to open its doors in 2024.

Our aim is to open up a new niche market in luxury wellness hospitality in Malta and to continue to diversify our hotel products to cater towards new and untapped market segments.

ARTISTIC IMPRESSION - THE VERDALA HOTEL, SANCTUARY, SPA..

ARTISTIC IMPRESSION - NEW F&B OUTLET, QAWRA.

AX THE PALACE 5-STAR HOTEL, SLIEMA.

SHARING DISHES CONCEPT AT GRAIN STREET.

ARTISTIC IMPRESSION - NEW F&B OUTLET, QAWRA.

AX HOTELS

AX DEVELOPMENT

PART 03 - BUSINESS SECTORS

INNOVATIVE DESIGN, UNPARALLELED QUALITY

Comprised of a highly accomplished team of architects, engineers, draughtspersons, and designers, AX Development remains focused on seeking out new avenues for growth which enable the Group to plan and conceive valuable property projects with foresight.

ARTISTIC IMPRESSION - THE GRAND MANSIONS, VERDALA TERRECES.

INNOVATIVE DESIGN, UNPARALLELED QUALITY

A significant amount of the development team's focus during 2022 was directed towards internal projects. Towards the start of the year the team secured important permits for the full development of the new Suncrest lido, including approval for the masterplan layout, as well as the redevelopment of the Sunny Coast hotel.

Following the completion of construction works on the Suncrest hotel, the team set about to fully refurbish all hotel rooms up to level 5. The remaining rooms up to level 10 are currently in an advanced stage of finishing, with the installation of new furniture, fabrics, light fittings, and soft furnishings also underway.

Concurrently, works on the public areas and back-of-house facilities have also progressed with the first consignment of kitchens successfully installed. Dismantling of the scaffolding on the façade has begun as the team begins preparing ahead of its much-anticipated re-opening in Q2 of 2023.

ARTISTIC IMPRESSION - SUNCREST DEVELOPMENT, QAWRA.

PALAZZO LUCIA, MERCHANTS STREET, VALLETTA.

Designs for the new Luzzu lido have also been further refined to ensure flow, coherency, and accessibility in this large stretch of outdoor seafront space which will host pools, an aquapark, public piazzas, children's play areas, and various new food and beverage outlets. The lido is envisioned to become an exciting all-year-round destination that's truly inclusive and which offers something for all ages to enjoy. To this end, designs are also factoring in sufficient sheltered spaces within the public piazzas to make the area welcoming in the colder, winter months.

The team achieved another important milestone through securing a Special Designated Area (SDA) permit for Verdala Terraces in Rabat. We are confident that this prestigious SDA status will add greater value and appeal to future residents and investors looking to purchase a luxurious property in Malta that offers premium lifestyle facilities and benefits. With procurement and spatial layout for the Verdala's residential mansions at a very advanced stage, the team has begun preparation to launch the sales and marketing campaigns which include showcasing a sample apartment for potential buyers. Furthermore, spatial layouts and interior design plans for the new Verdala hotel have also reached an advanced stage.

Great emphasis is being placed on making the Verdala development a sustainable and eco-friendly building. The angle and position of each terrace design has been carefully considered to account for natural light and shade within the interior of the apartments to avoid needless power consumption of lights and air conditioning. Moreover, by factoring in average wind and sun loads within the area, attention has also been dedicated towards thorough sound and thermal insulation throughout each apartment to ensure maximum privacy, peace, and energy efficiency for residents.

In Valletta, building works have been successfully completed on Palazzo Lucia, a derelict 17th-century Baroque palazzo in Merchants Street acquired by the Group a few years ago. The development team are now commencing finishing works to open a new private offices concept within this historic building, in the capital. This new venture is projected to launch in Q2 2023.

In addition to all our active projects, AX Development has also continued to identify unique properties in Malta rife for redevelopment, which present enticing business potential. In view of this objective, last year we completed the purchase of the Laferla building in Sliema among other high-potential properties.

Such properties present us with countless possibilities to pursue in earnest the company's mission to elevate the quality and standards of development in Malta.

> "WE HAVE CONTINUED TO IDENTIFY UNIQUE PROPERTIES IN MALTA WHICH PRESENT ENTICING BUSINESS POTENTIAL."

ARTISTIC IMPRESSION - NEW F&B OUTLET, QAWRA.









AX DEVELOPMENT

AX CONSTRUCTION

PART 03 - BUSINESS SECTORS

RESILIENCE

AX Construction has continued to expand its unique position in the local market owing to its proficiency and expertise in complex civil engineering projects, architectural restoration, turnkey solutions & finishes, and project management services.

CONSTRUCTION WORKS AT SUNCREST DEVELOPMENT, QAWRA.

RESILIENCE

The past year has seen the AX CONSTRUCTION continue to grow and evolve as we carried out works on a diverse combination of in-house projects, prestigious restoration assignments, and commercial construction jobs.

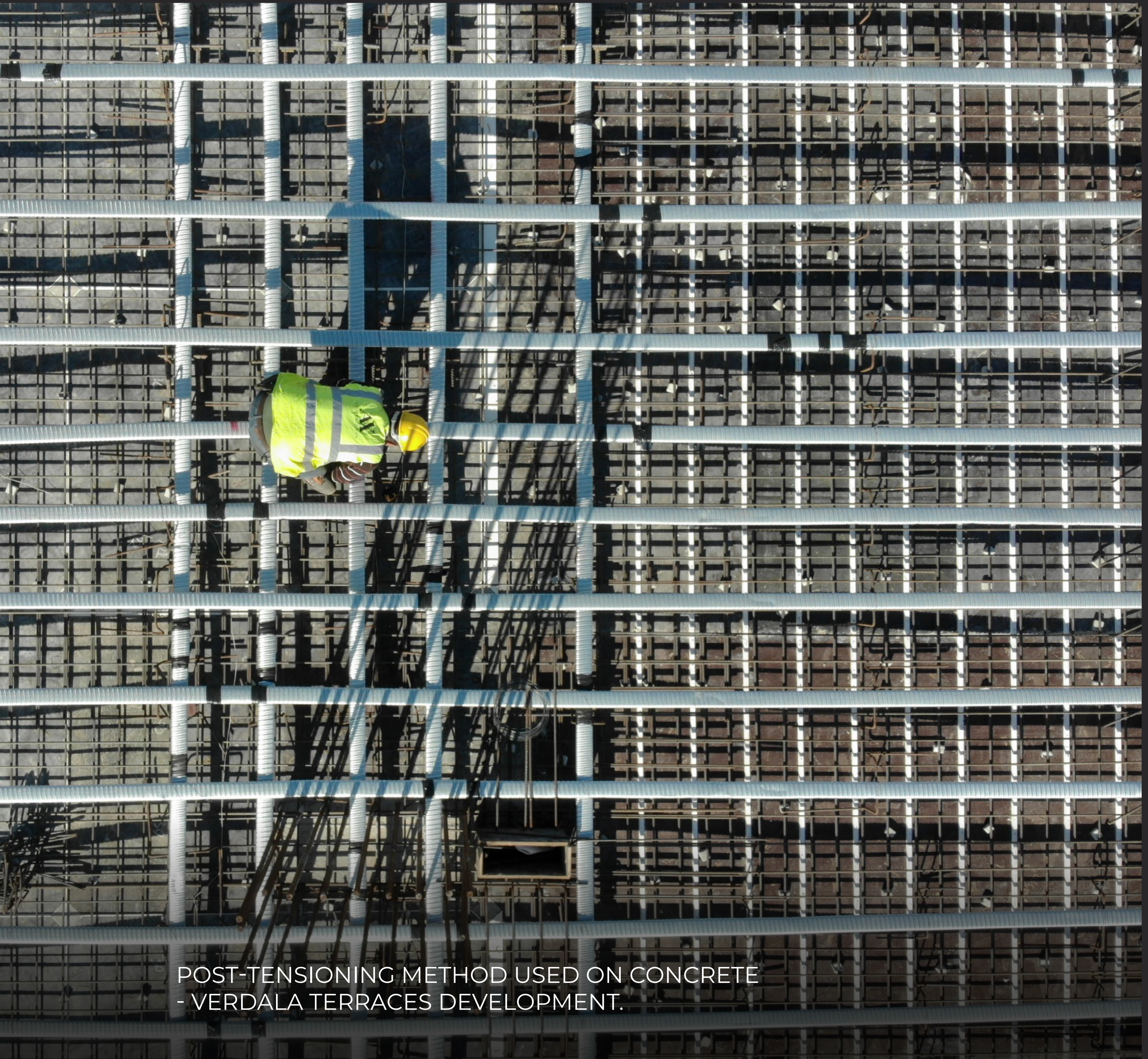
Our biggest focus over the past year has been the construction of two major in-house projects: the new Verdala development in Rabat as well as the redevelopment of AX Seashells Resort at Suncrest in Qawra. Both projects have been momentous undertakings for AX Group and will have a significant impact on the growth and evolution of our operations.

As such, they required the greatest amount of time, energy, and resources from our construction teams in order to expedite project milestones while ensuring we're delivering buildings to the highest specifications using quality materials and highly refined construction processes.

Since the demolition of the old Grand Hotel Verdala began in late 2021, work has continued at a fast pace. Construction of two of the three residential blocks are now at an advanced stage, while work on the hotel has commenced, with the entire build estimated to be completed before the end of the year. Through this project, we have sought to introduce even greater levels of innovation and creativity in terms of structural design, building materials, and aesthetic quality in the local sector.

The build presented several interesting challenges due to the uniqueness of the exterior of the structure,

COMPLEX CONSTRUCTION WORKS AT THE VERDALA DEVELOPMENT.


POST-TENSIONING METHOD USED ON CONCRETE - VERDALA TERRACES DEVELOPMENT.

“A POST-TENSIONING METHOD WAS USED ON THE CONCRETE, WHICH MARKED THE FIRST TIME THIS CONSTRUCTION PROCESS WAS USED IN MALTA.”

which is comprised of a series of inclined columns to emulate natural forms of the rock strata in the surrounding countryside. In order to maximise the longevity and integrity of the structure, whilst utilising less concrete and materials overall, we opted for a post-tensioning method on the concrete, which marked the first time this construction process was used in Malta in such a way. This being the case, we felt this was an opportune occasion to invite a group of structural engineering students from the University of Malta to the building site to get a better understanding of the intricacies of this process. As with everything we do at AX Construction, we shoulder responsibility towards the future of the construction industry and seek to educate and train the talent of tomorrow.

Works at the Suncrest site in Qawra also progressed satisfactorily throughout 2022. The four-storey extension to the main hotel structure, which has increased the number of hotel guestrooms to almost 600, was successfully completed. In May, we also started the demolition and excavation works of the Luzzu lido, which is being transformed into an all-new lido complete with outdoor F&B outlets and aqua park. Following the construction of the upper floors, targeted for February 2023, the new lido will reach an advanced stage of completion. Here too we were presented with unique challenges due to the non-standard shapes and structures of the new pool and the complexity of the seawall; all of which have equipped us with additional skills and knowledge to our already extensive arsenal of expertise.

Our restoration arm was also extremely busy last year completing several highly prestigious long-term projects on historic buildings of note. A two-year project to rehabilitate the Malta Maritime Museum in Birgu, a building which dates to the 1840s, reached completion in December 2022. Works included restoration of concrete and masonry to preserve many of the building's historical details, such as period arches and vaulted ceilings. Intensive structural works were also carried out to rehabilitate the central hall of the building, the stairwell, the large silo, and its stores. It was an immensely proud moment for the entire team to see such a landmark Maltese building restored for the public to enjoy in its former glory once again.

We also made significant progress on restoration works conducted on the historic Church of the Jesuits in Merchants Street, Valletta. Works have now been finalised on the church's two oratories, while works on the sacristy have reached an advanced stage of completion. Our conservation and restoration teams were responsible for carrying out a number of highly sensitive and specialised tasks to restore the wall paintings, masonry fabric, statuary, marble flooring, stone carvings, as well as the timber and metal structures found within the oratories.

Furthermore, works continued on the much-anticipated visitors centre extension at St John's Co-Cathedral in Valletta. All earth works have now been completed and we have begun mobilising our teams to commence works on the superstructure, which is scheduled to commence in February 2023. Also in Valletta, we finalised the restoration and construction works of Palazzo Lucia, including replacing the building's iconic Maltese balconies on the façade. Owned by AX Group, the palazzo is set to become a prestigious address for private offices in the heart of the capital.

All these major projects mark important milestones in our long-held vision to restore Malta's heritage buildings. We recognise that it takes a certain expertise to work on buildings of this age and cultural significance. That's why we continue to invest in our people so that they're adequately equipped with the specialist skills they need to carry out highly sensitive restoration works flawlessly. We take great pride in the level of workmanship, attention to detail, and expertise we bring to the conservation of our stone heritage.

The past year also saw us complete a number of third-party commercial contracts, which continue to diversify our work and revenue portfolio to ensure we remain a resilient and flexible construction firm that can take full advantage of all market opportunities that come our way.

As our projects and undertakings have continued to grow in scale, so has our workforce. Over the past year our construction team has gone from under 200 employees to over 300, which has provided us with the necessary manpower to dedicate to each of our projects accordingly. As is the case across multiple local industries, sourcing human resources continues to be a major challenge.

Employing foreign nationals into the local market does give rise to several obstacles with regards sourcing work permits not to mention overcoming cultural and language barriers. However, over time we have continued to see that our perseverance on this front has paid dividends. We dedicate a lot of time and energy into fostering cross-cultural respect and understanding among our teams, and today, our multi-culturalism has become one of AX Construction's major strengths, resulting in a more unified firm equipped with a diverse array of skills, know-how, ideas, and craftsmanship. On our part,

RESTORATION WORKS AT THE CHURCH OF THE JESUITS.

INAUGURATION OF JESUITS' CHURCH SACRISTY WITH MINISTER OWEN BONNICI.

> "ALL THESE MAJOR PROJECTS MARK IMPORTANT MILESTONES IN OUR LONG-HELD VISION TO RESTORE MALTA'S HERITAGE BUILDINGS."

we remain committed to training and educating our tradesmen in traditional and innovative construction and restoration processes so that we can continue to deliver each of our assignments to the highest standards.

AX Construction has also faced ongoing issues with regards securing materials amid rising prices in the face of worldwide shortages. Procurement has become a complex process. Our team has continued to work closely with key suppliers to ensure we maintain price points on committed contracts and to plan resources and materials well in advance to account for issues with shipping and price volatility.

Looking ahead, we will remain focused on completing our in-house projects within projected timelines while carrying out a mix of restoration and construction works on behalf of third-party clients. Through all that we do, we will remain steadfast in our mission to deliver high-quality construction projects that make a meaningful contribution to our communities and economy.

CONSTRUCTION WORKS IN PROGRESS AT
ST JOHN CO-CATHEDRAL.

COMPLETED PROJECT - MARIA ASSUMPTA
SECONDARY SCHOOL HANDBALL COURT, HAMRUN.

MARITIME MUSEUM, VITTORIOSA.

MARITIME MUSEUM, VITTORIOSA.

AX CONSTRUCTION

AX REAL ESTATE

PART 03 - BUSINESS SECTORS

A DIVERSIFIED PROPERTY PORTFOLIO

Overseeing a portfolio of in-house investment properties valued in excess of €233 million, AX Real Estate p.l.c. is charged with leasing Group's six hotel properties and retirement village in addition to several warehouses, commercial offices, and residential apartments located in highly sought-after areas around Malta, to related and third parties.

RINGING OF THE BELL EVENT AT THE MALTA STOCK EXCHANGE.

A DIVERSIFIED PROPERTY PORTFOLIO

2022 proved to be a momentous year for AX Real Estate. Following a successful restructuring exercise within the Group, new foundations were laid for AX Real Estate to better fulfil its responsibilities of capitalising on its property portfolio, which currently encompasses residential, commercial, and mixed-use properties.

This resulted in a successful maiden year of operations, with budget revenues of €9 million practically being met and net profits exceeding those forecasted. Furthermore, within throughout the year, all the group's investment property has been fully leased out, with no real estate left vacant.

We take our responsibility towards our investors very seriously and strive to guarantee a stable return, as much as is within our power. For this reason, AX Real Estate focuses on the leasing out of property as opposed to property development for resale or speculation purposes, which tends to create more spikes and dips in revenues and profits.

To maintain utmost transparency with our investors, we have centralised all investor information through the launch of a new investors-dedicated microsite, which was designed to lay out information in a more user-friendly fashion. The site acts as a one-stop shop for investors seeking general assistance and is also

CHAIRMAN'S ADDRESS AT THE MALTA STOCK EXCHANGE.

AX REAL ESTATE P.L.C. - ANNUAL GENERAL MEETING.

"2022 PROVED TO BE A MOMENTOUS YEAR FOR AX REAL ESTATE."

equipped with an extensive FAQ to better direct people towards relevant answers to their queries. Across the entire IPO and bond launch, investors were kept informed of the whole journey with news of the launch and accompanying documentation, the periodic release of announcements on our website within the Investor Section and beyond, news items issued on the MSE website, and the publication of interim and final financial results and financial summaries.

The year was not without its challenges. With the hospitality industry still recovering from the pandemic, this affected the anticipated variable rental income generated from our hotel properties, which did not meet pre-2019 levels. Budgets for the financial year 2023 have been prepared and approved, and based on the steady and continual recovery of the sector, we envisage a significant improvement on 2022's performance.

The global inflation crisis also impacted the business in terms of the increase in capital costs being incurred on our projects, the increase in the cost of borrowing, as well as the impact on the investment property value itself and our contracted rental rates. We anticipate that as inflation continues to rise as projected, this will have an effect on the bottom lines registered by our hotel operations, which may consequently affect the variable rent elements earned by AX Real Estate. Despite these challenges, our overall outlook for the immediate future remains positive.

The board looks to 2023 as the year when the Group's financial performance from its core business operations will reach the pre-2020 levels. The Group will be focused on completing and reopening Suncrest in Q2 this year and in building its ambitious project at Verdala, Rabat. Going forward there are plans to look beyond our investment portfolio with a view to acquiring new properties and investment to see AX Real Estate grow at an accelerated pace.

AX RENEWABLE ENERGY

PART 03 - BUSINESS SECTORS

OUR RESPONSIBILITY TO FUTURE GENERATIONS

At AX Group we remain committed to sustainability in all its forms, and we especially recognise the importance of renewable energy in preserving our planet for future generations.

IMSELLIET SOLAR FARM.

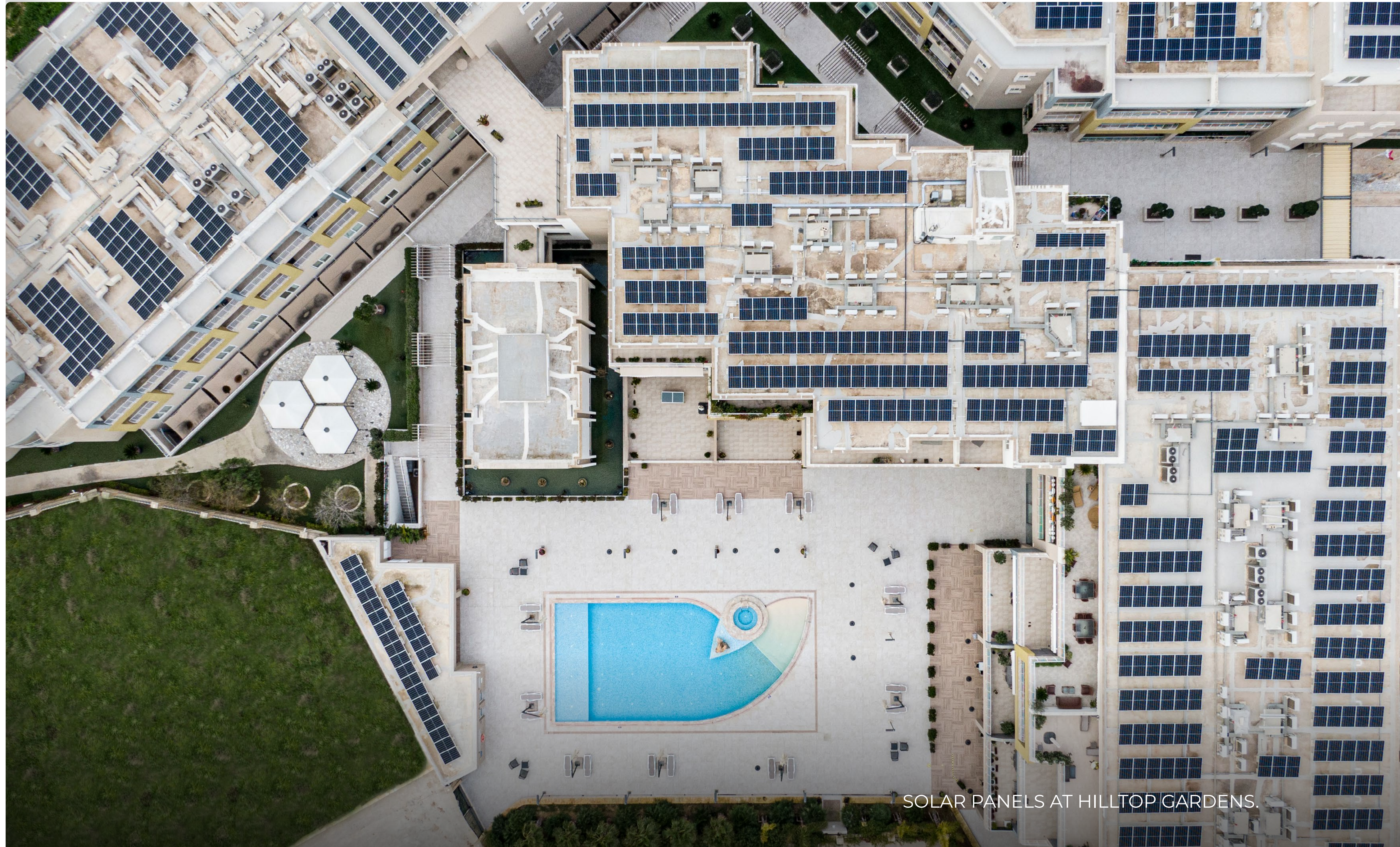
"WE AIM TO INSPIRE OTHER LOCAL BUSINESSES TO JOIN US IN EMBRACING ENVIRONMENTALLY FRIENDLY PRACTICES."

OUR RESPONSIBILITY TO FUTURE GENERATIONS

In March of 2022, our associated company Imselliet Solar Ltd completed the photovoltaic installation on the roof of Hilltop Gardens Retirement Village. This is the second sizeable investment by this company in renewable energy projects.

The AX Group actively looks for projects in this area which in addition to being beneficial for the environment also provide steady cash flows throughout the life of the projects which typically are around 20 years. We note that the technology in this area is improving rapidly as the electrical generation capacity of pv panels improves.

The Group will continue to keep abreast of developments in the renewable energy sector both locally and overseas.



SOLAR PANELS AT HILLTOP GARDENS.

PART 03 - BUSINESS SECTORS

OTHER INVESTMENTS

The pandemic caused turmoil in the cruise industry over the past two years, but Valletta Cruise Port saw a rebound in 2022, with over 500,000 passengers arriving. The company expects passenger numbers to exceed 740,000 in 2023, and is currently undergoing a significant investment in extending their keys to accommodate larger cruise ships.

VALLETTA CRUISE PORT P.L.C.

OTHER INVESTMENTS

The cruise industry was one that experienced considerable turmoil during the past two years as a result of the pandemic. In 2022 the number of passengers that arrived in the terminal operated by Valletta Cruise Port increased from just under 140,000 in 2021 to 504,000 in 2022 as the industry rebounded. Nevertheless this remains significantly below the peak numbers achieved in 2019 when over 824,000 passengers used our facilities.

However, the results are encouraging and our expectations are that in 2023 passenger numbers will exceed 740,000. Home porting activities show good increases for the year, an encouraging trend since these visitors tend to return as tourists in our islands. The company performed well during the year as management kept costs well under control and our lean operating model ensured that the company returned a pre-tax profit of Eur3.5 million.

In November this year, work started on the long awaited extension of our keys. This significant investment is being undertaken by Government and will take until early 2024 to complete. The extension is necessary to accommodate larger cruise ships which today are the main vessels that visit our harbours.

VALLETTA WATERFRONT.

PART 04

BUSINESS FUNCTIONS

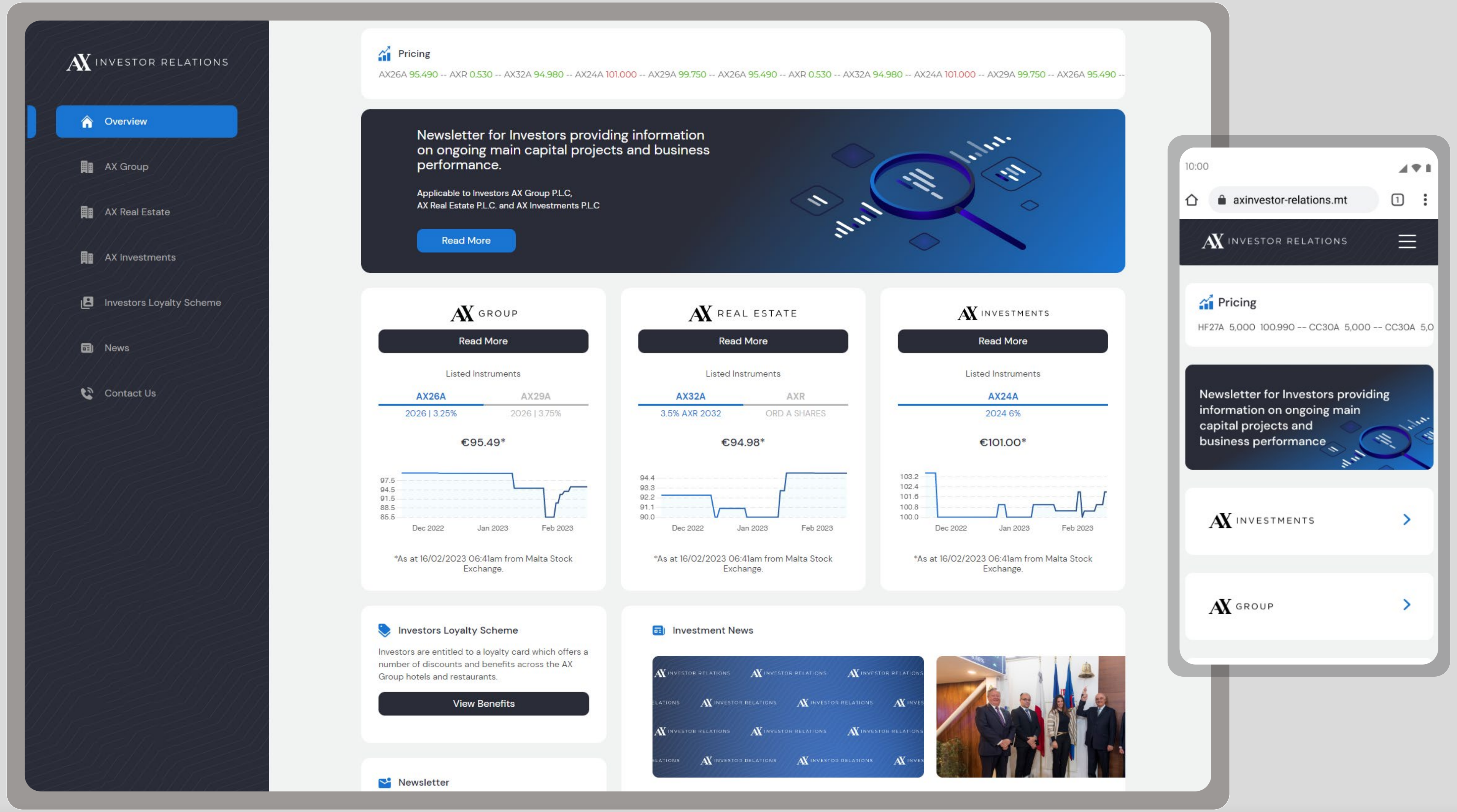
Our various business functions play a critical role in the success of the Group. Their effective management is essential for achieving organizational goals and maintaining competitiveness in today's fast-paced business environment.

AX INVESTOR RELATIONS

PART 04 - BUSINESS FUNCTIONS

TRANSPARENCY BUILDS TRUST

At AX Group, we are committed to keeping all our investors updated with the latest and most reliable information about our various projects.



AX INVESTOR RELATIONS NEW FINANCIAL DASHBOARD.

TRANSPARENCY BUILDS TRUST

The AX Group management decided to set up a dedicated Investor Relations Office for this purpose. This office acts as a focal point for all investors holding instruments issued by the listed Group entities. The Investor Relations Office is responsible for maintaining strong communication with investors so that regular updates on our business performance is available.

We are proud to have launched the AX Investor Relations website, which is a purposefully designed platform covering a wide range of investor-focused information.

This is in addition to a centralised repository of official AX financial information as well as a regularly updated News section covering the latest announcements from our ongoing developments and projects.

We've also created Investors Loyalty Scheme tab, where investors can keep up to date with the various benefits eligible through our loyalty programme, including exclusive members-only rates at our wide range of hotels and restaurants.

AX INVESTOR RELATIONS QUARTERLY NEWSLETTER.

AX CAREERS

PART 04 - BUSINESS FUNCTIONS

DIVERSE IN TALENT, UNITED IN PURPOSE

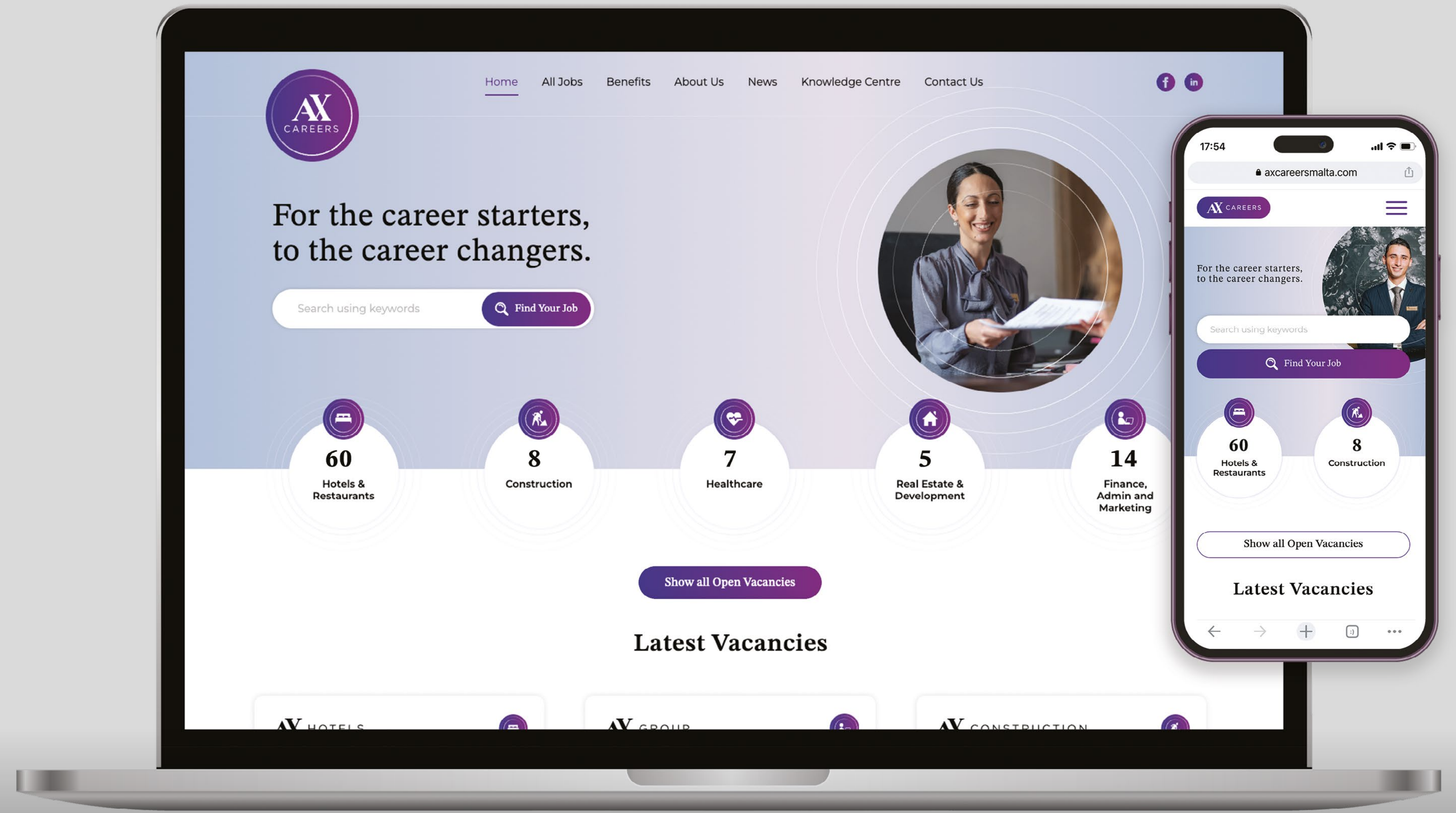
Responsible for all facets of recruitment and employee engagement within the Group, AX Careers faced an unprecedented year marked by an extensive brand refresh, high-volume recruitment drives, new local outreach initiatives, and a revamping of internal employee benefit structures.

AX EMPLOYEES IN VARIOUS DIVISIONS.

DIVERSE IN TALENT, UNITED IN PURPOSE

With restrictions easing and business operations resuming over the course of 2022, the recruitment team was faced with the pressing challenge to service the Group's existing recruitment requirements to ensure each business unit was equipped with sufficient staff levels to meet operational needs, while also putting into action the selection of more than 500 new staff members required for the Group's ongoing projects and operations, mainly for the opening of the redeveloped Suncrest Hotel. The Group's continuous growth in other sectors further led to a rise in overall recruitment requirements.

The completion of a brand refresh exercise, aimed to strengthen the AX Careers brand, was an important aspect in the team's success in positioning the company as an employer of choice to attract high-quality talent and further engage and support our current employees.



AX CAREERS NEW WEBSITE.

MCAST FRESHERS WEEK.

> WE PARTICIPATED IN VARIOUS RECRUITMENT EVENTS IN MALTA AND OVERSEAS.

Obtaining work permits and visas for such a quota of non-EU nationals continues to be a lengthy process. Despite the efforts of the authorities to assist local employers with such issues, we faced delays and changes in the various stages of the application process, which affected our strategic resources planning. Nevertheless, we successfully onboarded new members of staff in 2022 and are expecting the remainder to join by the end of February 2023, thereby ensuring we meet most of our immediate vacancy needs ahead of the re-opening of our Qawra hotel.

During 2022, we participated in various events related to recruitment and human capital talent development in Malta. The team continued to strengthen its relationship with popular local job boards, recruitment and subcontracting agencies, and private and public institutions operating in the human capital sector. We also identified new companies to collaborate with, which further boosted our brand awareness, enabling the Group to communicate with a greater number of job seekers across more touchpoints in the candidate journey.

Engaging students with the AX brand also plays a central role in our talent pool development strategy. In this light, we continued to make ourselves present among tomorrow's talent through our participation at the ITS Industry Student Meet-Up 2022 event and our first appearance at the MCAST Freshers' Week, where we had the opportunity to meet students and spark interest in various career paths. Here, we invited experienced colleagues from across the Group's business units to explain the realities, opportunities, and challenges of jobs within the different sectors we operate in. We also welcomed secondary school students planning a career within the hospitality sector to visit our hotels and meet our teams.

As well as catering towards potential candidates, AX Careers performs a crucial role in maintaining the Group's reputation as an employer of choice among our current workforce. We recognise that our people deserve strong and empathic leadership, competitive remuneration, opportunities for growth, and a fulfilling company culture.

Over the past year, the AX Careers team, in synergy with the Group's HR team, implemented several initiatives to ensure the company continues to meet employee expectations on all fronts and keep pace with current employment trends.

As part of our commitment to invest in our people, we also sponsored various skills development programmes for a group of our hospitality employees, which enabled them to gain vital experience within leading academies abroad. We believe in investing in our employees and helping them succeed in any way we can, as this has continued to result in a more loyal workforce that is determined to contribute to the Group's ongoing success.

We also continued to develop our Knowledge Centre online portal to give our people even more of a voice within the Group. Through these written articles, employees have an opportunity to share their unique experiences working with AX Group along with any other passions or interests they wish to explore. The Knowledge Centre has proven to be a vital tool to educate our people on niche subjects, strengthen understanding and awareness among our workforce, whilst also providing an insightful window into the diversity of life at AX Group.

Our employee engagement initiatives also embrace a breadth of social and environmental causes in support of the Group's wider ESG goals. This includes encouraging our people to give back to the community through social activities designed to bring our people together as they work towards a common purpose. Over the past year, AX employees have joined forces to assist with community clean-ups and the refurbishment of a children's home.

Together with HR, the AX Careers team plans out a comprehensive CSR calendar designed to promote awareness of various health, social, and environmental causes through office-based initiatives, social media campaigns, volunteering activities, and charitable endeavours. Plans are also in place to create an ongoing series of engaging content to further increase our people's ESG IQ in order to inspire them to make simple but effective changes around the office and in their day-to-day lives which will leave a lasting positive impact on the environment.

Looking ahead to 2023, we anticipate that the local job market will continue to face issues relating to staff shortages and delays in obtaining valid work

INDUCTION DAY FOR NEW RECRUITS.

SUMMER PARTY FOR AX HOTELS, SLIEMA EMPLOYEES.

> WE ORGANISED SEVERAL INITIATIVES TO PROMOTE EMPLOYEE WELL-BEING, AND IMPROVE WORKPLACE CULTURE.

permits for non-EU nationals. However, following the experience gained throughout the past year, the AX Careers team is better equipped to meet and resolve such obstacles with foresight.

The team has a robust 12-month strategy set in place to finalise recruitment initiatives relating to the launch of the Group's hospitality destination in Qawra, before it begins recruitment in earnest ahead of the launch of the Verdala project in 2024.










AX CAREERS

PART 04 - BUSINESS FUNCTIONS

BUSINESS TRANSFORMATION

Since the Business Transformation Department's inception, the Group has embarked on a digital transformation journey with the main aim of re-evaluating and challenging current practices and using technology to streamline and standardise internal processes.

BUSINESS TRANSFORMATION

This unit was tasked to carry out a materiality assessment and implement a strategy for each project identified to drive change management initiatives, select the most suitable and efficient internal process and harness the use of technology to achieve automation and improved guest journey.

The Business Transformation Unit approach went beyond implementing incremental improvements, but considered potential future changes and how they align with the company's overall strategy and objectives.

The business transformation team adopted a critical approach when analysing day-to-day operations and challenged the status quo, by providing alternative ideas on different ways to operate because there are always opportunities for improvement.

BUSINESS TRANSFORMATION TEAM.

PART 05

BEYOND THE BUSINESS

We continually strive to improve our behaviours and decision-making processes to do business responsibly.

AX FOUNDATION

Since its inception, the Foundation has proactively identified gaps in the support services to affect change on a national level and help young people living with disabilities acquire functional skill sets to live as independently as possible throughout their adult lives.

Over 100 guests attended the much-anticipated AX Foundation 2022 Gala Night, which took place on Saturday 12th November at the Royal Hall at AX The Palace in Sliema.

Marking its return following the pandemic, this special fundraising event raised over €17,000 in aid of the foundation's efforts and initiatives in supporting people living with invisible disabilities.

Over the course of the evening, guests were treated to a multi-course dinner prepared by AX The Palace's kitchen team with live entertainment by The Busker, a piano recital by pianist Alessia Bonnici (winner of the first edition - AX Ability Award), and an exclusive art exhibition by Richard Xuereb.

The evening also saw the Foundation announce the winner of the second edition of the AX Ability Award. Selected by the foundation's Board, this honour seeks to celebrate and highlight the achievements of young individuals making significant steps with invisible challenges in their day-to-day lives and who serve as positive role models for others.

This year the award was presented to Jacob Callus, a young man on the autism spectrum who continues to advocate and campaign for support, inclusion, empowerment, and acceptance of persons living with autism.






MALTA ESG ALLIANCE (MESGA) SET UP BY 13 FOUNDING MEMBERS.

MALTA ESG ALLIANCE

As Environmental, Social and Governance responsibilities gain greater prominence on the national agenda, AX Group continues to embed strategic ESG goals across all of its business units by taking a proactive stance to cut emissions, decarbonise operations, and inspire eco-friendly and community-focused change.

Last year AX Group took a significant step forward in its ESG mission by becoming a founding member along with 12 other reputable business leaders to create the Malta ESG Alliance (MESGA).

Together, this private sector consortium is actively working together to tackle local environmental, social, and governance priorities to contribute to a more sustainable and less carbon-intensive Malta, with the first major aim to put forward a climate change initiative.

To this end, MESGA is continuing to meet with politicians, authorities, and policy makers to put an ESG agenda in motion, always guided by three core pillars:

1 - Educate and sensitise people on ESG concepts

2 - Implement measure and report initiatives

3 - Advocate for good policies

Going forward, the founding members aim to attract more members from all economic sectors to join the Alliance and act as credible ambassadors leading the way forward on all manner of sustainable and environmental initiatives. We believe the Alliance has the potential to foster a meaningful and lasting transition towards sustainable business practices in Malta.

As part of AX Group's ESG commitment, we have appointed a designated person who is responsible for establishing a strategic plan to consolidate initiatives across all business units. The start of this journey is to put in place the right metrics to collect data across the Group and measure our emissions, create awareness and a reporting framework, and to lower our environmental impact.

Our investment into solar panel technology continues to pay dividends through clean energy and reduced carbon emissions. Along with our Imselliet Solar Farm venture in the limits of Mġarr, we have successfully installed solar panels across the AX Business Centre in Mosta and Hilltop Gardens in Naxxar, which are helping us generate over 590,000 kWhrs of clean energy per annum. Furthermore, we are also putting forward plans to invest in energy-efficient appliance, technologies, and utility alternatives that will help reduce the total energy consumption of our operations in the long term.

In addition to our large-scale projects, we also recognise that widespread little changes can leave a big impact. As such, we have implemented several waste reduction initiatives across many of our business units. In select hotels we have switched from using consumable miniature soaps to refillable dispensers to save on wastage. We have also reduced our plastic bottle consumption within our hotels by 90,000 bottles per year, which equates to savings of around 2,700kg of plastic and 11,000 Kgs of CO2. We are now looking to roll over similar changes and initiatives across all our business units and to continue educating our own people on the small changes they can implement on a day-to-day basis to strengthen the collective efforts of the Group.

We recognise that the hospitality industry in particular is prone to generate high levels of resource

consumption. Within this sector, we continue to lead by example by minimising our environmental impact through embedding a series of strategic initiatives with robust targets.

Energy and water conservation remain high on our priority list. We are committed to monitoring and regulating our hotels' energy consumption through accurate Building Management Systems, while we work towards conserving electricity through energy-efficient boilers, lighting systems, kitchen equipment, and other electrical utilities. Across all our hotels, we also continue to implement efficient processes that reduce water such as through installing low-flow faucets and showerheads.

Wherever possible, we encourage recycling for glass, paper, plastic, used oil, light bulbs, print toners, and organic waste. We also encourage guests to make use of our towel and linen reuse initiatives to cut down on unnecessary laundry which leads to wasted energy. The environmental benefit of our laundry reuse programme alone has led to significant water and energy savings, as well as reduced chemical use.

Recognising the importance of safer products for guests and employees as well as the natural environment, we have already shifted our attention and partnerships to cleaning products that are made with bio-based oils and other natural cleaners. This switch has dramatically reduced the use of chlorine-based products within our properties and further reduced our environmental footprint.

The catering industry is also responsible for a huge proportion of the world's food waste, a lot of which is easily avoidable. To this end, we continue to source seasonally fresh local products and ingredients as standard procedure in all our F&B operations, which efficiently minimises harmful food miles whilst providing diners with higher quality and healthier cuisine.

PINK OCTOBER INITIATIVES

Meanwhile, in support of Pink October, AX Head Office staff raised funds for local NGO Europa Donna Malta, an organisation set up to raise awareness and provide support to persons diagnosed with breast cancer.

On the day, a countryside walk was organised for head office staff starting from our AX Business Centre in Mosta all the way to our Cheeky Monkey outlet in Qawra, where drinks and snacks were shared. The walk was an opportunity to raise greater awareness of this worthy cause while enjoying a community event in each other's company.

Through all that we do, we remain committed to broadening our ESG policies and fostering a culture of responsibility, accountability, and awareness across the entire Group.

"AX EMPLOYEES GOT TOGETHER TO RAISE AWARENESS ABOUT BREAST CANCER THROUGH VARIOUS ACTIVITIES."






"OUR CLEAN-UP INITIATIVES WERE SPREAD ACROSS ALL THE COMMUNITIES WE OPERATE IN."

CLEAN UP FOR EARTH DAY 2022

To celebrate Earth Day in April, AX employees gathered for a widespread initiative to clean up several prominent areas around Malta, including Wied il-Ghasel in Mosta, Tal-Virtu in Rabat, as well as the Qawra and Sliema promenades.

Furthermore, employees from our Care unit organised a clean-up of It-Torri tal-Għallis following gale force winds which littered the area with plastic and other waste from the Magħtab landfill.

DAR SAN NIKOLA

Further community initiatives were organised throughout the year. Throughout October and November, a renovation project was held in collaboration with Fondazzjoni Sebħ at Dar San Nikola, a children's residential home in Ħamrun.

Staff from across AX Group's divisions visited the home over several weekends to help redecorate the children's home. Their roles included painting the corridor walls and doors and decorating the large hallway to brighten the space up and lend it a more homely atmosphere.

The initiative was greatly appreciated by the children and staff at Dar San Nikola.

> AX EMPLOYEES ROSE TO THE OCCASION TO SUPPORT DAR SAN NIKOLA.





PART 06

FINANCIAL STATEMENTS

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PART 06

FINANCIAL STATEMENTS

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This version of the Annual Report is not the official version. The official version is the ESEF Annual Financial Report 2022 that can be found on the Company's website www.axinvestor-relations.mt or on the Malta Stock Exchange portal.

DIRECTORS, OFFICERS AND OTHER INFORMATION

Registration:	AX Group p.l.c. was registered in Malta as a public Limited 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 Ms Denise Micallef Xuereb Ms Claire Zammit Xuereb Mr Josef Formosa Gauci Mr Christopher Paris Mr John Soler Mr Michael Warrington
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 Msida, MSD 1751 Malta
Principal bankers:	Bank of Valletta p.l.c. Labour Avenue Naxxar Malta
Legal adviser:	Dr David Wain AX Group AX Business Centre Triq id-Difiza Civili Mosta, MST 1741 Malta

DIRECTORS' REPORT

The Directors present their annual report and the audited consolidated and separate financial statements ("the financial statements") of AX Group p.l.c. ("the Company") and its subsidiaries (collectively "the Group" or "AX Group") for the year-ended 31 October 2022.

PRINCIPAL ACTIVITIES

The AX Group is primarily engaged in four main business sectors namely, Care, Construction, Hospitality, Real Estate and Development and is also involved in renewable energy.

PERFORMANCE REVIEW

Company

Revenue for the Company amounted to EUR6,280,049 (2021: EUR10,848,440). This included management fees of EUR1,364,562 (2021: EUR626,097), dividends received from subsidiaries of EUR4,807,654 (2021: EUR10,110,769) and rental income of EUR107,833 (2021: EUR111,574). Staff costs incurred amounted to EUR2,359,424 (2021: EUR1,673,110) and operating costs amounted to EUR760,507 (2021: EUR2,347,223).

During 2022, AX Real Estate p.l.c., a subsidiary of the Company, issued bonds of an aggregate principal amount of EUR40,000,000 (2022 – 2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. EUR21,645,400 were assigned to the Company as part conversion of the loan receivable from AX Real Estate p.l.c. 525,000 of these debt instruments were disposed of during the year. The debt instruments held were remeasured at fair value at year end, resulting in a decrease in fair value of EUR631,500.

Operating profit of the Company amounted to EUR2,005,158 (2021: EUR54,091,487). The prior year profit includes a gain on disposal of investments in subsidiaries of EUR46,017,445, previously held at cost, resulting from a reorganisation exercise carried out to consolidate the main property letting activities of the Group into one newly formed division under AX Real Estate p.l.c., to form this new subgroup.

Finance costs increased by EUR1,079,276 in the current year due to a full year of interest incurred on loans with subsidiaries in the current year when compared to the prior year, wherein the Company only incurred interest following the merger of AX Holdings Limited into the Company on 24 March 2021. Finance income increased by EUR1,921,397 in the current year mainly due to EUR549,550 interest received on the debt instruments assigned to the Company as mentioned above and interest income from new loans to subsidiaries amounting to EUR1,352,147.

The profit for the year amounted to EUR941,527 (2021: EUR53,091,999).

Group

During the current year, the Group registered total revenue of EUR38,269,722 (2021: EUR35,418,160).

The Hospitality division's pace of recovery from the COVID-19 pandemic during the first quarter of the current year has been constrained by the spread of the Omicron variant. The lifting of restrictions by the local health authorities in May 2022 allowed for normal operations to be resumed with the Hospitality division reaching budgeted revenues for the remaining quarters of the current year. In fact, revenue from the Hospitality division increased by 61% during the current year over the prior year despite the Seashells Resort at Suncrest hotel in Qawra ("Suncrest Hotel") being closed for refurbishment and extension during the current year.

The Healthcare division registered an increase in revenue of 8.1% compared to the prior year. The independent apartments at Hilltop Gardens Retirement Village were fully occupied by the reporting date. On the other hand, the uncertainty of the COVID-19 pandemic continued to hinder the expected recovery in occupancy at the Simblija Care Home in the first half of the year with elderly people still reluctant to move into a care home environment. However, from May onwards, the Simblija Care Home experienced a steady recovery in occupancy following the lifting of restrictions by the local health authorities.

The Construction division was largely involved in two main internal developments, the extension and refurbishment of the Suncrest Hotel and the redevelopment of the Verdala site in Rabat ("Verdala Site"). Works at Suncrest Hotel are progressing at a steady pace, and it is expected that the hotel will reopen to the public by May 2023. By the end of October, construction works on the first block at the Verdala site was complete. Construction works on the second block were progressing steadily whilst the foundations of the third block were at an advanced stage.

In addition to these major projects, the Construction division continued works on the redevelopment of Palazzo Lucia in Merchant Street Valletta to be converted into an office.

Construction works on external projects, namely the Isla Bastions and the Maria Assumpta Secondary School handball pavilion were finalised during the year, whilst works on the Maritime Museum in Birgu and the restoration of the Jesuits Church in Valletta were at an advanced stage of completion at the reporting date. On the other hand, works on the extension of the St. John Co-cathedral were progressing steadily.

During the prior year, the Real Estate and Developments division closed the sale of most of the units at the Targa Gap complex in Mosta and Falcon House in Sliema and generated EUR8,000,350 in revenue. In 2022, this division generated EUR1,292,128 in revenue from the sale of the remaining apartments. In addition, the new office development at Falcon House in Sliema as well as the remaining offices

PERFORMANCE REVIEW - CONTINUED

at AX Business Centre in Mosta were fully taken up by third parties.

The Group recorded a share of results of associates and joint ventures of EUR848,954 (2021: EUR541,268). This is largely resulting from the Group's investment in Valletta Cruise Port p.l.c. whose performance has been steadily improving following the lifting of the COVID-19 restrictions in May 2022.

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

Operating results during the year decreased by EUR2,955,936, from a profit of EUR4,929,455 in the prior year to a profit of EUR1,973,519 in the current year. Apart from the movements explained above, the decrease is also attributable to a lesser fair value gain on investment properties recorded in the current year when compared to the prior year.

The Group's loss before taxation for the year amounted to EUR1,303,002 (2021: profit before tax of EUR1,455,148). As at year-end, the AX Group's equity stood at EUR248,222,647 (2021: EUR237,142,681).

Financial key performance Indicators	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Revenue and other operating income	38,442,989	35,805,634	6,291,931	10,891,148
Adjusted EBITDA*	7,220,246	6,779,181	3,172,000	6,870,815
Operating profit	1,973,519	4,929,455	2,005,158	54,091,487
Net finance costs	(4,125,475)	(4,015,575)	(1,534,490)	(2,376,611)
(Loss)/profit after tax	(249,104)	1,928,278	941,527	53,091,999
(Loss)/earnings per share	(0.21)	1.66		
Total equity and liabilities	422,759,390	374,099,250	174,824,110	171,703,010

*The Group measures Adjusted Earnings before Interest, Tax, Depreciation and Amortisation ("Adjusted EBITDA") as operating profit/(loss) after adjusting for gains/(loss) on revaluation of investment properties, gain/(loss) on disposal of investment in subsidiaries, gain/(loss) on disposal of financial asset and depreciation. This key performance indictor is not defined by International Financial Reporting Standards but can be directly calculated with reference to the Statement of Profit or Loss.

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 and the Company 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 and the Company will continue in operational existence for the foreseeable future and will meet their 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 37 to the financial statements provides a detailed analysis of the financial risk to which the Group and the Company are exposed.

DIVIDENDS AND RESERVES

The Directors do not recommend payment of a final dividend.

EVENTS AFTER THE REPORTING PERIOD

In November 2022, the Company declared an interim dividend amounting to EUR1,100,000.

In January 2023, Suncrest Hotels p.l.c., a subsidiary of the Company, secured a loan facility with a local financial institution amounting to EUR30,500,000 while AX Hotel Operations p.l.c., another subsidiary of the Company, secured a loan facility with the same financial institution amounting to EUR18,000,000. These loan facilities have been provided to enable the Group to complete the extension of the Suncrest Hotel and redevelopment of the Lido in Qawra. The loan facilities bear interest of 4.25% p.a. and the outstanding loan amounts are repayable over a 15-year term from the date of the first drawdown with a 12-month capital moratorium.

In January 2023, AX Real Estate p.l.c., a subsidiary of the Company, declared a dividend amounting to EUR304,208 due to non-controlling interest.

Verdala Terraces Limited, a subsidiary of the Company, secured a loan facility with a local financial institution in February 2023 amounting to EUR36,000,000 to finance the Verdala Terraces residential project in Rabat. The Loan Facility bears an interest rate of 4.66% per annum and the outstanding loan amounts are repayable within 7 years from the date of the first drawdown. Loan repayments are to be affected from the proceeds generated from sale of units forming part of the Verdala Terraces project.

In line with management's intention to dispose of the bonds allocated by AX Real Estate p.l.c. to the Company, the Company disposed of EUR2.9million of such bonds subsequent to year end.

DIRECTORS

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

AUDITORS

Ernst & Young Malta Limited 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

In line with the Directive 2014/95/EU and pursuant to Article 177 of the Companies Act, Cap. 386 of the Laws of Malta 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. The Group's reporting scope corresponds to that used in financial statements.

Our Business Models

The AX Group is primarily engaged in four main business sectors namely, Care, Construction, Hospitality, Real Estate and Development and is also involved in renewable energy. 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. Our values of creativity, determination and integrity underpin and support everything we do.

Founded by chairman Angelo Xuereb in 1975, AX Group began its existence as a civil engineering firm. In the ensuing decades, the Group 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.

Creating effective Environmental, Social, and Governance (ESG) policies is a top priority for our organization. We recognize the important role that businesses play in shaping a sustainable future and are committed to aligning our practices with responsible principles. To achieve this, we have formed a dedicated ESG committee comprised of cross-functional leaders from various divisions and departments. The committee is tasked with researching industry best practices, engaging with stakeholders, and developing a comprehensive set of ESG policies that will guide our operations and decision-making. In addition to the focus on value creation, the ESG committee aims to enhance data collection and data management processes to facilitate reporting on sustainable initiatives. Going forward, the Group will be setting further internal key performance indicators in line with industry standards. Our goal is to ensure that our ESG policies are robust, measurable, and continuously improved to drive positive impact for our stakeholders and the communities we serve.

Environmental Consciousness

The AX Group is increasingly conscious of its ecological responsibilities and nowadays all business decisions take into consideration both the financial and environmental aspects. We strive to minimise our negative environmental externalities both in terms of the developments we build as well as through our own internal practices.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Environmental Consciousness - continued

We are constantly on the look-out for opportunities to improve on energy efficiency, reduce waste, carbon and greenhouse gas emissions and ultimately reduce our environmental footprint.

Policies and Risks

At AX Group, we recognise the importance of environmental sustainability and the impact our operations can have on the environment. While we currently do not have formal environmental policies in place, we are actively working on developing a policy framework that will guide our operations towards more sustainable practices. The Group will also embark on a process to conduct a double materiality assessment which will identify material environmental impacts. We believe that taking a proactive approach to environmental sustainability is crucial for the long-term success of our business, and for the health of the planet. Our strategy in the coming years aims to focus on establishing transition plans which will involve a phasing in approach to shift our business model, operations, and asset base towards increased sustainability.

The Group is exposed to environmental risks by way of its supply chain, be it construction materials or hospitality consumables. A shortage in supply of these key materials is a risk for the Group and in this regard management has established a close relationship with both local and foreign key suppliers that to ensure that this risk is mitigated.

Design and Construction of Buildings

Environmental sustainability is an intrinsically valued objective of the Group and at the centre of our activities, reflected especially in the way we have been designing our buildings over the years. Our Development and Construction teams take great care in designing buildings with energy efficiency features including accounting for the solar orientation, ensuring less reliance on electrical lighting as well as heating and cooling, including features such as thermal and acoustic insulation, natural ventilation systems, roof and wall insulation and double-glazed UV protection windows, amongst others.

For instance, at the design stage of the Verdala project, the Group has studied the building orientation in huge detail to ensure the best balance is achieved between practicality and luxury whilst maximising the picturesque countryside views as well as focusing on energy efficiency and environmental designs. The building is designed in a way to secure an optimal shelter from weather elements by receding the living spaces into the core of the building whilst large, double-glazed apertures draw in natural light. The design and innovative building techniques selected help in reducing the amount of energy required for cooling and heating. In addition, a large reservoir has been constructed to capture rainwater which will be used for irrigation of the large landscaped open spaces.

Carbon Matters

As a Group, we aim to be at the forefront of the business community in championing actionable carbon neutral policies and protocols in our business activities. In the past year, management has been raising awareness at all levels throughout the AX Group of the carbon footprint implications of our business. In preparation for the upcoming regulatory obligations emanating from the Corporate Sustainability Reporting Directive (CSRD), the Group has already taken action to commence measuring carbon emissions from the main areas of the business. We have taken several steps to mitigate and lessen the Group's carbon footprint mainly by opting for energy efficient equipment when possible and investing heavily in renewable energy. We are currently conducting research and gathering data in order to be able to set-out realistic targets in relation to carbon footprint going forward.

The Group has earmarked an unutilised airspace on one of its properties and is currently considering installing solar panels to further reduce its carbon footprint. During 2022, the Group generated 3.2 million KWH from the solar panels installed at the Imselliet solar farm in Mgarr, Hilltop Gardens Retirement Village in Naxxar and AX Business Centre in Mosta. The Group is exploring other opportunities to install additional solar panels on top of its properties.

We also remain committed to broaden our sustainability practices, through the investment in new solutions for our developments and operations. In fact, the Group has embarked on a programme to gradually replace the fleet of light duty vehicles with electric vehicles with the ultimate aim of achieving carbon neutrality. In this regard, the Group is also upgrading its infrastructure and installing electric vehicle charging points in all of the car parks owned by the Group. This facility will encourage our hotel guests and customers to make use of electric vehicles during their stay, thereby reducing carbon emissions.

Waste

Conscious about the substantial waste generated from the various Group's divisions, we have been measuring waste generated from selected divisions to better understand the type and source of waste. It is clear that the waste generated by the Group varies depending on the nature of the business and the volume of business conducted. Our strategy in the coming years aims to reduce waste generation

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Environmental Consciousness - continued

considerably by revisiting internal processes and ensuring that all waste generated by the Group is separated and recycled, where possible. In this regard, we have renegotiated the agreements with our waste collection contractors and extended the collection of additional types of waste to ensure our waste is adequately separated, recycled and properly disposed of.

The Group is also introducing recycle bins in all of AX Hotels rooms to educate and encourage hotel guests to separate waste at source rather than disposing of all their waste throughout their stay into the mixed waste bin. This initiative will also be introduced at Hilltop Gardens Retirement Village, our Head Office at AX Business Centre and in the upcoming Verdala hotel in Rabat.

Following the ongoing data gathering exercise referred to above, the Group is building internal knowledge on its waste footprint and management which will lead to informed decisions when introducing improved sustainable practices. For example, in our Sliema hotels, we have replaced complimentary single-use water bottles in hotel rooms with glass reusable bottles that can be refilled from various locations at the hotel. This initiative by itself will see a reduction in the consumption of circa 90,000 plastic bottles which would roughly equate to 11,000kg of C02 emissions. It is planned that a similar initiative will be rolled out in the other hotel offerings during the next financial year.

Within the Construction division, all clean concrete material waste is being disposed of in a recycling facility where such material is being repurposed into concrete by-products. Furthermore, an agreement is currently in place with a local contractor whereby steel waste generated is recycled. Thus far, the Construction division has intensified its waste separation efforts and will be launching an initiative to equip all construction sites with separation containers to minimise the considerable environmental impact generated from the construction activities.

Others

As a Group, we strive to take great care and consideration of our surroundings. In this regard, to celebrate Earth Day in April 2022, employees from all divisions of the Group gathered for a widespread initiative to clean up several prominent areas around Malta, including Wied il-Għasel in Mosta, Tal-Virtu in Rabat, as well as the Qawra and Sliema promenades. Furthermore, employees from our Care unit organised a clean-up of It-Torri tal-Għallis following gale force winds which littered the area with plastic and other waste from the Magħtab landfill.

EU Taxonomy Disclosure

The EU Commission's "Action Plan on Financing Sustainable Growth" aims to provide the economic and financial system in the EU with a more sustainable strategy to achieve climate neutrality by 2050. As part of its action plan, the EU's Taxonomy Regulation 2020/852 ("EU Taxonomy" or "the Regulation") establishes a standardised classification system for sustainable economic activities and provides guidance on those activities which qualify as contributing to the Taxonomy's environmental objectives.

The Regulation defines the following six environmental objectives:

Climate Change Mitigation	**Climate Change Adaptation**	**Sustainable use and Protection of Water and Marine Resources**
Transition to a Circular Economy	**Pollution and Prevention Control**	**Protection and Restoration of Biodiversity and Ecosystems**

In accordance with Article 8 of the EU Taxonomy, AX Group is required to disclose information about how and to what extent the Group's activities qualify as environmentally sustainable. Furthermore, the regulation requires the disclosure of Key Performance Indicators (KPIs), namely, the proportion of revenue ("Turnover"), capital expenditures ("CapEx") and operating expenditure ("OpEx") which are considered as eligible and/or aligned in terms of the EU Taxonomy.

The EU Taxonomy is supplemented by delegated acts which establish 'technical screening criteria'. These criteria define the specific requirements and thresholds for an activity to be considered as "significantly contributing" to a sustainability objective and "does not significantly harm" the other objectives. At present, the EU regulation is effective for objectives related to climate change mitigation and DIRECTORS'

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

climate change adaptation, with further delegated acts to be published at a later stage to cover the remaining four objectives.

Taxonomy Eligible and Taxonomy Aligned Economic Activities

An economic activity is "Taxonomy-Eligible" if it is listed in the EU Taxonomy's delegated acts. Once all Taxonomy-Eligible activities have been determined, an assessment shall be made to establish which of the eligible activities are also "Taxonomy-Aligned".

In accordance with the EU Taxonomy, economic activities of undertakings are considered as "Taxonomy-aligned" if they:

- make a substantial contribution to at least one environmental objective, by meeting certain 'technical screening criteria';
- do no significant harm (DNSH) to the achievement of the five other environmental objectives; and
- comply with minimum social safeguards.

Taxonomy-Eligible Activities

- Taxonomy Aligned
- Taxonomy Non-Aligned

Taxonomy Non-Eligible Activities

Following a thorough examination involving all of the Group's business sectors and functions the following Taxonomy-Eligible activities have been identified for the financial year ending 31 October 2022:

Economic Activity	Taxonomy Reference Number	Environmental Objective/s
Construction	Activity 7.1	Climate Change Mitigation Climate Change Adaptation
Real Estate & Development	Activity 7.7	Climate Change Mitigation Climate Change Adaptation
Residential Care Activities	Activity 12.1	Climate Change Mitigation Climate Change Adaptation

Since the Regulation covers only around 40% of economic activities performed by listed entities, some activities performed by the Group, such as hotel operations, are presently not covered by the EU Taxonomy. As a result, such activities are considered as non-eligible for the purpose of computing the relevant KPIs. That being said, there are a number of sustainable initiatives under these non-eligible industries which have been undertaken by the Group as disclosed in "Environmental Consciousness" in this report.

Accounting Policy for Taxonomy Disclosures

In order to identify the business activities covered by the EU Taxonomy, the Group relied on the Climate Delegated Act 2021/2139, specifically, Annex I and II to this Act.

Eligible activity classification was done through officially assigned NACE codes, specifically F41.2 (Construction), L68 (Development and Real Estate) and Q87.3 (Residential Care activities). Any activities included in the delegated acts which have no assigned NACE code are also considered at classification stage. During the year, no such activities were identified by the Group.

The evaluation of the eligibility of the Group's economic activities has been conducted on the basis of the EU Taxonomy and Disclosure Delegated Act (Annex I – KPIs of non-financial undertakings) and its definition of the denominator and nominator of the three required KPIs (turnover, CapEx and OpEx). It was performed through a methodological approach consisting of:

I. Extracting a total denominator for the three KPIs from the financial reporting system,
II. Identifying those activities that might fall within the list of economic activities covered in the delegated acts,

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

III. Documenting and assessing for each of the Group's economic activities their 'eligibility' to the environmental objectives of the EU taxonomy in order to determine the numerator of each of the 3 KPIs mentioned above.

For reports issued from 2023, the Group is required to report on the alignment of its eligible business activities. In order to determine alignment, reference is made to the EU Taxonomy and the Climate Delegated Act. The assessment to establish Taxonomy alignment involves:

I. Determining if the eligible economic activities meet the 'Technical Screening Criteria' (TSC) defined by the delegated acts,
II. Determining if the eligible economic activities meet the 'Do No Significant Harm' (DNSH) criteria defined by the delegated acts,
III. Assessing whether the Minimum Social Safeguards are met in terms of the Final Report on Minimum Safeguards issued by the Platform on Sustainable Finance,
IV. Determining the KPIs based on the proportion of aligned (if all criteria in (I)-(III) are met) and non-aligned (should any one criterion not be met) eligible economic activities.

The process of determining alignment is cumulative, meaning that, if one or more of the Technical Screening Criteria or Do No Significant Harm criteria or Minimum Social Safeguards, are not met, the economic activity automatically qualifies as eligible but is not aligned.

The Group is aware that the disclosures required by the Disclosure Delegated Act are not subject to the materiality assessment, therefore all economic activities have been considered. Where an economic activity contributes substantially to more than one environmental objective, the higher percentage is taken to avoid any double counting. Furthermore, the aggregation of eligible and non-eligible activities should always amount to 100%.

Key Performance Indicators

The Group is required to report on three KPIs: Turnover, CapEx and OpEx. KPIs are provided at the level of the Group based on consolidated financial statements.

- Turnover refers to revenue from products or services associated with Taxonomy-eligible and Taxonomy-aligned economic activities. The Turnover considered for this analysis covers all business activities of the Group, net of intra-group adjustments to take into account consolidated figures.
- CaPex is related to assets or processes that are associated with Taxonomy-eligible and Taxonomy-aligned economic activities; part of a plan to expand Taxonomy-aligned economic activities or to allow Taxonomy-eligible economic activities to become Taxonomy-aligned ('CapEx plan'). CapEx consists of additions to fixtures and fittings, plant and machinery and land and buildings considered before depreciation, amortisation and any re-measurements recognised by the Group.
- OpEx is related to assets or processes associated with Taxonomy-eligible and Taxonomy-aligned economic activities, including training and other human resources adaptation needs, and direct non-capitalised costs that represent research and development. OpEx consists of all operating expenditures relating to the day-to-day running of the Group properties and operations, including staff costs, and is calculated on a net basis at consolidated level.

The numerator for each KPI considers the relevant company-by-company figure, whilst the denominator aggregates the totals of all Group companies.

Based on the above considerations and methodology, the tables below show the actual KPIs related to the EU Taxonomy, including comparatives.

KPIs - FY2022	TURNOVER	CAPEX	OPEX
Taxonomy Eligible - Aligned	0%	0%	0%
Taxonomy Eligible - Not Aligned	62.2%	95.0%	52.2%
Non-Eligible	37.8%	5.0%	47.8%
TOTAL	100%	100%	100%

KPIs - FY2021	TURNOVER	CAPEX	OPEX
Taxonomy Eligible - Aligned	0%	0%	0%
Taxonomy Eligible - Not Aligned	58.9%	64.1%	38.6%
Non-Eligible	41.1%	35.9%	61.4%
TOTAL	100%	100%	100%

The above KPIs demonstrate that for the financial year ending 31 October 2022, Taxonomy-eligible activities increased since the previous year. The Group's revenue generated from economic activities that are deemed as taxonomy eligible decreased slightly from 58.9% to 40.2%. Capital Expenditure increased significantly from 64.1% to 95.0% due to additional investment in PPE during the year. On the other hand, Taxonomy-eligible Operating Expenditure decreased from 51.1% to 38.7% during the year.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

In order to determine alignment, a 'Substantial Contribution' assessment was conducted for each of the three eligible economic activities: Construction, Real Estate & Development and Residential Care Activities. The Technical Screening Criteria outlined for the two environmental objectives (Climate Change Mitigation and Climate Change Adaptation) was analysed per eligible economic activity. However, one of the limitations encountered in the determination of Taxonomy-alignment, is the lack of available data when assessing the Technical Screening Criteria.

If one criterion is not met, then the economic activity would not be considered as substantially contributing to an environmental objective and thus cannot be considered as aligned. For this reason, Taxonomy-aligned activities for the year account for 0% of revenues of the Group, and, as a consequence, CapEx and OpEx also amount to 0%. The large difference between eligible and aligned activities is primarily due to the stricter conditions associated with alignment compared to eligibility. Going forward, the Group is committed to identify such gaps and establish procedures to gather data required by the Climate Delegated Act.

The KPIs for the year ending 31 October 2021 were updated in line with the current year methodology since the methodology was fine-tuned and updated. In fact, the comparative KPI percentages vary slightly due to:

(1) A change in calculation methodology from gross basis to a net basis, based on consolidated financial statements.

(2) The inclusion of figures relating to 'Residential Care Activities' with NACE code Q87.3 which are deemed to be an eligible economic activity in terms of the Climate Delegated Act.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

In terms of the Disclosures Delegated Act, the above information shall be presented in the following format:

(1) Turnover KPIs

				Substantial Contribution Criteria						DNSH Criteria								
Economic Activities	Codes	Absolute Turnover	Proportion of Turnover	Climate Change Mitiga-tion	Climate Change Adapta-tion	Water and min-eral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and mineral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy Aligned proportion of Turnover (Year N)	Taxonomy Aligned proportion of Turnover (Year N-1)
	NACE	EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%
A. TAXONOMY ELIGIBLE ACTIVITIES																		
A.1. Taxonomy-aligned)																		
Turnover of A.1		0	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	0%
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	F41.2	7,024,506	18.4%															
Real Estate and Development	L68	2,655,052	6.9%															
Other Residential Care Activities	Q87.3	5,689,421	14.9%															
Turnover of A.2		15,368,979	40.2%														0%	0%
Total (A) = (A.1 + A.2)		15,368,979	40.2%														0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy Non-Eligible Activities		22,900,743	59.8%															
TOTAL TURNOVER (A+B)		38,269,722	100%															

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

(2) CapEx KPIs

				Substantial Contribution Criteria						DNSH Criteria								
Economic Activities	Codes	Absolute Turnover	Proportion of Turnover	Climate Change Mitiga-tion	Climate Change Adapta-tion	Water and min-eral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and mineral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy Aligned proportion of Turnover (Year N)	Taxonomy Aligned proportion of Turnover (Year N-1)
	NACE	EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%
A. TAXONOMY ELIGIBLE ACTIVITIES																		
A.1. Taxonomy-aligned)																		
Turnover of A.1		0	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	0%
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	F41.2	1,020,033	2.6%															
Real Estate and Development	L68	36,181,256	92.4%															
Other Residential Care Activities	Q87.3	5,338	0.0%															
Turnover of A.2		37,206,627	95.0%														0%	0%
Total (A) = (A.1 + A.2)		37,206,627	95.0%														0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy Non-Eligible Activities		1,965,007	5.0%															
TOTAL TURNOVER (A+B)		39,171,634	100%															

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

(3) OpEx KPIs

				Substantial Contribution Criteria						DNSH Criteria								
Economic Activities	Codes	Absolute Turnover	Proportion of Turnover	Climate Change Mitiga-tion	Climate Change Adapta-tion	Water and min-eral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Climate Change Mitigation	Climate Change Adaptation	Water and mineral resources	Circular Economy	Pollution	Biodiversity and Ecosystems	Minimum Safeguards	Taxonomy Aligned proportion of Turnover (Year N)	Taxonomy Aligned proportion of Turnover (Year N-1)
	NACE	EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	%
A. TAXONOMY ELIGIBLE ACTIVITIES																		
A.1. Taxonomy-aligned)																		
Turnover of A.1		0	0%	0%	0%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	Y	0%	0%
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	F41.2	5,224,736	16.7%															
Real Estate and Development	L68	2,553,914	8.2%															
Other Residential Care Activities	Q87.3	4,299,373	13.8%															
Turnover of A.2		12,078,023	38.7%														0%	0%
Total (A) = (A.1 + A.2)		12,078,023	38.7%														0%	0%
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy Non-Eligible Activities		19,144,720	61.3%															
TOTAL TURNOVER (A+B)		31,222,743	100%															

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Social Matters

AX Group strives to enhance the quality of life of its employees, its consumers, the community and society as a whole. Through varying initiatives, the Group tries to ensure the well-being of both its employees as well as other members of society.

Ensuring Staff Well-Being

The Group employs close to 1,000 employees (including both directly employed as disclosed in Note 10 and subcontracted employees), from all walks of life and with a spectrum of skill sets. We believe that the Group is only as strong as our people, and therefore, their happiness and well-being remain of utmost importance.

We prioritise our employees' mental health and seek to create a supportive workplace where people are empowered to bring their best selves to work. In 2022, we have concluded a joint programme with Therapy Works and Crisis Resolution Malta, where employees can seek professional and confidential help if required free of charge.

Long-term Development of Personnel

At AX Group we firmly believe in the long-term investment in our people and aim to be one of the top employers of choice in the markets we operate in. We do so by focusing our employment strategy on these key principles:

- Positive workplace culture
- Attracting the best fit talent
- Recognising and rewarding employees
- Employee training and career development

During 2022, the Group carried out 14,003 hours of training equating to an average of 14 hours per employee. Through the AX Careers online portal and the Knowledge Centre, the Group aims at stepping up its recruitment – providing applicants with an understanding of the values of the Group, whilst also training and developing the employees in their jobs to ensure longer retainment of personnel.

Performance of staff is evaluated through a periodic evaluation based on objective setting and feedback on job performance. The assigned reviewers set yearly objectives and targets with the appraisee which are then monitored and reviewed throughout the year.

We have also shown our appreciation and gratitude towards employees who have given their unwavering service to the Group over the years, during the AX Group's Annual Long Service Employee Awards Night which was held in May 2022. Over 40 employees from all divisions of the Group were recognised for their commitment and long service with the Group ranging between 5 and 30 years. During this event, an employee was presented with the Lifetime Achievement Award in recognition of his hard work and dedication over the long years well over retirement age.

Workplace Diversity and Inclusion

AX Group believes in the benefits of having a diversified workplace environment and it is committed to promote inclusion and respect for human rights at all levels of the Group. The Group has long been embracing multiculturalism, and currently circa 71% of the staff compliment are foreign nationals. These foreign nationals come from over 60 countries and a considerable number of these foreign nationals are from outside the EU. We understand that this multicultural pool of staff brings new opportunities, more talent and a wider perspective to the entire Group. The respective Human Resources departments are continually working to ensure that these foreign nationals are welcome and that they integrate with the workplace culture of the AX Group.

Moreover, the Group is also aiming at creating greater inclusion and equal representation at management level, having the Executive team being composed of 5 women and 6 men, whilst the Board still being composed of 2 females and 5 males.

Respect for Human Rights

The Group is committed to respecting human rights of its employees whether directly employed or otherwise as well as any workers in the supply chain. Management is vigilant to uphold such rights in all areas of operations. It is every employee's responsibility to maintain a work environment that promotes human rights and is free from all discrimination and harassment. All levels of management throughout the Group have an open-door policy to encourage open communication with staff and where any workplace concerns are addressed efficiently.

The organisation believes that preventing discrimination and/or harassment is an integral part of good management. The Group has a discrimination and harassment policy detailing the procedures employees should follow in any case of discrimination or harassment.

Entrepreneurship

Our mission statement clearly outlines our passion for entrepreneurship. As a Group we aim to not only develop our personnel to reach their potential professionally, but we also aim to embrace and push the entrepreneurial community in Malta. During the year, our Chairman, Mr Angelo Xuereb and our Chief Executive Officer,

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Social Matters - continued

Mr Michael Warrington, attended a number of public speaking events whereby amongst other things they promoted the entrepreneurial spirit.

Health and Safety

Due to the nature of certain operations within the Group, health and safety measures are of utmost priority within our workplace. For this reason, we are constantly reviewing and improving our health and safety measures in all of our processes, to ensure that both our employees', as well as our customers' health and safety are safeguarded.

In relation to our employees, we continue to provide the safety equipment where necessary and ensure that health and safety measures and processes are made known to all staff. In addition to the mandatory health and safety officers on all construction sites, the Group has appointed an independent third party to prepare a high-level dashboard in order to keep executive management and Directors abreast of the health and safety status of all construction sites managed by the Group.

Regrettably, during the year there was a major incident involving an employee of a subcontractor working on one of the Group's main development projects. The Directors confirm that all health and safety measures and procedures were in place and are pleased to confirm that the employee has since progressed well on his road to recovery. The Group is continually reviewing its health and safety practices to ensure best practices in managing risk and protecting employees.

AX Care

Another key business activity is the provision of Care for the elderly. We believe that through the Hilltop Gardens Retirement Village concept we are providing our elderly premium care within a safe, secure and comfortable environment, hence promoting active ageing and improving quality of life.

Through our "village within a village" concept in Naxxar, we provide our elderly a self-contained village environment enabling them to continue their day-to-day lives as normally as possible, through features such as pools, a chapel, a restaurant and other day-to-day amenities. Now that the COVID-19 pandemic restrictions have been fully lifted, we will continue to ensure that a sense of community is kindled within our village through further event organization.

Moreover, through our Simblija Home we offer tailor-made packages depending on the needs of our elderly, including respite, convalescence, and palliative treatments. Our facilities also include Revive, which is our physiotherapy and aquatic centre.

AX Foundation and Other Community Initiatives

Outside of the Group, we also take great pride in our community investment initiatives and charitable initiatives. Since its inception, the AX Foundation has proactively identified gaps in the support services to affect change on a national level and help young people living with disabilities acquire functional skill sets to live as independently as possible throughout their adult lives. We have taken steps to contribute to national policymaking, driving social change, to create a more inclusive future for all. Last year marked the return of the annual AX Foundation gala night following a two-year absence in light of the COVID-19 pandemic. This special fundraising event raised over EUR17,000 in aid of the Foundation's many efforts and initiatives in supporting people living with invisible disabilities. An exclusive art exhibition by Richard Xuereb was one of the main highlights of the event, whilst the AX Ability Award was awarded to Mr Jacob Callus, a young man on the autism spectrum who continues to advocate and campaign for support, inclusion and empowerment of persons living with autism.

During the year, the AX Group themed up with Fondazzjoni Sebh to give a fresh look to Dar San Nikola, a children's residential home in Hamrun. Staff from all divisions supported this initiative by lending a hand on multiple Saturdays in October and November to refurbish the large hallway and give it a homey atmosphere

Maltese Heritage

As a Group we value our local heritage and over the years we have taken up several renovation works across Malta, mainly on the bastions and in national museums. This is also outlined in the mission statement of AX Construction – "Building our future, restoring our heritage". In 2022, we completed works on the restoration of the Senglea Bastions, the Gate, Belvedere and 'Gardjola' and the Malta Maritime Museum in Birgu. Works on the extension of the St. John Co Cathedral and the restoration of the Oratory of the Jesuits Church in Valletta are still ongoing. In 2020 the Group had acquired a dilapidated palazzo in Merchant Street Valletta with the aim of restoring it and convert the property to an office building. During the year, extensive restoration works have been completed and it is expected that this property will be launched in 2023 under the brand name 'Palazzo Lucia'.

Moreover, we are also considering the possibility of creating specific cultural and gastronomic tours for tourists, providing them with an experience of the local tastes and lifestyle. These plans have been slowed down during the COVID-19 pandemic, but management is currently working to launch in the coming months.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Uphold Good Governance

As a large, listed company, AX Group has the necessary corporate governance structures in places. The Group's internal auditor, who reports regularly to the Audit Committee, also ensures that all our internal controls are adhered to at all times.

Anti-Bribery and Corruption

Being one of the Group's core values, AX Group is committed to comply with local legislation and has zero tolerance towards bribery and corruption.

We stand by a code of ethics reflecting the ethical ethos of the Group. This is applicable to all employees and board members. The code of ethics sets out the principles and necessary controls to mitigate against bribery and corruption. All Group policies and procedures are built to ensure that this is achieved and that high ethical standards are maintained at all times. We constantly remind our employees about the risks and obligations associated with bribery and corruption. Cognizant of the potential reputational damage, the Group has also set out procedures to ensure that its principal suppliers operate and comply with local legislation. AX Group is committed to uphold and enhance its policy against bribery and corruption. No instances of bribery or corruption were identified in the past year.

The Governance of ESG and the Alliance

The Directors believe that for a business to thrive in the coming decades, it must work in harmony with its working environment. This harmony and the consequential positive financial performance and longevity can only be achieved by considering ESG aspects in the Group's decision making.

AX Group understands that senior oversight and accountability for ESG initiatives is crucial to achieve a progressive ESG culture across the Group. Therefore, an ESG Committee has been established and is composed of individuals representing all areas of the business. The ESG Committee is responsible to establish an ESG framework, to identify, measure, analyse, monitor and document ESG elements across the Group.

In 2022, AX Group took a significant step forward in its ESG mission by joining forces with 12 other reputable business leaders to create the Malta ESG Alliance (MESGA). Together, this private sector consortium is actively working towards tackling local environmental, social and governance priorities to contribute to a more sustainable and less carbon-intensive Malta, with the first major aim to put forward a climate change initiative.

MESGA plans to achieve this both by adapting the way its members do business and operate, as well as through working closely with policy makers to improve the local regulatory landscape and motivate the flow of finance in this direction. MESGA aims to keep on attracting good-willed and committed small, medium and large companies to join forces and contribute to resilient, responsible business that supports a thriving community.

Concluding Remarks

Moving forward, our Group remains adamant to be a catalyst in safeguarding the environment, whilst giving back to society and withholding the highest good governance processes. We acknowledge the ever-increasing importance of sustainability in businesses as well as the greater requests for Environment, Social and Governance data moving forward, from regulators, clients and investors alike.

We thereby commit to continue working on integrating ESG aspects within the overall strategy of the Group, including the necessary structures and skills to lead this transition. Moreover, we will ensure that the right level of ESG data is collected and verified periodically so that future measures and investments are well placed and conducive to improving our non-financial position along with our financial position. This will ensure that AX Group is not only a financially sound Group but also one which adds value to the community, whilst respecting the environment in which it operates in, in a just manner.

Signed on behalf of the Board of Directors on 27 February 2023 by Mr Angelo Xuereb and Mr Michael Warrington as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The Directors are required by the Companies Act, Cap. 386 of the Laws of Malta 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 Group and the Company at the end of each financial year and of the profit or loss of the Group and 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 Group and 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, Cap. 386 of the Laws of Malta. 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 Group and 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 Capital Market Rule 5.97 issued by the Malta Financial Services Authority, 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 Group of companies and does not itself carry on any trading activities other 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, two of whom are 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 Xuereb, Ms Claire Zammit Xuereb, Mr Josef Formosa Gauci, Mr Christopher Paris, Mr John Soler and Mr Michael Warrington. Messrs Formosa Gauci, and Soler are independent non-executive directors.

In the opinion of the Board, the independent non-executive directors are free from significant business, family or other relationship with the Group, its shareholders or its management that would create a conflict of interest such as to impair their judgement.

The Board - continued

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 Capital Market Rules 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 seven times during the year under review. The Board has a formal schedule of matters reserved to it for decision. Directors receive board and committee papers 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 performance evaluation 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. Mr Josef Formosa Gauci is considered by the Board to be competent in accounting and auditing in terms of the Capital Market Rules. As described above, the majority of which are independent non-executive directors.

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

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

Remuneration and Nomination Committee

The Remuneration and Nomination Committee (the "RemNom Committee") is composed of Mr Josef Formosa Gauci (Chairperson), Mr Christopher Paris and Mr John Soler, the majority 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.

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 Group.

The RemNom Committee met two times 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 Capital Market 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. The Directors' and senior executives' annual remuneration for the financial year under review, as approved by the Board, amounted to EUR868,342. This is a fixed remuneration and there are no variable elements or share options included. For the purposes of clarity, although several Directors sit on various committees of the Company, such Directors did not receive extra remuneration for occupying such roles during the 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 stakeholders 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 Group p.l.c. executives, includes the issue of the AX Investors Loyalty Card and the periodic dissemination of the AX Group 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. More information on environmental, social and governance matters is found in the Statement of Non-Financial Information in the Directors' Report.

Signed on behalf of the Group's Board of Directors on 27 February 2023 by Mr Angelo Xuereb and Mr Michael Warrington as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2022.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
	Notes	EUR	EUR	EUR	EUR
Revenue	8	38,269,722	35,418,160	6,280,049	10,848,440
Other operating income	9	173,267	387,474	11,882	42,708
Operating costs	13	(14,940,146)	(17,324,155)	(760,507)	(2,347,223)
Staff costs	10	(16,282,597)	(11,702,298)	(2,359,424)	(1,673,110)
Depreciation	17,19	(6,915,876)	(6,814,538)	(514,342)	(329,628)
Gain on revaluation of investment properties	18	1,669,149	4,964,812	-	1,532,855
Gain on disposal of investment in subsidiaries	20	-	-		46,017,445
Movement in fair value of financial asset	22	-	-	(631,500)	-
Loss on disposal of financial asset		-	-	(21,000)	-
Operating profit		1,973,519	4,929,455	2,005,158	54,091,487
Share of results of associates and joint ventures	21	848,954	541,268	-	-
Finance income	11	83,234	28,058	1,934,390	12,993
Finance costs	12	(4,208,709)	(4,043,633)	(3,468,880)	(2,389,604)
(Loss)/profit before taxation		(1,303,002)	1,455,148	470,668	51,714,876
Taxation	15	1,053,898	473,130	470,859	1,377,123
(Loss)/profit for the year		(249,104)	1,928,278	941,527	53,091,999

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
	Notes	EUR	EUR	EUR	EUR
Attributable to:					
Owners of the parent		12,720	1,823,582		
Non-controlling interest		(261,824)	104,696		
		(249,104)	1,928,278		
Basic (loss)/earnings per share	16	(0.21)	1.66		
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
(Loss)/gain on property revaluations	17	(3,587,403)	16,588,946	-	-
Taxation	15	2,055,405	1,580,743	-	-
Other comprehensive (loss)/ income net of tax		(1,531,998)	18,169,689	-	-
Total comprehensive (loss)/ income		(1,781,102)	20,097,967	941,527	53,091,999
Attributable to:					
Owners of the parent		(1,519,278)	19,993,271		
Non-controlling interest		(261,824)	104,696		
Total comprehensive (loss)/ income		(1,781,102)	20,097,967		

The notes on pages 190 to 238 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
	Notes	EUR	EUR	EUR	EUR
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	281,437,248	268,545,869	1,126,545	1,298,248
Investment properties	18	57,887,382	48,445,539	9,552,294	5,250,000
Right-of-use assets	19	-	-	5,129,916	4,945,553
Inventories	23	37,022,773	23,195,407	2,416,665	-
Investment in subsidiaries	20	-	-	82,054,477	30,461,427
Investments in associates and joint ventures	21	8,250,655	7,401,701	-	-
Loans receivable	22	1,763,011	1,730,318	38,801,076	113,797,663
Financial assets	22	-	-	20,488,900	-
		386,361,069	349,318,834	159,569,873	155,752,891
Current assets					
Inventories	23	3,506,446	3,509,837	762,466	762,466
Trade and other receivables	24	17,981,033	10,228,300	12,121,650	10,231,282
Current tax asset		1,029,704	843,882	2,223,190	644,270
Cash at bank and in hand	25	13,881,138	5,911,979	146,931	25,683
		36,398,321	20,493,998	15,254,237	11,663,701
Investment property held for sale	18	-	4,286,418	-	4,286,418
Total assets		422,759,390	374,099,250	174,824,110	171,703,010
Current liabilities					
Trade and other payables	27	21,347,630	13,684,744	3,186,570	2,987,024
Bank borrowings	28	7,975,770	6,474,023	-	1,142
Other financial liabilities	29	80,712	-	31,352,449	29,311,407
Debt securities in issue	30	2,798,243	2,316,985	744,349	746,712
Current lease liabilities	19	-	-	155,364	140,907
		32,202,355	22,475,752	35,438,732	33,187,192

	Notes	Group 2022	Group 2021	Company 2022	Company 2021
	Notes	EUR	EUR	EUR	EUR
Non-current liabilities					
Trade and other payables	27	13,039,435	13,299,808	58,539	128,788
Bank borrowings	28	27,126,253	14,939,199	-	-
Other financial liabilities	29	-	-	29,934,923	30,021,228
Debt securities in issue	30	82,423,921	63,956,123	24,736,174	24,689,873
Non-current lease liabilities	19	-	-	5,166,536	4,869,126
Deferred tax liabilities	31	19,744,779	22,285,687	243,375	502,499
		142,334,388	114,480,817	60,139,547	60,211,514
Total liabilities		174,536,743	136,956,569	95,578,279	93,398,706
Net assets		248,222,647	237,142,681	79,245,831	78,304,304
EQUITY					
Capital and reserves					
Share capital	32	1,164,688	1,164,688	1,164,688	1,164,688
Revaluation reserve	32	208,812,536	209,425,003	4,392,929	4,392,929
Other reserves	32	616,095	616,095	285,342	285,342
Retained earnings	32	24,317,401	25,224,212	73,402,872	72,461,345
		234,910,720	236,429,998	79,245,831	78,304,304
Non-controlling interest		13,311,927	712,683	-	-
Total equity		248,222,647	237,142,681	79,245,831	78,304,304

The notes on pages 190 to 238 form an integral part of these financial statements.

The financial statements on pages 184 to 238 have been authorized for issue by the Board of Directors on 27 February 2023 and were signed on its behalf by Mr Angelo Xuereb and Mr Michael Warrington as per Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report 2022.

STATEMENTS OF CHANGES IN EQUITY

Group

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
At 31 October 2020	1,164,688	185,890,949	616,095	28,764,995	216,436,727	1,011,845	217,448,572
Profit for the year	-	-	-	1,823,582	1,823,582	104,696	1,928,278
Other comprehensive income for the year, net of tax	-	18,169,689	-	-	18,169,689	-	18,169,689
Total comprehensive income for the year	-	18,169,689	-	1,823,582	19,993,271	104,696	20,097,967
Loss of control of a subsidiary	-	-	-	-	-	(403,858)	(403,858)
Fair value movement of investment properties, net of tax	-	5,364,365	-	(5,364,365)	-	-	-
At 31 October 2021	1,164,688	209,425,003	616,095	25,224,212	236,429,998	712,683	237,142,681
Profit/(loss) for the year	-	-	-	12,720	12,720	(261,824)	(249,104)
Other comprehensive loss for the year, net of tax	-	(1,531,998)	-	-	(1,531,998)	-	(1,531,998)
Total comprehensive loss for the year	-	(1,531,998)	-	12,720	(1,519,278)	(261,824)	(1,781,102)
Loss of shareholding of a subsidiary	-	-	-	-	-	13,165,276	13,165,276
Dividends	-	-	-	-	-	(304,208)	(304,208)
Fair value movement of investment properties, net of tax	-	919,531	-	(919,531)	-	-	-
At 31 October 2022	1,164,688	208,812,536	616,095	24,317,401	234,910,720	13,311,927	248,222,647

STATEMENTS OF CHANGES IN EQUITY – CONTINUED

Company

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
At 31 October 2020	1,164,688	-	-	1,397,046	2,561,734
Profit for the year	-	-	-	53,091,999	53,091,999
Total comprehensive income for the year	-	-	-	53,091,999	53,091,999
Fair value movement of investment properties, net of tax	-	1,410,226	-	(1,410,226)	-
Effect of merger (Note 3)	-	2,982,703	285,342	19,382,526	22,650,571
At 31 October 2021	1,164,688	4,392,929	285,342	72,461,345	78,304,304
Profit for the year	-	-	-	941,527	941,527
Total comprehensive income for the year	-	-	-	941,527	941,527
At 31 October 2022	1,164,688	4,392,929	285,342	73,402,872	79,245,831

The notes on pages 190 to 238 form an integral part of these financial statements.

STATEMENTS OF CASHFLOWS

	Notes	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Cash flows from operating activities					
(Loss)/profit before taxation		(1,303,002)	1,455,148	470,668	51,714,876
Adjustments for:					
Depreciation	17,19	6,915,876	6,814,538	514,342	329,628
Impairment of property, plant and equipment	17	330,037	-	-	-
Dividend declared	8	-	-	-	(10,110,769)
Share of results of associates and joint ventures	21	(848,954)	(541,268)	-	-
Movement in fair value of investment properties	18	(1,669,149)	(4,964,812)	-	(1,532,855)
Gain on disposal of investment in subsidiaries	20	-	-	-	(46,017,445)
Movement in fair value of financial asset	22	-	-	631,500	-
Loss on disposal of financial asset		-	-	21,000	-
Movement in expected credit loss	13	293,241	87,304	(142,722)	121,896
Issue cost amortization	12	164,124	99,362	46,301	27,659
Interest expense	12	4,044,585	3,944,271	3,422,579	2,361,945
Interest income	11	(83,234)	(28,058)	(1,934,390)	(12,993)
Operating profit/(loss) before working capital changes		7,843,524	6,866,485	3,029,278	(3,118,058)
Movement in inventories	18,23	(13,795,923)	1,378,306	(2,416,665)	-
Movement in trade and other receivables		(3,117,759)	(2,459,637)	(3,027,070)	(2,376,909)
Movement in trade and other payables		7,574,669	1,234,623	(158,423)	8,850,749
Cash flows (used in)/from operating activities		(1,495,489)	7,019,777	(2,572,880)	3,355,782

	Notes	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Interest paid		(3,459,466)	(3,900,262)	(860,137)	(2,241,292)
Interest received	11	83,234	28,058	32,693	12,993
Taxation credit received/(paid)		382,573	(188,052)	-	-
Net cash flows (used in)/from operating activities		(4,489,148)	2,959,521	(3,400,324)	1,127,483
Cash flows from investing activities					
Purchase of property, plant and equipment and movement in capital creditors		(31,326,395)	(4,909,990)	(76,595)	(925,023)
Payments to acquire investment properties		(1,036,146)	(1,814,934)	(15,876)	(23,485)
Acquisition of financial assets		-	-	-	(48,800)
Disposal of financial assets		-	-	504,000	-
Movement in loan to subsidiary		-	-	3,485,768	-
Net cash flows (used in)/from investing activities		(32,362,541)	(6,724,924)	3,897,297	(997,308)
Cash flows from financing activities					
Movement in a new bank loan		11,586,663	8,998,253	-	-
Movement on other loans		(32,691)	(1,354,620)	-	-
Proceeds from issue of shares		13,165,275	-	-	
Proceeds from debt securities in issue		18,303,671	-	-	-
Payment of lease liabilities	19	-	-	(374,583)	(263,333)
Dividends to non-controlling interest		(304,208)	-	-	-

STATEMENTS OF CASHFLOWS - CONTINUED

The Group and the Company engaged in the following significant non-cash investing and financing activities during the year:

	Notes	Group 2022 EUR	Group 2021 EUR	Company 2022 EUR	Company 2021 EUR
Net cash flows from/(used in) financing activities		42,718,710	7,643,633	(374,583)	(263,333)
Net movement in cash and cash equivalents		5,867,021	3,878,230	122,390	(133,158)
Cash and cash equivalents at beginning of year		3,711,729	(166,501)	24,541	157,699
Cash and cash equivalents at end of year	25	9,578,750	3,711,729	146,931	24,541

The notes on pages 190 to 238 form an integral part of these financial statements

1. GENERAL INFORMATION

AX Group p.l.c. (C 12271) is a public limited liability company incorporated in Malta. The Company is the parent company of the 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 properties (Note 18), land and buildings (Note 17) and investment in debt securities (Note 22) 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 Group and the Company's accounting policies. Significant accounting policies are disclosed in Note 5 and accounting estimates are disclosed in Note 6 to these financial statements.

These financial statements are presented in Euro (EUR) which is the Group and 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

As at 31 October 2022, the Company's current liabilities exceeded its current assets by EUR20,184,495 (2021: EUR21,523,491). Given the nature of the Company and its function within the Group, of which it is the ultimate parent company, the Company is dependent on the Group for financial support.

As at 31 October 2022, the Group's current assets exceeded its current liabilities by EUR4,195,966 (2021: current liabilities exceeded its current assets by EUR1,981,754) whereas the Group's total assets exceeded its total liabilities by EUR248,222,647 (2021: EUR237,142,681). The working capital position at 31 October 2022 includes a balance of EUR1,670,284 (2021: EUR1,488,203) that represents deferred income which does not have an impact on the Group's liquidity.

As described below, management has prepared a cashflow forecast for the AX Group and has concluded that as a result of the strength of the Group's financial position and performance and availability of financing, the AX 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, the Directors have reasonable expectation that the Group and the Company will meet all their obligations as and when they fall due over the foreseeable future and therefore, that the going concern basis adopted for the preparation of these consolidated and separate financial statements is appropriate.

Profitability

During 2022, the Group experienced an increase in revenue of 8.1% over 2021 and has reported Adjusted EBITDA of EUR7,220,246 (2021: EUR6,779,181) which reconciles to the Group's operating profit/(loss) after adjusting for gain/(loss) on revaluation of investment properties, gain/(loss) on disposal of investment in subsidiaries, gain/(loss) on disposal of financial asset and depreciation on the Statement of Profit or Loss. This was achieved despite the fact that the Suncrest hotel was closed throughout the full year and that in the prior year, the Group generated EUR8million in revenue from sale of property compared to EUR1million during this year. This result is attributable to several factors:

a. Improved market confidence

Following the relaxation of the COVID-19 related restrictions and the eventual removal of such restrictions both locally and across most of Europe, the hospitality segment experienced an increase in demand for its services over the summer and autumn months. A similar surge has been noted in our catering establishments with more people frequenting such outlets when compared to the previous year. The healthcare segment has also experienced an improved occupancy with the Simblija Care Home achieving and exceeding pre-Covid occupancy levels by the end of the year.

b. Internal operating structures

During the past years, management decided to reorganise and centralise various administrative functions within the Group. This strategy, which has now been successfully extended to the Finance, Human Resources and Sales & Marketing departments, is giving the desired results with cost efficiencies being realized across these administrative functions. In addition, during the current financial year, management has fared well in controlling direct costs amid an inflationary increase in prices across all divisions.

2. BASIS OF PREPARATION - CONTINUED

2.1 GOING CONCERN - CONTINUED

Profitability – continued

c. Government support

A key element supporting the ability to operate during months impacted by COVID-19 restrictions was once again the Government wage supplement which has been extended until end of May 2022. During the year the Group received EUR1,484,865 (2021: EUR2,318,830) in assistance from the Malta Enterprise under the Wage Supplement Scheme as disclosed in Note 10.

Liquidity and Capital Funding

During the year, management took various steps to retain a high level of liquidity in line with the Group's policy. As at reporting date, the Group had aggregate banking facilities of EUR38,999,638 (31 October 2021: EUR27,412,974) of which EUR4,237,192 (31 October 2021: EUR6,011,835) were undrawn banking facilities. During the financial year, the Group has availed itself of various bank loan repayment moratoriums with its' bankers.

In 2021, the Group obtained a full development permit for the redevelopment of the Verdala site in Rabat, and another full development permit for the extension of the Suncrest Hotel in Qawra. Construction works on both projects commenced during 2021 and continued throughout 2022. During 2022, the Group also obtained the full development permit for the full redevelopment of the Suncrest lido in Qawra.

In order to part finance the Suncrest and Verdala Hotel developments, during the prior year the Group went through a reorganisation exercise, with the ultimate aim of consolidating the main property letting activities of the Group into one newly formed division under AX Real Estate p.l.c.

In January 2022, the Group obtained a EUR15million bridge loan from a local bank to part finance the Suncrest hotel extension and the Verdala hotel development.

In February 2022, AX Group successfully listed AX Real Estate p.l.c. on the Malta Stock Exchange, with 25% of the ordinary A shares being taken up by the general public. Through this transaction, AX Real Estate p.l.c. raised EUR13,645,644. In conjunction with the share issue, AX Real Estate p.l.c. also issued EUR40million unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated by AX Real Estate p.l.c. to the Company through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. It is the intention of the Company to dispose of the allocated bonds at the opportune time to ascertain sufficient liquidity for the Suncrest and Verdala hotel developments.

As at 31 October 2022, the Group had a gearing ratio of 37.5% which is expected to increase following the drawdown of the below mentioned banking facilities approved subsequent to reporting date and potential future bond issues. The drawdown from these loan facilities is expected to occur over a number of months.

Subsequent to year end, the Group has secured a loan facility from a local credit institution to the amount of EUR48.5million, for the purpose of financing the completion of the Suncrest Hotel development, including the lido redevelopment. This facility is expected to be drawn down throughout 2023 and 2024 and will be repaid within 15 years with a 12-month moratorium period on capital repayments.

The Group also obtained another loan facility from a local credit institution amounting to EUR36million which has been provided to enable the Group to develop and finish the Verdala Terraces project in Rabat. The loan facility bears interest of 4.66% p.a. and the outstanding loan amounts are repayable within 7 years from the date of the first drawdown. Principal repayments are to be settled out of the proceeds from sale of units of the Verdala Terraces project. It is projected that sales from the Verdala Terraces will start to flow during 2024 of which 75% will go towards loan repayment, thereby decreasing the Group debt.

Furthermore, as described below, management's forecast is based on the assumption that on 6 March 2024, being the bond's redemption date, the bond will be repaid or rolled over. Such repayment is dependent on the Group's ability to raise further liquidity. As a result, management is considering alternative financing options, including the issuance of a new bond by AX Group p.l.c., with the proceeds therefrom committed to be advanced to AX Investments p.l.c.

Cashflow Forecast

Management has prepared a cashflow forecast considering significant events and transactions that have occurred or are expected to occur subsequent to year end. The base case scenario contemplates further recovery from the COVID-19 pandemic within the hospitality sector, which is forecasted to reach pre-COVID operating levels

2. BASIS OF PREPARATION - CONTINUED

2.1 GOING CONCERN - CONTINUED

Cashflow Forecast - continued

during 2023, as well as the reopening of the Suncrest Hotel in May 2023. On the other hand, the Group's construction and healthcare sectors are forecasted to operate in line with 2022 levels. Furthermore, the cashflow forecast cautiously reflects the impact of inflationary pressures on the operating costs of the Group. The cashflow forecast also reflects capital expenditure on the Suncrest and Verdala projects and their respective financing, as explained above, together with the development of a limited number of projects that the Group considers to be key to its long-term strategy. Management also considered current and projected debt, including debt at variable rates.

Management's forecast is based on the assumption that upon its redemption date being 6 March 2024, the 6% AX Investments p.l.c. 2024 bond will be repaid or rolled over. As discussed in Note 30, such repayment is dependent on the Group's ability to raise further liquidity. As a result, management is considering alternative financing options, including the issuance of a new bond by AX Group p.l.c., with the proceeds therefrom committed to be advanced to AX Investments p.l.c. in line with the parent company guarantee provided by the Company in terms of the current bond's offering memorandum.

Furthermore, management has also simulated a worst-case scenario wherein the Suncrest Hotel's projected performance following re-opening is reduced by 20%. This sensitivity scenario is being considered as a stress test case to assess the Group's resilience and ability to handle unforeseen challenges. With the contingency plans in place, management is confident that the Group will continue to have sufficient liquidity to operate in the foreseeable future.

Contingency plans have been identified to address potential challenges and ensure the Group's continued success. Should it be necessary, the Group can generate further liquidity by disposing of the 3.5% AX Real Estate p.l.c. 2032 bonds held by the Company. Management also notes that a number of the Group's properties are unencumbered and could potentially be used as a guarantee in obtaining additional financing from banks should the need arises. Additionally, the Group has earmarked some non-core immovable property that can be disposed of.

3. LEGAL MERGER

On 10 June 2020 the board of Directors of AX Holdings Limited, a company registered in Malta and the board of Directors of the Company, approved a Draft Terms of Merger, whereby AX Holdings Limited ("the company being acquired") was amalgamated into the Company. The merger became effective on the 24 March 2021, on which date AX Holdings Limited was struck off from the Malta Business Registry. The Draft Terms of Merger stipulated that the transactions of the company being acquired are accounted for in the annual accounts of the Company as from the effective date, this being in line to the provisions of Article 358 of the Companies Act, Cap. 386 of the Laws of Malta.

Prior to the merger, the Company owned 100% of the ordinary shares in issue of AX Holdings Limited. The main business activity of AX Holdings Limited was that of an intermediate holding company of the Group. As a result of the legal merger, AX Holdings Limited transferred all its activities to the Company and ceased to operate.

No cash payment was made; the legal merger is in substance the redemption by AX Group p.l.c. of shares in AX Holdings Limited, in exchange for the assets of AX Holdings Limited. The assets acquired and liabilities assumed are recognised at the carrying amounts in the consolidated financial statements as of the date of the legal merger, are disclosed below:

	AX Holdings Limited 24 March 2021 EUR
ASSETS	
Non-current assets	
Property, plant and equipment	4,652,359
Investment properties	4,550,000
Investment in subsidiaries and associates	71,071,612
Total non-current assets	80,273,971
Current assets	
Inventories	12,466
Trade and other receivables	21,561,363
Current tax assets	644,380
Cash and cash equivalents	8,890
Total current assets	22,227,099
TOTAL ASSETS	102,501,070
LIABILITIES	
Current liabilities	
Trade and other payables	615,040
Other financial liabilities	27,694,375
Total current liabilities	28,309,415
Non-current liabilities	
Other financial liabilities	50,758,274
Deferred tax liabilities	806,223
Total non-current liabilities	51,564,497
TOTAL LIABILITIES	79,873,912
EQUITY	
Revaluation reserve	2,982,703
Other reserve	285,342
Retained earnings	19,359,113
TOTAL EQUITY	22,627,158

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 2022. 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

4. BASIS OF CONSOLIDATION - CONTINUED

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.

	Group % of equity and voting rights held	
	2022	2021
AX Construction Limited	100	100
AX Contracting Limited	100	100
AX Finance 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 Leisure Developments Limited *	100	100
Harbour Connections Limited	100	100
Hardrocks Estates Limited **	50	50
Heritage Developments Limited *	100	100
Hilltop Gardens Retirement Village Limited	100	100
Hilltop Management Services Limited	100	100
Holiday Resorts Limited * (merged into Suncrest Hotels p.l.c.)	-	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
St. John's Boutique Hotel Limited *	100	100
Suncrest Hotels p.l.c.*	100	100
Palazzo Lucia Limited (formerly The Waterfront Entertainment Venture Ltd)	100	100
Verdala Mansions Limited	100	100
AX Real Estate p.l.c. (formerly AX Real Estate Limited)***	91.13	100
Engage People Limited	100	100
Verdala Terraces Limited	100	100
Verdala Mansions Limited	100	100
AX Real Estate p.l.c.(formerly AX Real Estate Limited)	100	100
Engage People Limited	100	100
Verdala Terraces Limited	100	-

* AX Group p.l.c. being the ultimate parent company of these entities through direct ownership of their immediate parent, AX Real Estates p.l.c.

** The investment in Hardrocks Estates Limited is accounted as an investment in a joint venture as from 9 September 2021, following the sale of 1% interest in the company. Following this sale, the shareholders of Hardrocks Estates Limited hold equal voting rights and rights for return.

*** In February 2022, AX Group p.l.c. managed to successfully list AX Real Estate p.l.c. (formerly AX Real Estate Limited) on the Malta Stock Exchange, with 25% of the ordinary A shares being taken up by the general public. Through this transaction, the Company raised EUR13,648,644. This balance net of issue costs is reflected in the non-controlling interest in equity.

The registered address of all 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:

- Amendments to IFRS 16 Leases: COVID-19- Related Rent Concessions beyond 30 June 2021 (issued on 31 March 2021)
- Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 (issued on 27 August 2020)
- Amendments to IFRS 4 Insurance Contracts – deferral of IFRS19 (issued on 25 June 2020)

These amendments and interpretations 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.

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:

- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and Annual Improvements 2018-2020 (All issued 14 May 2020) (effective for financial year beginning on or after 1 January 2022)

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Group.

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

These are as follows:

- Amendments to IAS 1 Presentation of Financial Statements:
  i. Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
  ii. Classification of Liabilities as Current or Non-current – Deferral of Effective Date (issued on 15 July 2020); and
  iii. Non-current Liabilities with Covenants (issued on 31 October 2022)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022)

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue includes all revenues from the ordinary business activities of the Group and is 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 the provision of accommodation services within a retirement home, independent living facilities and other ancillary services
iii. Construction, turnkey and restoration works of residential, commercial and industrial properties
iv. Rental income
v. Sale of inventory property – completed property and property under development

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 hospitality includes revenue from accommodation, foods and beverage services and other ancillary services. Each of the services rendered is recognised at a point in time when transferring control of the contracted service to the customer.

Revenue from health care services includes revenue recognised over time on a systematic basis based on the period consumed as a proportion of the total contractual period for: (i) revenue from Hilltop Gardens Retirement Village consisting of revenue from self-catering apartments and penthouses that are occupied by tenants for definite periods and (ii) revenue from Simblija Care Home consisting of revenue from stays for short term respite care, convalescence and post-operative recovery and intensive nursing care to the more dependent elderly residents; and revenue recognised at a point in time when transferring control of the contracted service to the customer – related to ancillary services provided at Simblija Care Home and other amenities.

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.

iv. Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of investment properties. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

v. Sale of inventory property – completed property and property under development

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied. Payments are received when legal title transfers.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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

TThe 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.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of use assets representing the right to use the underlying assets.

i. Right-of-use assets
The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use, initial direct costs incurred, and lease payments made at or before the commencement date less assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognized any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Offices - 20 years
Warehouse - 20 years

If ownership of the leased asset is transferred to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment.

ii. Lease liabilities
At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs. In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Company's lease liabilities are detailed in Note 19.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 grant relates to an asset, it is initially recognised as deferred income and subsequently recognised as income in equal amounts over the expected useful life of the related asset.

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 substantively 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 and the Company measure non-financial assets such as investment properties and financial assets such as investment in debt securities in issue 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.

All assets and liabilities for which fair value is measured or disclosed in the financial

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.10 FAIR VALUE MEASUREMENT - CONTINUED

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 cost less any accumulated impairment losses.

5.12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decision of the investee but is not control or joint control over those policies.

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

Group

The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group's investment in its associate and joint venture are accounted for using the equity method.

Under the equity method, the investment in an associate or a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate or joint venture since the acquisition date. Goodwill relating to the associate or joint venture is included in the carrying amount of the investment and is not tested for impairment separately. The statement of profit or loss reflects the Group's share of the results of operations of the associate or joint venture after adjustments to align the accounting policies of the Group, from the date that significant influence commences until the year-ended 31 October 2022.

The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Groups' share of losses in an associated undertaking equal 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.

After application of the equity method, the Group determines whether it is necessary to recognize an impairment loss on its investment in its associate or joint venture. At each reporting date, the Group determines whether there is objective evidence that the investment in associate or joint venture is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value, and then recognizes the loss within "Share of profit of associates and joint ventures" in the statement of profit or loss.

Upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.12 INVESTMENT IN ASSOCIATES AND JOINT VENTURES – CONTINUED

upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.
value.

Company

Investments in associates and joint ventures are initially recognized at cost. The Company subsequently measures the investments in associates and joint ventures at cost less any accumulated impairment losses.

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.

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

i. Financial assets – continued

Subsequent measurement - continued

- 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 Company holds investment in debt securities which falls in this category.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.13 FINANCIAL INSTRUMENTS – CONTINUED

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.

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

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.

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 inventory and investment properties 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.

IImpairment 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.14 IMPAIRMENT OF NON-FINANCIAL ASSETS – CONTINUED

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

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 PROPERTIES

Investment properties are properties held to earn rentals or for capital appreciation or both. Investment properties are recognized as an asset when it is probable that the future economic benefits that are associated with the investment properties 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 properties are 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 properties is determined in accordance with the requirements for determining the transaction price in IFRS 15.

Transfers are made to (or from) investment properties only when there is a change in use. For transfer from investment properties 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.

Cost incurred in bringing each property to its present location and condition includes:
- Freehold and leasehold rights for land
- Amounts paid to contractors for development
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

Inventory properties are classified as non-current when these are expected to be realised after more than one year from reporting date.

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.

5.20 NON-CURRENT ASSETS HELD FOR SALE

The Group classifies non-current assets (principally investment properties) and disposal groups as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets and disposal groups classified as held for sale (except for investment properties measured at fair value) are measured at the lower of their carrying amount and fair value less costs to sell. Costs to sell are the incremental costs directly attributable to the disposal of an asset (disposal group), excluding finance costs and income tax expense.

The criteria for held for sale classification is regarded as met only when the sale is

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5.20 NON-CURRENT ASSETS HELD FOR SALE - CONTINUED

highly probable, and the asset or disposal group is available for immediate sale in its present condition. Actions required to complete the sale should indicate that it is unlikely that significant changes to the sale will be made or that the decision to sell will be withdrawn. Management must be committed to the plan to sell the asset and the sale is expected to be completed within one year from the date of the classification. Investment properties held for sale continues to be measured at fair value. Assets and liabilities classified as held for sale are presented separately in the statement of financial position.

5.21 LEGAL MERGER

The merger is accounted using the book value method of accounting, whereby the acquiring company recognises the assets acquired and liabilities assumed at the carrying amounts in the consolidated financial statements as of the date of the legal merger, on the effective date of as stipulated in the Draft Terms of Merger.

5.22 ORDINARY SHARES AND DIVIDENDS

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

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.

5.23 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.

5.24 FINANCIAL GUARANTEE CONTRACTS

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

If not measured as a financial liability at FVTPL and if not arising from a transfer of a financial asset, financial guarantee contracts issued by the Group and the Company are subsequently measured at the higher of the following:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies. In the case of financial guarantee contracts, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on.

5.25 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'.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

JUDGEMENTS

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

Recoverability of deferred tax assets

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 (Note 31).

Deferred tax on revalued land and buildings

The Group's own-use land and buildings within property, plant and equipment are measured at revalued amounts under IAS16. In the financial statements of the property-owning subsidiaries, these land and buildings were classified as investment property at fair value, and the resulting deferred tax liability was measured on the basis that the value of these assets will be recovered through sale (rather than through use) under the rebuttable presumption in IAS12. In Malta, the income tax rate applicable to benefits generated through operating the asset (recovery through use) is 35%, while that applicable on sale of property is 8% or 10% on the sales proceeds.

Judgement is required in preparing these financial statements to determine whether the Group will recover the value of the land and buildings through use or through sale, or partially through use and sale. During 2021, management of the property-owning subsidiaries entered into contracts with other group subsidiaries for a period of twenty years for the management and operation of the assets. This is part of a restructuring exercise in line with the updated strategy of the Group. As a result, the Group has reassessed the expected manner of recovery of these property, plant and equipment. In making this assessment, management made an estimation of the amount relating to non-depreciable assets, being land carried at fair value, where the deferred tax on revaluation assumes recovery through sale. For the depreciable portion, an estimation of the period over which management expects to recover the property, plant and equipment through use was made at the remaining number of years from the duration of the contract. The remaining balance beyond the period of use was assumed to be recovered through sale.

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. Estimates underlying the Group and the Company's use of the going concern assertion are described in note 2 to these financial statements.

Fair value of land and buildings and investment properties

The Group and the Company uses the services of professional valuers to revalue the land and buildings and investment properties. 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 Group and the Company's land and buildings and investment properties are revalued by independent professional qualified valuers on a rotation basis. In the years in which an independent valuation is not obtained, management reperforms fair valuations of the properties by verifying and updating all major inputs to the last independent valuation report prepared by an external independent valuer. Internal methods are therefore aligned with those used by external valuers. On a yearly basis, management assesses each property's change in value to determine whether the change is reasonable and holds discussions with the independent valuer, as necessary.

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 and the Company 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 and the Company 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 properties. Note 18 provides detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

ESTIMATES - CONTINUED

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

The hospitality segment operates a portfolio of hotel properties located in Valletta, Sliema and Qawra. Revenue generated by the hospitality operating segment includes revenue from accommodation, foods and beverage services and other ancillary services. Each of the services rendered is recognised at a point in time when transferring control of the contracted service to the customer.

- Construction

This operating segment undertakes construction projects with an emphasis on civil engineering works, turnkey assignments and restoration works, rendering services to both third party customers as well as companies forming part of the Group. 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.

- Healthcare

The healthcare operating segment encompasses Hilltop Gardens Retirement Village and Simblija Care Home, which offer tailor-made packages covering different levels of long- and short-term care. Revenue generated from health care services includes revenue recognised over time on a systematic basis based on the period consumed as a proportion of the total contractual period for: (i) revenue from Hilltop Gardens Retirement Village consisting of revenue from self-catering apartments and penthouses that are occupied by tenants for definite periods and (ii) revenue from Simblija Care Home consisting of revenue from stays for short term respite care, convalescence and post-operative recovery and intensive nursing care to the more dependent elderly residents; and revenue recognised at a point in time when transferring control of the contracted service to the customer – related to ancillary services provided at Simblija Care Home and other amenities.

- Real Estate & Property Rentals

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risks and rewards incidental to ownership of investment properties. Rental income arising from operating leases on investment properties is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature, except for contingent rental income which is recognised when it arises. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customer. For conditional exchanges, this generally occurs when all significant conditions are satisfied. Payments are received when legal title transfers.

- Administration, Finance & Investment

The administration, finance and investment segment comprise of a number of entities whose principal activity is that of either holding investments in associate undertakings or acting as a financing arm for the Group.

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.

7. SEGMENT INFORMATION – CONTINUED

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties. Intra-segment revenues are eliminated upon consolidation and reflected below.

Segments for the year-ended 31 October 2022

	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
External customers	22,792,909	7,024,506	6,143,017	2,201,457	107,833	-	38,269,722
Inter-segment	-	14,731,108	-	18,090,984	6,500,101	(39,322,193)	-
Revenue	22,792,909	21,755,614	6,143,017	20,292,441	6,607,934	(39,322,193)	38,269,722
Other operating Income		17,412	21,854	122,118	9,009	2,874	173,267
Other operating costs	(9,292,167)	(14,180,778)	(1,699,120)	(2,298,955)	(949,345)	13,480,219	(14,940,146)
Staff costs	(7,511,861)	(6,826,804)	(2,981,375)	(310,363)	(2,468,033)	3,815,839	(16,282,597)
Adjusted EBITDA	5,988,881	765,444	1,484,376	17,805,241	3,199,565	(22,023,261)	7,220,246
Depreciation	(1,849,522)	(295,321)	(34,989)	(532)	(250,585)	(4,484,927)	(6,915,876)
Gain on revaluation							1,669,149
Operating profit							1,973,519
Share of results							
of associates and joint ventures							848,954
Net finance costs							(4,125,475)
Loss before tax							(1,303,002)
Taxation							1,053,898
Loss for the year							(249,104)
Segment assets	93,968,207	17,800,594	60,094,038	507,616,399	256,841,984	(513,561,832)	422,759,390
Segment liabilities	(77,747,940)	(16,480,856)	(69,249,124)	(224,723,098)	(156,865,861)	370,530,136	(174,536,743)

7. SEGMENT INFORMATION – CONTINUED

Segments for the year-ended 31 October 2021

	Hospitality	Construction	Healthcare	Real estate and property rentals	Admin, finance and investment	Adjustments and eliminations	Consolidated
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
External customers	14,374,363	6,465,732	5,655,002	8,782,474	140,589	-	35,418,160
Inter-segment	-	2,275,002	-	21,780,589	10,985,902	(35,041,493)	-
Revenue	14,374,363	8,740,734	5,655,002	30,563,063	11,126,491	(35,041,493)	35,418,160
Other operating Income	5,744,354	21,602	21,488	301,677	52,082	(5,753,729)	387,474
Other operating costs	(5,596,249)	(4,706,352)	(2,900,248)	(18,869,483)	(2,515,370)	17,263,547	(17,324,155)
Staff costs	(4,141,152)	(3,741,842)	(2,607,897)	(14,377)	(1,711,649)	514,619	(11,702,298)
Adjusted EBITDA	10,381,316	314,142	168,345	11,980,880	6,951,554	(23,017,056)	6,779,181
Depreciation	(1,013,618)	(183,466)	(28,444)	(923,626)	(124,965)	(4,540,419)	(6,814,538)
Gain on revaluation							4,964,812
Operating profit							4,929,455
Share of results of associates and joint ventures							541,268
Net finance costs							(4,015,575)
Profit before tax							1,455,148
Taxation							473,130
Profit for the year							1,928,278
Segment assets	96,411,900	7,767,515	61,333,857	425,255,183	247,175,337	(463,844,542)	374,099,250
Segment liabilities	(78,897,608)	(7,552,645)	(69,794,382)	(219,301,498)	(149,102,482)	387,692,046	(136,956,569)

8. REVENUE

Revenue by category of activity:	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Construction works and building materials	7,024,506	6,465,732	-	-
Hospitality and entertainment	22,508,583	13,975,203	-	-
Healthcare	5,971,575	5,523,762	-	-
Sale of property and real estate	1,292,128	8,000,350	-	-
Rental income	1,472,930	1,453,113	107,833	111,574
Management services	-	-	1,364,562	626,097
Dividends receivable	-	-	4,807,654	10,110,769
	38,269,722	35,418,160	6,280,049	10,848,440

Construction works, building materials and management services, hospitality and entertainment, healthcare and sale of property and real estate fall under IFRS15 and are recognized as follows:

Timing of revenue recognition

Group	2022	2021
	EUR	EUR
At a point in time		
Sale of property and real estate	1,292,128	8,000,350
Hospitality and entertainment	22,508,583	13,975,203
Healthcare	1,801,517	1,580,059
	25,602,228	23,555,612
Over time		
Construction works, building materials and management services	7,024,506	6,465,732
Healthcare	4,170,058	3,943,703
	11,194,564	10,409,435

9. OTHER OPERATING INCOME

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Ancillary services	173,267	387,474	11,882	42,708

10. STAFF COSTS

	Group 2022	Group 2021	Company 2022	Company 2021
		EUR	EUR	EUR
Personnel costs				
Wages and salaries (i)	14,684,523	10,605,931	2,253,936	1,603,885
Social security costs	1,099,096	904,924	105,488	69,225
	15,783,619	11,510,855	2,359,424	1,673,110
Subcontracted labour	4,314,816	1,135,626	-	-
Salaries capitalised (ii)	(3,815,838)	(944,183)	-	-
Total staff costs	16,282,597	11,702,298	2,359,424	1,673,110

(i) Wages and salaries are net of COVID-19 related wage supplement received from the Government of Malta which has been extended until end of May 2022. During the year, the Group received EUR1,484,865 (2021: EUR2,318,830) and the Company received EUR234,864 (March to October 2021: EUR193,671).

(ii) Capitalised salaries relate to work performed on the two main internal developments, the extension and refurbishment of the Suncrest Hotel and the redevelopment of the Verdala Site.

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

	Group 2022	Group 2021	Company 2022	Company 2021
	EUR	EUR	EUR	EUR
Management and administration	173	150	39	36
Operations and distribution	511	427	2	2
	684	577	41	38

11. FINANCE INCOME

	Group 2022	Group 2021	Company 2022	Company 2021
	EUR	EUR	EUR	EUR
Interest income on loans and receivables	83,234	28,005	32,693	12,993
Interest income on loans to subsidiary	-	-	1,352,147	-
Interest income on investments	-	53	549,550	-
	83,234	28,058	1,934,390	12,993

12. FINANCE COSTS

	Group 2022	Group 2021	Company 2022	Company 2021
	EUR	EUR	EUR	EUR
Interest on bank loans and overdrafts	762,597	670,224	-	-
Interest on debt securities in issue	3,263,989	3,225,495	860,137	860,137
Interest on lease liabilities	-	-	236,043	120,653
Interest on amounts payable to subsidiary	-	-	2,326,399	1,381,155
Interest on other loans	-	33,714	-	-
Amortisation of bond issue costs	164,124	99,362	46,301	27,659
Unrealised exchange losses	17,999	14,838	-	-
	4,208,709	4,043,633	3,468,880	2,389,604

13. OPERATING COSTS

	Group 2022	Group 2021	Company 2022	Company 2021
	EUR	EUR	EUR	EUR
Auditors' remuneration				
For audit services – statutory audit	147,000	130,000	19,000	16,120
For audit services – other assurance	33,750	81,500	25,000	-

13. OPERATING COSTS - CONTINUED

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
For non-audit services	8,600	9,800	300	300
Stock consumed	4,162,636	3,829,407	-	-
Cost of constructing property sold	882,215	4,191,262	-	-
Construction costs	503,883	1,022,912	-	-
Movement in allowance for expected credit losses	293,241	87,304	(142,722)	121.896
Water and electricity	1,128,986	1,234,784	19,665	18,008
Repairs and maintenance	957,831	469,638	176,739	40,052
Professional fees	1,045,107	554,470	250,326	165,989
Commissions	1,263,949	912,195	907	-
Cleaning	314,662	248,496	1,917	9,836
Advertising and marketing	307,055	190,634	26,624	17,036
Insurance	268,178	227,509	45,577	67,586
Bank charges	328,441	71,189	-	2,103
Licences and permits	298,088	76,022	10,337	21,172
Provision against claims for damages	-	1,750,000	-	1,750,000
Other administrative costs	2,996,524	2,237,033	326,837	117,125
	14,940,146	17,324,155	760,507	2,347,223

14. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Directors' compensation				
Short-term benefits	910,509	786,358	868,342	743,359
Other key management personnel compensation				
Salaries and social security contributions	632,721	563,842	273,207	228,215

15. TAXATION

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Current income tax				
- for the year	(779,291)	385,402	-	-
- losses surrendered to subsidiaries	-	-	(211,735)	(1,073,399)
Deferred tax through profit or loss	(274,607)	(858,532)	(259,124)	(303,724)
Income tax credit	(1,053,898)	(473,130)	(470,859)	(1,377,123)
Deferred tax through other comprehensive income	(2,055,405)	(1,580,743)	-	-

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
(Loss)/profit before taxation	(1,303,002)	1,455,148	470,668	51,714,876
- Tax thereon at 35%	(456,051)	509,302	164,734	18,100,207
Tax effect of:				
Income not subject to tax (i)	(297,134)	(189,444)	-	(19,644,875)
Income at different tax rate	(1,479,403)	(4,107,263)	7,548	(399,950)
Disallowed expenses	926,100	1,725,128	-	-
Other permanent differences	252,590	1,589,147	(643,141)	567,495
Income tax credit for the year	(1,053,898)	(473,130)	(470,859)	(1,377,123)

(i) Income not subject to tax generated by the Company in 2021 related to gain on disposal of investment in subsidiaries as disclosed in Note 20.

16. EARNINGS PER SHARE

The earnings per share has been calculated on the Group's loss for the year of EUR249,104 (2021: profit for the year of EUR1,928,278) divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2022	2021
	EUR	EUR
Weighted average number of shares in issue	1,164,688	1,164,688
	EUR	EUR
Basic (loss)/ earnings per share	(0.21)	1.66

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 1.11.2020	223,055,401	29,333	22,289,258	820,441	46,125,405	292,319,838
Additions	2,671,758	-	340,188	3,500	1,456,848	4,472,294
Revaluation	16,588,946	-	-	-	-	16,588,946
Disposal	(28,848)	-	-	-	-	(28,848)
Loss of control of a subsidiary	(1,409,750)	-	-	(16,509)	(178,819)	(1,605,078)
Transfer from Investment Property (Note 18)	6,178,962	-	870,423	-	(1,300,605)	5,748,780
Transfer between classes	-	-	(4,097,408)	-	4,097,408	-
Other transfer*	(3,300,689)	-	-	-	-	(3,300,689)
At 31.10.2021	243,755,780	29,333	19,402,461	807,432	50,200,237	314,195,243
Additions	18,195,618	-	6,615,298	31,695	1,360,264	26,202,875

17. PROPERTY, PLANT AND EQUIPMENT - CONTINUED

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Impairment	-	-	(330,037)	-	-	(330,037)
Revaluation	(3,587,403)	-	-	-	-	(3,587,403)
Transfer to Investment Property (Note 18)	(2,478,180)	-	-	-	-	(2,478,180)
Other transfer*	(3,013,575)	-	-	-	-	(3,013,575)
At 31.10.2022	252,872,240	29,333	25,687,722	839,127	51,560,501	330,988,923
Depreciation						
At 01.11.2020	608,108	29,333	13,319,451	538,007	27,770,335	42,265,234
Provision for the year	2,777,084	-	601,657	66,229	3,369,568	6,814,538
Loss of control of a subsidiary	-	-	-	(12,738)	(116,971)	(129,709)
Transfer*	(3,300,689)	-	-	-	-	(3,300,689)
At 31.10.2021	84,503	29,333	13,921,108	591,498	31,022,932	45,649,374
Provision for the year	2,777,084	-	601,657	66,229	3,369,568	6,814,538
Loss of control of a subsidiary	-	-	-	(12,738)	(116,971)	(129,709)
Transfer*	(3,013,575)	-	-	-	-	(3,013,575)
At 31.10.2022	-	29,333	15,248,933	656,716	33,616,693	49,551,675
Net book value						
At 31.10.2021	252,872,240	-	10,438,789	182,411	17,943,808	281,437,248
At 01.11.2020	243,671,277	-	5,481,353	215,934	19,177,305	268,545,869
	222,447,293	-	8,969,807	282,434	18,355,070	250,054,604

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

Valuation of land and buildings
The Group's land and buildings are revalued by independent professional qualified valuers on a rotation basis. In the years in which an independent valuation is not obtained, management reperforms fair valuations of the properties by verifying and updating all major inputs to the last independent valuation report prepared by an external independent valuer. Internal methods are therefore aligned with those used by external valuers. On a yearly basis, management assesses each property's change in value to determine whether the change is reasonable and holds discussions with the independent valuer, as necessary.

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 carrying amount of land and buildings, had they been measured at cost, would have amounted to EUR76,468,823 (2021: EUR60,254,474).

Capitalised borrowing costs
The Group commenced works on the refurbishment and extension of the Suncrest Hotel in November 2021 and the project is expected to be completed by May 2023. This project is partly financed through debt securities issued by AX Real Estates p.l.c., a subsidiary of the Company. The amount of borrowing costs capitalised during the year ended 31 October 2022 was EUR436,226 (2021: Nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 3.75% + 3-month Euribor, which is the EIR of the specific borrowing.

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Company	Land and buildings	Furniture, fittings and equipment	Motor vehicles	Total
	EUR	EUR	EUR	EUR
	Fair value	Cost	Cost	
At 01.11.2020	-	-	-	-
Effect of merger (note 3)	4,180,079	1,471,786	432,055	6,083,920
Additions	-	948,508	-	948,508
Transfer to investment property (note 18)	(4,180,079)	-	-	(4,180,079)
At 31.10.2021	-	2,420,294	432,055	2,852,349
Additions	-	76,595	-	76,595
At 31.10.2022	-	2,496,889	432,055	2,928,944
Depreciation				
At 01.11.2020	-	-	-	-
Effect of merger (note 3)	-	1,071,124	360,509	1,431,633
Provision for the year	-	113,840	8,628	122,468
At 31.10.2021	-	1,184,964	369,137	1,554,101
Provision for the year	-	209,188	39,110	248,298
At 31.10.2022	-	1,394,152	408,247	1,802,399
Net book value				
At 31.10.2021	-	1,102,737	23,808	1,126,545
Net book value				
At 31.10.2021	-	1,235,330	62,918	1,298,248

18. INVESTMENT PROPERTIES

	Group	Company
	EUR	EUR
Fair value		
At 31 October 2020	75,646,399	-
Effect of merger	-	4,550,000
Additions	1,814,933	23,484
Revaluation	4,964,812	1,532,855
Transfers (to) / from property, plant and equipment (i)	(5,748,780)	4,180,079
Transfers to inventory (ii)	(23,945,407)	(750,000)
Total investment properties	52,731,957	9,536,418
Less: classified as held for sale (iii)	(4,286,418)	(4,286,418)
At 31 October 2021	48,445,539	5,250,000
At 31 October 2021	48,445,539	5,250,000
Additions	980,045	15,876
Revaluation	1,669,149	-
Transfer from property, plant and equipment (i)	2,478,180	-
Transfers from inventory (ii)	28,051	-
Transfer from investment property held for sale (iii)	4,286,418	4,286,418
At 31 October 2022	57,887,382	9,552,294

The transfers (to) / from property, plant and equipment, inventory and investment property held for sale relate to the transfer of properties resulting from a change in use, following management's assessment of whether the property meets, or ceases to meet, the definition of investment property.

(i) Details of the transfers (to) / from property, plant and equipment:

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Commencement of owner-occupation	-	(4,247,173)	-	-
Commencement of development with a view to owner-occupation	-	(5,681,686)	-	-
End of owner-occupation	2,478,180	4,180,079	-	4,180,079
	2,478,180	(5,748,780)	-	4,180,079

(ii) Details of the transfers (to) / from inventory:

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Commencement of development with a view to sale	-	(23,195,407)	-	-
Transfer from inventory with a view to earn rentals or for capital appreciation	28,051	-	-	-
Transfer to inventory with a view to sale	-	(750,000)	-	(750,000)
	28,051	(23,945,407)	-	(750,000)

(iii) Details of transfers (to) / from investment property held for sale

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

18. INVESTMENT PROPERTIES – CONTINUED

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 independent professionally qualified architects or surveyors on a rotation basis. The architect is qualified and has experience in the category of investment properties being valued. The valuation models applied are in accordance with that recommended by the International Valuation Standards Committee and are consistent with the principles in IFRS13.

In the years in which an independent valuation is not obtained, management reperforms fair valuations of the properties by verifying and updating all major inputs to the last independent valuation report prepared by an external independent valuer. Internal methods are therefore aligned with those used by external valuers. On a yearly basis, management assesses each property's change in value to determine whether the change is reasonable and holds discussions with the independent valuer, as necessary.

Changes in valuation techniques

The valuation technique used to determine the fair value of Capua Palace was changed from the replacement cost approach in the prior year to the income capitalization approach in the current year. Management believes that this approach is more appropriate since it is better aligned with the property's future potential use as determined during the current year, that is to lease out the property as high-end office space. The change in valuation method is applied prospectively as it is a change in estimate. The Group applied the same valuation techniques used in the previous year for the rest of the properties.

Highest and best use

Except for part of Palazzo Capua which management intends to refurbish and lease as office space as explained above, the current use of the Group and the Company's investment properties measured at fair value is considered the highest and best use.

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

Fair value hierarchy

The Group and Company's property is classified as Level 3 in the fair value hierarchy.

The different levels in the fair value are defined in Note 5.10.

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

All gains and losses for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, recorded in the statement of profit or loss and other comprehensive income, amount to EUR1,658,884. These are attributable to changes in unrealized gains or losses relating to investment property held at the end of the reporting period.

Group

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

(i) Investment Properties

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Land	6,508,532	6,508,532	31/10/2020
	19,000,000	19,000,000	31/10/2022
Commercial property	4,302,294	4,302,294	31/10/2021
	2,712,963	2,712,963	31/10/2022
Residential	11,104,999	11,104,999	31/10/2022
	410,990	410,990	31/10/2020
	5,278,604	5,278,604	31/10/2021
	8,569,000	8,569,000	31/10/2022
Total	57,887,382	57,887,382	

(ii) Land and Buildings

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Commercial property	252,872,240	252,872,240	31/10/2022
Total	252,872,240	252,872,240	

18. INVESTMENT PROPERTIES – CONTINUED

Valuation techniques used to derive Level 3 fair value

For investment properties 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.

i Investment Properties

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR4,159,000 (2021: EUR3,839,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR740,688 (2021: EUR520,800) using an average growth of 2% (2021: same), discount rate of future income of 11.83% (2021: same), estimated terminal land value, capitalisation yield of 4.5% (2021: same) and discount rate of 5% (2021: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR2,712,963*	Income capitalisation approach	The valuation relies on estimated commercial rental rates and yearly return of the various components of the existing building capitalized at a rate of 7%. Annual rental rate of EUR425 per sqm is assumed and EUR320,000 for the ancillary property.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR11,105,000 (2021: EUR9,970,035)	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 and EUR177 per square meter (2021: same) at a capitalisation rate of 6% (2021: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Land amounting to EUR19,000,000 (2021: EUR18,757,836)	Income capitalisation approach	The inputs used to calculate the total value of the property on completion is an annual return of EUR 145 per square meter (2021: same) at a capitalisation rate of 7% (2021: 5%) less costs to implement.	The higher the capitalisation rate, the lower the fair value. The higher the annual return per square meter the higher the fair value.
Land amounting to EUR6,508,531 (2021: EUR5,827,678)	Market approach	Market transaction	The higher the rates, the higher the fair value.
Residential property amounting to EUR410,990 (2021: same)	Market approach	Based on prices of similar property	The higher the market rates, the higher the fair value
Residential property amounting to EUR5,278,604 (2021: EUR5,250,000)	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings the higher the fair value.

18. INVESTMENT PROPERTIES – CONTINUED

Valuation techniques used to derive Level 3 fair value – continued

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR4,410,000 (2021: EUR4,390,000)	Market approach	The valuation of investment property was based on market rates for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market.	The higher the market rates, the higher the fair value.
Commercial property amounting to EUR4,302,294**	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return of EUR100-EUR300 per square meter at a capitalisation rate of 5.5%	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.

*Transferred from owner-occupied property to investment property during the current year as disclosed in Details of the transfers (to) / from property, plant and equipment in Note 18.
**Classified as investment property held for sale during the prior year as disclosed in Details of transfers (to) / from investment property held for sale in Note 18.

ii. Land and Buildings

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR8,135,340 (2021: EUR7,703,880)	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 and EUR270 per square meter (2021: same) at a capitalisation rate in the range of 5.75% to 6% (2021: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR41,583,710 (2021: EUR39,601,504)	Average of profits method; income capitalisation approach and replacement cost approach	Profits method: EBIDTA of EUR2,187,871 (2021: EUR2,189,955), capitalisation yield of 5.5% (2021: same), land appreciation of 4.5% per annum (2021: same), discount rate for commercial property sale at termination 5% (2021:same) and EBITDA multipliers ranging between 11.6X to 16.5X (2021: 11.7X to 16.5X).	Profits method: The higher the EBITDA and capitalisation yield, the higher the fair value.
		Income capitalization approach: EBIDTA of EUR2,187,871 (2021: EUR1,596,000), capitalisation yield of 5.5% (2021: same), land appreciation of 4.5% per annum (2021: same), discount rate for commercial property sale at termination 5% (2021: same) and discount rate for future income ranging 7.5%-11.83% (2021: same).	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value.
		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.	Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value

18. INVESTMENT PROPERTIES – CONTINUED

Land and Buildings – continued

Commercial property amounting to EUR6,220,000 (2021: EUR4,790,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR1,728,273 (2021: EUR1,215,200) using an average growth of 2% (2021: same), discount rate of future income of 11.83% (2021: same), estimated terminal land value, capitalisation yield of 4.5% (2021: same) and discount rate of 5% (2021: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Commercial property amounting to EUR190,346,153 (2021: EUR182,601,740)	Average of income capitalisation approach and replacement cost approach	Income capitalization approach: a stabilised EBIDTA range between EUR1,112,989 (2021: EUR1,136,310) and EUR16,242,053 (2021: EUR7,496,738) taking between 2% and 3% yearly growth rate (2021: 2%), capitalisation yield of 8.33% (2021: same), land appreciation of 4.5% (2021: same) per annum, discount rate for commercial property sale at termination between 5% and 5.25% (2021: same) and discount rate for future income of 11.83% (2021: same).	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value.
		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.	Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property amounting to EUR6,587,037 (2021: EUR9,025,159)*	Income capitalisation approach**	The valuation relies on estimated commercial rental rates and yearly return of the various components of the existing building capitalized at a rate of 7%. Annual rental rate of EUR425 per sqm is assumed for the Palazzo EUR320,000 for the ancillary property.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.

*During the year, part of the property was transferred from owner-occupied property to investment property as disclosed in *Details of the transfers (to) / from property, plant and equipment in Note 18.*
**During the year, the valuation technique used to determine revalued amount of this commercial property was changed as disclosed in *Changes in valuation techniques in Note 18.*

18. INVESTMENT PROPERTIES – CONTINUED

Land and Buildings – continued

Company

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

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Commercial property	4,302,294	4,302,294	31/10/2021
Residential	5,250,000	5,250,000	31/10/2022
Total	9,552,294	9,552,294	

Valuation techniques used to derive Level 3 fair value

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

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR4,302,294*	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return of EUR100-EUR300 per square meter at a capitalisation rate of 5.5%	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Residential property amounting to EUR5,250,000 (2021: EUR5,250,000)	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings the higher the fair value.

**Classified as investment property held for sale during the prior year as per Details of transfers (to) / from investment property held for sale in Note 18.*

19. LEASES

Group as a lessor

The operating leases relating to investment properties 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 EUR1,472,930 (2021: EUR1,329,637).

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

	2022 EUR	2021 EUR
Within one year	1,238,800	1,132,838
Between two and five years	2,014,755	1,744,526
Over five years	903,663	598,646
	4,157,218	3,476,010

Company as a lessee

On 23 November 2021, the Company entered into a new lease agreement with a subsidiary for the rental of part of a warehouse for a period of ten years starting 1 January 2022. In terms of the lease agreement, the Company pays annual rent of EUR35,419.

On 1 November 2020, the Company had entered into a new lease agreement with a subsidiary for the rental of its Head Office for a period of ten years. The lease was superseded by a new lease agreement effective on 1 July 2021 for a period of twenty years and four months, in terms of which the Company pays annual rent of EUR354,706.

The carrying amounts of right-of-use assets recognized and the movements during the year are as follows:

	EUR
Initial recognition at 1 November 2020	1,871,009
Lease modification at 1 July 2021	3,281,704
Depreciation on right-of-use assets	(207,160)
Closing balance at 31 October 2021	4,945,553
Recognition of a new lease	450,407
Depreciation on right-of-use assets	(266,044)
Closing balance at 31 October 2022	5,129,916

The carrying amounts of lease liabilities and the movements during the year are as follows:

	EUR
Initial recognition at 1 November 2020	1,871,009
Lease modification at 1 July 2021	3,281,704
Accretion of interest	120,653
Amounts set-off in respect of payments	(263,333)
Closing balance at 31 October 2021	5,010,033
Recognition of new lease	450,407
Accretion of interest	236,043
Amounts set-off in respect of payments	(374,583)
Closing balance at 31 October 2022	5,321,900
Current	155,364
Non-current	5,166,536
	5,321,900

20. INVESTMENT IN SUBSIDIARIES

Company

	EUR
Cost	
At 1 November 2020	1,655,298
Effect of merger (Note i)	71,071,612
Additions	2,012,993
Disposals (Note i)	(37,678,476)
Reduction in capital contributions (Note i)	(6,600,000)
At 31 October 2021	**30,461,427**
Disposal	(4,950)
Increase in capital contributions (Note ii)	1,598,000
Capitalisation of loan receivable (Note 22) (Note ii)	50,000,000
At 31 October 2022	82,054,477

These financial statements comprise the results and position of the Group and the Company at 31 October 2022, which is a common year-end of all subsidiaries forming part of the Group. The list of consolidated subsidiaries is disclosed in Note 4.

(i) During 2021, the Group went through a reorganisation exercise whereby the shares in a number of subsidiaries were sold to another subsidiary, AX Real Estates p.l.c., for the purpose of consolidating the main property letting activities of the Group into a newly formed sub-group. The Company sold the shares held in these subsidiaries for a consideration of EUR83,695,921, net of reversals of past capital contributions amounting to EUR6,600,000. The cost as at the date of disposal amounted to EUR37,678,476, resulting in a gain on disposal of investment in subsidiaries amounting to EUR46,017,445. The addition to investment in subsidiaries relates to an investment in a newly formed subsidiary, Verdala Terraces Limited which is a limited liability company incorporated in Malta on 30 September 2021.

(ii) On 23 November 2021, AX Real Estate p.l.c., a subsidiary of the Company, issued 150,000,000 ordinary 'B' shares of a nominal value of EUR0.125 each in favour of the Company by virtue of the capitalisation of a loan due to the Company amounting to EUR50,000,000 at EUR0.3334 each, split as to EUR0.125 per share in nominal value and EUR0.2084 per share in share premium. The Company made a further capital contribution of EUR1,598,000 in other subsidiaries.

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Group

	Investments in associates and joint ventures
	EUR
At 31 October 2020	6,512,096
Loss of control of a subsidiary	348,337
Share of results	541,268
At 31 October 2021	7,401,701
Share of results	848,954
At 31 October 2022	8,250,655

The Group has a 36% interest and voting rights in Valletta Cruise Port p.l.c. (2021: 36%), 33% interest and voting rights in Imselliet Solar Limited (2021: 33%) and 50% interest and voting rights in Hardrocks Estates Limited (2021: 50%). 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., Imselliet Solar Limited and Hardrocks Estates Limited is accounted for using the equity method in the consolidated financial statements.

The Group's carrying amount of the investments includes goodwill amounting to EUR1,449,613 (2021: EUR1,449,613) 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:

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES - CONTINUED

	2022	2021
	EUR	EUR
Current assets	6,195,190	4,506,285
Non-current assets	53,728,014	53,818,502
Current liabilities	4,267,296	5,015,152
Non-current liabilities	37,154,407	37,132,325
Revenue	12,289,907	6,251,963
Profit for the year	2,484,331	844,844

The associates had no contingent liabilities or capital commitments at 31 October 2022 and 31 October 2021.

22. LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

	Loans receivable from shareholders	Loans receivable from other related party	Total
	EUR	EUR	EUR
At 31 October 2020	-	-	-
New loan origination	830,318	900,000	1,730,318
At 31 October 2021	830,318	900,000	1,730,318
New loan origination	32,693	-	32,693
At 31 October 2022	**863,011**	**900,000**	**1,763,011**

Loans to shareholders and to other related party are unsecured, bear an interest rate of 4% and are repayable by 31 December 2023. 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%.

Company

	Loans Receivable	Investment in debt securities
	EUR	EUR
	Cost	Fair Value
At 1 November 2020	27,377,040	-
Effect of merger	(27,377,040)	-
Additions	113,836,334	-
Transfer from current receivable	130,443	-
At 31 October 2021	113,966,777	-
Repayment of loan	(3,481,838)	-
Acquisition of to debt securities	(21,645,400)	21,645,400
Disposal of debt securities	-	(525,000)
Capitalisation of receivable balance (Note 20)	**(50,000,000)**	-
Fair value movement	-	(631,500)
At 31 October 2022	38,839,539	20,488,90
Expected credit loss		
At 1 November 2020	43,803	-
Movement for the year	**125,311**	**-**
At 1 November 2021	169,114	-
Movement for the year	(130,651)	-
At 31 October 2022	**38,463**	**-**
Net book value		
At 31 October 2022	38,801,076	20,488,900
At 31 October 2021	113,797,663	-

22. LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS - CONTINUED

Loans receivable

Loans receivable include loans to shareholders amounting to EUR863,011 (2021: EUR830,318) which are unsecured, bear an interest rate of 4% and are repayable by 31 December 2023. The remaining balance relates to subsidiary undertaking loans, which are unsecured, carries interest at 3% + Euribor (2021: 3%) and is repayable on 31 December 2034. 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%. The increase in loan during 2021 mostly relates to the disposal of investment in subsidiaries and the reassignment of loans following a Group restructuring. The reduction in loan during 2022 relates to the capital contribution made to AX Real Estate p.l.c. mentioned above as well as the allocation of EUR21,645,400 of bonds issued by AX Real Estate p.l.c. to the Company through the part conversion of the existing intra-group loan.

Investment in debt securities

These relate to the allocation of EUR21,645,400 of bonds issued by AX Real Estate p.l.c. to the Company through the part conversion of the existing intra-group loan mentioned above. Fair values of these debt instruments are determined by reference to published price quotations in an active market. The fair value of the debt securities at 31 October 2022 amounted to EUR20,488,900.

23. INVENTORIES

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Property held for development and re-sale	38,516,896	25,427,271	3,179,131	762,466
Raw materials and consumables	2,012,323	1,277,973	-	-
	40,529,219	26,705,244	3,179,131	762,466
Current	3,506,446	3,509,837	762,466	762,466
Non-current	37,022,773	23,195,407	2,416,665	-
Total	40,529,219	26,705,244	3,179,131	762,466

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Trade receivables (i)	4,467,917	3,213,699	52,788	14,486
Provision for doubtful debts (i)	(719,901)	(406,531)	-	-
Allowance for ECL on trade receivables (i)	(69,420)	(154,994)	-	-
	3,678,596	2,652,174	52,788	14,486
Amounts owed by associates (ii)	811,844	1,269,399	-	-
Amounts owed by other related parties (ii)	177,502	141,590	17,024	19,217
Amounts owed by subsidiaries (ii)	-	-	8,038,160	7,486,452
Shareholders' current account (ii)	2,193,483	1,610,269	2,028,089	1,448,054
Allowance for ECL on balances owed by related parties	-	-	(8,823)	(20,894)
Advanced payments to suppliers	5,011,457	611,746	-	72,002
Indirect taxation	1,046,267	-	-	-
Other receivables	2,309,432	1,211,250	1,964,142	1,211,250
Prepayments and accrued income	2,752,452	2,731,872	30,270	715
	17,981,033	10,228,300	12,121,650	10,231,282

(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.

24. TRADE AND OTHER RECEIVABLES - CONTINUED

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 2022 was determined as follows:

2022		Current	>30 days	>60 days	>90 days	>180 days	>365 days	Total
Expected credit loss rate	%	0.20-2.40	0.29-2.88	0.48-4.23	0.73-10.28	2.68-22.02	100	
Gross carrying amount	EUR	2,123,788	1,505,224	251,315	107,257	234,614	245,719	4,467,917
Lifetime expected credit loss	EUR	4,520	12,961	9,444	16,062	26,433	-	69,420
Provision for doubtful debts	EUR	-	-	-	-	719,901	-	719,901

2021		Current	>30 days	>60 days	>90 days	>180 days	>365 days	Total
Expected credit loss rate	%	0.10-3.03	0.18-3.70	0.47-6.50	1.14-30.12	1.47-32.68	100	
Gross carrying amount	EUR	1,899,844	578,357	156,623	101,927	153,544	323,404	3,213,699
Lifetime expected credit loss	EUR	12,750	3,086	2,489	4,230	9,105	123,334	154,994
Provision for doubtful debts	EUR	-	-	-	-	406,531	-	406,531

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

25. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Cash at bank and in hand	13,881,138	5,911,979	146,931	25,683
Bank overdrafts (Note 26)	(4,302,388)	(2,200,250)	-	(1,142)
	9,578,750	3,711,729	146,931	24,541

25. CASH AND CASH EQUIVALENTS - CONTINUED

The Group and the Company engaged in the following significant non-cash investing and financing activities during the year:

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Non-cash investing activities				
Assets taken over upon merger (Note 3)	-	-	-	5,934,314
Proceeds upon disposal of subsidiaries (Note 20)	-	-	-	83,695,921
Additional investment in subsidiaries	-	-	-	1,962,993
Effect of loss of control of subsidiary	-	1,129,173	-	-
Sale of inventory to related parties (Note 22)	-	830,318	-	-
Non-cash financing activities				
Investment in subsidiaries taken over upon merger (Note 3)	-	-	-	71,071,612
Capitalisation of loan receivable into new shares in subsidiary (Note 20)			50,000,000	-
Dividend declared by subsidiary (Note 8)	-	-	-	10,110,769
Sale of investment in subsidiaries (Note 20)	-	-	-	(37,678,476)
Reduction in capital contribution (Note 20)	-	-	-	(6,600,000)
Increase in capital contribution (Note 20)			1,598,000	-
Additional/(reduction) of loans to related parties (Note 22)	-	900,000	-	12,701,083
Effect of loss of control of subsidiary	-	(402,131)	-	-
Allocation of debt securities issued by subsidiary (Note 22)	-	-	21,645,400	-

26. CONSTRUCTION CONTRACTS

As at year-end, retentions held by customers for contract works amounted to EUR532,411 (2021: EUR300,761).

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Trade payables (i)	7,911,414	3,781,668	282,604	125,685
Other payables (ii)	4,733,101	5,549,132	2,705,853	2,740,571
Indirect taxation and social security	-	32,844	145,056	218,694
Accruals and deferred income (iii)	21,742,550	17,620,908	111,596	30,862
	34,387,065	26,984,552	3,245,109	3,115,812
Current	21,347,630	13,684,744	3,186,570	2,987,024
Non-current	13,039,435	13,299,808	58,539	128,788
	34,387,065	26,984,552	3,245,109	3,115,812

(i) Trade payables are non-interest bearing and repayable within a 60-day term.
(ii) Other payables include a provision of EUR1,750,000 (2021: EUR1,750,000) against claims for damages by the Commissioner of Lands for alleged illegal occupation of two tracts of land by a subsidiary of the Group. The Group is currently in negotiations with the commissioner to settle the matter amicably.
(iii) Accruals and deferred income mainly primarily to upfront receipts from retirement home residents which will be recognised as revenue when the performance obligation is satisfied.

28. BANK BORROWINGS

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Bank loans	30,799,635	19,212,972	-	-
Bank overdrafts (Note 23)	4,302,388	2,200,250	-	1,142
	35,102,023	21,413,222	-	1,142

Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
On demand or within one year	7,975,770	6,474,023	-	1,142
Between two and five years	24,724,181	11,986,284	-	-
After five years	2,402,072	2,952,915	-	-
	35,102,023	21,413,222	-	1,142
Current	7,975,770	6,474,023	-	1,142
Non-current	27,126,253	14,939,199	-	-
	35,102,023	21,413,222	-	1,142

The Group has aggregate bank facilities of EUR38,999,638 (2021: EUR27,412,974) of which EUR4,237,192 (2021: EUR6,011,835) 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 (2021: 3.25% to 5.15%).

29. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Amounts owed to subsidiaries (i)	-	-	61,211,372	59,332,635
Amounts owed to other related parties (ii)	80,712	-	76,000	-
Total other financial liabilities	80,712	-	61,287,372	59,332,635
Current	80,712	-	31,352,449	29,311,407
Non-current	-	-	29,934,923	30,021,228
Total other financial liabilities	80,712	-	61,287,372	59,332,635

(i) Amounts owed to subsidiaries are unsecured, interest free and have no fixed date of repayment, except for an aggregate amount of EUR29,934,923 (2021: EUR30,021,228) which bears interest in the range of 3-10% and is expected to be repaid between 2024-2034 disclosed within non-current financial liabilities.

(ii) Amounts owed to other related parties are unsecured, interest-free and have no fixed date of repayment.

30. DEBT SECURITIES IN ISSUE

Group and Company

During 2022, AX Real Estate p.l.c., a subsidiary of the Company, issued an aggregate principal amount of EUR40,000,000 (2022 – 2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. EUR21,645,400 were assigned to the Company as part conversion of the loan receivable from AX Real Estate p.l.c. as described in Note 22. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 31 October 2022 for the 3.5% bonds (2022 – 2032) was EUR97.01. The fair value of the bonds as at 31 October 2022 amounted to EUR38,265,665. The carrying value of the bond as at 31 October 2022 amounted to EUR39,500,567. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

As at year-end, AX Real Estate p.l.c. had a balance of EUR39,500,567 from this bond issue. The amount is made up of the bond issue of EUR18,354,600 net of the bond issue costs which are being amortised over the lifetime of the bonds and of EUR21,645,400 were assigned to AX Group p.l.c. as described above.

During 2020, AX Group p.l.c. issued an aggregate principal amount of EUR25,000,000 bonds, split in two tranches of EUR15,000,000 (2020 – 2026) and EUR10,000,000 (2020 – 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 2022 for the 3.25% bonds (2020 – 2026) was EUR100 (2021: EUR102.25) and for the 3.75% bonds (2020 – 2029) was EUR99.99 (2021: EUR103). The fair value of the bonds as at 31 October 2022 amounted to EUR15,000,000 (2021: EUR15,337,500) and EUR9,999,000 (2021: EUR10,303,000) respectively, which amounts to an aggregated fair value of EUR24,999,000 (2021: EUR25,640,500). The carrying value of the bonds as at 31 October 2022 amounted to EUR24,736,174 (2021: EUR24,689,873).

As at year-end, the Company had a balance of EUR24,736,174 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 2022 for the 6% bonds (2014 – 2024) was EUR103.5 (2021: EUR104). The fair value of the bond as at 31 October 2022 amounted to EUR41,400,000 (2021: EUR41,600,000). The carrying value of the bond as at 31 October 2022 amounted to EUR39,913,935 (2021: EUR39,851,606). Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate. In terms of the offering memorandum of the "6% AX Investments p.l.c. 2024 Bond", AX Group p.l.c., has provided a corporate guarantee in favour of the bondholders to affect the due and punctual performance of all payment obligations undertaken by the subsidiary under the bonds if it fails to do so.

As at year-end, AX Investments p.l.c. had a balance of EUR39,913,935 from this bond issue. The amount is made up of the bond issue of EUR40,000,000 net of the bond

30. DEBT SECURITIES IN ISSUE - CONTINUED

issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March at the above-mentioned rate.

Management intends that upon its redemption date, being 6 March 2024, the bond will be repaid or rolled over. Such repayment is dependent on the Group's ability to raise further liquidity. As a result, management is considering alternative financing options, including the issuance of a new bond by AX Group p.l.c., with the proceeds therefrom committed to be advanced to AX Investments p.l.c.

As at year-end, the Group had a balance of EUR82,423,921 from the bond issues. The amount is made up of the bond issues of EUR83,354,600 net of bond issue costs which are being amortised over the life of the bonds.

Group

	2022	2021
	EUR	EUR
At beginning of year	63,956,123	63,856,761
Bonds issued during the year (net of bond issue costs)	39,465,891	-
Bonds held by group entities	(21,645,400)	-
Bond issue costs amortization for the year	647,307	99,362
	82,423,921	63,956,123
Accrued interest	2,798,243	2,316,985
At end of year	85,222,164	66,273,108
Current	2,798,243	2,316,985
Non-Current	82,423,921	63,956,123
	85,222,164	66,273,108

Company

	2022	2021
	EUR	EUR
At beginning of year	24,689,873	24,662,214
Bond isseu costs amortised for the year	46,301	27,659
	24,736,174	24,689,873
Accrued interest	744,349	746,712
At end of year	25,480,523	25,436,585
Current	744,349	746,712
Non-current	24,736,174	24,689,873
	25,480,523	25,436,585

31. DEFERRED TAX LIABILITIES

As at year-end, unabsorbed tax losses and other temporary differences for which no asset is recognised in the Group amounted to EUR8,325,070 (2021: EUR10,875,846).

	Group		Company	
	2022	2021	2022	2021
	EUR	EUR	EUR	EUR
Arising on:				
Excess of capital allowances over depreciation	128,471	(45,915)	42,623	14,110
Provision for doubtful debts	(332,179)	(270,587)	(16,550)	(66,503)
Unabsorbed tax losses and capital allowances	(4,995,158)	(4,331,994)	(257,392)	(185,453)
Revaluation of investment properties	24,943,645	26,934,183	762,913	762,913
Net lease position	-	-	(67,194)	(22,568)
Fair value movement of investment in debt securities	-	-	(221,025)	-
	19,744,779	22,285,687	243,375	502,499

32. CALLED UP ISSUED SHARE CAPITAL

Company and Group

	2022	2021
	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 (2021: 1,164,688) ordinary shares of EUR1 each	1,164,688	1,164,688

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 properties and land and buildings net of deferred tax. 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

No dividend was declared and paid by the Company during the year-ended 31 October 2022 (2021: same).

During the year, AX Real Estate p.l.c., a subsidiary of the Company, declared and paid a dividend amounting to EUR304,208 due to non-controlling interest.

33. CONTINGENT LIABILITIES

At 31 October 2022, the Group had the following contingent liabilities, for which no provision has been made in these financial statements:

- 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 EUR78,906 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 EUR 74,251 (2021: EUR74,251). The Directors are confident that the outcome of all the above claims will be in favour of the subsidiaries.

33. CONTINGENT LIABILITIES - CONTINUED

- Various guarantees were given in favour of third parties amounting to EUR1,764,516 (2021: EUR8,995,976).

34. 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 2020, 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.

35. CAPITAL COMMITMENTS

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

	2022
	EUR
Authorised and contracted	37,509,692
Authorised but not contracted	72,348,576

36. 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 22 and Note 24.

Company

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

Transactions with related parties

The Company entered into transactions with related parties as follows:

	2022	2021
	EUR	EUR
Management services (Note 8)	1,364,562	626,097
Dividend received from subsidiaries (Note 8)	4,807,654	10,110,769
Interest receivable from subsidiaries (Note 11)	1,352,147	-
Interest payable to subsidiaries (Note 12)	2,326,399	1,381,155
Gain on disposal of investment in subsidiaries	-	46,039,416
Capitalisation of loan receivable into new shares in subsidiary (Note 20)	50,000,000	-
Increase in capital contribution (Note 20)	1,598,000	-
Assignment of debt securities issued by subsidiary (Note 22)	21,645,400	-

Balances with related parties

Balances with related parties are disclosed in Note 22 and Note 24.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES

The most significant financial risks to which the Group and the Company are 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 20, 21 and 22.

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.

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 2022 and 31 October 2021, 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 2022	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	2,616,435	2,060,514	25,738,624	2,573,240	32,988,813
Debt securities in issue	1,952,456	1,952,456	62,932,144	32,691,654	99,528,710
Other payables	12,644,515	-	-	-	12,644,515
Total	17,213,406	4,012,970	88,670,768	35,264,894	145,162,038

2021	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	3,121,832	1,678,418	13,121,373	3,213,842	21,135,465
Debt securities in issue	1,631,250	1,631,250	48,250,000	26,987,500	78,500,000
Other payables	9,330,800	-	-	-	9,330,000
Total	14,083,882	3,309,668	61,371,373	30,201,342	108,966,465

Financial Guarantee

For each financial guarantee contract issued, the Group has to determine the amount of expected credit loss in accordance with IFRS9. The Company provided a financial guarantee to secure the banking facilities of a subsidiary for an amount of EUR14,295,974. Moreover, as disclosed in Note 28, the Company has provided a parent company guarantee in favour of bondholders for the repayment of the bond and interest thereon on the bond issued by AX Investments p.l.c., pursuant to and the terms and conditions in the prospectus. Management has carried out an assessment on the loans receivable provided by the Issuer to other related parties which has been quantified as not material. Accordingly, the financial guarantee in the Company is deemed not to be material.

37. RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

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 not to 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. This applies to all of the Group's bank borrowings as per Note 28 whose applicable interest rates are linked to either the 3-month Euribor or the bank's base rate. Based on observations of current market conditions, the directors consider an upward or downward movement in interest of between 1% to 2% to be reasonably possible. However, the potential impact of such a variance is considered immaterial.

38. 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

	2022	2021
	EUR	EUR
Interest bearing loans and borrowings	120,324,187	85,369,345
Other financial liabilities	80,712	-
Trade and other payables	34,387,065	26,984,552
Less: cash and cash equivalents	(13,881,138)	(5,911,979)
Net Debt	140,910,826	106,441,918
Equity	1,164,688	1,164,688
Other reserves	233,746,032	235,265,310
Total capital	234,910,720	236,429,998
Capital and net debt	375,821,546	342,871,916
Gearing ratio	37.5%	31.0%

No changes were made in the objectives, policies and processes for managing capital during the years ended 31 October 2022 and 2021.

39. PRIOR PERIOD RECLASSIFICATIONS AND RESTATEMENTS

Certain amounts within the comparative statement of profit or loss and other comprehensive income have been reclassified or amended to achieve better comparability and conformity with the current period. In this respect, amortization of bond issue costs reported by the Group and the Company during the prior year amounting to EUR99,362 and EUR27,659 respective were reclassified from operating costs to finance costs during the current financial year.

40. SUBSEQUENT EVENTS

In November 2022, the Company declared an interim dividend amounting to EUR1,100,000.

In January 2023, Suncrest Hotels p.l.c. obtained a sanction letter from a local financial institution for a Loan Facility amounting to EUR30,500,000 while AX Hotel Operations p.l.c. obtained a sanction letter from the same financial institution for a Loan Facility amounting to EUR18,000,000. These loan facilities have been provided to enable the Group to complete the extension of the Suncrest Hotel and redevelopment of the Lido in Qawra. The Loan Facilities bear interest of 4.25% p.a. and the outstanding loan amounts are repayable over a 15-year term from the date of the first drawdown with a 12-month capital moratorium.

In January 2023, AX Real Estate p.l.c., a subsidiary of the Company, declared a dividend amounting to EUR304,208 due to non-controlling interest.

Verdala Terraces Limited signed a loan facility contract with a local financial institution in February 2023 for a Loan Facility amounting to EUR36,000,000 to finance the Verdala Terraces residential project in Rabat. The Loan Facility bears an interest rate of 4.66% per annum and the outstanding loan amounts are repayable within 7 years from the date of the first drawdown. Loan repayments are to be settled from the proceeds generated from the sale of units at the Verdala Terraces project.

In line with management's intention to dispose of the bonds allocated by AX Real Estate p.l.c. to the Company, the Company disposed of EUR2.9million of such bonds subsequent to year end.

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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 consolidated and separate financial statements of AX Group p.l.c. (the "Company") and its subsidiaries (the "Group"), set on pages 184 to 238, which comprise the consolidated and separate statements of financial position as at 31 October 2022, and the consolidated and separate statements of comprehensive income, the consolidated and separate statements of changes in equity and the consolidated and separate statements of cash flows for the year then ended, and notes to the consolidated and separate financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated and separate financial statements give a true and fair view of the financial position of the Group and the Company as at 31 October 2022, 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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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

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 and the Company will continue in business in the foreseeable future.

As disclosed in Note 2.1 to the consolidated and separate 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. Given the nature of the Company and its function within the Group of which it is the ultimate parent, the Company is dependent on the Group for financial support.

Management has prepared a cashflow forecast for the Group, considering significant events and transactions that have occurred or are expected to occur subsequent to year end and has concluded that as a result of the strength of the Group's financial position, the Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive.

In preparing this forecast, management has assumed that the Group will repay the "6% AX Investments p.l.c. 2024 Bond" ("the bond"), issued by the Group's fully owned subsidiary AX Investments p.l.c. and for which AX Group p.l.c has provided a parent company guarantee. Management's forecast is based on the assumption that on 6 March 2024, being the bond's redemption date, the bond will be repaid or rolled over. As disclosed in Note 30, such repayment is dependent on the Group's ability to raise further liquidity. As a result, management is considering alternative financing options, including the issuance of a new bond by AX Group p.l.c., with the proceeds therefrom committed to be advanced to AX Investments p.l.c.

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

Going concerned - continued

At the time of approving these financial statements, the Directors have determined that there is a reasonable expectation that the Group and the Company have adequate resources to continue in operation and existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing these consolidated and separate financial statements.

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 and the Company'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 October 2024 and discussed these with management. We have also focused on updates made with respect to the uncertainties around COVID-19 expected recovery period. We also tested the arithmetical accuracy of the forecast.
- Evaluated the Directors' ability to accurately forecast by comparing actual to historical information. As part of our procedures on events after the reporting period, obtained an understanding of the precision of management's forecast and considered 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, inflows from sales of property, 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 analysis of the capital expenditure forecasted by the Group to be incurred on its major development projects and the availability of funding to finance such expenditure, taking into consideration the terms of the equity and debt issue by AX Real Estates p.l.c. during February 2022 as per the Offering Memorandum and bank sanction letters for additional financing.
- Performed an independent sensitivity analysis, stress-testing key inputs, assumptions and contingency plan to assess whether the liquidity headroom calculations are reasonable.
- Attended meetings with management to discuss the Group's plan for refinancing the "6% AX Investments p.l.c. 2024 Bond", whereby management and those charged with governance were able to provide us with satisfactory responses. This refinancing plan was approved by the Board.

We also assessed the relevance and adequacy of disclosures relating to going concern presented in Note 2.1 and Note 30 to the accompanying 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 60% of total assets as at 31 October 2022. 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 are being further described in Notes 5.17, 6 and 18 to the accompanying financial statements, accounting for 14% of total assets of the Group as at 31 October 2022. 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 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 best 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 in which an independent valuation is not obtained, management reperforms fair valuations of the properties by verifying and updating all major inputs to the last independent valuation report prepared by an external independent valuer. Internal methods are therefore aligned with those used by external valuers. On a yearly basis, management assesses each property's change in value to determine whether the change is reasonable 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.

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;

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

- 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;
- obtaining an understanding of the process followed by management in the years where an independent valuation is not obtained and an update is performed internally.
- 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.

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

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 Group's and the Company's ability to continue as a g oing 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 Group and the Company or to cease operations, or have no realistic alternative but to do so.

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

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 Group's and the Company's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors;

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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 - continued

- 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 Group's and the Company'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 Group and 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 responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

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

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 Group and the Company and their 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 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;
- proper returns adequate for our audit have not been received from branches not visited by us;
- the financial statements are not in agreement with the accounting records and returns;
- 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 on 28 October 2020. The total uninterrupted engagement period as statutory auditor, including previous renewals and reappointments amounts to 3 years.

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, 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 Group and the Company and we remain independent of the Group and the Company 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 Group and the Company and its controlled undertakings.

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Report on other legal and regulatory requirements

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the "ESEF Directive 6") on the annual financial report of AX Group p.l.c. for the year ended 31 October 2022, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the annual financial report, including the consolidated financial statements and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the consolidated financial statements and the relevant electronic tagging therein comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

· Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report, in accordance with the requirements of the ESEF RTS.
· Obtaining the annual financial report and performing validations to determine whether the annual financial report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS.
· Examining the information in the annual financial report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

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

Opinion

In our opinion, the annual financial report for the year ended 31 October 2022 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

Report on other legal and regulatory requirements

Matters on which we are required to report by the Capital Markets Rules

Corporate governance statement
The Capital Markets Rules issued by the Malta Financial Services Authority ("MFSA") 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 Capital Markets 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 Group and the Company and its environment obtained in the course of the audit, we have identified material misstatements with respect to the information referred to in Capital Markets 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 181 to 183 has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the MFSA
- 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 Capital Markets Rules 5.97.4 and 5.97.5 are free from material misstatement

Other requirements
Under the Capital Markets Rules we also have the responsibility to review the statement made by the Directors, set out on page 168, 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

27 February 2023

AX GROUP