

AX Investments p.l.c.

**Interim Report and Interim Condensed
Financial Statements (unaudited)**

30 April 2023

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AX Investments p.l.c.

Interim directors' report

Period ended 30 April 2023

Principal activities

The Company's principal activity is to act as a finance and investment company, in particular the financing or re-financing of the funding requirements of related companies within the AX Group p.l.c. group of companies.

Being the finance vehicle of AX Group p.l.c. ("the Group"), the Company has raised finance through the bond issued on the Malta Stock Exchange which it lent to subsidiaries of the Group in order to finance projects and developments. As such the Company is reliant on AX Group p.l.c. and its subsidiaries for the payment of interest due on the bond as well as the repayment of the bond at maturity. In this regard, AX Group p.l.c. has in terms of the offering memorandum of the 6% AX Investments p.l.c. 2024 bond, given a corporate guarantee to support this commitment.

Performance review

Rental income from the lease of Palazzo Capua to a related party remained constant in line with the comparative period. Administrative expenses were EUR4,892 higher than the comparative period. The company generated a surplus of EUR319,196 (period ended 30 April 2022: EUR251,863) on interest charged on loans to related parties net of bond interest payable.

Profit before taxation for the six months under review, amounted to EUR383,157 (period ended 30 April 2022: EUR320,716).

Going Concern

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

AX Investments p.l.c.

Interim directors' report – continued

Period ended 30 April 2023

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.

Dividend and reserves

The Directors do not recommend the payment of an interim dividend.



Angelo Xuereb
Chairman



Michael Warrington
Director

By order of the Board
26 June 2023

AX Investments p.l.c.

Statement pursuant to Capital Markets Rule 5.75.3 issued by the Malta Financial Services Authority

Period ended 30 April 2023

We confirm that to the best of our knowledge:

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



Angelo Xuereb
Chairman



Michael Warrington
Director

By order of the Board
26 June 2023

AX Investments p.l.c.

Condensed statement of comprehensive income

Period ended 30 April 2023

	Note	30 April 2023 EUR (unaudited)	30 April 2022 EUR (unaudited)
Operating income	12	119,180	119,180
Administrative expenses		(55,219)	(50,327)
Operating profit		63,961	68,853
Finance income	6	1,550,104	1,482,771
Finance costs	7	(1,230,908)	(1,230,908)
Profit before tax		383,157	320,716
Income tax expense		(121,716)	(106,745)
Profit after tax		261,441	213,971
Other comprehensive income		-	-
Total comprehensive income for the period		261,441	213,971
Basic earnings per share		0.05	0.04

AX Investments p.l.c.

Condensed statement of financial position

As at 30 April 2023

	Note	30 April 2023 EUR (unaudited)	31 October 2022 EUR (audited)
Assets			
Non-current assets			
Property, plant and equipment		1,277	1,702
Investment property	8	9,300,000	9,300,000
Loans and advances to group companies	9	15,023,662	44,906,416
Total non-current assets		24,324,939	54,208,118
Current assets			
Trade and other receivables		30,842,902	1,785,780
Cash and cash equivalents		42,457	7,025
Total current assets		30,885,359	1,792,805
Total assets		55,210,298	56,000,923
Equity and liabilities			
Capital and reserves			
Called up issued share capital		5,000,000	5,000,000
Retained earnings		7,165,812	6,904,371
Fair value reserves		1,095,439	1,095,439
Total equity		13,261,251	12,999,810
Non-current liabilities			
Debt securities in issue	10	-	39,913,935
Deferred tax liabilities		904,416	904,416
Total non-current liabilities		904,416	40,818,351
Current liabilities			
Trade and other payables		396,346	401,036
Debt securities in issue	10	40,315,116	1,570,273
Current tax liability		333,169	211,453
Total current liabilities		41,044,631	2,182,762
Total liabilities		41,949,047	43,001,113
Total equity and liabilities		55,210,298	56,000,923

AX Investments p.l.c.

Condensed statement of changes in equity

Period ended 30 April 2023

	Share capital EUR	Retained earnings EUR	Fair value reserve EUR	Total EUR
(unaudited)				
At 1 November 2021	5,000,000	6,479,715	848,080	12,327,795
Profit for the period	-	213,971	-	213,971
At 30 April 2022	5,000,000	6,693,686	848,080	12,541,766
(unaudited)				
At 1 November 2022	5,000,000	6,904,371	1,095,439	12,999,810
Profit for the period	-	261,441	-	261,441
At 30 April 2023	5,000,000	7,165,812	1,095,439	13,261,251

AX Investments p.l.c.

Condensed statement of cash flows

Period ended 30 April 2023

	30 April 2023 EUR (unaudited)	30 April 2022 EUR (unaudited)
Net cash flows from operating activities	35,432	26,792
Net cash flows from investing activities	-	-
Net cash flows used in financing activities	-	-
	<hr/>	<hr/>
Net movement in cash and cash equivalents	35,432	26,792
Cash and cash equivalents at the beginning of the period	7,025	487
Cash and cash equivalents at the end of the period	<hr/> 42,457 <hr/>	<hr/> 27,279 <hr/>

AX Investments p.l.c.

Notes to the condensed financial statements

Period ended 30 April 2023

1. General information

AX Investments p.l.c. (“The Company”) is a public limited liability company incorporated in Malta. The Company’s principal activity is that of financing and re-financing the funding requirements of related companies within the AX Group p.l.c. group of companies.

The interim condensed financial statements (“Interim Financial Statements”) of AX Investments p.l.c. 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.

2. Basis of preparation

The financial information of the Company as at 30 April 2023 and for the six-month period then ended reflect the financial position and the performance of AX Investments p.l.c. The comparative amounts reflect the position of the Company 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 for the period ended 30 April 2023 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 and 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 Interim Financial Statements have been prepared under the historical cost convention, except for investment property which are stated at fair value. The same accounting policies, presentation and methods of computation have been followed in these Interim Financial Statements as were applied in the preparation of the Company’s 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 Company’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

During the six-month period ended 30 April 2023, the Company recorded a profit before tax of EUR383,157 (30 April 2022: EUR320,716) and as at reporting date, its net asset position stood at EUR13,261,251 (31 October 2022: EUR12,999,810). As of this date, current liabilities exceeded current assets by EUR10,159,272 (31 October 2022: EUR389,957). Current liabilities include the EUR40,000,000 6% AX Investments p.l.c. 2024 bond.

The increase in profit before tax compared to the previous period is primarily attributed to the interest earned from the additional loan receivable from AX Group p.l.c.

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

3. Going concern – continued

AX Investments p.l.c. serves as a finance vehicle of AX Group p.l.c. (“AX Group” or “the Group”). It has raised finance through the bond issued on the Malta Stock Exchange which were lent to subsidiaries of the AX Group in order to finance projects and developments. As such the Company is reliant on AX Group and its subsidiaries for the payment of interest due on the bond as well as the repayment of the bond at maturity. In this regard, AX Group p.l.c. has in terms of the offering memorandum of the 6% AX Investments p.l.c. 2024 bond, given a parent Company Guarantee to support this commitment.

Accordingly, based on information available at the time of approving these interim condensed financial statements, the Directors have reasonable expectation that the Company will meet all its obligations as and when they fall due over the foreseeable future and therefore, that the going concern basis adopted for the preparation of these interim condensed financial statements is appropriate.

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. This diversification is a key strength of the Group since if a particular market suffers a setback, the other business sectors may help compensate for that loss.

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 the industry has reached levels of activity that are similar to pre-COVID levels in recent months. The Group’s hotels have performed well, with certain months surpassing their projected room revenue and overall achieving the targeted profits. 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 Simblija Care Home exhibited a steady increase. The Construction division was largely involved in two main internal developments, the extension of the Suncrest Hotel, rebranded as AX ODYCY hotel in Qawra including the lido redevelopment and the redevelopment of Verdala site in Rabat.

AX Group’s management 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 the 6% AX Investments p.l.c. 2024 bond will be repaid or rolled over upon its redemption date of 6 March 2024. The 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 continued success of AX Group.

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 commenced during 2021 and continued throughout 2022 and 2023. During 2022, the Group also obtained the full development permit for the redevelopment of the AX ODYCY lido in Qawra.

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

3. Going concern – continued

Liquidity and capital funding - continued

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 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 AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. It is the intention of AX Group p.l.c. to dispose of the allocated bonds at the opportune time to ascertain sufficient liquidity for the AX ODYCY and Verdala hotel developments. In fact, during the current period, the AX Group disposed of EUR2.9million nominal value of such bonds.

In January 2023, the Group secured two loan facilities amounting to Eur48.5million from a local credit institution, to finance the completion of the AX ODYCY hotel development, including the lido redevelopment.

Additionally, the Group obtained another loan facility from a local credit institution amounting to EUR36million to enable the Group to construct and finish the Verdala Terraces residential project in Rabat.

As at 30 April 2023, AX Group had a gearing ratio of 43% which is expected to increase following the full drawdown of the above mentioned banking facilities. The drawdown from these loan facilities is expected to occur over several months.

4. Earnings per share

Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 5,000,000 shares (30 April 2022: 5,000,000 shares).

5. Application of new or revised international financial reporting standards

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

During the financial period under review, the Company adopted new standards, amendments and interpretations to existing standards that are mandatory for the Company'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 Company's accounting policies.

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

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

6. Finance income	1 November 2022 to 30 April 2023	1 November 2021 to 30 April 2022
	EUR	EUR
	(unaudited)	(unaudited)
Interest income from loans and receivables	1,550,104	1,482,771

7. Finance costs	1 November 2022 to 30 April 2023	1 November 2021 to 30 April 2022
	EUR	EUR
	(unaudited)	(unaudited)
Interest on debt securities in issue	1,200,000	1,200,000
Amortisation of bond issue costs	30,908	30,908
	1,230,908	1,230,908

8. Investment property at fair value

Valuation process

The Company's land and buildings are classified as either property, plant and equipment or investment property depending on their intended use. The investment property is revalued by professionally qualified architects or surveyors on the basis of assessment of the fair value of the property in accordance with international valuations standards and professional practice.

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

The fair value of the investment property is based on a valuation carried out by an independent architect on 19 December 2022. The valuation model applied, being the income capitalisation approach, is in accordance with that recommended by the International Valuation Standards Committee and is consistent with the principles in IFRS13.

Except for part of the property which management intends to refurbish and lease as office space, the current use of the investment property is considered the highest and best use. The Company has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

8. Investment property at fair value – continued

The Company's investment property has been determined to fall within Level 3 of the fair valuation hierarchy. Details of the investment property and information about the fair value hierarchy as at the end of the period is as follows:

Type of Property	Level 3	Total
	EUR	EUR
Commercial property	9,300,000	9,300,000
Total	9,300,000	9,300,000

The 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 period.

Fair value hierarchy

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 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 at fair value on a recurring basis, the Company 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.

There were no changes in the Company's valuation processes, valuation techniques and types of inputs used in the fair value measurements during the period.

Description of valuation techniques used and key inputs to valuation of the investment property

For investment property categorized under Level 3 of the fair value hierarchy, the following approaches and inputs were used:

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property	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% net of estimated costs to refurbish the property. Annual rental rate of EUR425 per sqm is assumed for the Palazzo 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.

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

9. Loans and advances to group companies

Loans to group companies are unsecured and have no fixed date of repayment but are expected to be repaid between 2024-2034 and have an annual average interest rate of 6.6% (31 October 2022: 6.6%). The Company 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%.

10. Debt securities in issue

	30 April 2023 EUR (unaudited)	31 October 2022 EUR (audited)
At beginning of period/year	39,913,935	39,851,606
Bond issue costs amortisation for the period/year	30,908	62,329
	<hr/> 39,944,843	39,913,935
Accrued interest	370,273	1,570,273
At period/year end	<hr/> 40,315,116	41,484,208
Current	40,315,116	1,570,273
Non-current	-	39,913,935
	<hr/> 40,315,116	41,484,208

During 2014, the Company issued an aggregate principal amount of EUR40,000,000 bonds (2014 - 2024), having a nominal value of EUR100 each, bearing interest at the rate of 6% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 3 February 2014. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2023 for the 6% bonds (2014 – 2024) was EUR100.01 (31 October 2022: EUR103.5). The fair value of the bond as at 30 April 2022 amounted to EUR40,000,400 (31 October 2022: EUR41,400,000).

The carrying amount in the condensed interim statement of financial position is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March of each year at the above-mentioned rate.

The parent company, AX Group p.l.c., has provided a corporate guarantee in favor 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.

AX Investments p.l.c.

Notes to the condensed financial statements – continued

Period ended 30 April 2023

11. Contingencies and capital commitments

The Company had no commitments for capital related expenditure as at 30 April 2023 and 31 October 2022.

12. Related party transactions

The Company entered into transactions with related parties during the six-month periods ended 30 April 2023 and 2022 as follows:

	1 November 2022 to 30 April 2023 EUR (unaudited)	1 November 2021 to 30 April 2022 EUR (unaudited)
Interest receivable		
Immediate parent company	1,079,872	1,012,537
Other related parties	470,232	470,234
	<hr/> 1,550,104 <hr/>	<hr/> 1,482,771 <hr/>
Rent receivable		
Immediate parent company	119,180	-
Other related parties	-	119,180
	<hr/> - <hr/>	<hr/> 119,180 <hr/>