



INTERIM REPORT AND INTERIM
CONDENSED CONSOLIDATED
FINANCIAL STATEMENTS (UNAUDITED)

30TH APRIL 2023

2023



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INTERIM DIRECTORS' REPORT

The Directors present their report and the condensed consolidated financial statements for the six-month period ended 30 April 2023.

PRINCIPAL ACTIVITIES

AX Real Estate Group ('the Group') is involved in the letting of a diverse portfolio of real estate to subsidiary companies of AX Group p.l.c. and, to a lesser extent, third parties.

REVIEW OF THE BUSINESS

The Board of Directors is pleased to present the financial results for the six-month period ended 30 April 2023.

During the period under review, the Group registered EUR3,841,692 (30 April 2022: EUR4,350,172) in total revenue. The revenue generated in the current period was exclusively made up of rental income while the revenue of the corresponding period last year included EUR732,000 from the sale of property.

As at 30 April 2023, all properties available for rent were leased out. Rental income from AX Group and related parties accounted to EUR3,368,540 (30 April 2022: EUR 3,259,009) representing 88% (30 April 2022: 90%) of the rental revenues generated by the Group. The rental income by property type can be analysed as follows:

	30 April 2023		30 April 2022	
	EUR		EUR	
Hospitality	2,243,454	58%	2,164,427	60%
Care Home	844,125	22%	827,534	23%
Offices	382,017	10%	301,474	8%
Residential	160,455	4%	140,588	4%
Warehousing	211,641	6%	184,149	5%
	3,841,692		3,618,172	

Other operating costs amounted to EUR626,785 (30 April 2022: EUR911,136). The prior year balance included a sum of EUR496,659 representing the cost of property sold. Staff costs including directors' remuneration amounted to EUR133,565 (30 April 2022: EUR158,578).

During the period under review, the Group registered an operating profit of EUR3,306,817 (30 April 2022: EUR

3,369,790) representing an improvement in the operating profit margin of 9%, from 77% last year to 86% in the current period. The operating profit achieved is in line with the projected performance for the period under review.

Finance costs amounted to EUR1,859,955 (30 April 2022: EUR1,577,263). This includes interest on debt securities in issue, bank borrowings and interest due on related party loans.

Profit before tax during the period under review amounted to EUR1,446,862 (30 April 2022: EUR1,792,527).

Construction work on the Suncrest site began in late 2021. This ambitious project was successfully completed within the anticipated timeline, and the newly revamped hotel, now rebranded as AX ODYCY hotel, officially opened its doors in May 2023 as originally planned. Following the extensive development and full refurbishment, the hotel underwent significant expansion by adding four storeys to its existing structure, increasing the number of guest rooms to 599. Works on the redevelopment of the lido is still ongoing and is expected to be completed by July 2023.

Works on the Verdala project in Rabat is progressing steadily. The foundations of the hotel have been completed and the construction of the hotel floors is currently underway.

In January 2023, Suncrest Hotels p.l.c., a subsidiary of AX Real Estate p.l.c., secured a loan facility with a local financial institution amounting to EUR30,500,000. The loan facility has been provided to enable the Group to complete the extension of the AX ODYCY hotel and redevelopment of the Lido in Qawra. The loan facility is repayable over a 15-year term from the date of the first drawdown with a 12-month capital moratorium.

INTERIM DIRECTORS' REPORT - CONTINUED

REVIEW OF THE BUSINESS - CONTINUED

A net interim dividend of EUR0.0125 per ordinary share equivalent to EUR3,429,209 was declared in January 2023.

Financial Key Performance Indicators		
EUR millions	30 April 2023	30 April 2022
Revenue	3.8	4.4
Operating profit	3.3	3.4
Profit before tax	1.4	1.8
EBITDA	3.3	3.4
Operating profit margin (%)	86%	77%
Interest cover (times)	1.8	2.1

Net assets at period end stood at EUR139,888,489 compared to EUR142,032,510 as at 31 October 2022. The decrease is mainly attributable to issue of the dividend in January. The Group's balance sheet remains sound with a gearing ratio of 47.5% in line with the group projections.

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

As at the date of reporting, all the rental properties of the Group are contracted till the end of the year and beyond. The positive economic recovery in the tourism industry as well as the positive industry outlook for the year augurs well for the Group in achieving the budgeted variable rent from its hotel properties.

Furthermore, the successful launch of the AX ODYCY hotel in May holds significant importance for both the AX Real Estate Group, as well as the AX Group, as it plays a pivotal role in achieving the projected revenue and initiating a return on investment.

GOING CONCERN

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

INTERIM DIRECTORS' REPORT - CONTINUED

PRINCIPAL RISKS AND UNCERTAINTIES

The Group is exposed to risks inherent to its operations and can be summarized as follows:

1. Strategy risk

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

2. Operational risks

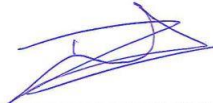
The Group's revenue is mainly derived from rental income charged to related parties and hence the Group is heavily dependent on the performance of the AX Group. The Group regularly reviews the financial performance of the AX Group of companies to ensure that there is sufficient liquidity to sustain its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

3. Legislative risks

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



Angelo Xuereb
Chairman



Denise Xuereb
Chief Executive Officer

By Order of the Board
26 June 2023

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

We confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements give a true and fair view of the financial position of the Group as at 30 April 2023, and of its financial performance and its cash flows for the six-month period then-ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34); and
- The interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.



Angelo Xuereb
Chairman



Denise Xuereb
Chief Executive Officer

By Order of the Board
26 June 2023

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 April 2023

	Note	30 April 2023 (unaudited) EUR	30 April 2022 (unaudited) EUR
Revenue	7	3,841,692	4,350,172
Other operating income		62,202	89,332
Other operating costs		(463,512)	(911,136)
Staff costs		(133,565)	(158,578)
Operating profit		3,306,817	3,369,790
Net finance costs		(1,859,955)	(1,577,263)
Profit before taxation		1,446,862	1,792,527
Taxation	8	(161,674)	(119,944)
Profit after tax		1,285,188	1,672,583
Other comprehensive income		-	-
Total comprehensive income for the period		1,285,188	1,672,583
Basic earnings per share	9	0.01	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2023

	Note	30 April 2023 (unaudited) EUR	31 October 2022 (audited) EUR
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		1,862	2,128
Investment property	10	<u>280,219,632</u>	<u>260,255,000</u>
		280,221,494	260,257,128
Current assets			
Inventories		438,198	438,198
Trade and other receivables	14	8,913,496	14,107,338
Cash at bank and in hand		<u>4,534,592</u>	<u>12,061,062</u>
		13,886,286	26,606,598
Total assets		<u>294,107,780</u>	<u>286,863,726</u>
Current liabilities			
Trade and other payables		5,807,177	4,856,133
Bank borrowings		3,177,828	2,118,858
Other financial liabilities		7,238,051	6,404,455
Debt securities in issue	11	318,356	1,024,110
Tax liabilities		<u>688,264</u>	<u>552,890</u>
		17,229,676	14,956,446
Non-current liabilities			
Trade and other payables		142,242	354,595
Bank borrowings		29,527,527	21,943,976
Other financial liabilities	14	45,261,479	45,437,579
Debt securities in issue	11	39,528,311	39,500,567
Deferred tax liabilities		<u>22,530,056</u>	<u>22,638,053</u>
		136,989,615	129,874,770
Total liabilities		<u>154,219,291</u>	<u>144,831,216</u>
Net assets		<u>139,888,489</u>	<u>142,032,510</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

As at 30 April 2023

	Note	30 April 2023 (unaudited) EUR	31 October 2022 (audited) EUR
EQUITY			
Share capital		34,292,088	34,292,088
Share premium		41,374,079	41,374,079
Revaluation reserve		40,407,988	40,407,988
Other reserves		330,752	330,752
Retained earnings		23,483,582	25,627,603
Total equity		139,888,489	142,032,510

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 April 2023

(Unaudited)	Share capital EUR	Share premium EUR	Revaluation reserve EUR	Other reserves EUR	Retained earnings EUR	Total EUR
At 1 November 2022	34,292,088	41,374,079	40,407,988	330,752	25,627,603	142,032,510
Profit for the period	-	-	-	-	1,285,188	1,285,188
Total comprehensive income for the period	-	-	-	-	1,285,188	1,285,188
Dividends	-	-	-	-	(3,429,209)	(3,429,209)
As at 30 April 2023	34,292,088	41,374,079	40,407,988	330,752	23,483,582	139,888,489
(Unaudited)						
At 1 November 2021	50,000	-	38,502,470	330,752	39,814,820	78,698,042
Profit for the period	-	-	-	-	1,672,583	1,672,583
Total comprehensive income for the period	-	-	-	-	1,672,583	1,672,583
Capitalisation of reserves	12,450,000	-	-	-	(12,450,000)	-
Capitalisation of shareholder loan	18,750,000	31,250,000	-	-	-	50,000,000
Issue of shares at a premium	3,042,088	10,131,819	-	-	-	13,173,907
As at 30 April 2022	34,292,088	41,381,819	38,502,470	330,752	29,037,403	143,544,532

The Company's share capital as at period end comprises both Ordinary 'A' and 'B' shares. Ordinary 'A' shares and Ordinary 'B' shares shall entitle the holders thereof to the same rights, benefits and powers in the Company, except that Ordinary 'B' shares shall not entitle their holders to vote on any matter at any general meeting of the Company save in the following instances: in respect of a resolution which has the effect of reducing the capital of the Company; in respect of a resolution for the winding-up of the Company; and in respect of a resolution which has the effect of directly affecting the rights and privileges of Ordinary 'B' shareholders.

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 April 2023

	30 April 2023 (unaudited)	30 April 2022 (unaudited)
	EUR	EUR
Net cash flows from operating activities	4,508,198	2,237,254
Net cash flows used in investing activities	(17,247,981)	(12,868,637)
Net cash flows from financing activities	5,213,313	29,201,743
Net movement in cash and cash equivalents	<u>(7,526,470)</u>	<u>18,570,360</u>
Cash and cash equivalents at the beginning of the period	12,061,062	1,000,807
Cash and cash equivalents at end of the period	4,534,592	19,571,167

Cash and cash equivalents as at 30 April 2023 included in the cash flow statement consist of cash at bank and in hand of EUR4,534,592 (30 April 2022: EUR19,583,629 net of bank overdrafts of EUR12,462).

Significant non-cash transactions during the six-month period ended 30 April 2022 included the bonus issue of ordinary 'A' shares and the issue of ordinary 'B' shares by virtue of the capitalisation of a loan due to the ultimate parent.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six-month period ended 30 April 2023

1. GENERAL INFORMATION

The interim condensed consolidated financial statements (“Interim Financial Statements”) of AX Real Estate p.l.c. (“the Company”) and its subsidiaries (collectively “the Group” or “the Estates Group”) for the six-month period ended 30 April 2023 were authorised for issue in accordance with a resolution of the Directors on 26 June 2023.

AX Real Estate p.l.c. (C 92104) is a public limited liability company incorporated in Malta. The Company acts as the holding company of the Estates Group within the AX Group. The Group is involved in the letting of a diverse portfolio of real estate to subsidiary companies of AX Group p.l.c. and third parties. 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 Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in terms of the Capital Markets Rules 5.81 to 5.84. These Interim Financial Statements for the six-month period ended 30 April 2023 are being published pursuant to Capital Markets Rule 5.74 issued by the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. In terms of Capital Markets Rule 5.75.5, this interim report has not been audited or reviewed by the Group’s independent auditors.

The financial information of the Group as at 30 April 2023 and for the six-month period then ended reflect the financial position and the performance of AX Real Estate p.l.c. and all its subsidiaries. The comparative amounts reflect the position of the Group as included in the audited financial statements ended 31 October 2022 and the unaudited results for the six-month period ended 30 April 2022.

The Interim Financial Statements have been prepared under the historical cost convention, except for investment property which is stated at fair value. The same accounting policies, presentation and methods of computation have been followed in these Interim Financial Statements as were applied in the preparation of the Group’s annual financial statements for the year ended 31 October 2022.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 October 2022, which form the basis for these Interim Financial Statements. These Interim Financial Statements are intended to provide an update on the latest complete set of annual financial statements and accordingly they focus on new activities, events and circumstances.

3. GOING CONCERN

The Group is involved in the leasing of a diverse portfolio of real estate to subsidiary companies of AX Group p.l.c. and third parties. The majority of the current operative commercial leases are those entered into between the Group and operating and trading companies within the AX Group. Consequently, the risks inherent to AX Group’s operations will affect the ability of those companies to operate efficiently, which in turn could have an effect on their ability to pay the rent due and or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. Management of the AX Group has prepared a cashflow forecast for the AX Group and has concluded that the AX Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

3. GOING CONCERN – CONTINUED

Accordingly, based on information available at the time of approving these condensed financial statements, as a result of the strength of the Group's financial position and performance, as well as the AX Group's financial position and performance and availability of financing, the Directors have reasonable expectation that the Group will meet all its obligations as and when they fall due over the foreseeable future and therefore, that the going concern basis adopted for the preparation of these condensed consolidated financial statements is appropriate.

Profitability

The Group generated EUR3,841,692 in rental income from the lease of the Group's investment properties. As at the date of reporting, all the rental properties of the Group are contracted till the end of the year and beyond.

The Group has reported operating profit of EUR3,306,817 (30 April 2022: EUR3,369,790) in the current period representing 86% (30 April 2022: 77%) of revenue.

Liquidity and capital funding

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 AX ODYCY hotel in Qawra. Construction works on both projects started during 2021 and continued during 2022 and 2023. During 2022, the Group also obtained the full development permit for the full redevelopment of the AX ODYCY Lido in Qawra.

In February 2022, the Company was listed 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. In conjunction with the share issue, the Company also issued EUR40,000,000 unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with the Company. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021.

In January 2022, the Group obtained a EUR15million bridge loan from a local bank to part finance the AX ODYCY hotel extension and the Verdala hotel development. This loan has been renegotiated and rescheduled over a 10-year term with 8-month moratorium as of March 2023.

In January 2023, the Group obtained financing from a local credit institution in the amount of EUR30.5 million, for the purpose of financing the completion of the AX ODYCY hotel development, including the lido redevelopment. The financing allocated towards the lido redevelopment has been sanctioned, however drawdowns will only be permitted once certain conditions are deemed to be fulfilled by the lender. The loan facility is repayable over a 15-year term from the date of the first drawdown with a 12-month capital moratorium. As at 30 April 2023, EUR9.2 million have been disbursed.

As at 30 April 2023, the Group had a gearing ratio of 47.5% which is expected to increase following the full drawdown of the above mentioned facility.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

3. GOING CONCERN – CONTINUED

Cashflow forecast

Management has prepared a forecast for the Group covering 18 months from reporting date in order to assess the impact of the current situation on the businesses. The forecast reflects the capital expenditure on the Suncrest and Verdala projects and their respective financing as explained above.

AX Group p.l.c.'s business update

The AX Group is primarily engaged in four main business sectors namely, Care, Construction, Hospitality and Estates but is also involved in property development and renewable energy.

The hospitality division registered an increase in revenue of EUR2.5 million when compared to the same period last year. Tourism has regained its momentum and in the recent months, the industry has reached levels of activity that are similar to pre-COVID levels. The Group's hotels have performed exceptionally well by surpassing their projected room revenue in certain months and overall achieving their targeted profits. Given the promising outlook, management expects that this positive trajectory will continue during the rest of the year. The Healthcare division registered an increase in revenue of 9.6% compared to the same period last year. The independent apartments at Hilltop Gardens were fully occupied throughout the period while occupancy at the care home showed healthy occupancies. The Construction division was primarily focused on the two main internal developments, the extension of the AX ODYCY Hotel in Qawra and the redevelopment of Verdala site in Rabat. In addition, during the period, AX Construction continued works on various third-party projects including construction of the St. John Co Cathedral Annex and restoration of the Oratories at the Jesuits Church in Valletta.

Management of the AX Group has prepared a cashflow forecast considering significant events and transactions that have occurred or are expected to occur subsequent to year end. AX Group'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. Such repayment is dependent on the AX 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 the Company in terms of the current bond's offering memorandum.

Furthermore, management has also simulated several stress-tested scenarios to assess the AX Group's resilience and ability to handle unforeseen challenges. With the contingency plans in place, management is confident that the AX 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 AX Group's continued success.

4. APPLICATION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

During the financial period under review, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 November 2022. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

4. APPLICATION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS – CONTINUED

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed consolidated interim financial statements, that are mandatory for the Group's accounting periods beginning after 1 November 2022. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

6. FAIR VALUE MEASUREMENT

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

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

For assets and liabilities that are recognised at fair value on a recurring basis, the Company determines whether transfers have occurred between levels in the hierarchy by reassessing the categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the period.

7. REVENUE

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

	1 November 2022 to 30 April 2023 (unaudited) EUR	1 November 2021 to 30 April 2022 (unaudited) EUR
Sale of property and real estate	-	732,000
Rental income	3,841,692	3,618,172
Total Revenue	3,841,692	4,350,172

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

8. INCOME TAX

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

9. EARNINGS PER SHARE

Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 274,336,700 shares (30 April 2022: 224,210,930 shares).

10. INVESTMENT PROPERTY

During the reporting period, the Group registered additions to its investment property amounting to EUR19,964,632 (30 April 2022: EUR10,207,304). No further movement in investment property occurred during the reporting period.

Valuation process

The Group's investment properties are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the international valuation standards and professional practice. In the years 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 Group entered into long-term lease agreements of 20 years with the respective operating companies of the AX Group responsible for the operation of the relevant investment properties with effect from dates ranging between 1st July 2021 to 1st January 2022. For all properties, given the contractual obligations under the leases, their current use equates to the highest and best use.

The Group is committed to develop the AX ODYCY hotel extension and the opposite lido as well as the Verdala Hotel in Rabat. The Group has no further restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

The Group's investment property has been determined to fall within level 3 of the fair value hierarchy. Details of the investment property and information about their fair value hierarchy as at the end of the period:

Type of Property	Level 3	Total	Date of valuation
Commercial property	271,647,826	271,647,826	31/10/2022
Residential	8,571,806	8,571,806	31/10/2022
Total	280,219,632	280,219,632	

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

10. INVESTMENT PROPERTY – CONTINUED

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

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

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR4,161,806 (2022: EUR4,160,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR740,688 (2022: same) using an average growth of 2% (2022: same), discount rate of future income of 11.83% (2022: 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 EUR20,843,284 (2022: EUR20,775,000)	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 to EUR260 (2022: same) per square meter at a capitalisation rate ranging from 5.75% to 6% (2022: 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 EUR6,736,689 (2022: EUR6,220,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of €1,728,273 (2022: same) using an average growth of 2% (2022: same) and discount rate of future income of 11.83% (2022: 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 EUR206,914,087 (2022: EUR187,560,000)	Income capitalisation approach	The main inputs used are a fixed rental income of EUR9,830,231 (2022: same) per annum, increasing by 2% (2022: same) per annum and a discount rate between 9-9.75% (2022: same) and a variable rent with a discount rate of 11.83-13.83% (2022: 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 EUR37,153,766 (2022: EUR37,130,000)	Income capitalisation approach	The main inputs used are a rental income of EUR1,650,000 (2022: same) per annum, increasing by 2% (2022: same) per annum and a capitalisation rate of 7.75% (2022: same).	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 EUR4,410,000 (2022: same)	Comparative methods (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 (2022: same).	The higher the market rates, the higher the fair value

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

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

11. DEBT SECURITIES IN ISSUE

During the prior six-month interim period, AX Real Estate p.l.c. issued an aggregate principal amount of EUR40,000,000 bonds (2022 -2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2023 for the 3.5% bonds (2022 – 2032) was EUR94.75 (31 October 2022: EUR97.01). The fair value of the bond as at 30 April 2023 amounted to EUR37,900,000 (31 October 2022: EUR38,265,665). The carrying value of the bond as at 30 April 2023 amounted to EUR39,528,311 (31 October 2022: EUR39,500,567). The amount is made up of the total bonds issued amounting to EUR40,000,000 net of bond issue costs which are being amortised over the respective term of the bonds. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

	30 April 2023	31 October 2022
	(unaudited)	(audited)
	EUR	EUR
At beginning of period	39,500,567	-
Bonds issued during the period (net of bond issue costs)	-	39,445,073
Bond issue costs amortisation for the period	27,744	55,494
At year end (non-current)	39,528,311	39,500,567
Accrued interest (current)	318,356	1,024,110
	39,846,667	40,524,677

12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

Fair values

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

At 30 April 2023 and 31 October 2022 carrying amounts of the Group's current financial assets and current financial liabilities approximated their fair values due to the short-term nature of these financial instruments.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

13. CONTINGENCIES AND CAPITAL COMMITMENTS

There were no major changes in contingent assets and liabilities, and they remain in essence as reported in the Group's annual financial statements of 31 October 2022.

Commitments for capital expenditure with respect to the development and completion of a number of projects as at 30 April 2023 stand as follows:

	30 April 2023 (unaudited) EUR
Authorised and contracted	12,896,162
Authorised but not contracted	13,837,022

14. RELATED PARTY TRANSACTIONS

Transactions with related parties are subject to review by the Audit Committee in terms of the Capital Markets Rules, ensuring that such transactions are carried out on an arm's length basis and are for the benefit of the AX Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

Outstanding balances with other related parties have been disclosed in note 21 and note 25 to the audited financial statements as at 31 October 2022. Transactions and balances with these other related parties during the interim period are included in these interim condensed consolidated financial statements within trade and other receivables, trade and other payables, and other financial liabilities, including the below.

Rental income from AX Group and related parties accounted to EUR3,368,540 (30 April 2022: EUR3,259,009) during the six-month period ended 30 April 2023.

Capital expenditure on properties held by the Group by AX Construction Limited, a related party, amounted to EUR6,204,265 (30 April 2022: EUR4,602,497).

Following the above, amongst others, amounts owed by such related parties as at 30 April 2023 of EUR5,384,394 (31 October 2022: EUR9,356,342) are included within trade and other receivables, which are non-interest bearing and have no fixed date of repayment.

As at 30 April 2023, amounts owed to parent for an aggregate of EUR30,213,969 (31 October 2022: EUR30,390,069) are included within other financial liabilities, which are unsecured, bear interest of 3% plus EURIBOR and are repayable on 31 December 2034. Other financial liabilities also include amounts owed to other related parties for an aggregate of EUR15,047,510 (31 October 2022: EUR15,047,510) which bears interest of 6.25% and is repayable on 31 December 2034.

15. DISTRIBUTIONS MADE AND PROPOSED

	1 November 2022 to 30 April 2023 (unaudited) EUR	1 November 2021 to 30 April 2022 (unaudited) EUR
Dividends on ordinary shares declared and paid:		
Interim dividend for 2023	3,429,209	-
Proposed dividends on ordinary shares:		
Interim dividend for 2023	3,429,209	-

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2023

16. PRIOR PERIOD RECLASSIFICATIONS

Certain amounts within the comparative interim condensed statement of comprehensive income have been reclassified to achieve better comparability with the current period and conformity with the financial statements as at 31 October 2022. In this respect, EUR12,382 was reclassified from other operating costs to finance costs in the interim condensed statement of comprehensive income.

17. EVENTS AFTER THE REPORTING PERIOD

AX ODYCY hotel welcomed its first guests in May 2023 as planned. Final finishing works on the hotel are still in progress and are expected to be concluded by the end of June, while work on the lido is scheduled to be ready by July 2023.

At its meeting held on 26 June 2023, the Board of Directors of AX Real Estate p.l.c. resolved to distribute a net interim dividend of EUR0.0125 per ordinary share equivalent to EUR3,429,208.75.