AX GROUP

ANNUAL REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED
31 OCTOBER 2023

AX GROUP

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AX GROUP BUSINESS CENTRE

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GROUP PROFILE

AX Group has achieved consistent growth over nearly five decades, emerging as one of Malta's leading diversified group of companies. Our reputation for excellence is rooted in a legacy of delivering innovative, high-quality projects that consistently add value to the core sectors in which we operate.

GROUP PROFILE

MICHAEL WARRINGTON
CHIEF EXECUTIVE OFFICER

DENISE XUEREB
EXECUTIVE DIRECTOR CONSTRUCTION AND DEVELOPEMNT

CLAIRE ZAMMIT XUEREB
EXECUTIVE DIRECTOR HOSPITALITY AND CARE

ANGELO XUEREB
CHAIRMAN

AX GROUP

COMPANY OVERVIEW

AX Group operates in multiple sectors, including healthcare, hospitality, development, construction, real estate, and renewable energy. We are committed to setting new industry standards and exceeding expectations in all that we do.

WHO WE ARE

In 1975, Chairman Angelo Xuereb founded AX Group, laying the foundation of the organisation 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 endeavours.

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 strive 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.

AX GROUP

CHAIRMAN'S STATEMENT

ANGELO XUEREB

2023 was one of the most challenging yet profoundly rewarding years of my career, with ODYCY and Verdala standing out as the most important achievements for the Group.

The Annual Report and Financial Statements present an ideal opportunity for one to sum up the key developments and achievements of our Group. The momentum that started in 2022 with two major Group projects underway picked up in the early part of 2023 as we were determined to meet our goal of opening the AX ODYCY Hotel in time for the Small Nations Games for which the hotel was contracted to accommodate the athletes, organisers and dignitaries.

The Group's Construction and Development teams along with many contractors and their employees worked tirelessly to achieve this goal. My daughter Denise led this challenging task. It gives me great confidence to see the commitment, energy, and dedication she invested into managing this project from start to finish over the past years. This, in my view, augurs well for the Group's future development and growth.

Simultaneously, the hotel's management team, led by my daughter Claire and Joseph Vella, General Manager for our Qawra properties, had been diligently preparing for the hotel's opening for several months. This also was an enormous task considering that we had to recruit almost 400 new employees for the hotel, train the new staff crew, establish the processes and procedures, procure and supply all the hundreds of thousands of items needed to operate a 600 room hotel. I am extremely proud of Claire's achievements in this regard since she continued to actively manage all of the other 6 AX Hotels as well as Hilltop

ANGELO XUEREB
CHAIRMAN

Gardens and the Simblija Care Home.

The new ODYCY Hotel has, as we envisioned, set high standards in the local hospitality market. The years of detailed planning, building on four decades of hospitality experience and know-how, are evident in the final product. It is no wonder that the hotel has achieved such high occupancy during the year, with significant rate growth and ratings on key online channels being among the best on the islands.

Once again the AX Group has achieved its key objective of delivering a top property on time, with exceptional standards and finishes. The look and feel of the property is that of a five-star hotel and has incorporated the latest technology in terms of its infrastructure and environmental features.

We opened the AX ODYCY lido in mid-June. The Eur20 million investment was completed within just 12 months from start to finish. The project included the demolition of the old Suncrest lido, excavation down to almost sea level, and the construction of three levels. These levels comprise an underground car park accommodating 80 cars, pools, sundeck areas, and restaurant outlets one floor below street level, with additional outlets at street level. What impresses visitors is that the new building has opened up the streetscape, widening the pavement on this side of the road. The Qawra pedestrian promenade now extends past the hotel lido with a large piazza giving access to everyone to enjoy the view across the bay.

While my full attention was on these two projects, we were concurrently working on the Verdala Terraces development. Today this needs little introduction. The two residential blocks were constructed in shell form by the early part of quarter four last year. The construction of the Verdala Hotel also started in quarter four and is expected to be completed in the coming weeks. The Verdala Terraces and the Verdala Hotel are each major projects in their own right. Besides the scale of these developments, we have chosen an exceptional design to ensure that it complements this unique location.

In June 2023 we launched the sales of the Verdala Terraces and I am pleased with the strong reception from potential buyers and the take up of these apartments. The demand for the units in Grand Mansions with their unique views and expansive terraces is just as we expected it to be. We have a good and dedicated team working on this project and I am confident once again that the final product will set new standards in the local residential market.

The AX Group is investing very significantly in these three major projects. As expected this has had a bearing on the Group financial results. The Group's operating companies performed well during the year. Our turnover increased to the Eur50 million mark, an increase of 30% on the prior year.

ANGELO XUEREB WITH DAUGHTERS CLAIRE ZAMMIT XUEREB AND DENISE XUEREB

AX SUNCREST - JANUARY 2023

AX ODYCY - AUGUST 2023

WORK IN PROGRESS AT THE VERDALA WELLNESS HOTEL

“I thank our shareholders and bondholders who have once again supported us and continue to have confidence in our mission.”

Our balances sheet remains strong, with total assets increasing to Eur474 million from Eur423 million in the prior year and shareholder funds remaining at almost the same level as 2022 at Eur244 million. All our investments are now fully funded.

During October we issued a Eur40 million bond to refinance the AX Investments plc bond that is due to mature in March 2024. The take up of the bond was strong as our existing investor base responded very positively to the issue. Within days of opening the issue, we decided to close it early since it was oversubscribed without the need to open it to the general public.

We are confident that financial year 2023/24 will show a much improved financial position now that the ODYCY hotel is fully operational and that the sale of a number of residential units in the Verdala Terraces should be signed during the year. There is no doubt in my mind that next year will be another busy and eventful year for the Group.

The Group’s management team was strengthened during the year with the engagement of two key executives. Today the group employs almost 1,200 people and this number will increase in the coming months as we prepare to launch the Verdala Hotel during 2024. I am very confident that our Executive Management led by our Chief Executive Officer, Michael Warrington will continue to take the group to new heights.
I conclude by thanking the AX Group board of directors, that of AX Real Estates plc and that of AX Investments plc for their commitment and support in the way we steer the AX Group and its subsidiaries. I have always been close to the Group employees because I know that it is through their hard work and dedication, their knowledge and expertise that we continue to grow as one of the leading businesses in the Maltese Islands and I intend to uphold this approach.

Both Claire and Denise are exceptional entrepreneurs. They have embraced the commitment, dedication, and hard work required to lead such a big and diversified group of companies. And, as always, I am grateful to my wife, Josephine, for her support and encouragement in bringing our vision and dreams together.

Last but not least, I thank our shareholders and bondholders who once again supported us and who remain confident in our mission. We will continue to strive to deliver superior returns to our shareholders in the long term and for the AX Group to be one of the leading businesses in the Maltese Islands.

Angelo Xuereb
Chairman

AX GROUP

CEO'S REVIEW

MICHAEL WARRINGTON

Financial year 2023 was one driven by our two current major development projects, The Verdala Terraces and the AX ODYCY Hotel and Lido. These were coupled with other strategic moves to transform the management and operating structures of the Group to meet the needs of a fast growing and diverse business.

We started the year fully aware that the opening of the AX ODYCY Hotel was a key priority because this property is the single main revenue generator of the Group. I am pleased to report that the hotel did open to the planned timeline and welcomed the first guests in May 2023. A hotel opening especially one of the scale of ODYCY requires detailed planning and coordination. As we were opening the hotel work on the ODYCY Lido, a site measuring almost 5,000 square metres was moving rapidly. We opened the lido in mid-June. This project included building a car park, a laguna outdoor pool, an indoor pool and food and beverage outlets to take the additional business that the larger hotel requires.

The Verdala Terraces and Verdala Hotel projects were also progressing steadily during this period. We reported last year that work on the first of the two residential blocks had started late in the year. The first of the two blocks, The Royal Mansions was complete in shell form in April 2023 with The Grand Mansions finalised by the end of the financial year. Works on the finishes commenced and the Group was confident to launch the sale of the residential units in June 2023.

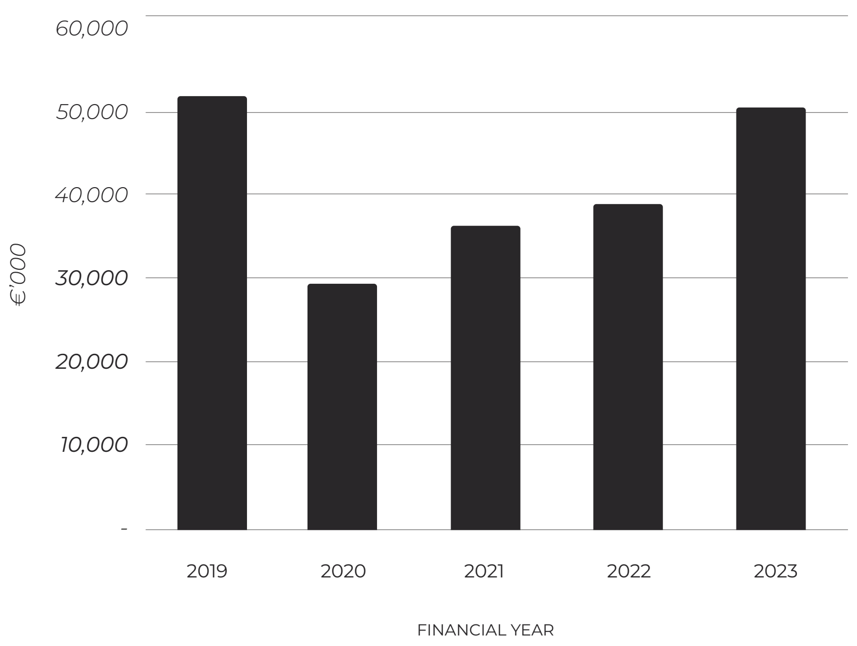
These two key development projects naturally required the full focus of the Group's management.

In line with our expectations, the Group's revenue increased to Eur49,865,256 up from Eur38,269,722 in financial year 2022. The growth was mainly registered from the operation

MICHAEL WARRINGTON
CHIEF EXECUTIVE OFFICER

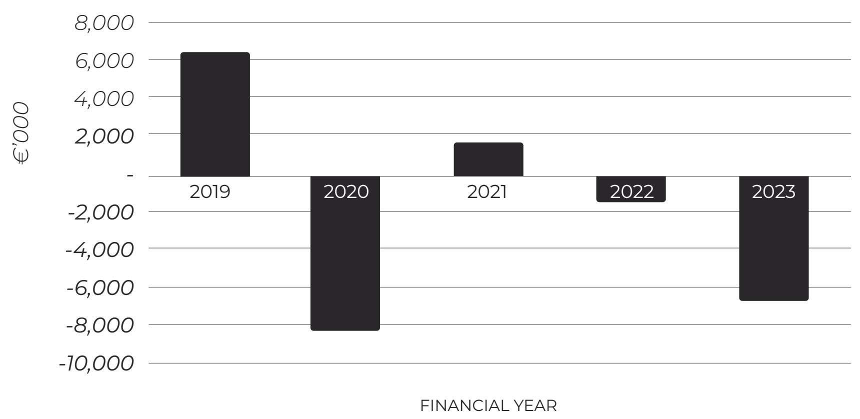
of ODYCY which in the first six months of operation generated revenue of Eur9.8 million. 2023 saw the local hospitality sector registering performance comparable to the records achieved in 2019. This is what we had envisioned when we had embarked on the project to redevelop the Suncrest Hotel and its lido. Even though the result was only a six month operation of ODYCY, the Group's turnover was almost back to the same level reported in our record year 2019. We expect to see significant growth in turnover in the coming years.

REVENUE & OTHER INCOME



As one can expect in a period of high investment such as financial year 2023, the Group registered a loss before taxation of Eur6,817,166.

PROFIT BEFORE TAX



The Group's EBITDA was Eur7,445,341 (EBITDA in Financial year 2022 was Eur7,220,246) reflecting the cash generated from operating activities. The key contributors to the loss were the increase in payroll costs resulting from the growth in business, the higher overall interest expense reflecting the higher borrowings associated with the Verdala Terraces and ODYCY projects as well as higher depreciation as a result of the new assets being brought into use. We experienced increase in borrowing costs also due to the general rise in interest rates during the last year.

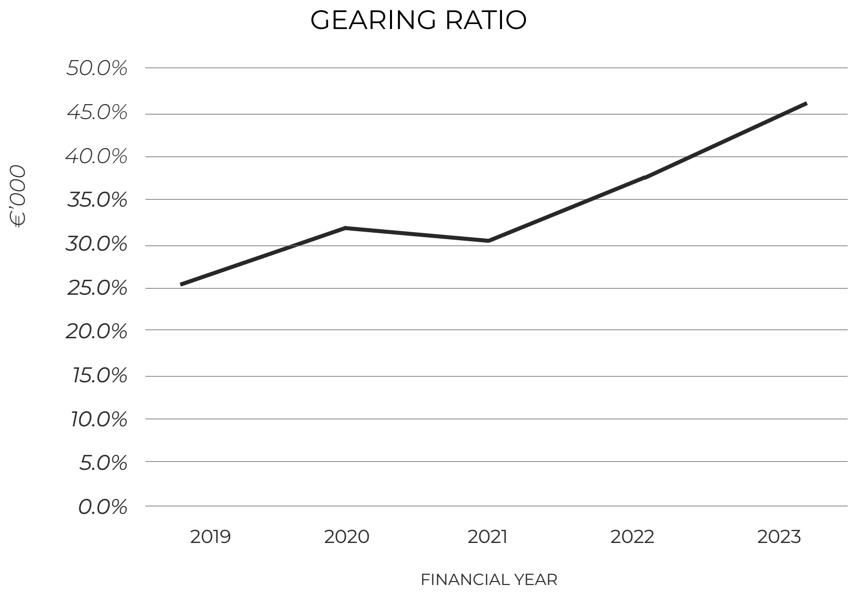
TOWN HALL PRESENTATION AT AX HOTELS, SLIEMA

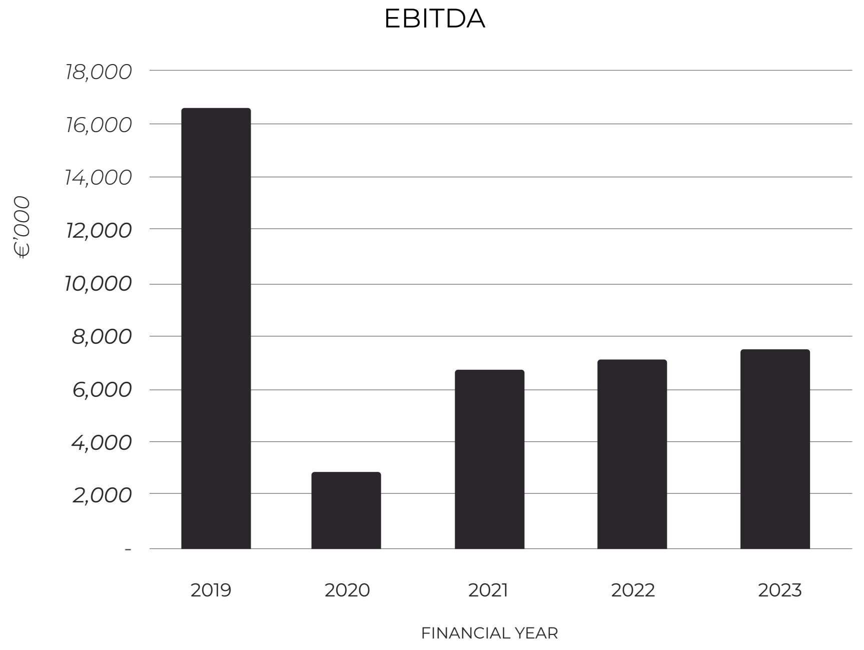
MICHAEL WARRINGTON WITH ANGELO XUEREB

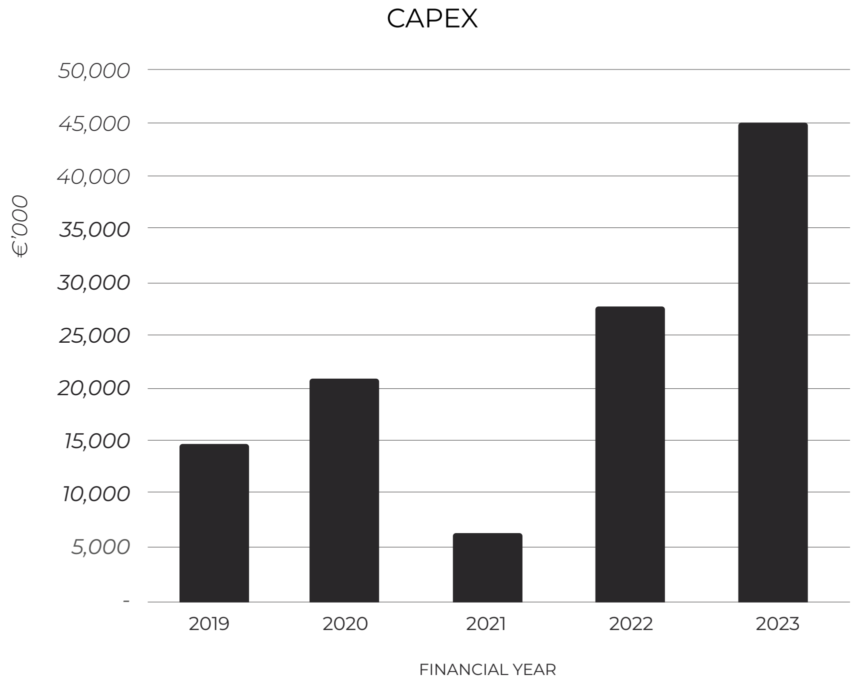
“I thank the Xuereb family; their inspiration and hands-on management are integral to the success of the Group.”

In spite of the loss, the Group’s finances remain strong. Over the past five years our capital expenditure was in excess of Eur114 million. Thanks to successful equity and bond issues as well as additional bank financing during this period, we have been able to sustain this investment and the funds needed to complete the Verdala Terraces and Verdala Hotel are in place.

The Group’s gearing has increased from 26% in 2019 to 46.3% in 2023. However our cash generation in the coming years will see this come down significantly as sales proceeds from the Verdala Terraces will reduce the loan for this project and release funds into the group.







So much more has been happening in the group during this year. A quick review of our other businesses shows that while AX Construction remained primarily focused on the work in Qawra and Verdala, we were also carrying out significant projects for clients. Most notable among these projects are the works on restoring the Oratories of the Jesuit Church in Valletta. We also commenced works on the new arrivals lounge for the Malta International Airport. We have appointed a General Manager for AX Construction, thereby relieving Denise Xuereb from the day-to-day operations of the company to focus more on the development side of her responsibilities.

Hilltop Gardens and the Simblija Care Home continued to show growth. The apartments at Hilltop Gardens remain fully taken up with a significant waiting list from people wishing to take up residence in the village. We were successful in obtaining the full development permit for an additional floor of residential units. The focus on community and active lifestyle are what make the AX Care business so special and I am confident that our management do a very good job from the feedback we receive.

Our investment in Valletta Cruise Port plc continues its strong performance. The rapid expansion of our partner in this venture, Global Ports Ltd, has strengthened the position of Valletta as a key must have in many Mediterranean Cruises. The work on the extension of our quays is progressing and while this has caused operational and cost challenges, our management have succeeded in minimising the impact of the works on our results. Once the quay extension is complete in 2024, the company will have the additional capacity to accommodate larger cruise ships. The Company also secured the full development permit for the Atrium site at Pinto stores. This will be developed as additional retail and food and beverage outlets but also a car park which will be an important addition to the venue.

At the start of the year we engaged Mr Nicky Camilleri as Chief Operating Officer of the Group as well as Ing Marthese Vella as Chief Technology Officer. These two key roles have strengthened the AX Group's Executive Management team at a time when we feel the need to enhance oversight on our operations and simultaneously drive change through technology. The Group acknowledges that the growing workforce needs to be supported by the latest technology to maintain its operational efficiency. Moreover the manner in which we interact with our customers is changing and we are responding to this. We will be embarking on our first artificial intelligence project which will greatly facilitate the interaction with hotel guests, by far our largest individual customer base. We also took the decision to replace our core hotel management platform to one that facilitates the ever increasing number of software applications needed to interact effectively and efficiently with our customers. The Group will be investing further in technology in the coming years to ensure we have a robust platform providing the necessary data and information required to manage this rapidly expanding group.

We have developed a strong internal marketing capability within the Group. Led by Ms. Jocelyn Cuomo, our marketing

MICHAEL WARRINGTON WITH ALBERT BONELLO,
MANAGING DIRECTOR FINANCE AND ADMINISTRATION

"The bond was fully subscribed by existing investors in the Group, with many AX Investments bondholders opting to convert to the new bond issued by AX Group plc."

AX GROUP BOND PROSPECTUS

team designs, manages, and maintains all the AX Group's websites and social media. It is also responsible for generating ideas and creating all design work internally. In fact, this publication is one of several prepared entirely in-house. This year we also published the second edition of "The Verdala" a visual record of the redevelopment of our property in Rabat with this year's edition dedicated to the construction of The Verdala Terraces and Verdala Wellness Hotel.

The Group's Environment, Social and Governance committee was particularly active during the year. Many initiatives to reduce plastic, minimise waste and recycle materials are in place and are actively monitored to ensure that we keep the Group's carbon footprint to the minimum.

Our human resources are key to our success. During the year our workforce increased to almost 1,200 employees mainly at the ODYCY hotel. We continue to place great importance to induction of our employees and ongoing training. We recruited a Manager for our Training Academy and provided over 19,504 hours of training to our employees during 2023.

The Group's commitment to the communities where we are present and to assisting people facing personal challenges remains strong. The AX Foundation was very active throughout the year with several events organised. We remain grateful to the team who lead the AX Foundation, for the time and commitment to this noble cause.
During 2023 the Group decided to issue a bond to refinance the AX Investments bond that will mature in March 2024. The take-up of the bond was positive so much so that we had to close the issue after just 10 days as it was oversubscribed. The bond was fully subscribed by existing investors in the Group with many of the AX Investments bondholders taking up the conversion option to the new bond issued by AX Group plc.

I conclude by thanking the AX Group's management and employees for the success that was achieved in 2023. The loyalty and commitment of so many is truly rewarding. Needless to say, I thank the Xuereb family; their inspiration and hands-on management are integral to the success of the Group. The independent Directors on the boards of AX Group plc, AX Real Estate plc and AX Investments plc were supportive throughout the year and strive to further the AX Group's interests at all times.

Lastly, I thank our investors for their unwavering support, the many contractors, their employees, the financial institutions, and intermediaries who supported the AX Group, and all the other stakeholders who helped us realise such great achievements this year.

Michael Warrington
Chief Executive Officer

AX GROUP

BOARD OF DIRECTORS

The Board of Directors provides oversight, direction, and governance for AX Group, ensuring alignment with company goals and mitigating risks to protect stakeholder interests. Through regular engagement with management, the Board promotes transparency and upholds ethical standards, driving growth and value creation for the Group.

Angelo Xuereb
Chairman

Michael Warrington
Director / Chief Executive Officer

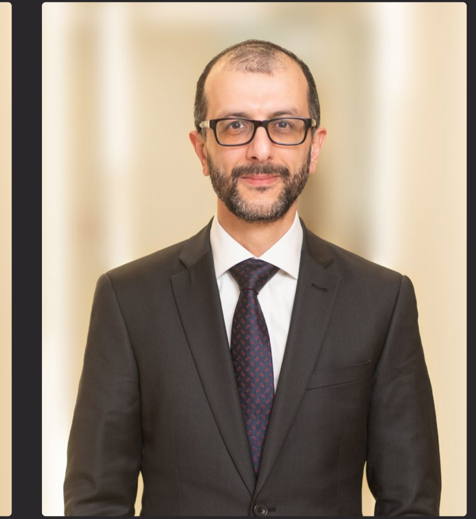
Denise Xuereb
Executive Director Construction and Development

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

AX GROUP

EXECUTIVE MANAGEMENT TEAM

The members of the Executive Management Team have effectively leveraged their collective experience, resources, and knowledge to drive the Group's progress. Navigating market challenges, promoting innovation, and reaching significant milestones have played a crucial role in driving business transformation in 2023.

From left to right:

Ing Marthese Vella Chief Technology Officer
Dr. David Wain Chief Legal Officer
Caroline Schembri Head of Administration
Albert Bonello Managing Director Finance & Admin
Claire Zammit Xuereb Executive Director Hospitality and Care
Michael Warrington Chief Executive Officer
Denise Xuereb Executive Director Construction and Developemnt
Nicky Camilleri Chief Operating Officer
Jocelyn Cuomo Head of Marketing & PR
Kevin Callus General Manager Sliema and Valletta hotels
Joseph Vella General Manager Qawra hotels
Josephine Grima Head of Human Resources

AX GROUP

AX INVESTMENTS P.L.C.

The Board of Directors of AX Investments plc in conjunction with the Board of Directors of AX Group plc entered into an arrangement for the repayment of the AX Investments bond that matures in March 2024. AX Group plc offered to the market a bond with a coupon of 5.85% maturing in 2033 and under the terms of the offer gave preference to the holders of the 6% AX Investments 2024 bond issue to convert into the new bond. The take-up of the bond was very strong with more than 70% of AX Investment bondholders availing themselves of this offer. Moreover many of these investors also exercised the option to subscribe for additional amount of the new bond. As a result the AX Group closed the bond for new subscriptions well before the targeted closing date. The AX Investments plc bonds that did not exercise the option will be repaid on the 6th March 2024 as agreed.

The Board of Directors of AX Investments plc is grateful to the investing public for its continued support for the AX Group.

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

AX GROUP

BUSINESS TRANSFORMATION

AX GROUP

TRANSFORMING CHALLENGES INTO OPPORTUNITIES

Throughout the past year, AX Group has remained steadfast in its pursuit of business transformation, guided by the principles of creativity and value-centricity. Placing the customer at the core of our operations, we prioritised efficiency and agility to navigate the challenging market landscape.

AX GROUP BUSINESS TRANSFORMATION

AX GROUP

- Next Generation Firewall Project
- Enterprise Resource Planning (ERP) System
- Bespoke Bond Software System

AX CARE

- Software Management System
- Simblija & Revive Websites

AX DEVELOPMENT

- Restoration of a Derelict Palazzo into Prestigious Offices

AX HOTELS

- AI Enabled Virtual Agent
- Multi-Property Integrated System
- Suncrest Transformed into AX ODYCY
- New AX Hotels Unified Website Model

AX CONSTRUCTION

- Digital Document Management System

BUSINESS TRANSFORMATION

This year marked a notable development for the Group as our Information Technology (IT) and Business Transformation (BT) units joined forces under unified leadership. This consolidation aims to drive comprehensive business transformation across the Group, ensuring streamlined operations that are more efficient and responsive to the evolving needs and expectations of our clients.

Following the appointment of a Chief Technology Officer in April, we initiated a series of projects poised to deliver meaningful transformations across all AX Group's business units. Through a comprehensive audit of our existing systems, we identified essential service management improvements and opportunities for system consolidation. This evaluation also unveiled areas for enhancement, forming the basis for a crucial three-year IT Strategic Plan which will guide our technological evolution, ensuring a resilient IT infrastructure capable of scaling operations through the integration of emerging technologies including artificial intelligence, cloud computing, and cybersecurity measures.

Several noteworthy updates have already been successfully implemented within our business units. At AX Hotels, we transitioned property management and point-of-sale systems in our Valletta and Qawra hotels to a multi-property integrated system. This transition has enabled us to utilise innovative technologies, such as mobile apps for housekeeping and restaurant operations, along with remote guest check-in. Our plan is to finalise the migration for the remaining two Sliema hotels by March 2024, while a forthcoming project will introduce self-service kiosks for an improved check-in experience.

Furthermore, we're introducing an Artificial Intelligence (AI) enabled Virtual Agent to enrich our hospitality customer journey. This technology enables us to analyse user preferences and behaviours, facilitating personalised interactions and recommendations. We believe this personalised touch will enhance user experience, fostering increased customer loyalty across all our hotel and F&B brands.

Within AX Construction, we introduced a Document Management System, facilitating a shift toward a digital ecosystem to optimise workflows. Starting in the finance department, the initial focus was on managing financial and sensitive documents, integrating them into the system for enhanced security and accessibility. We view the Document Management System as an evolving project, which will require continuous refinements to align with our ever-evolving digital strategy and the Group's business goals.

Another milestone achieved was the development and use of a bespoke system to assist us with the issue and subscription of the Initial Public Offering (IPO) in 2021 and 2023. The system allows us to monitor, in real time, the subscriptions from interested potential investors, thus enabling us to monitor incoming transactions and take decisions in real-time. This project further underscores AX Group's commitment to utilising advanced technology for enhanced efficiency.

More impactful business transformation initiatives are on the horizon for 2024, including a next-generation firewall, which will markedly improve the security, connectivity, and scalability of our current IT infrastructure.

Within AX Care, Simblija Care Home will be receiving a digital facelift with the introduction of a comprehensive Care Home software management system. The system is designed to facilitate the administrative role, leaving us more time to dedicate to palliative care. It includes nursing tools for efficient patient care management, nutrition planning, and kitchen management. It also offers a family login feature, allowing real-time updates on residents' daily progress.

We are strategically planning to consolidate various systems used across our businesses into a unified Enterprise Resource Planning (ERP) System. This initiative aims to streamline our data management processes and foster more informed decision-making across the organisation.

As we move forward, we remain committed to navigating the ever-changing complexities of the digital landscape and customer preferences to foster a strategic and integrated approach to Business Transformation at AX Group. By doing so, we aim to sustain our success and competitiveness, adapting swiftly to meet the demands of today's markets.


MALTA MARITIME MUSEUM - VITTORIOSA

03 BUSINESS SECTORS

At the core of our diverse operations is our firm commitment to building communities, reflecting our dedication to making a positive impact in the industries and localities we serve.

ATTENTIVE CARE AT SIMBLIJA CARE HOME

AX CARE

WHERE COMMUNITY MATTERS

United across three distinct brands—retirement village Hilltop Gardens, elderly care home Simblija, and physio and aquatic therapy centre Revive—AX Care has maintained its position as a leading private care provider in Malta over the past year. We have strengthened our core operations and expanded our services, gearing up for further growth in the years ahead.

WHERE COMMUNITY MATTERS

Following the appointment of Ms. Claire Zammit Xuereb as Director of AX Care, our focus has been on streamlining operations to enhance efficiency, ensuring that the business is more agile in response to market demands. We've also worked to unify and strengthen each AX Care brand. This has ensured clearer communication of our services, facilities, and lifestyle offerings, making them more accessible across different audiences.

Navigating the challenges of providing quality care amid rising costs and inflation has posed unique challenges within the healthcare industry. Our residents value personalised care and human connection within our village premises in Naxxar, making it crucial for the business to focus on maximising revenue for sustainable profitability.

Encouragingly, Hilltop Gardens and Simblija Care Home have maintained strong occupancy throughout 2023. Hilltop Gardens, our retirement village, has experienced increased interest, reflected in a growing waiting list of over 60 families, while Simblija Care Home has consistently operated close to full capacity.

Furthermore, we have refined our strategy to achieve a sustainable balance between long and short-term residents, aiming to optimise revenue streams more effectively. Our respite services, catering to

LIFE AT SIMBLIJA CARE HOME

RESPITE SERVICES AT SIMBLIJA CARE HOME

> "Our respite services, catering to both families and patients from local hospitals, have proven particularly successful."

both families and patients from local hospitals, have proven particularly successful. This diversification not only enhances our operational resilience but also accounts for a significant amount of our Simblija Care Home revenue. Our respite services also continue to serve as a valuable strategy, introducing new clients to our offerings and high standards of personalised care. This not only facilitates a smoother decision-making process for them but also establishes a lasting connection with AX Care.

We take pride in providing the highest levels of care for our residents and therefore we continually seek opportunities to enhance our services, tailoring them to meet the evolving needs of our residents. In the past year we have expanded our range of services to incorporate wound treatment, delivering added value and specialised care to our residents. We will continue to invest in staff training to broaden our service portfolio, solidifying AX Care's position as the most comprehensive independent elderly care service provider on the island.

To further strengthen the sense of community at Hilltop Gardens, we have increased the scheduled in-person visits to residents within their apartments. This ensures that individuals who may not regularly use communal areas still receive personalised attention, mitigating feelings of loneliness. Through these interactions, our goal is to foster genuine human connections, ensuring that residents feel comfortable reaching out whenever they need assistance.

We have also welcomed more third-party tenants, bringing more activities to the village whilst adding new revenue streams. At Revive, we have partnered with DanceHub Studio for movement classes, which have been well-received and in addition we have extended Revive's service hours due to high demand. Here too, our aim is to enhance overall value for clients, both within and outside the village.

With regard to AX Care's food and beverage unit, we've focused on raising awareness about our diverse offerings, with a secondary goal of introducing more people to our services and positioning our facilities for future needs. The promotion centred around our welcoming family-friendly restaurant, The Orchard, our inviting communal bar, The Lounge, and catering services. While promoting our F&B offerings to attract patrons and private events, our emphasis has been on maintaining a proportional balance between the ongoing rise in operational costs and the generated revenue.

Throughout the summer, we organised numerous themed nights and BBQs, offering residents a chance to host family and friends. The success of our Sunday buffet lunches at The Orchard has further contributed to driving more business towards our restaurant.

In order to adapt to evolving tastes and preferences, we've updated the Simblija residential catering menus to include enticing and health-conscious meal options. In response to our residents' preferences, we've also introduced a variety of local flavours, acknowledging their fondness for Maltese cuisine.

Beyond offering professional care and excellent facilities, we prioritise enhancing the lives of our residents through hosting activities and events, fostering a vibrant community spirit within the village. Our diverse calendar includes active ageing sessions, arts and crafts workshops, and performances by local artists, creating numerous opportunities for shared enjoyment, among staff and residents alike.

Another highlight on our activities calendar is our weekly excursions to diverse places of interest throughout Malta. Some highlights from the past year include a picnic at Ta' Qali, a tour of the gardens at San Anton Palace, a visit to the Mediterraneo Marine Park, a day trip to Gozo, and more. We also hosted residents at the AX ODYCY Hotel in Qawra, which brought back many fond memories for residents who remember the former Suncrest hotel in its prime. This experience has inspired our events team to plan more excursions to our sister companies within AX Group. We've observed that residents take pride in being part of the AX family, feeling a stronger connection and familiarity to our offerings.

Last year's Christmas market marked our biggest yet, with more exhibitors joining the festivities around the village. This event has become a much-loved staple on our annual calendar and residents take pride in welcoming their families and visitors to their home in such a festive celebration. We are looking for more opportunities to organise similar events, with plans already underway for our first Easter market in 2024.

To maintain our high levels of care, we continue to be meticulous in our recruitment efforts. Beyond excellent qualifications, we seek qualities such as charisma, patience, and a cultural fit to ensure each team member offers personalised care that aligns with our values. In efforts to enhance our workforce, we've appointed a new Head of Human Resources for AX Care. Collaborating with the Director, we are revising the organisational structure of our care unit, providing training where necessary to create more expertise and efficiencies.

Aligned with AX Group's ESG efforts, AX Care has a

THE ORCHARD RESTAURANT

"Our skilled team at Revive provides personalised treatments for specialised therapy and rehabilitation, ensuring the best treatment towards recovery."

REVIVE PHYSIO AND AQUATIC THERAPY CENTRE

representative on the AX Group ESG committee to ensure group-wide plans and actions are followed through around our premises. We continue to implement adjustments, like optimising aircon temperatures, introducing energy-efficient boilers, reducing and separating waste, and installing a reverse osmosis system to replace single-use water bottles. These incremental adaptations not only resonate with our values but also contribute to substantial cost-effectiveness.

LOOKING AHEAD

In the upcoming year, our focus will remain on expanding our care business. We are carefully assessing all available spaces within our premises to ensure optimal usage and explore potential new revenue streams. Simultaneously, we're investing in strengthening the management of our physiotherapy centre, with aspirations for both local and international growth.

Aligned with our commitment to digital advancement across all our business units, Simblija Care Home is set to undergo a digital transformation in the upcoming months. The introduction of a comprehensive Care Home software management system is on the forefront, streamlining administrative tasks and allowing the team more focus on their core duties. This system integrates extensive nursing tools for resident care management, nutrition planning, kitchen food and menu management. Additionally, it offers a family login feature, providing real-time access to residents' daily progress. This digital upgrade will not only enhance our operational efficiency but elevate the overall care experience for our residents and their families.

AX Care remains committed to enhancing the lives of our residents, and their families. We will continue to tailor our offerings to better meet their needs and exceed expectations. Looking ahead, our goal is to maintain our position as a leading provider in retirement housing and care home facilities in Malta, continually adding quality and value to our diverse spectrum of services.


Simblija

AX ODYCY HOTEL - QAWRA

AX HOTELS

EXCEPTIONAL HOSPITALITY EXPERIENCES

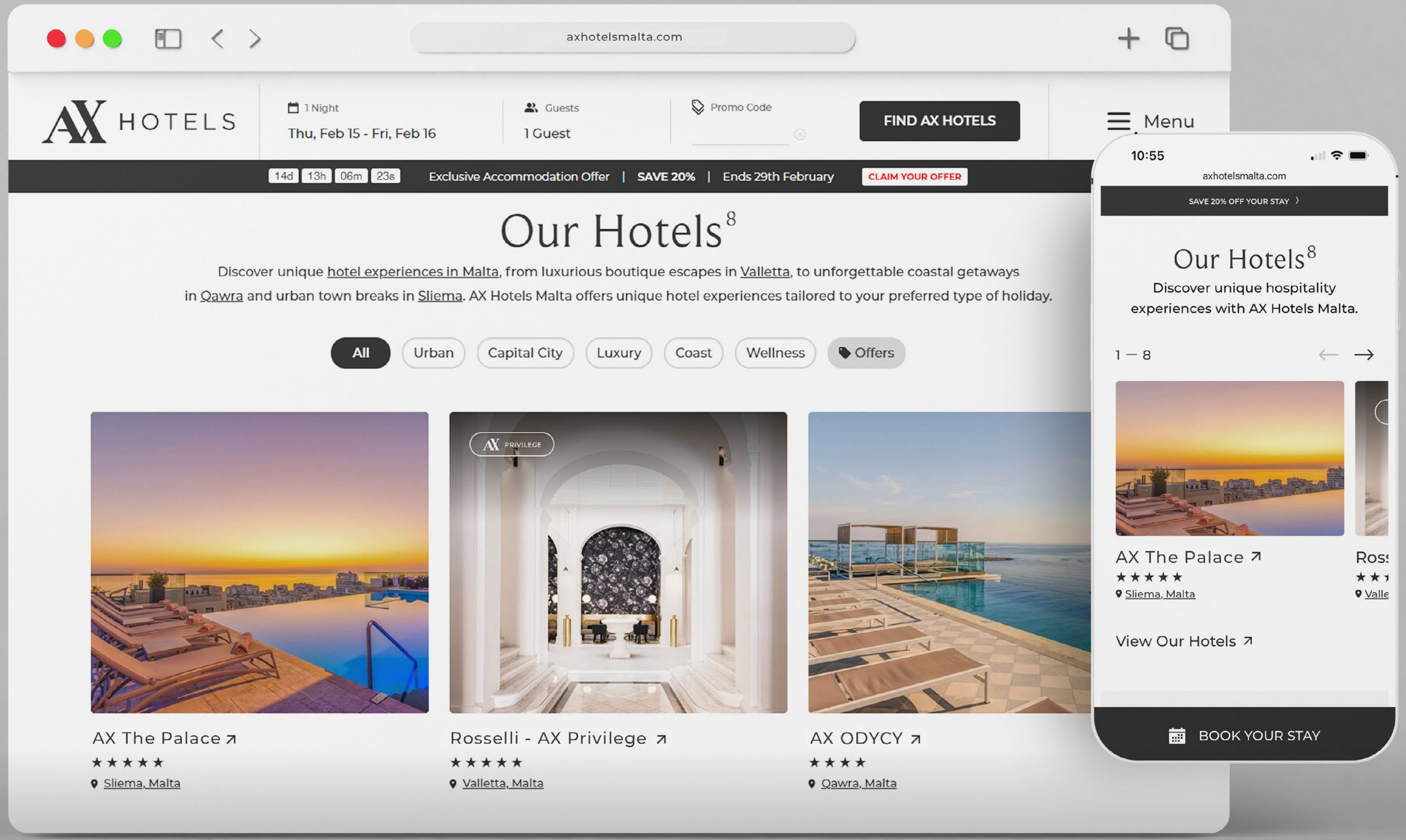
After a challenging three-year period for Malta's tourism, AX Hotels experienced a positive resurgence in the past year, signaling a stronger recovery for the industry. Not only has our hospitality business rebounded, but AX Hotels itself has experienced a transformative year marked by the reopening of AX ODYCY, the introduction of a host of new F&B brands, a comprehensive online rebrand, and crucial upgrades aimed at enhancing guest experience.

EXCEPTIONAL HOSPITALITY EXPERIENCES

Taking into consideration the local hospitality market's growth in bed stock in 2023, we're encouraged that our hotels consistently achieved occupancies above the national average. Our Sliema and Valletta properties exceeded performance expectations, with occupancies returning to pre-pandemic levels. Furthermore, the reopening of AX ODYCY in Qawra, added an extra 600 rooms to our portfolio, ensuring this property has once again emerged as a major cash generator for the Group.

Our revamped AX Hotels website, which has brought all hotels, food and beverage outlets, facilities, and hospitality services into one consolidated site, has also been vital in strengthening our position and reach in the market. The redesign focused on meeting the needs and expectations of today's holidaymakers, ensuring an intuitive and easy-to-navigate experience.

As part of our ongoing journey towards business transformation, this year AX Hotels initiated the



NEW AX HOTELS WEBSITE

BRADY DALLI - EXECUTIVE SOUS CHEF AT GRAIN RESTAURANTS - VALLETTA

> **"Our commitment extends to encouraging progression at all levels of our operations, ensuring our people have the support they need to flourish in their careers."**

migration of our property management and point of sale systems to a state-of-the-art multi-property integrated system. Thanks to this migration, our Valletta hotels, as well as our Qawra hotels, are now utilising several innovative technologies, such as mobile apps for housekeeping and restaurant operation, and remote check-in which have significantly increased our operational efficiency.

On the food and beverage side of operations, the past year has been very positive as we maintained distinguished accolades and welcomed new brands into our portfolio through a collection of unique dining experiences. The encouraging results continue to bolster our standing within the ever-changing hospitality landscape as we look to explore further investment and new opportunities that are set to diversify and expand our portfolio in line with the evolving preferences of our guests and diners.

At AX Hotels, we recognise that the ongoing success of our hotel and F&B operations ultimately comes down to the talent and dedication of our people. This is a fact that's consistently affirmed by the positive reviews and testimonials we receive, praising our people for their professionalism and warmth. Acknowledging the staff shortages prevalent across mainland Europe, we are committed to offering competitive salaries and attractive benefits to retain our reputation as an employer of choice.

We are dedicated to enhancing working conditions and providing opportunities for professional development and training, including collaborations with prestigious entities like Forbes. Our commitment extends to encouraging progression at all levels of our operations, ensuring our people have the support they need to flourish in their careers.

QAWRA

In Qawra, our focus at the beginning of the year centred on the smooth reopening of the AX ODYCY hotel. The initial quarter was dedicated to putting the finishing touches on the project and ensuring each department was fully trained and organised for the opening as we prepared to welcome guests. Notably, with this resort, we intentionally decided to invest in and train individuals from the Gen Z demographic. This strategic choice aligns with our broader goal of creating hotel experiences tailored to different traveller segments and generations. By doing so, we aim to effectively cater to the market on all levels. At AX Hotels, we take pride in delivering diverse hospitality brands, each offering distinct guest experiences that resonate with the evolving preferences of today's travellers.

In tandem with the comprehensive rehaul of this property, a decision was made to undergo a full rebrand. Although the Suncrest name has been a stalwart in Maltese hospitality since the 1980s, management sensed the opportune moment for a complete refresh. This not only helped us reintroduce and garner renewed interest in the hotel within

AX ODYCY LIDO - QAWRA

AX ODYCY HOTEL

> "Guests praised not only the revamped hotel's high quality finish and facilities but also commended the professionalism of our entire team."

the local sector, but it also mirrors the property's transformation into a contemporary resort complex.
Taking inspiration from Homer's Odyssey, which has long associations with the Maltese islands, the new AX ODYCY name was chosen to represent the concept behind our reimagined hotel as a year-round destination offering endless possibilities to a broad spectrum of travellers. Featuring an expanded range of options, facilities, and attractions, the AX ODYCY brand is designed to convey that the resort offers everything a traveller would need on-site for a memorable stay in Malta, delivering compelling and diverse journeys for guests to enjoy throughout the year all within one expansive resort destination along the Qawra coast.

The first phase of AX ODYCY's reopening kicked off in May, with 400 out of the 600 rooms ready for guests. This reopening marked a significant milestone as we hosted official delegations for the Games of the Small States of Europe 2023. Throughout this sporting event, the resort welcomed over 1000 guests, including royalty, ministers, and Olympic medallists. A month later, our hotel played host to several UEFA Under-21 teams competing in Malta. This involved extensive coordination by the entire AX ODYCY team, as each football squad had specific needs, from technical requirements to tailored menus and dietary preferences.

Both events, along with numerous incentive trips, conferences, and group travellers arriving at our hotel between May and June, went satisfactorily. Guests praised not only the revamped hotel's high-quality finish and facilities but also commended the professionalism of our entire team. These occasions served as a valuable learning experience, helping the AX ODYCY team address any issues before opening the remainder of the rooms and welcoming individual travellers starting from July. Throughout the summer, the hotel saw a steady rise in occupancies each month, drawing numerous positive reviews and ratings from guests. AX ODYCY also introduced a range of new facilities, including a kids club, led by engaging animators, providing daily activities and programs for our young guests; and the introduction of an indoor pool extending relaxation opportunities beyond the summer season.

Moreover, the start of summer marked the initial stage of the brand-new AX ODYCY lido, situated opposite the hotel along the Qawra waterfront. In addition to the expansive pool areas, the space has been designed with a family-friendly waterpark including playful water features and a children's paddle pool. The lido also offers a variety of dining options, ideal for families enjoying a day by the pool or an evening of drinks and al fresco dining with sea views. The revamped lido continues to reflect the AX ODYCY brand's ethos to deliver distinct experiences to diverse audiences.

On launch, AX ODYCY introduced three new F&B brands, including buffet restaurants Deck and Keel, our lobby-level coffee and snack bar Espresso, and lounge bar Sidestreet.

Given the high volume of diners among our hotel guests, we strategically chose not to actively promote new ODYCY outlets among the local market during the summer. This allowed us the time to refine and perfect each offering. When we eventually launched campaigns for locals, we were well-prepared to meet expectations. Our initial focus was on promoting our Sunday lunch buffets, which garnered an excellent response from the local market, resulting in regular and repeated bookings.

Gradually, we expanded our F&B offerings at AX ODYCY, introducing our adult-only cocktail bar Medusa Sky Bar and our Mediterranean fusion restaurant, Minoa and later launching Italian Trattoria Riccardo. Early feedback has been positive. Guests appreciate the unique experiences on offer, emphasising the exceptional service and the high quality of our cuisine and beverage selections. As we continue to refine our approach, we are confident that these outlets will carve out a niche and become sought-after destinations in the Qawra area.

Our popular Cheeky Monkey brand has also evolved significantly over the past year. The original gastropub moved to new premises further along the Qawra waterfront. While maintaining its core uniqueness, we've enhanced the experience with a dedicated bar area and are also looking to introduce new options on the food menu. We have also built upon and expanded the brand into new concepts with the introduction of Cheeky Monkey Creperie and Cheeky Monkey Waters, which will form part of the extended AX ODYCY lido area. These expansions aim to tap into different market segments, offering guests and diners a unique and fun experience, and ensuring that the brand continues to be a go-to spot for those seeking a lively atmosphere by the coast.

Meanwhile, at AX Sunny Coast, our self-catering aparthotel concept, the past year was business as usual. The AX Hotels team is now gearing up to commence a ground-up redevelopment of this hotel. This transformation will usher in fresh design, facilities, and sustainable features to redefine the resort's aparthotel experience, catering to a wider range of travellers. We are also in the process of expanding our Qawra lido which when completed, will include a total of 350 parking spaces, conference facilities, additional F&B offerings, and a series of laguna pools.

MEDUSA, LEVEL 10 SKY BAR AT AX ODYCY

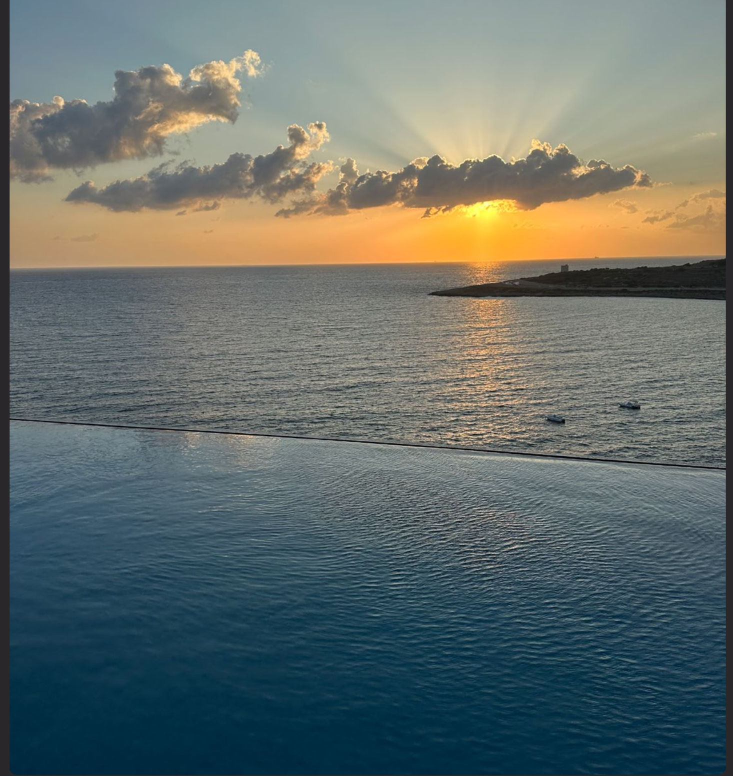
MEDITERRANEAN FUSION DINING AT MINOA, LEVEL 11 AX ODYCY

“Guests appreciate the unique experiences on offer, emphasising the exceptional service and the high quality of our cuisine and beverage selections.”

TRATTORIA RICCARDO - AUTHENTIC ITALIAN RESTAURANT











Made in Italy
PAVESI RIMINI


LUXEMBOURG
BASKETBALL

VALLETTA

This past year was a significant one for our Valletta properties, as it marked the first time we operated at full capacity, notably because our 5-star boutique hotel, Rosselli AX Privilege, had opened only a few months before the onset of the pandemic. As such, this was the first full year where all our Valletta hotels and food and beverage outlets were up and running, positioning 2023 as a benchmark year for our future performance.

Both Rosselli AX Privilege and AX Saint John maintained high occupancies throughout the year. To offset rising costs while delivering a luxury experience through a high staff to guest ratio, the team has adopted a strategy to postioning Rosselli at the premium end of the market, with early signs indicating the approach is proving successful.

Rosselli also retained its Forbes-preferred status, a testament to its exceptional quality and level of service. Furthermore, efforts are underway to enhance the guest experience to align with the discerning tastes of guests within this luxury demographic. To this end, we've welcomed a new hotel manager bringing

GRAIN STREET, MERCHANT STREET - VALLETTA

MICHELIN-STARRED EXPERIENCES AT UNDER GRAIN

"Rosselli - AX Privilege retained its Forbes-preferred status, a testament to its exceptional quality and level of service."

fresh ideas to tailor our offerings to the market. Additionally, we're in the process of relaunching our AX Privilege programme, featuring exclusive events and experiences such as wine tasting sessions hosted by our head sommelier and private culinary experiences at our Michelin-star restaurant, Under Grain. More offerings are in the pipeline for the upcoming year. Simultaneously, we're working to extend the privileges enjoyed at Rosselli to our upcoming Verdala Wellness 5-star hotel, ensuring a consistent luxury brand experience across both properties.

In the past year, we've also taken proactive steps to position Rosselli as a luxury venue for small-to-medium weddings and events in the capital, and we're encouraged by the increasing number of inquiries and bookings we are receiving. Recognising the potential to grow this side of the business, we are taking time to understand client preferences, making our relatively new facilities more widely known in the local market.

Our Valletta restaurants enjoyed another positive year, surpassing revenues from the previous financial year. We take great pride in the fact that our fine dining restaurant Under Grain retained its Michelin star for the fourth consecutive year, while Grain Street, our Mediterranean sharing plates concept also, maintained its Bib Gourmand status. Our ongoing investments in recruitment and training of talent are paying dividends, underlining our commitment to upholding high-quality dining concepts that cater to diverse audiences.

We also extended our Grain brand with the official launch of Over Grain, located on the Rosselli rooftop. Operating during the summer season, it features a menu purposefully distinct from our other Grain offerings. With a bespoke cocktail list and a premium selection of wines and champagnes, combined with its views over Valletta, Over Grain has performed well and we have additional plans for the coming year to further capitalise on its growing reputation in the capital's dining scene.

We are also gearing up for the growth of our Cheeky Monkey Gastropub in Valletta. We have secured a shop space next to its current premises and are currently in the process of obtaining permits to begin the refurbishment and redesign of the new space in Q1 2025. Our aim is to strengthen our F&B offerings in the capital, offering diners a spectrum of options that range from casual eats to gourmet experiences, all delivered with the same high standards that have become synonymous with AX Hotels brands.












AX HOTELS

SLIEMA

Signs were also positive across our Sliema properties, which performed solidly. AX The Palace and AX The Victoria Hotel exceeded the previous year's occupancy levels significantly, despite falling slightly short of the projected targets. This was mitigated with an increase in room rates, ensuring our hotels remained profitable and resilient to market forces.

At AX The Victoria, we've revamped Level -1, enhancing staff changing rooms, restroom facilities, and creating new office space for our reservations, finance, and recruitment teams, providing them with a more comfortable working environment.

In another positive development, we've constructed a new boardroom at AX The Victoria, known as the George Lounge. While serving our internal needs, this has added valuable venue space for rent, enriching our venue portfolio.

In relation to our MICE services, we have increased our marketing investments to promote our Sliema hotels as premier venues for weddings and conferences. This includes intensified online promotions and active participation in international fairs. Over the past six months, our efforts have yielded positive outcomes, with reservations for 2024 demonstrating encouraging trends. These strategic initiatives have further solidified the reputation of our Sliema properties as preferred destinations for small to medium-sized events, effectively reaching our intended audience.

The addition of outdoor hot tubs in two suites at AX The Palace continues to be popular with guests, enhancing their overall experience. Plans are in motion to extend

TRUE HOSPITALITY AT AX THE PALACE

CELEBRATING 16 YEARS SINCE THE OPENING OF AX THE PALACE

“The achievements of our Sliema properties reflect the resilience, dedication, and competence of our entire workforce, guided by effective management.”

this feature to two more suites.

To address cost pressures, we made a strategic decision to consolidate our kitchen operations at both hotels into a single production kitchen. This approach has allowed us to synergise between the two hotels, leveraging economies of scale to counter rising costs while maintaining the distinctiveness of our end products for clients, ensuring both value for money and quality across our 4-star and 5-star offerings. Tangible results from this strategy started emerging in Q4 of this financial year.

We’re also enhancing our Sliema hotels for a better guest experience by upgrading mattresses, curtains, and incorporating new door locks with Bluetooth technology for a cardless guest experience consistent across all AX Hotel properties. In Q1 2024, our Sliema hotels will transition to a new property management and point-of-sale system, and we’ll also be installing new Wi-Fi systems. Looking ahead, plans are underway to revamp Level 0 at The Palace in 2025 with a new interior design. We remain committed to investing in and updating our Sliema properties to consistently uphold the high standards that guests have come to expect.

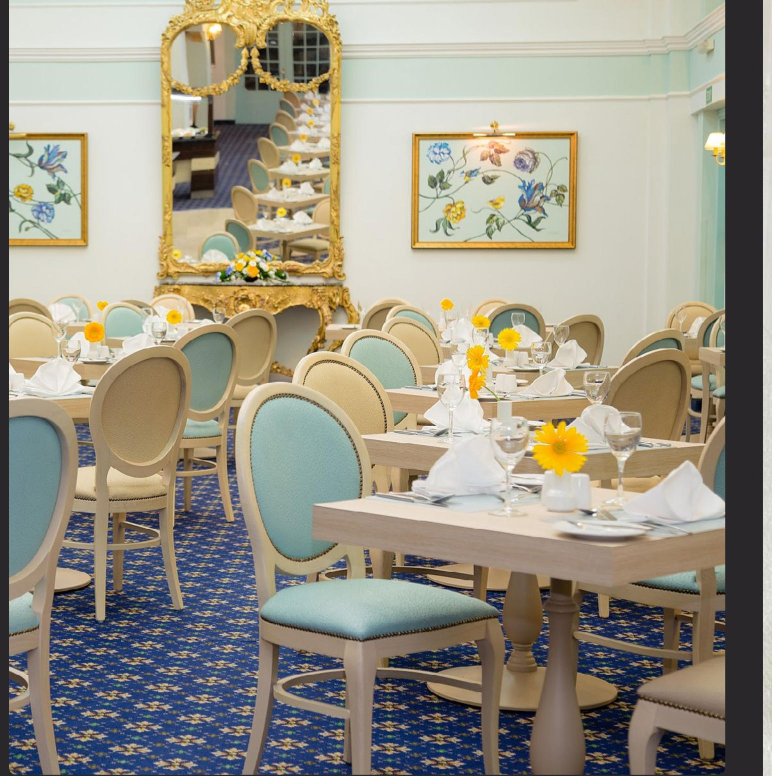
We have also gradually brought our F&B operation back to their pre-pandemic vitality. Our Asian fusion restaurant TemptAsian continues to be our flagship dining outlet in this area, opening for dinner six times a week. The restaurant consistently enjoys good occupancy, thanks to a mix of hotel guests and strong local following. Last year, TemptAsian introduced a new menu, offering a blend of familiar favourites alongside innovative additions. We also introduced themed nights with special menus at fixed-price points which were very well-received.

This year saw the return of our Sunday buffet lunches at AX The Palace and AX The Victoria, a welcome comeback since the pandemic. These dining experiences serve as a significant cash generator for our operations. It’s heartening to see familiar faces returning year after year, an affirmation that is appreciated by our kitchen and service teams. Additionally, we reopened Penny Black pub at The Victoria, which has retained its core concept of offering pub meal classics together with live sports and a relaxed atmosphere.

The achievements of our Sliema properties reflect the resilience, dedication, and competence of our entire workforce, guided by effective management. Their hard work and commitment have been instrumental in maintaining our properties’ success and reputation in the hospitality sector.







AX HOTELS
BE THE CHANGE FOR A GREENER WORLD
Save the planet
one sheet at a time!
PLACE THIS CARD ON THE BED WHEN
YOU REALLY NEED A FRESH SET
SUSTAINABILITY





LOOKING AHEAD

Building on the positive outcomes of the past year, our focus is on capitalising on our successes as we move forward. Bookings and reservations are filling up for the upcoming year, indicating another busy period with high occupancies anticipated across our Valletta, Sliema, and Qawra properties.

In addition to the redevelopment of the Sunny Coast, we eagerly anticipate the addition of our eighth hotel, the Verdala Wellness Hotel in Rabat. Set to open its doors in 2025, this 5-star wellness hotel is poised to carve a new niche in luxury hospitality in Malta, ensuring that we continue to deliver an exceptionally rich and diverse range of experiences across our hotel portfolio in the years to come.

In 2024, we will be launching an Artificial Intelligence (AI) enabled Virtual Agent with the aim of using the latest innovative technology to enrich our hospitality customer journey. AI enables virtual agents to understand user preferences and behaviours, allowing them to provide personalised interactions and recommendations. This individualised touch will surely enhance the user experience and is set to increase customer loyalty. In addition, in March of 2024 we are migrating the last two hotels in Sliema to a state-of-the-art multi-property integrated system which will significantly increase our operational efficiency especially in different areas of operations. Our next milestone is to further enhance the check-in process through the implementation of self-service check-in kiosks.

Looking forward, we will continue to enhance our offerings and guest experiences to go beyond the expectations of our clients. By building on our existing brands and tapping into diverse market segments, we strive to provide distinct and tailored experiences that resonate with the ever-evolving tastes of our valued guests. Leveraging top-tier talent, personalised service, industry innovations, and a genuine passion for hospitality, AX Hotels aims to ensure each experience with us is not just a visit but an extraordinary and memorable journey.

CLAIRE ZAMMIT XUEREB WITH CAMILLE BRINCAT - VERDALA HOTEL MANAGER
PLANNING AND PREPARATION FOR INTERIORS

AX ODYCY HOTEL

AX DEVELOPMENT

INNOVATIVE DESIGN

In the past year, AX Development has achieved notable milestones, marking the completion of several internal projects. Through a series of high-impact projects, we are delivering innovative ideas that instil fresh perspectives into the local market, while always adhering to our promise of delivering quality projects to the highest standards.

AX DEVELOPMENT

INNOVATIVE DESIGN

At the start of the year, the AX Development team concentrated on adding the final touches to the reopening of AX ODYCY hotel in Qawra in May. The AX ODYCY project presented a unique challenge for our team as the aim was not only to achieve a modern look but also to implement a design narrative that would take guests on a journey throughout their stay at the hotel. The core of our design philosophy has been to inspire a sense of exploration as guests move through the property. Taking cues from cruise liners and airports, our architects and designers collaborated to shape this concept into distinct areas within the communal spaces, each with its unique character and a different feel of space. While these areas have their own character, together, they enhance the overall experience at AX ODYCY, creating a journey of discovery for our guests. This design ethos has been further reflected within the various dining outlets housed inside the hotel, where each venue needed to have a unique and varied identity. Despite the inherent complexities, our success in opening in time for Malta's peak tourism season showcased the dedication and cooperation across multiple teams, underscoring our ability to deliver high quality projects on time to extremely high standards.

Preparations are also underway for a comprehensive redevelopment of AX Sunny Coast Resort & Spa, with

ALL HANDS ON DECK TO TRANSFORM THE SUNCREST INTO AX ODYCY

"Great care was taken to preserve many of the building's original features, while reimaging the building's functionality to cater for businesses looking for a prestigious office space in the capital."

PALAZZO LUCIA - VALLETTA

our architects, engineers and designers currently in the process of fine-tuning plans. Our goal remains to align our spaces, venues and offerings with the preferences of today's travellers and holidaymakers.

Another important milestone for the AX Development team has been the successful completion of Palazzo Lucia. This 18th-century palazzo, located at the corner of Merchants Street and St. Lucia Street in Valletta, has been transformed into a prestigious office working hub, offering 1,248 square metres of exceptional design and architecture. Great care was taken to preserve many of the building's original features, such as the floral design on the façade and original timber and metal railings, while reimaging the building's functionality to cater towards modern businesses and professionals looking for a prestigious office space in the capital.

The historic palazzo has now been transformed into 18 fully serviced offices of various sizes, accommodating both individual professionals and entire teams. Tenants benefit from a suite of high-quality amenities, ranging from meeting areas to a boardroom equipped with stop of the range video conferencing facilities.

Preservation efforts focused on the central courtyard, meticulously maintained with a panoramic elevator and a ventilated glass ceiling, allowing ample natural light to create a bright and welcoming office environment. Additionally, the rooftop terrace functions as a breakout area with views extending from the capital to Grand Harbour. The traditional wooden balcony which curves around the building adds a charming touch that harmonises seamlessly with its historical context. These strategic investments underscore our commitment to considerate developments that honour our architectural heritage while addressing contemporary requirements through an enticing and profitable venture.

Works have also progressed on the Verdala Terraces in Rabat. With construction of the Royal and Grand Mansions complete, focus has been given to completing a sample residence to the highest standards to illustrate the high levels of spatial planning and finishes residents can expect. With apartment sales already underway, the Development team is working closely with buyers to tailor each apartment to their unique requirements and specs. These apartments are scheduled for full completion by Q3 2024.

Our development team is now focused on perfecting the plans for the interiors of the Verdala Wellness Hotel, with a design that draws inspiration from raw materials and natural elements, promising a calming aesthetic that permeates every aspect of the property, from rooms and treatment areas to dining and communal spaces. More details about this project will be shared soon.

LOOKING AHEAD

As these multi-year internal projects near completion, AX Development remains committed to identifying and investing in high-potential ventures. With various permits secured and plans in progress, we are poised to diversify our property portfolio, further enhancing the AX Group's reputation in the years ahead. Our commitment remains in delivering quality projects that seamlessly integrate thoughtful design and innovative approaches, which add substantial value to our clients and investors.

COUNTRYSIDE VIEWS FROM THE VERDALA TERRACES

SHOW APARTMENT AT THE ROYAL MANSIONS, VERDALA TERRACES

DENISE XUEREB WITH DEVELOPMENT TEAM MEMBERS

COMPLEX CIVIL ENGINEERING WORKS AT AX ODYCY LIDO

AX CONSTRUCTION

LANDMARKS OF SUCCESS

After the successful completion of several major internal projects in 2023, AX Construction shifted its focus towards serving an increased number of third-party clients. We remain committed to delivering high quality construction and restoration solutions, reinforcing our standing as an innovative leader in the local construction industry.

AX CONSTRUCTION

LANDMARKS OF SUCCESS

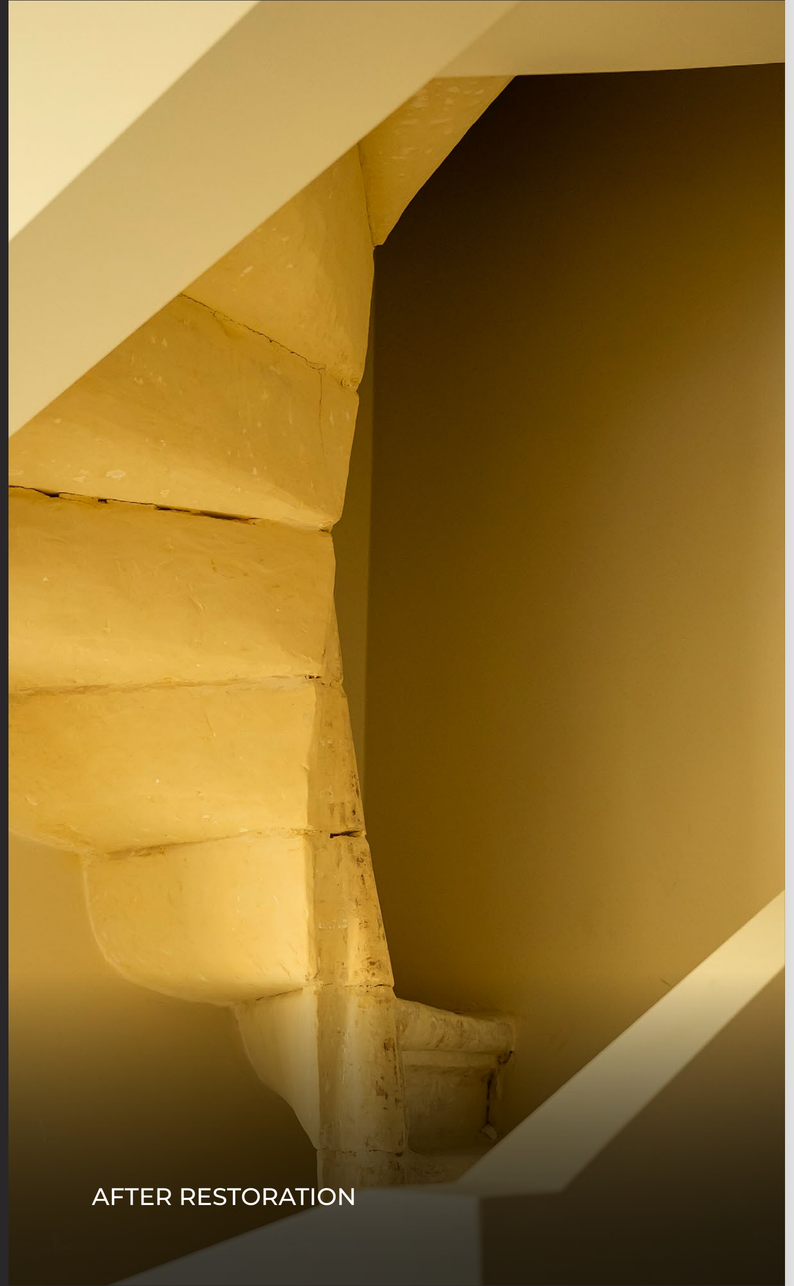
Following the completion of the first phase of construction at the AX ODYCY resort in Qawra, and its handover to the hotel operations, AX Construction poured greater energy into our next flagship project, the Verdala Terraces and Verdala hotel. The Grand and Royal Mansions saw successful completion of civil works. Notably, the team was satisfied with the decision to employ post-tensioning method on the concrete, which marked the first time this construction process was used in Malta in such a way. In addition, the UHPC cladding has not only enhanced the building's aesthetic integration with its surroundings but also brings added advantages including increased durability and improved insulation.

Once works on the Verdala's residential structures was completed, attention shifted to finalising the hotel and wellness resort, which have posed unique challenges and opportunities to realise the envisioned luxurious and spacious internal spaces, which are set to be unlike any of the Group's previous hotel properties. The civil works on the hotel are targeted to be complete by Q1 of 2024. Our aim is to allow ample time for the interior

UHPC CLADDING AT THE ROYAL MANSIONS, VERDALA TERRACES

“AX Construction meticulously retained many classic features at Palazzo Lucia such as the floral design adorning the facade elements and the generous proportions of the internal spaces.”

“GARIGOR”
BEFORE RESTORATION



AFTER RESTORATION

design phase, ensuring the building’s distinctive aesthetic is achieved for its scheduled opening in early 2025.

AX Construction also successfully completed construction and restoration works at Palazzo Lucia, our new professional office hub on Merchants Street, Valletta. We employed innovative strategies to reintroduce this 18th-century building within a modern context, creating luxurious office spaces that leverage many of the property’s inherent features. Internal spaces have been designed to meet the needs of today’s professionals, providing a perfect harmony between contemporary functionality and the building’s historical elements.

Significant efforts were directed at restoring the original timber and metal railings, restoring them to their former lustre after years of erosion. Moreover, the restoration of the courtyard and rooftop not only revived these areas but also created additional breakout spaces filled with natural light. Despite the challenges of working on busy Merchants Street, the team efficiently completed the project within our targeted timeframe and to very high standards, drawing attention from potential tenants seeking a prestigious office address in the heart of the capital.

On the restoration front for third-party clients, we successfully wrapped up the prestigious Malta Maritime Museum project in Birgu. In Sliema, we carried out significant changes to the historical Villa De Giorgio, involving extensive façade alterations and additions, including a swimming pool. Furthermore, we’re conducting civil works and restoration efforts on a farmhouse at Marsovin’s Marnisi wine estates in Marsaxlokk, which will be converted into a visitor’s centre.

Works also continue on the new visitor’s centre at St. John’s Co-Cathedral. After completing foundation works, piling, and earthworks, our team began superstructure works. We’re also actively constructing the main structure’s floor for the new Tapestry Hall Museum, designed to exhibit the cathedral’s tapestry collection. Maltese limestone has been integrated into the new masonry, maintaining harmony with the original structure of the cathedral. Furthermore, we’re recovering polystyrene blocks and timber formworks for future projects, solidifying our commitment to minimizing construction waste at every stage of the project.

Additionally, we successfully concluded contracted restoration efforts on the Jesuit’s oratories in Valletta. Our conservation and restoration teams delicately executed highly sensitive tasks, restoring wall paintings, masonry fabric, statuary, marble flooring, stone carvings, as well as timber and metal structures within the oratories. The positive reception of our work resulted in AX Construction securing a tender for further structural and internal restoration works within the main nave inside the Jesuit's church. This acknowledgment underscores our expertise in heritage conservation, reaffirming our position as a trusted partner dedicated to preserving Malta's architectural legacy.

Another notable milestone for AX Construction was securing the contract for the extension of Malta International Airport Terminal. Building on our successful track record with projects like Valletta Waterfront and the Parliament building, this achievement reaffirms our commitment to major civil engineering endeavours that directly bring tangible benefits to our country and economy.

Our firm has also secured a pivotal role as one of the main contractors overseeing the imminent restoration of Villa Lunginsland in Rabat. AX Construction has been entrusted with the task of revitalising the masonry fabric of this historic building, which has unfortunately fallen into disrepair over the past seven decades. We eagerly anticipate collaborating with the building's new owners to meticulously restore this Grade I Historic Property to its former glory.

Alongside concluding such diverse internal and restoration projects, AX Construction underwent an internal restructuring, investing in new management to enhance efficiency across our numerous projects and responsibilities. The addition of a general manager, has improved day-to-day operations, contributing valuable expertise and effective leadership to the team.

We strategically invested in marketing initiatives to promote our core services and offerings to the local market, which span construction, restoration, project management, and turnkey solutions for residential and commercial properties. These outreach efforts are yielding positive outcomes, with a growing interest from external clients seeking to engage our services for their projects.

The unit also initiated a shift from a reliance on paper-based documents to a streamlined digital ecosystem, optimising resource utilisation. The introduction of a Document Management System (DMS) marked a pivotal step in this transformation enabling us to achieve a range of objectives, including centralising

THE JESUIT CHURCH ORATORY OF THE ONORATI IN VALLETTA

DENISE XUEREB WITH CONSTRUCTION AND DEVELOPMENT TEAM MEMBERS AT PALAZZO LUCIA, VALLETTA

"Building on the successful recruitment efforts of the previous year, AX Construction has focused on the retainment of talent through various initiatives."

and securing data, enhancing organisational value through metadata association, promoting data-driven decision-making, streamlining approval workflows, and encouraging cross-departmental collaboration.

Moreover, beyond the business advantages, this digital transition aligns our efforts with the Group's broader sustainability goals, demonstrating a robust commitment to Environmental, Social, and Governance (ESG) practices. This initiative is part of a broader set of actions within the unit to comply with ESG regulations and uphold the values of the Group.

In waste management, we have executed plans for efficient waste disposal, emphasizing material reuse and recycling, thus minimising our environmental impact. We updated waste separation procedures, striving to separate at the source whenever possible, and carefully selected distributors to ensure responsible waste disposal. Similar efforts were achieved with regards pollution control, where we invested in electric and hybrid vehicles. These initiatives not only contribute to environmental preservation but also exhibit fiscal prudence by leveraging efficient, eco-friendly transportation solutions.

Building on the successful recruitment efforts of the previous year, AX Construction has focused on the retainment of talent through various initiatives. The company's directors, underpinning their commitment to good governance, champion transparency, accountability, and ethical conduct. This principled approach not only meets regulatory standards but also cultivates a culture of trust and excellence within the company.

Active participation in mental health awareness campaigns created a supportive work environment, promoting the holistic well-being of our employees, while staff training programmes provided continuous learning opportunities, offering courses to enhance knowledge and skills. Notably, many employees participated in first aid and health and safety courses, ensuring we maintain a highly skilled and safety-conscious workforce.

Planning ahead, AX Construction is set to continue its work on the next phases of the Qawra masterplan in the next few years. Following AX Development's finalisation of plans, AX Construction will embark on a ground-up redevelopment of AX Sunny Coast Resort & Spa. The lido's expansion will reach the AX Sunny Coast Resort & Spa, creating a continuous 300m waterfront stretch. Upon completion, the lido will feature 350 parking spaces, new conference facilities, additional dining options, and a series of lagoon pools.

AX ODYCY

AX REAL ESTATE

CREATING VALUE TO INVESTORS

In 2023, AX Real Estate achieved several significant milestones, notably the successful completion of the AX ODYCY Hotel and Lido project in Qawra. In conjunction with this notable accomplishment, were the securing of additional long-term financing for ongoing projects and the full occupancy of all investment properties, both to third parties and AX Group subsidiaries.

CREATING VALUE TO INVESTORS

These accomplishments collectively contributed to a more robust and profitable AX Real Estate Group, evident in improved revenues and operating profit compared to previous years.

AX Real Estate experienced notable growth in its third operational year. With all the Group's investment properties fully occupied, the completion of AX ODYCY Hotel and Lido in Qawra presented substantial new rental opportunities to capitalise on. A base rent was initiated from the first day of Qawra's re-opened operations, resulting in an immediate positive impact on the real estate unit's performance. The re-opening of AX ODYCY was further bolstered by the upswing in Malta's tourism industry, which once again reached pre-pandemic levels. This positive trend helped generate increased revenue, gross operating profit, and net profit before tax levels, within the hotel operating companies, surpassing previous years.

In financial year 2024, we expect the AX ODYCY operation to contribute more significantly to the Group's performance. With the lido's expansion, added facilities and F&B offerings to the destination, the base rent from this operation is set for a full year, coupled with a notable variable rent tied to growing revenues and profitability. This positive outlook is further reinforced by promising future tourism indicators from both the market and bookings within our hotel properties. This bodes well for the sustained growth and enhancement of rental income within the AX Real Estate Group in the years ahead.

With the completion of the AX ODYCY project, our attention now turns to Rabat where the 5-star Verdala Wellness Hotel is undergoing construction. Expected

AX REAL ESTATE CEO DENISE XUEREB PANELLIST AT GRANT THORNTON'S CONFERENCE - THE MALTA'S PROPERTY MARKET – A TRUE PICTURE

VERDALA WELLNESS HOTEL UNDERGOING CONSTRUCTION

> "Several key strategies have been instrumental in enhancing the efficiency and profitability of our real estate business."

to be completed by the end of 2024, the Verdala Wellness Hotel signifies an important milestone for the Group, adding the eighth property to our hotel portfolio. As such, this venture is set to introduce a new dimension to our hotel portfolio, presenting fresh avenues for rental income crucial to enhancing the Group's revenues in the future.

In addition to exploring new rental opportunities, several key strategies have been instrumental in enhancing the efficiency and profitability of our real estate business.

AX Real Estate has continued to consolidate its operation, and simplify its structures, by merging two of its subsidiaries into one. Namely, The Saint John Boutique Hotel Ltd, owner of AX The Saint John in Valletta, was merged with Palazzo Merkanti Leisure Ltd, the owner of the Rosselli AX Privilege in Valletta. This strategic move has not only promoted better collaboration and communication among our Valletta properties, establishing a unified strategic focus, but also brings tangible benefits, including cost savings, reduced overheads, and resource sharing, fostering a more streamlined and effective operations.

In addition, we have also further enhanced the expertise and competencies of our core real estate team by leveraging the diverse resources available within AX Group's corporate level. This approach ensures we maintain economies of scale and avoid duplicating roles. At the administrative level, AX Real Estate benefits from various functions, including IT, legal, HR and marketing. This collaborative strategy not only enhances the skill set of our real estate professionals but also fosters a more efficient and integrated operation.

In line with all other business units in the Group, technology is continuing to play a pivotal role in our operational efficiency. We've automated nearly all our processes, from generating rental invoices to raising purchase orders and storing permanent and accounting documents in digital formats. Our reporting, including monthly consolidated management accounts, is also automated, contributing to a highly streamlined administrative setup with added eco-friendly benefits due to the reduction of paper communications.

We are embarking on the subsequent stage of business evolution by implementing a solution designed to oversee the primary assets within AX Real Estate properties. Shifting away from traditional manual methods, this initiative aims to enhance our asset management with an automated approach. By optimising asset tracking and facilitating advanced planning for preventive maintenance, we're ensuring a more streamlined and responsive operation. This move is aligned with our commitment to staying agile and adaptive to market dynamics, allowing us to swiftly respond to evolving trends and needs within the real estate landscape.

More positive news was generated in 2023 from the AX Real Estate plc on the Malta Stock Exchange. Throughout the year ending on October 31, 2023, the company distributed two interim dividends—one in January and another in July—totalling a net payout exceeding Eur6.8 million. This resulted in a net rate of return on the original investment of at least 4.17%, thereby upholding the commitment made to its investors. The company plans to continue distributing dividends, with a gross distribution exceeding Eur4 million in the post year end interim dividend payout in January 2024.

AX Real Estate plc also paid out bond interest of Eur1.4 million on its Eur40 million bond in February 2023, for the financial year ending on October 31, 2023. Another equivalent bond interest payout was paid out post year end in February 2024.

During the year, the company secured a Eur30.5 million bank loan for additional financing for the Qawra project. Additionally, a short-term Eur15 million bank loan was rescheduled into a longer-term loan with a 10-year term.

It brings us pride to continue to deliver value on the promises we make with investors, and we persist in our commitment to uphold transparency and enhance communication with all investors through various channels, such as the investor section on our website, newsletters, the annual report, and engagements like the AGM and presentations to financial institutions, held throughout the year. The feedback received affirms that investors value the efforts we put into keeping them well-informed about our operations, which ensures not only a clearer understanding of our activities but also fosters a sense of trust and collaboration, solidifying a mutually beneficial relationship.

The primary focus in the upcoming year will centre on completing the Verdala Wellness Hotel in Rabat. This project promises exciting new rental opportunities crucial for enhancing the Group's revenues in the future. Additionally, the Group is actively engaged in various future investment property projects, such as the reconstruction of the Sunny Coast Resort in Qawra and the vertical extension to the Hilltop Gardens retirement village in Naxxar, among others.

Overall, the AX Real Estate team remains committed to expanding its portfolio, acquiring and designing high-quality properties to meet diverse rental needs, and adding substantial value for our clients and investors.


ARTISTIC IMPRESSION - VERDALA WELLNESS HOTEL

BUSINESS SECTORS


IMSELLIET SOLAR FARM

AX RENEWABLE ENERGY

GREEN ENERGY SOLUTIONS

AX RENEWABLE ENERGY

GREEN ENERGY SOLUTIONS

The Group's photovoltaic plants in Imselliet, Hilltop Gardens and at its Business Centre, were fully operational throughout financial year 2023 and the results of the energy generated are very encouraging. The Group's related company, Imselliet Solar Ltd is actively pursuing other opportunities in the renewable energy sector both in Malta and overseas.

A number of exciting projects are being studied with a view to investing further in this sector. As the technology in this field rapidly advances in efficiency, the feasibility of certain projects improves. The Group is evaluating other energy related projects in addition to the standard photovoltaic market.

SOLAR PANELS AT HILLTOP GARDENS

VALLETTA WATERFRONT

AX GROUP

OTHER INVESTMENTS

AX GROUP

OTHER INVESTMENTS

Last year we predicted that cruise business in the Mediterranean would quickly revert to pre-pandemic levels.

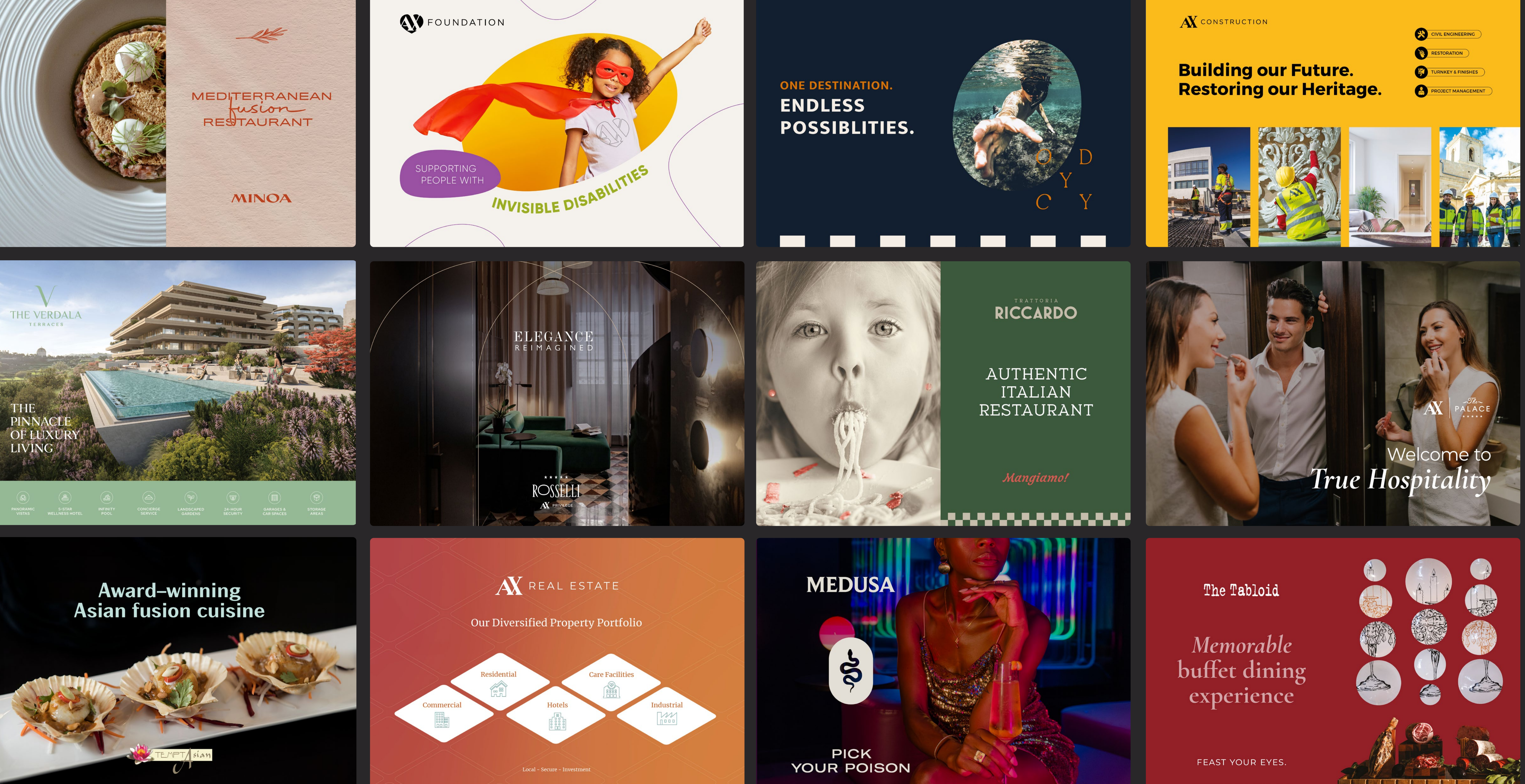
Valletta Cruise Port saw the arrival of 889,336 cruise passengers from a total of 312 cruise ship calls. The cruise business of VCP now has a healthy mix between transit and turnaround operations. Valletta is increasingly seen as a must-have port in ship itineraries in the Mediterranean cruising. Some cruise liners are also extending the cruising season beyond the traditional summer months.

After a number of years of the company asking Government to extend the quay at Pinto 1, 2 in order to take larger ships, the work commenced during the early part of 2023. Work is progressing steadily. Once ready in 2024, the quay will be able to take larger ships which are increasingly a key component of the business.

The AX Group received Eur 1,387,804 in dividends from its investment in Valletta Cruise Port plc during the financial year, a reflection of the company's increasing profitability.

During the year the company was successful in obtaining the full development permit for the area referred to as the "Atrium" where the company intends to build additional retail space and a car park. This will greatly enhance the experience of local patrons who frequent the Valletta Waterfront all year round. The company is forecasting further growth in the number of ships calling at Valletta in 2024 as well as the number of passengers who will use the Valletta Cruise Port.

VALLETTA CRUISE PORT P.L.C.



04

OUR BRANDS

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

SKIP

FOUNDATION

The AX Foundation is dedicated to supporting people living with Invisible Disabilities.

+356 2331 2345
Business Centre, Mosta
axfoundationmt

FOUNDATION

SUPPORTING PEOPLE WITH

INVISIBLE DISABILITIES

AX CAREERS

We help you grow in your career at every professional stage, making sure you're on the right path for success.

+356 2331 2345
Business Centre, Mosta
www.axcareersmalta.com

SKIP

SKIP

AX DEVELOPMENT

Set within an 18th century Palazzo located prominently on the corner of Merchants Street is a new and prestigious office.

+356 7934 0880
41,Merchant's Street, Valletta
www.palazzolucia.mt

PALAZZO LUCIA

PRIVATE OFFICES

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

AX CONSTRUCTION

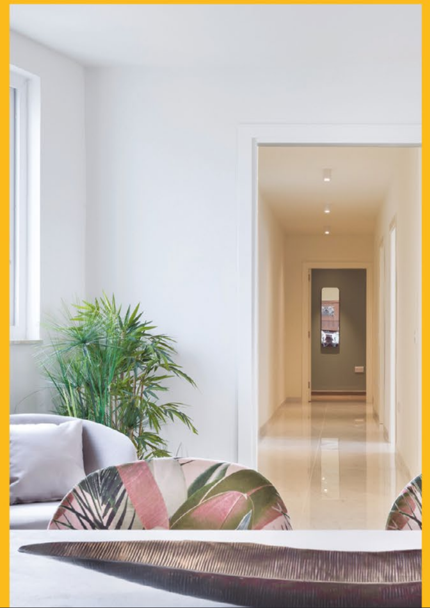
AX Construction specialises in civil engineering, restoration works, project management, and turnkey assignments.

+356 2258 4900
www.axconstruction.com.mt

AX CONSTRUCTION

Building our Future. Restoring our Heritage.

- CIVIL ENGINEERING
- RESTORATION
- TURNKEY & FINISHES
- PROJECT MANAGEMENT



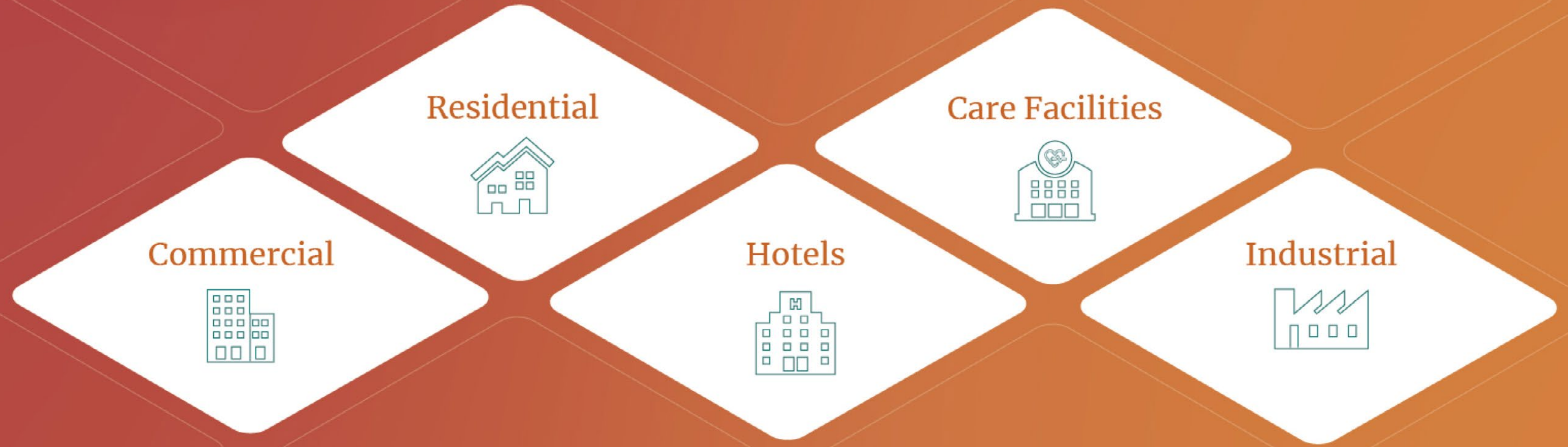
AX REAL ESTATE

AX Real Estate p.l.c. holds a diversified portfolio of properties in prime locations around Malta.

+356 7934 0880
AX Business Centre, Mosta
www.axrealestate.mt

AX REAL ESTATE

Our Diversified Property Portfolio



Local - Secure - Investment

AX CARE

United under three distinct brands - Hilltop Gardens, Simblija Care Home, and Revive - AX Care stands as a reputable and leading private care provider in Malta.

+356 2235 1000
Naxxar, Malta
www.axcare.mt

SKIP

AX CARE

At Simblija, we specialise in holistic and personalised care, providing residents with an enhanced quality of life.

+356 2235 1000
Simblija Care Home, Naxxar
www.simblijacarehome.com

Simblija
CARE HOME

A Community that Cares.

SKIP

AX CARE

Discover the best of retirement living at Hilltop Gardens, embraced by a warm and welcoming community within beautiful surroundings.

+356 2235 1000
Hilltop Gardens, Naxxar
www.hilltopgardens.com.mt

HILLTOP
GARDENS

The Retirement you Deserve.

SKIP

AX CARE

Restore your body and release your potential at Revive's Physio & Aquatic therapy centre in Naxxar.

+356 2235 1000
Hilltop Gardens, Naxxar
www.revivephysiocentre.com

revive
PHYSIOTHERAPY AND AQUATIC CENTRE

RESTORE YOUR BODY.

RELEASE YOUR POTENTIAL.

AX CARE

If getting together with family over a hearty meal is your favourite thing to do, then join us at The Orchard in Naxxar!

+356 2235 1046
Hilltop Gardens, Naxxar
www.theorchardmalta.com

The Orchard

Where Generations Come Together

SKIP

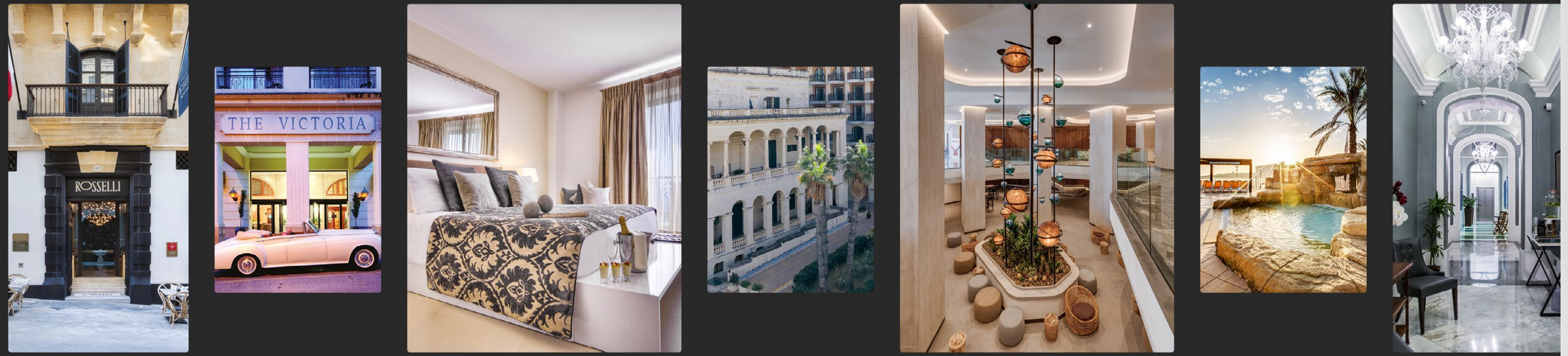
SKIP →

AX HOTELS

With seven strategically located hotels in Sliema, Qawra, Valletta, and a soon-to-open Wellness Hotel in Rabat, your holiday in Malta awaits!

www.axhotelsmalta.com

Seven different journeys, one purpose.



AX HOTELS

ROSSELLI

The PALACE

The Victoria HOTEL

Palazzo Capua

SUNNY COAST

ODYCY HOTEL

THE SAINT JOHN

SKIP

AX HOTELS

Rosselli - AX Privilege is our 5-star luxury hotel set within a historic palazzo in the heart of Valletta. A haven of sophistication complemented by Michelin-starred restaurants.

+356 2124 5245
Valletta, Malta
www.axhotelsmalta.com

SKIP

AX HOTELS

AX The Palace is renowned for its genuine hospitality. Guests appreciate our prime location, superb service, cuisine, and extensive facilities.

+356 2133 3444
Sliema, Malta
www.axhotelsmalta.com

AX HOTELS

AX ODYCY is our 4-star destination, offering contemporary facilities, various accommodation options, and an array of food & beverage outlets for different preferences.

+356 2354 3000
Qawra, Malta
www.axhotelsmalta.com

ONE DESTINATION.
ENDLESS POSSIBLITIES.

ODYCY

SKIP

AX HOTELS

Experience classical charm and vintage décor with modern amenities, all within AX The Victoria, our four-star hotel in the heart of Sliema.

+356 2133 4711
Sliema, Malta
www.axhotelsmalta.com

SKIP

SKIP

AX HOTELS

Welcome to Sunny Coast Resort & Spa, your host on the Qawra coast, where self-catering meets hotel level services.

+356 2354 3887
Qawra, Malta
www.axhotelsmalta.com

SKIP

AX HOTELS

AX Palazzo Capua in Sliema, is a stunning 200-year-old neoclassical palace turned into an exclusive Airbnb-style retreat.

+356 2133 4711
Sliema, Malta
www.axhotelsmalta.com

Authentic historical charm.

AX | Palazzo Capua

AX HOTELS

At our Michelin-starred fine dining restaurant, classical French cuisine takes on a modern flair with a menu brimming with showstopper dishes.

+356 2235 4168
Rosselli – AX Privilege
www.grain.mt

AX HOTELS

Step up to a refined al fresco culture at Over Grain, our seasonal lounge, providing a tranquil setting amidst stunning vistas.

+356 2235 4167
Rosselli – AX Privilege
www.grain.mt

OVER Grain

VALLETTA'S *Rooftop Lounge*

SKIP

AX HOTELS

Grain Street, our Bib Gourmand streetside restaurant, complements al fresco dining with a menu that celebrates creative Mediterranean sharing plates.

+356 2235 4167
Rosselli – AX Privilege
www.grain.mt

AX HOTELS

Savour our award-winning Asian fusion cuisine; a delightful blend of traditional Asian recipes and innovative cooking techniques.

+356 2133 3444
AX The Palace Hotel
www.temptasianmalta.com

Award–winning Asian fusion cuisine

AX HOTELS

Enjoy an extensive assortment of antipastos, soups, pastas, Asian fusion delights, meats, and, of course, our delectable desserts.

+356 2133 3444
AX The Palace Hotel
www.axhotelsmalta.com

The Tabloid

Memorable buffet dining experience

FEAST YOUR EYES.

SKIP

AX HOTELS

Savour refreshing beverages and delectable Asian Fusion cuisine against the backdrop of Sliema's rooftop city views.

+356 2133 3444
AX The Palace Hotel
www.axhotelsmalta.com

lounge360

Summer nights, spritzy drinks & tantalising bites.

AX HOTELS

For breakfast, lunch, or dinner, Talk of Town brings people together over great conversations, delicious food, and refreshing drinks.

+356 2133 3444
AX The Palace Hotel
www.axhotelsmalta.com

ALL-DAY DINING

THAT BRINGS PEOPLE TOGETHER

NEGRONI SBAGLIATO MARTINI ROSSO CAMPARI ORANGE PEEL APEROL SPRITZ
SODA FRENCH 75 GIN MARE SIMPLE SYRUP NON ALCOHOLIC COCKTAILS
SHIRLEY TEMPLE GRENADINE GINGER ALE MARASCHINO CHERRIES GINGER
SPARKLE FRESH GINGER PINEAPPLE JUICE ORANGE WEDGE BLOOMING ELDER
ELDERFLOWER SYRUP APERITIFS APERO CAMPARI CYNAR MARTINI ROSSO
BIANCO DRY PERNOD RICARD PIMMS DIGESTIVES MENU AMARO MONTENEGRO

SKIP

AX HOTELS

Penny Black Pub is your quintessential British-style pub for a laid-back evening with friends. Choose from a wide selection of draught beer, cocktails, fine wines, and spirits to complement your evening.

+356 2133 4711
AX The Victoria Hotel
www.axhotelsmalta.com

A CLASSIC
BRITISH PUB.

PENNY Black PUB

SKIP →

AX HOTELS

Join us on a Mediterranean culinary journey with our fusion-style menu. Our passion for enriching culinary experiences shines through every dish.

+356 7974 7754
AX ODYCY Hotel
www.axhotelsmalta.com

MEDITERRANEAN *fusion* RESTAURANT

MINOA

AX HOTELS

Located on the 10th floor, is Medusa Sky Bar, an exclusive adults-only venue serving signature cocktails, beverages and delectable mezes.

+356 7974 7754
AX ODYCY Hotel
www.axhotelsmalta.com

AX HOTELS

Welcome to Trattoria Riccardo our authentic Italian restaurant with a wood-burning oven and a Little Italy-inspired play area.

+356 2354 3543
AX ODYCY Hotel
www.axhotelsmalta.com

TRATTORIA
RICCARDO

AUTHENTIC ITALIAN RESTAURANT

Mangiamo!

SKIP

AX HOTELS

Get ready for a taste of Cheeky Monkey fun! Swing by our Gastropubs – whether by the coast in Qawra or in the heart of Valletta, the cheeky vibes are always on the menu!

Qawra: +356 7954 3853
Valletta: +356 2235 4050
www.cheekymonkeymalta.com

SKIP

AX HOTELS

At Cheeky Monkey Creperie you can look forward to scrumptious snacks and confections, including crêpes, waffles, smoothies and more!

+356 7954 3853
AX ODYCY Hotel
www.axhotelsmalta.com

Cheeky Monkey
CREPERIE

GO APE for CRÊPES

SKIP →

AX HOTELS

From savoury dishes to sweet delights, AX ODYCY's two contemporary buffet restaurants promise a delightful array of local and international flavours.

+356 7974 7754
AX ODYCY Hotel
www.axhotelsmalta.com

The best in buffet.

Deck&Keel
RESTAURANTS

AX HOTELS

Stay energized throughout the day at our welcoming 24/7 coffee bar, the perfect spot to keep you refreshed all day.

+356 7974 7754
AX ODYCY Hotel
www.axhotelsmalta.com

espresso

GRAB AND GO!

It’s **that** simple.

SKIP

AX HOTELS

Our elegant lobby lounge bar offers a selection of drinks, cocktails, and a range of classic spirits within a welcoming ambiance.

+356 7974 7754
AX ODYCY Hotel
www.axhotelsmalta.com

SIDE STREET

the place to connect

the lounge bar

SKIP

AX HOTELS

Coastal views of Qawra, bright family-friendly environment and modern Mediterranean cuisine – this is what Luzzu Restaurant is all about.

+356 2158 4647
AX ODYCY Hotel
www.luzzumalta.com

LUZZU
Restaurant • Conference • Lido

FAMILY DINING by the coast

05 BUSINESS FUNCTIONS

Business functions are integral to the Group's success, requiring effective management to accomplish organisational objectives and sustain competitiveness in today's dynamic business landscape.

AX INVESTOR RELATIONS TEAM

AX INVESTOR RELATIONS

TRANSPARENCY FOR TRUST

With a portfolio of five instruments listed on the Malta Stock Exchange, AX Investor Relations has evolved into a pivotal function within AX Group's administration, dedicated to fostering transparency and cultivating strong relationships with both existing and prospective investors.

TRANSPARENCY FOR TRUST

Following the successful launch of the AX Investor Relations microsite in 2022, serving as a central hub for investor support and updates, AX Group has introduced an annual newsletter exclusively for our investors. This printed newsletter, directly dispatched to investors, serves as a dedicated platform providing essential insights into their investments and upcoming projects poised to impact our operations. It is our way of highlighting the initiatives that drive value and profitability, showcasing our unwavering commitment to delivering meaningful information to our valued stakeholders.

As planned, both dividend and interest payouts were disbursed according to promised timelines. In November 2023, we successfully raised Eur40 million to refinance the AX Investments plc 6% bond maturing in March 2024. Historically, oversubscription in our bond issuances has resulted to investor dissatisfaction. To address this, we've implemented a real-time monitoring IT system for bond applications, enabling us to accurately assess demand and manage oversubscription effectively. In 2023, AX Real Estate p.l.c. conducted its first in-person annual general meeting (AGM), transitioning from the online format adopted during the pandemic. The event attracted positive attendance, offering a direct platform for engaging with shareholders, presenting upcoming projects, and sharing updates on financial performance. The next AGM is scheduled for April 2024. Furthermore, we also invited stockbrokers for the launch and presentation of AX Group's annual report, an initiative we intend to replicate this year.

At AX Group, our commitment to delivering exceptional value to our investors remains steadfast. Our loyalty scheme program has been enhanced, offering exclusive discounts and offers on AX Group brands and services through a dedicated loyalty card. With the introduction of AX ODYCY, investors can now enjoy special benefits on accommodation and at the diverse food and beverage outlets within the resort. Furthermore, we have extended additional offers, encouraging investors to experience the renowned hospitality of AX Hotels. In the upcoming year, more exciting updates and benefits are on the horizon for our valued investors.

AX INVESTOR RELATIONS NEWSLETTER

AX CONSTRUCTION EMPLOYEE - ULYSSES BARTOLO

AX CAREERS

A REWARDING WORK CULTURE

The past year has seen the AX Careers team strengthen the Group's workforce, with a particular focus on growing the hospitality unit. Further efforts have been made to solidify AX Group's status as a leading employer of choice among candidates of diverse ages and backgrounds, both locally and internationally.

AX CAREERS

A REWARDING WORK CULTURE

In the initial months of 2023, AX Careers continued to build on the successful recruitment drives conducted in the previous year to engage over 300 skilled professionals ahead of the reopening of AX ODYCY Hotel in Qawra. There was a dedicated effort to finalise the onboarding process for the newly recruited foreign nationals. This involved securing or renewing work permits and providing comprehensive training to ensure a seamless start of operations at the ODYCY by May, when the hotel anticipated its first group of guests.

Developing a thorough onboarding process has been particularly vital in the lead-up to the AX ODYCY reopening as it ensured that our new recruits felt welcomed as integral members of the AX family. Given that many of our new team members were foreign nationals arriving in Malta, we developed a comprehensive programme that not only acquainted them with their roles but also included cultural awareness training. By embracing diversity, we believe we can create a more inclusive and successful workplace for everyone.

CLAIRE ZAMMIT XUEREB WITH HILLTOP GARDENS EMPLOYEES

SHOW AROUND AT AX ODYCY BY CHAIRMAN

> **“Our ongoing efforts are centred on attracting top-tier talent to the Group and cultivating a rewarding work culture that truly reflects the dedication of our workforce.”**

Despite the considerable strategic and logistical challenges inherent in onboarding such a large group, the process was successful, with the team ensuring that AX ODYCY was equipped with highly skilled professionals across various departments, encompassing operational roles, as well as specialised administrative and managerial positions. The positive feedback and reviews received since the hotel’s reopening stand as a testament to these efforts, with many commending the friendly and highly professional service provided by the team.

After the initial phase of reopening, the AX Careers team shifted its focus to recruiting for specialised roles at supervisory and expert levels across various AX Group sectors including new roles in construction and development, as well as catering to other hotel requirements. Future plans include identifying experienced candidates with Michelin and Forbes training, among other essential qualifications and skills, to continue enhancing our hospitality offerings with world-class talent.

Expanding on our commitment to position AX Group as an employer of choice, especially among students, the AX Careers team intensified efforts to enhance our internship program, offering valuable hands-on experience within our various business units. In the past year, we established partnerships with new schools and institutions, both locally and internationally, to increase the opportunities available for students seeking to join our teams and gain meaningful insights and experiences while contributing to the growth and success of AX Group.

We actively participated in ITS career events, MCAST Freshers’ Week, and, for the first time, the KSU Freshers’ Week at the University of Malta. Building on past experiences, we fine-tuned our approach at these events to better resonate with younger generations. Our aim is to present enticing opportunities that align with their career aspirations, empowering them to make informed decisions about their future. By fostering these connections early on, we hope to inspire students to consider AX Group as a promising destination for their career growth down the line.

The Knowledge Centre portal on the website continues to be core in our efforts. In the past year, we have adjusted its focus to include a broader range of perspectives from our teams. Team members are openly invited to contribute pieces to the portal, sharing insights about their careers, skill, or personal passions and experiences. These monthly contributions not only offer valuable insights to individuals across AX Group’s diverse workforce but also serve as a window into the variety of interests, skills, and life at AX Group for external candidates.

The AX Careers team has also continued to work closely with existing employees to enrich our work culture in line with their evolving expectations. Alongside the comprehensive benefits package enjoyed by AX employees, we invest in our people through career progression opportunities across all Group levels as well as offering various skills development programmes, catering to employees interested in upskilling within specific niches. In the past year, members of our hospitality team, for instance, have participated in prestigious Forbes training, the VELICHE Chocolate Exposure program in Belgium, and programmes at other esteemed academies. This commitment to employee investment continues to be pivotal in our efforts to foster a more loyal workforce who contribute to the ongoing success of the Group.

In the next year, AX Careers aims to integrate more automation, leveraging AI and Business Intelligence tools to streamline applicant screening and onboarding processes. Collaborating closely with our IT department, we are identifying solutions that will play a pivotal role in the growth of the recruitment arm of AX Group.

The success of AX ODYCY's recruitment, combined with our focused strategy on attracting top-tier talent, places AX Careers on the right trajectory for the upcoming recruitment drive in preparation for the opening of The Verdala Wellness Hotel in 2025. Given the unique nature of this luxury wellness hotel in Malta, we anticipate challenges to scout specialised talent with the requisite experience in the local market. Consequently, the team is actively exploring ideal international markets to tap into, ensuring that we attract and recruit the right candidates to contribute to the success of this distinctive project.

Going forward, our ongoing efforts will focus on drawing top-tier talent to the Group and fostering a rewarding work culture that truly reflects the dedication of our workforce.


AX HOTELS VALLETTA KITCHEN BRIGADE



GROUP
CAREERS
Find your next role.









CSR INITIATIVE BY AX GROUP

06

ENVIRONMENTAL SOCIAL GOVERNANCE

Guided by the priorities established by the United Nations in their Sustainable Development Goals, AX Group remains committed to placing Environmental, Social, and Governance considerations at the forefront of our decision-making and transformation journey.


ORGANISED TALK FOR BUSINESS CENTRE EMPLOYEES BY HOSPICE MALTA

AX GROUP

ESG ACTIONS

In recent years, we have implemented practical measures and achieved swift successes to enhance our operations, advancing sustainable and responsible business practices that leave a positive impact on the environment and the communities in which we operate.

AX GROUP

ESG ACTIONS

Having previously addressed fundamental ESG aspects in our operations—including reducing single-use plastics, optimising waste separation, adopting improved energy and water conservation measures, and going paperless through digital solutions—AX Group is now directing efforts to review internal policies to identify new areas for improvement. To facilitate the process, we set up an ESG Committee with representatives from our diverse business units across corporate, hospitality, care, construction, and development. This collaborative approach has now reached a stage where all members are more firmly established in their roles and responsibilities, enabling the Group to consult with them on ESG matters and improvements specific to their respective business units. Through this collective effort, we aim to refine existing initiatives, ensuring our ESG practices align seamlessly with the evolving needs of our operations and broader community responsibilities.

Last year also saw the Corporate Sustainability Reporting Directive (CSRD) come into effect, which requires large entities in the European Union to produce a sustainability report for financial years starting in 2024 in line with the European Sustainability Reporting Standards (ESRS). We are gearing up to publish our first report in February 2026 for the financial year ending 2025. To meet these requirements, the Group has enlisted external consultants well in advance to be able to identify material topics that are to be reported under the ESRS. This ongoing process encompasses various crucial steps, primarily, conducting a double materiality assessment, identifying environmental and social metrics, collecting data, and establishing policies and procedures.

Significant efforts are also being directed towards educating our people on our ESG goals through targeted training sessions held across the organisation. We have plans to introduce a dedicated ESG induction session to outline practical steps to new candidates, highlighting how each individual can take measures to contribute to the Group's ESG objectives. An upcoming project involves establishing an internal system, utilising Business Intelligence tools, to analyse key performance indicators across all business units concerning our ESG targets. This initiative aims not only to enhance compliance with ESRS reporting obligations but also to efficiently pinpoint areas for improvement and appropriately acknowledge high-performing divisions.

As we enter the next phase of our ESG journey we are beginning to navigate challenges beyond our immediate control. Our focus is on actively participating in the value chain and positively influencing suppliers and companies. Understanding the need for essential products in our operations, we are exploring our supplier network and adjusting our stock system to gain greater insights into all purchases. This allows us to better assess the impact of these products on our ESG goals. Armed with this information, we're making informed decisions and, where feasible, seeking alternative, eco-friendly products that better align with our ESG objectives.

We continue to be actively involved in the Malta ESG Alliance (MESGA), a private sector association of business leaders established in 2022, dedicated to fostering a more sustainable and less carbon-intensive Malta. In the past year, MESGA embarked on an expansion journey, reaching out to potential members to join the consortium to drive impactful changes in Malta.

MESGA's purpose is also to engage in discussions with key policymakers and relevant authorities, aims to implement impactful measures and advocate for improved policies which set a precedent for responsible and sustainable practices across diverse industries and at all levels of operation.

To foster greater accountability within MESGA, we've invited a group of students aged between 12 and 16, representing Malta's future, to actively participate in the works of the alliance. Quarterly meetings with these students provide a platform to explore how Malta is faring in comparison with the United Nations' Sustainable Development Goals, providing the alliance with valuable insights into the concerns of the next generation and future opportunities. These discussions have been crucial in helping MESGA identify areas for improvement, set meaningful targets, and align efforts with the evolving expectations of Malta's future. The outcomes of these meetings are also playing a pivotal role in refining the consortium's ESG agenda, which we continue to pass on to governmental ministers and key decision-makers to drive more impactful changes on a nationwide scale.

AX Group also continues to generate clean energy through our Renewable Energy division of the business. Our Imselliet Solar Farm venture in the limits of Mgarr, together with our solar panels on AX Business Centre and Hilltop Gardens in Naxxar, are helping us generate over 2.8 million KWH of clean energy per annum, further reducing our carbon footprint.

On the social front, we have continued our yearly awareness activities across our various business units to support international causes, such as Pink October and Movember. Collaborating with HSBC and other local companies, we actively participated in a nationwide initiative to give back to the community. Building on the success of last year's CSR project at Dar San Nikola, a residential home managed by Fondazzjoni Sebħ, we extended our support to this NGO once again, along with aiding the Fra Diegu residential home for vulnerable children in Ħamrun. AX employees united to tackle various tasks, including garden cleaning, painting refurbished areas, and other essential activities. We also provided assistance to Dar San Nikola by installing new water pipes and electricity fittings, as well as gypsum soffits to enhance sleeping quarters, made possible through contributions from our valued business partners.

More community initiatives were carried out by AX Foundation, the philanthropic arm of AX Group dedicated to providing support and assistance to children with invisible disabilities. Last year, the

AX FOUNDATION BOARD

COLLABORATION WITH CHILDREN IN NEED FOUNDATION

"AX Foundation has committed to sponsoring three children, ensuring they receive weekly therapy sessions for a three-year period."

Foundation launched a collaboration with Children in Need, for a pilot project aimed at aiding children in Malta's residential homes, by offering psychotherapy sessions facilitated by highly qualified professionals. AX Foundation has committed to sponsoring three children, ensuring they receive weekly therapy sessions for a three-year period, totalling Eur22,500 in support. These sessions are designed to equip these young individuals with essential skills and emotional support, empowering them to overcome challenges, integrate into their communities, and develop into well-adjusted adults.

Additionally, AX Foundation collaborated with MOVE and The Movement School Malta to host an event at AX The Palace in November. This event, which featured four expert Maltese and international keynote speakers, was specifically hosted for children affected with ADHD, aiming to raise awareness about the significance of proper movement in helping with this condition. The event not only raised awareness but also fostered a supportive environment to promote understanding and inclusivity for those navigating life with this invisible disability.

Working in line with the vision set by AX Group, our ESG Committee and CSR representatives will continue to strengthen our strategies and initiatives to cultivate a culture of responsibility, accountability, and awareness throughout all our business units in the coming years and beyond.

07

FINANCIAL STATEMENTS

AX GROUP

CONTENTS

07 FINANCIAL STATEMENTS

This version of the Annual Report is not the official version. The official version is the ESEF Annual Financial Report 2023 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 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 2023.

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

The Company generated revenues of EUR31,270,094 (2022: EUR6,280,049). This included management fees of EUR1,646,994 (2022: EUR1,364,562), dividends received from subsidiaries of EUR29,498,155 (2022: EUR4,807,654) and rental income of EUR124,945 (2022: EUR107,833). Staff costs incurred amounted to EUR3,825,546 (2022: EUR EUR2,359,424) and operating costs amounted to EUR2,148,174 (2022: EUR760,507).

During 2023, the Company disposed of EUR3,037,000 of its holding of AX Real Estate p.l.c. debt instruments, incurring a realised loss of EUR595,700 (2022: EUR21,000). The remaining debt instruments held were remeasured at fair value at year end, resulting in a decrease in fair value of EUR637,955 (2022: EUR631,500).

Operating profit of the Company amounted to EUR23,124,711 (2022: EUR2,005,158).

During the current year, finance costs rose by EUR209,751, primarily driven by higher interest rates on intra-group loans. Simultaneously, finance income witnessed a surge of EUR663,608, largely attributable to comparable increases in interest rates on intra-group loans. Additionally, the full-year impact of interest on debt securities, acquired in 2022, contributed to this growth.

The profit for the year amounted to EUR19,868,672 (2022: EUR941,527).

Group

During the current year, the Group registered total revenue of EUR49,865,256 (2022: EUR38,269,722).

The primary growth was driven by the Hospitality division as revenues increased by EUR13.7 million when compared to last year. The Hospitality division has seen a significant rebound in business compared to last year. Tourism has regained its momentum and in the recent months, the industry has surpassed pre-COVID levels of activity. The Group's hotels have performed exceptionally well, notwithstanding AX ODYCY hotel being closed for most of the financial year and the Sliema and Valletta clusters surpassing their projected revenue and operating profits.

The AX ODYCY hotel had a soft opening in late May 2023. During the summer, the hotel operated at a reduced capacity as work on certain areas of the hotel and lido were still in progress. Despite these challenges, the hotel managed to exceed the budgeted rooms revenue in September and October 2023. In terms of customer reviews, the property has already received outstanding feedback on booking sites. All outlets and amenities as well as the parking facilities were opened by December 2023.

As we look ahead to the coming year, we anticipate that the unique attributes and offerings of the AX ODYCY and the Lido will continue to captivate and satisfy the preferences of our guests, cementing our position as a top-tier destination in the industry.

The Healthcare division registered an increase in revenue of 10.9% compared to the prior year. The independent apartments at Hilltop Gardens were fully occupied throughout the year while occupancy at the Care Home exhibited a steady increase. In addition, revenues from the Revive physiotherapy centre and the food and beverage facilities experienced an improvement when compared to last year.

The Construction division continued steadily working on the two main internal developments, the extension of the AX ODYCY hotel in Qawra including the Lido redevelopment and the redevelopment of Verdala site in Rabat. In addition, AX Construction generated EUR4.1 million (2022: EUR7,024,506) in revenue from third-party works. These included the restoration of the Oratories at the Jesuits Church in Valletta and construction works on the St. John Co-Cathedral Annex.

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 a premium office.

Works on the Verdala project in Rabat are progressing steadily. As at the end of October 2023, finishing works on the residential blocks was underway whilst construction of the hotel was progressing steadily. During June 2023, a show apartment and a sales office were set up to visibly showcase prospective customers the luxury and level of detail of this exclusive development. The project was officially launched on the market at the end of June 2023 and since then a number of promise of sale agreements have been signed.

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 were

PERFORMANCE REVIEW - CONTINUED

provided to enable the Group to complete the extension of the AX ODYCY hotel and redevelopment of the Lido in Qawra.

In addition, 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 Group reported a share of results from associates and joint ventures of EUR975,602 (2022: EUR848,954). The increase can be attributed largely to the improved operations of Hardrocks Estates Limited and Valletta Cruise Port p.l.c., entities in which the Group has a non-controlling interest. The positive change in performance in Valletta Cruise Ports p.l.c is notably linked to the recovery of the cruise line industry following the end of the COVID-19 pandemic.

Operating costs experienced a 13.5% rise compared to 2022, reflecting the expanded operations of the Group. Simultaneously, staff costs experienced a substantial increase of 59% compared to 2022. This notable surge in staff costs is partly attributable to the hiring of numerous staff members months ahead of the AX ODYCY hotel and Lido opening. This early recruitment allowed sufficient time for comprehensive training to meet the AX Hotels standards. Staff costs for the current year also include a provision for a recently introduced retention bonus programme which is applicable to all staff members subject to achieving certain criteria. This incentive aims to reward loyal and committed employees for their extended tenure with the Group. In addition, during 2022, the Group was in receipt of EUR1,484,865 in COVID-19 related wage supplement from the Government of Malta which was extended until the end of May 2022.

The depreciation of property, plant, and equipment experienced a EUR2,421,875 increase over last year, primarily driven by substantial investments in the development of the AX ODYCY hotel and the Lido in Qawra. It is the Group's policy to charge a full year's depreciation in the year of acquisition or commission of the asset.

In consequence of the above, operating results during the year decreased from a profit of EUR1,973,519 in the prior year to a loss of EUR1,789,249 in the current year.

Finance costs increased by EUR1,905,192 over the previous year representing additional funding obtained during the year to finance the Qawra and Verdala projects as well as the effect of a full year bond interest paid on the AX Real Estate p.l.c.3.5% bond issued in 2022.

The Group's loss before taxation for the year amounted to EUR6,817,166 (2022: EUR1,303,002). As at year-end, the AX Group's equity stood at EUR243,540,298 (2022: EUR248,222,647).

Financial Key Performance Indicators	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Revenue and other operating income	50,292,529	38,442,989	31,284,316	6,291,931
Adjusted EBITDA*	7,445,341	7,220,246	25,310,596	3,172,000
Operating (loss)/profit	(1,789,249)	1,973,519	23,124,711	2,005,158
Net finance costs	(6,003,519)	(4,125,475)	(1,080,633)	(1,534,490)
(Loss)/profit after tax	(3,821,584)	(249,104)	19,868,672	941,527
Loss per share	(3.28)	(0.21)		
Total equity and liabilities	474,028,233	422,759,390	176,312,899	174,824,110

*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, movement in fair value of financial asset, 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, with the main risks

summarized as follows:

PRINCIPAL RISKS AND UNCERTAINTIES - CONTINUED

1. Strategy risk
Risk management falls under the responsibility of the Board of Directors ("Board"). 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 dividend income, 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 36 to the financial statements provides a detailed analysis of the financial risk to which the Group and the Company are exposed.

DIVIDENDS AND RESERVES

In November 2022, the Company declared and paid an interim dividend of EUR0.94 per ordinary share, amounting to EUR1,100,000. The Directors do not recommend the payment of a final dividend.

EVENTS AFTER THE REPORTING PERIOD

In November 2023, the Company issued a EUR40 million "5.85% AX Group p.l.c. 2023 Unsecured Bond" maturing in 2033, aimed to redeem the EUR40 million "6% AX Investments p.l.c. 2014 Bond" issued by AX Investments p.l.c., a subsidiary of the Company, maturing on 6 March 2024. Existing AX Investments p.l.c. bondholders were given priority to subscribe to the new bond issue by exchanging their current holdings. The total value of exchanged AX Investments p.l.c. bonds reached EUR28,386,300, representing a 70.97% of the total AX Investments p.l.c. bond. The rest of the bond issue was subscribed by other preferred applicants, which included employees and directors of the AX Group and holders of other securities previously issued by the Company and AX Real Estate p.l.c., a subsidiary of the Company. The newly issued bond was admitted to the Official List of the Malta Stock Exchange on 7 November 2023.

In January 2024, AX Real Estate p.l.c., a subsidiary of the Company, declared a dividend amounting to EUR304,208 due to non-controlling interest.

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 the Group's 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 Model

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 the Group. We recognise the important role that businesses play in shaping a sustainable future and are committed to aligning our practices with responsible principles.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

ESG Committee

The Group's ESG committee is composed of dedicated cross-functional leaders from all 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. The ESG committee holds regular meetings to assess the progress of ongoing initiatives, explore new initiatives and actively promote collaboration within the Group. Furthermore, the ESG committee provides regular updates on the progress achieved to the Group's executive management team.

Compliance with the Corporate Sustainability Reporting Directive

The Corporate Sustainability Reporting Directive ("CSRD") officially came into effect on 5 January 2023. The CSRD mandates large EU entities to issue a sustainability report in accordance with European Sustainability Reporting Standards ("ESRS"). Such entities will be required to disclose information on what they see as the risks and opportunities arising from social and environmental issues, and on the impact of their activities on people and the environment. This helps investors, consumers and other stakeholders to evaluate the sustainability performance of companies. Qualifying entities are required to release their first sustainability report for financial years commencing on or after 1 January 2024.

In response to these regulatory changes, the Group has enlisted the expertise of external consultants to assist us in preparing for the new CSRD requirements and ensuring compliance with ESRS. This ongoing process involves several key steps, starting with a thorough risk assessment, the execution of a double materiality assessment, the identification of environmental and social metrics, data collection and the establishment of policies and procedures.

Environmental Consciousness

The AX Group has maintained its unwavering commitment to ecological responsibility over the past year. We continue to integrate environmental considerations into our business decisions and harmonizing financial success with environmental stewardship. Our mission remains to minimise adverse environmental impacts, both within our property developments and through our internal operations.

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 foundations to develop this framework is the double materiality assessment referred to above which will help us identify material impacts to be addressed. While the progress on the double materiality assessment continues, our network of ESG stewards across the divisions remain vigilant to seek environmentally sustainable opportunities, particularly in energy efficiency and waste management.

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.

Our objective is to establish ESG policies that are robust, measurable, and consistently enhanced to generate a positive impact on our stakeholders and the communities we engage with.

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 will pose a risk for the Group and in this regard, management has established a close relationship with both local and foreign key suppliers to ensure that this risk is mitigated.

Environment and Real Estate

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 prioritise meticulous design to create buildings that incorporate energy efficiency features. These include consideration of solar orientation, to minimise dependence on electrical lighting as well as heating and cooling systems. We integrate various features such as thermal and acoustic insulation, natural ventilation systems, roof and wall insulation and double-glazed UV protection windows, amongst other sustainable technologies.

In fact, during the design stage of the Verdala project, the Group has studied the building orientation in great detail to strike a harmonious balance between functionality and luxury whilst leveraging on 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 also help in reducing the amount of energy required for cooling and heating. The use of Posttensioning technology for the cantilevering terraces together with the UHPC

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Environmental Consciousness - continued

Environment and Real Estate - continued

façade paneling, allow the designers to optimise the performance of concrete to a higher level. This resulted in lower use of concrete volumes in the project embracing the global sustainable goal to reduce the use of cement. In addition, a large reservoir has been constructed to capture rainwater which will be used for irrigation of the 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. We continue to promote awareness of the carbon footprint implications of our operations at all levels of the Group. In preparation for the upcoming regulatory obligations emanating from the CSRD, the Group has already taken steps to commence measuring carbon emissions from the main areas of the business.

Following the guidance of our external consultants, our objective is to create a centralized platform dedicated to consolidating carbon-related data. Currently dispersed across different operational systems, including accounting systems, building management systems, and third-party platforms, this data requires integration for a comprehensive overview. The initial step involved defining the boundaries for Scope 1, 2, and 3 emissions. However, the more pivotal and challenging phase lies ahead, aggregating this diverse data into a cohesive dashboard. Accomplishing this objective demands significant investment in cutting edge IT tools and a workforce equipped with data driven skills and expertise.

This process is envisaged to span several months, aimed at delivering the first sustainability report in February 2026, in line with CSRD requirements.

While the above process is ongoing, we have taken several immediate steps to mitigate and lessen the Group's carbon footprint. Wherever feasible, we prioritise the use of energy efficient equipment. For example, at Hilltop we are transitioning from florescent tube lights to LED lighting, significantly enhancing energy efficiency. Similarly at the AX ODYCY Hotel, we have implemented intelligent lighting systems and independently controlled air conditioning units, further optimizing energy consumption.

Moreover, the development division is committed to implement policies aimed at setting group energy performance standards when developing residential developments by introducing sustainable and energy efficient procurement procedures.

We also remain committed to reduce our carbon footprint by gradually replacing the fleet of light duty vehicles with electric vehicles. In fact during the year we have replaced two light duty vehicles with electric ones. Furthermore, the Group is enhancing its infrastructure by introducing electric vehicle charging stations in all of its car parks. So far, the Hilltop Gardens Retirement Village and The Palace car parks have been equipped with electric vehicle charging stations the AX Business Centre in Mosta and AX ODYCY Hotel car parks will be installed during the coming months. These facilities will encourage our hotel guests, customers and employees to make use of electric vehicles, thereby reducing carbon emissions.

During 2023, the Group generated 2.8 million KWH (2022: 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 strategy is to increase its investment in renewable energy and continues to explore new opportunities to install additional solar panels.

Waste

Conscious about the substantial waste generated from the various Group 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 considerably by revisiting internal processes and ensuring that the waste generated by the Group is separated and recycled in line with the Environmental Protection Act amendment of February 2023. In this regard, our agreements with our waste collection contractors include the collection of various types of waste to ensure our waste is adequately separated, recycled and properly disposed of.

The Group has introduced recycle bins in all hotel rooms and common areas to promote and encourage hotel guests to separate waste at source rather than disposing of all their waste throughout their stay into the mixed waste bin. Additionally, recycling bins have been incorporated into the AX Business Centre in Mosta. This endeavor will also be extended to Hilltop Gardens Retirement Village and the forthcoming Verdala hotel in Rabat. Waste separation on-the-job training sessions are continually being held for hotel employees.

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 2022 our Sliema hotels replaced complimentary single-use water bottles in hotel rooms with glass reusable bottles that can be refilled from various locations at the hotels. This initiative by itself saw a reduction in the annual consumption of circa 90,000 plastic bottles which would roughly equate to 11,000kg of C02 emissions. We are in an advanced stage to introduce a similar system in the newly opened AX ODYCY hotel in Qawra. Other initiatives were launched across AX Group divisions to reduce waste from single use paper, plastic and packaging. A successful initiative

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Environmental Consciousness - continued

Waste - continued

which was introduced at AX Sunny Coast in Qawra, which resulted in a reduction of circa 70% in single use paper towels by introducing electric hand dryers.

Within the Group, we are proudly aligned with the Beverage Container Refund System (BCRS) in Malta, an initiative that prioritizes environmental sustainability and responsible waste management. We have implemented a comprehensive program for the collection and return of single-use beverage containers, ensuring that these items are diverted from landfills and appropriately recycled. Where possible, our dedicated teams have set up designated collection points throughout our properties, making it convenient for both guests and staff to separate and deposit these containers for recycling. While actively participating in the BCRS system, we remain committed to our ongoing efforts to reduce the use of single-use beverage containers, embracing alternative eco-friendly solutions to further minimise our environmental footprint.

Moreover, during the past year, the Group has taken a proactive step to enhance sustainability within all its hotels by substituting single-use, miniature soap bars with refillable dispensers. The Group is also in the process of replacing double packaged room amenities with single packaging recycled paper. These changes are part of our commitment to reducing plastic waste and promoting eco-friendly practices.

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 in place with a local contractor whereby steel waste generated is recycled. The Construction division has intensified its waste separation efforts and has launched an initiative to equip construction sites with separation containers to minimise the considerable environmental impact generated from the construction activities. This has so far been implemented on new sites during 2023 but the division is still in the process of rolling out such waste separate initiatives on all sites.

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 Regulation and Article 10(2) of the Disclosures Delegated Act (Commission Delegated Regulation (EU) 2021/2178), 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. Furthermore, the Group will disclose qualitative information (according to Section 1.2 of Annex I of the Disclosures Delegated Act) as of January 2022.

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.

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".

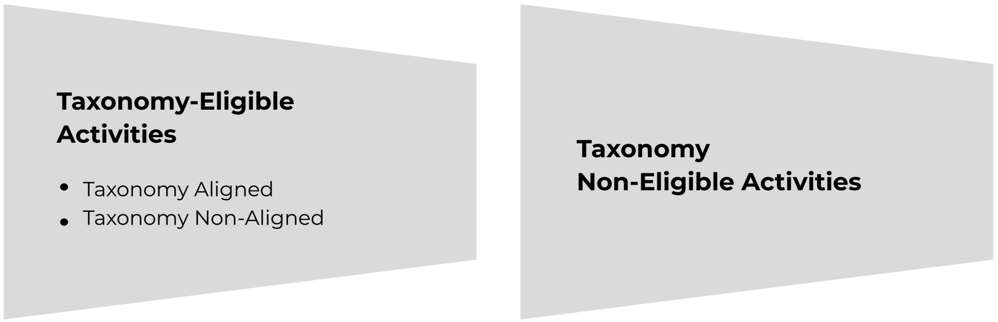
STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Taxonomy Eligible and Taxonomy Aligned Economic Activities - continued

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.



Identifying Eligible Activities

In order to identify business activities that may be in scope of the Regulation, the Group relied on the EU Taxonomy package including the:

- Disclosures Delegated Act (Commission Delegated Regulation (EU) 2021/2178),
- Climate Delegated Act (Commission Delegated Regulation (EU) 2021/2139),
- Complementary Climate Delegated Act (Commission Delegated Regulation (EU) 2022/1214),
- Amended Climate Delegated Act (Commission Delegated Regulation 2023/2485),
- Environmental Delegated Act (Commission Delegated Regulation (EU) 2023/2486), and;
- EU Taxonomy Compass.

Initially, the eligible and non-eligible activities were identified based on the officially assigned NACE codes of the Group's subsidiaries in a top-down approach. In case the NACE code was reflected in the EU Taxonomy on sustainability activities, the activity descriptions were assessed against the actual activities carried out by the entities to further verify and confirm eligibility. EU Taxonomy activities, which have not been assigned a NACE code in the EU Taxonomy Compass/delegated acts were assessed based on the activity description only.

Following a thorough examination involving all of the Group's business sectors and functions, the following Taxonomy-Eligible economic activities have been identified for the financial year ending 31 October 2023:

NACE	Economic Activity	Climate Delegated Act Reference	Enviromental Delegated Act Referece	Environmental Objective/s
F41	Construction	Activity 7.1	Activity 3.1	Climate Change Mitigation (CCM) Climate Change Adaptation (CCA) Transition to a Circular Economy (CE)
L68	Real Estate & Development	Activity 7.7		Climate Change Mitigation (CCM) Climate Change Adaptation (CCA)
Q87	Residential Care Activities	Activity 12.1		Climate Change Adaptation (CCA)
I55	Hotels and Similar Accommodation		Activity 2.1	Restoration of Biodiversity and EcoSystems (BIO)

It was noted that the eligible economic activities of the Group do not classify as 'enabling' or 'transitional' activities in terms of the EU Taxonomy. Article 8 of the Disclosures Delegated Act, as amended, requires the disclosure of the amount and proportion of Taxonomy aligned, eligible and non-eligible economic activities referred to in Sections 4.26 – 4.31 of Annexes I and II to the Climate Delegated Act. Since the Group's economic activities do not classify under these sections, the KPIs recorded exclude the economic activities referenced in Sections 4.26 - 4.31.

In addition to the core economic activities, also certain OpEx and CapEx that is channeled into Taxonomy-eligible or aligned activities, can be included in the calculations, as referenced in Annex I of the Disclosures Delegated Act. However, as at 31 October 2023 no additional OpEx and CapEx was recorded.

Accounting Policy for Taxonomy Disclosures

The evaluation of the eligibility of the Group's economic activities has been conducted on the basis of the Regulation and its definition of the denominator and numerator of the three required KPIs (Turnover, CapEx and OpEx). It was performed through a methodological approach consisting of:

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Accounting Policy for Taxonomy Disclosures - continued

I. Extracting a total denominator for the three KPIs from the financial reporting system,
II. Calculating the numerators for all identified eligible sub-activities within the Group and its subsidiaries based on Turnover, CapEx and OpEx.

These non-financial statement disclosures are based on the same consolidation principles that have been applied in the Group's financial reporting under the applicable accounting principles, in order to ensure comparability of this reporting with the Group's financial information.

KPIs are provided at the level of the Group based on consolidated financial statements. The following definitions were applied:

	Turnover	Capex	Opex
Numerator	Revenues derived from products and/or services associated with EU taxonomy eligible activities.	Capital expenditures that: · relates to assets or processes associated with the EU taxonomy eligible activities; · are part of a plan to expand taxonomy-eligible economic activities, or; · enable taxonomy-eligible activities to become taxonomy-aligned.	Operating expenses that are related to assets or processes associated with the EU taxonomy-eligible activities.
Denominator	Total consolidated revenues accounted for in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under IFRS.	Total Capex consisting of additions to tangible and intangible assets accounted for in the Consolidated Statement of Financial Position under IFRS during the financial year, considered before depreciation, amortisation and any re-measurements, excluding Goodwill.	Direct non-capitalised costs recorded in the Consolidated Statement of Profit or Loss and Other Comprehensive Income under IFRS that relate to research and development, building renovation measures, short-term lease, maintenance and repair (excluding expenses reported as raw materials and consumables used), and any other direct expenditures relating to the day-to-day servicing of assets or Property, Plant and Equipment (PPE).

The Group is also required to report on the alignment of its eligible business activities. 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. It is also noted that the same activity may align with only one or more environmental objectives for which it is eligible.

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

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

KPIs - FY2023	TURNOVER	CAPEX	OPEX
Taxonomy Eligible – Aligned	0%	0%	0%
Taxonomy Eligible – Not Aligned	98.6%	98.7%	85.4%
Non-Eligible	1.4%	1.3%	14.6%
TOTAL	100%	100%	100%

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

KPIs – FY2022*	TURNOVER	CAPEX	OPEX
Taxonomy Eligible – Aligned	0%	0%	0%
Taxonomy Eligible – Not Aligned	99.7%	99.8%	88.6%
Non-Eligible	0.3%	0.2%	11.4%
TOTAL	100%	100%	100%

The KPIs are based on the following figures:

FY2023	TURNOVER EUR	CAPEX EUR	OPEX EUR
Taxonomy Eligible – Aligned	-	-	-
Taxonomy Eligible – Not Aligned	49,189,112	60,201,261	36,608,853
Non-Eligible	676,144	779,841	6,238,335
TOTAL	49,865,256	60,981,102	42,847,188

FY2022*	TURNOVER EUR	CAPEX EUR	OPEX EUR
Taxonomy Eligible – Aligned	-	-	-
Taxonomy Eligible – Not Aligned	38,161,890	39,077,880	27,671,636
Non-Eligible	107,832	93,754	3,551,107
TOTAL	38,269,722	39,171,634	31,222,743

*The KPIs for the year ending 31 October 2022 have been restated to align with the current year methodology. In light of the implementation of the Environmental Delegated Act, certain economic activities of the Group, which were previously considered 'non-eligible', have now become eligible. In fact, hospitality activities fall within the list of economic activities covered in the recently issued Environmental Delegated Act 2023/2486.

The above KPIs demonstrate that for the financial year ended 31 October 2023, Taxonomy-eligible activities decreased when compared to the previous year. The Group's revenue generated from economic activities that are deemed as taxonomy eligible decreased slightly from 99.7% to 98.6%. Capital Expenditure remained consistent at 98.7% when compared to the prior year eligible CapEx amounting to 99.8%, whilst Taxonomy-eligible Operating Expenditure decreased from 88.6% to 85.4% during the year.

Reconciliation

The Group's consolidated net turnover captured in the denominator of the KPI of EUR49,865,256 (2022: EUR38,269,722) reconciles with the amount disclosed in the 'Revenue' financial statement line item included in the 'Statements of Profit or Loss and Other Comprehensive Income' in the consolidated financial statements included in this annual report.

The Group's total CapEx captured in the denominator of the KPI can be reconciled to the consolidated financial statements of the Group included in this annual report, by reference to the respective disclosures capturing the additions for property, plant and equipment, investment property and inventories.

Capex Reconciliation		2023	2022
	Note	EUR	EUR
CapEx per KPI denominator		60,981,102	39,171,634
Additions as per consolidated financial statements relating to:			
Property, plant and equipment	17	41,810,840	26,202,875
Investment properties	18	3,289,228	980,045
Inventories relating to Verdala terraces*		15,881,034	11,988,714
		60,981,102	39,171,634

* The figure presented pertains to the additions made to the Verdala Terraces project during the reporting period. This amount is partly included within Inventories (Note 23) in the consolidated financial statements. Furthermore, in the current year, it also includes the transfer from inventory to property, plant and equipment and the transfer from inventory to investment properties, as illustrated in both the Property, Plant, and Equipment (Note 17) and Investment Properties (Note 18) sections of the consolidated financial statements.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

EU Taxonomy Disclosure - continued

Key Performance Indicators - continued

The Group's consolidated OpEx captured in the denominator of the KPI of EUR42,847,188 (2022: EUR31,222,743) reconciles with the summation of the amounts disclosed in the 'Operating costs' and 'Staff costs' financial statement line items included in the 'Statements of Profit or Loss and Other Comprehensive Income' in the consolidated financial statements included in this annual report.

Determination of Alignment

In order to determine alignment, a 'Substantial Contribution' assessment was conducted for each of the Group's eligible economic activities: Construction, Real Estate & Development, Residential Care Activities and Hotels & Accommodation. The Technical Screening Criteria outlined for the six environmental objectives was analysed per eligible economic activity.

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. The Group remains committed to identify such gaps and establish procedures to gather data required by the Climate Delegated Act as well as the Environmental Delegated Act.

The information above is presented overleaf in the format required by the Disclosures Delegated Act, as amended by Annex II of the Environmental Delegated Act. Given that the Group's economic activities are not aligning to any environmental objective for which they are eligible, the disclosures included in this section are limited to the requirements pertaining to Taxonomy eligibility. In this regard, eligible activities have been labeled as follows:

- EL – Taxonomy-eligible activity for the relevant objective; or
- N/EL – Taxonomy-non-eligible activity for the relevant objective.

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 2023	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	Proportion of Taxonomy Aligned / Eligible Turnover 2022	Category Enabling / Transitional Activity (E/T)
		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%	0%	0%	0%								0%	
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	CCM7.1 CCA7.1 CE3.1	4,138,979	8.3%	EL	EL	N/EL	EL	N/EL	N/EL									
Real Estate and Development	CCM7.7 CCA7.7	2,300,427	4.6%	EL	EL	N/EL	N/EL	N/EL	N/EL									
Other Residential Care Activities	CCA12.1	6,220,971	12.9%	N/EL	EL	N/EL	N/EL	N/EL	N/EL									
Hotels and Similar Accommodation	BIO2.1	36,528,735	73.3%	N/EL	N/EL	N/EL	N/EL	N/EL	EL									
Turnover of A.2		49,189,112	98.6%														99.7%	
Total (A) = (A.1 + A.2)		49,189,112	98.6%														99.7%	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy Non-Eligible Activities		676,144	1.4%															
TOTAL TURNOVER (A+B)		49,865,256	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 CAPEX	Proportion of CAPEX 2023	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	Proportion of Taxonomy Aligned / Eligible Turnover 2022	Category Enabling / Transitional Activity (E/T)
		EUR	%	%	%	%	%	%	%	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	Y/N	%	
A. TAXONOMY ELIGIBLE ACTIVITIES																		
A.1. Taxonomy-aligned)																		
CAPEX of A.1		-	0%	0%	0%	0%	0%	0%	0%								0%	
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	CCM7.1 CCA7.1 CE3.1	249,038	0.4%	EL	EL	N/EL	EL	N/EL	N/EL									
Real Estate and Development	CCM7.7 CCA7.7	49,200,174	80.7%	EL	EL	N/EL	N/EL	N/EL	N/EL									
Other Residential Care Activities	CCA12.1	21,918	0.0%	N/EL	EL	N/EL	N/EL	N/EL	N/EL									
Hotels and Similar Accommodation	BIO2.1	10,730,131	17.6%	N/EL	N/EL	N/EL	N/EL	N/EL	EL									
CAPEX of A.2		60,201,261	98.7%														99.8%	
Total (A) = (A.1 + A.2)		60,201,261	98.7%														99.8%	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
CapEx of Taxonomy Non-Eligible Activities		779,841	1.3%															
TOTAL CAPEX(A+B)		60,981,102	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 OPEX	Proportion of OPEX 2023	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 OPEX (Year N)	Taxonomy Aligned proportion of OPEX (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%	0%	0%	0%								0%	
A.2 Taxonomy-Eligible but not Taxonomy-Aligned																		
Construction	CCM7.1 CCA7.1 CE3.1	3,380,158	7.9%	EL	EL	N/EL	EL	N/EL	N/EL									
Real Estate and Development	CCM7.7 CCA7.7	1,048,846	2.4%	EL	EL	N/EL	N/EL	N/EL	N/EL									
Other Residential Care Activities	CCA12.1	5,323,798	12.4%	N/EL	EL	N/EL	N/EL	N/EL	N/EL									
Hotels and Similar Accommodation	BIO2.1	26,856,051	62.7%	N/EL	N/EL	N/EL	N/EL	N/EL	EL									
OPEX of A.2		36,608,853	87.4%														88.6%	
Total (A) = (A.1 + A.2)		36,608,853	85.4%														88.6%	
B. TAXONOMY NON-ELIGIBLE ACTIVITIES																		
Turnover of Taxonomy Non-Eligible Activities		6,238,335	14.6%															
TOTAL OPEX (A+B)		42,847,188	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 over 1,000 employees (including both directly employed as disclosed in Note 10 and subcontracted employees), from around 63 different countries 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.

In addition, the Group continues to offer all employees free health insurance cover as well as heavily subsidized health insurance cover rates to the employee's family members.

During the months of October and November 2023, the Group partnered with Hospice Malta who delivered informative talks to all employees about the services and support that Hospice Malta offer. Simultaneously, the Group raised cancer awareness amongst its employees through various Pink October and Movember activities across the Group.

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 2023, the Group carried out 19,504 hours (2022: 14,003 hours) of training equating to an average of 19 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 2023. Over 80 employees from all divisions of the Group were recognised for their commitment and long service with the Group ranging between 5 and 35 years. During this event, an employee was presented with the Lifetime Achievement Award in recognition of his hard work and dedication over the years. The recognition ceremony featured the introduction of the CSR/ESG award which was presented to Mr Joseph Borg and Mr Mark Spiteri for their priceless work for the AX Foundation in addition to multiple CSR initiatives.

Furthermore, as a gesture of appreciation for our dedicated AX Group employees and to acknowledge their steadfast commitment, we have implemented a retention bonus program. Under this initiative, our valued staff members who have shown an excellent track record, will be eligible to receive bonuses as they reach their 3-year and 5-year anniversaries within the Group. This not only serves as a way to express our gratitude for their loyalty but also aims to provide additional motivation and recognition for their excellent work and dedication. We believe that such incentives contribute to fostering a positive and supportive work environment while fostering long-term relationships with our exceptional team.

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 76% of the staff compliment are foreign nationals. These foreign nationals come from over 63 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 6 women and 7 men, whilst the Board still being composed of 2 females and 5 males.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Social Matters - continued

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 Construction and Development Director, Ms Denise Xuereb, 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. During the year, there were two injuries on work which resulted in a prolonged absence from work.

While AX ODYCY and the Lido in Qawra were under construction this year, an unfortunate incident transpired when construction equipment was accidentally submerged in the sea. The Group promptly conducted a thorough investigation into the matter and took disciplinary actions against those responsible for the incident. We have also implemented internal measures and safeguards to prevent the recurrence of such incidents in the future. Our commitment to maintaining a safe and responsible work environment remains unwavering.

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 for our independent community of elders.

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.

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 center.

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.

During 2023, AX Foundation has collaborated with Children in Need Foundation and Fondazzjoni Sebħ on a new pilot project focused on helping children living in Malta's residential homes. The focus of this collaborative initiative will be to provide young children with much-needed psychotherapy sessions, facilitated by highly qualified professionals. By sponsoring three children, AX Foundation will ensure they receive weekly therapy sessions for a three-year period, amounting to a total cost of €22,500. These sessions are designed to empower these young individuals with vital skills and emotional support, enabling them to overcome their challenges, integrate better with their communities, and develop into well-adjusted adults. Moreover, the project includes training staff members in these homes to recognize important signs and behavior patterns that may indicate deeper trauma or emotional needs within the

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Social Matters - continued

AX Foundation and Other Community Initiatives - continued

children. Equipping the staff with necessary skills and knowledge will allow them to become valuable supports for the children, providing effective care and assistance throughout their healing journey.

In November 2023, AX Foundation collaborated with MOVE and the Movement School of Malta, to organize a seminar on ADHD and the benefits of correct Movement, at the Royal Hall at The Palace. Three local specialists and a foreign speaker addressed the seminar.

Building upon the success of the previous year's CSR initiative, the AX Group once again collaborated with Fondazzjoni Sebh to extend support towards refurbishing Fra Diegu home, and Dar San Nikola, both of which serve as residential homes for children in Hamrun. Through this initiative, the Group refurbished the living quarters by replacing outdated electrical installation, installed suspended ceilings and implemented a new air conditioning system. Furthermore, in April and November 2023, staff from all divisions generously supported this initiative by lending a hand to brush and paint a number of utility rooms, further strengthening our commitment to improve the living conditions of vulnerable children.

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 2023, we completed works on the restoration of the Oratory of the Jesuits Church in Valletta and the statue of Saint Paul in Valletta. Works on the extension of the St. John Co Cathedral 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 2023, the extensive restoration works have been substantially completed and this property has been re-branded as 'Palazzo Lucia'.

Moreover, the Valletta hotels have started promoting a number of cultural and gastronomic tours for tourists, providing them with an experience of the local tastes and lifestyle. Rosselli hotel guests are offered complimentary tickets to the fine arts museum, war museum, or national archaeology museum to enhance their stay and foster a deeper engagement with Malta's rich cultural heritage.

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 surrounding 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 ESG matters by collaborating with 12 esteemed business leaders in Malta to establish the Malta ESG Alliance (MESGA). MESGA is fully dedicated to addressing local environmental, social, and governance priorities. Through active engagement in monthly meetings, members collectively contribute to ongoing initiatives. The Alliance's primary focus is to raise awareness among other companies, policymakers, and the broader community on environmental, social, and governance issues. MESGA actively collaborates with policymakers to contribute to enhancing the local regulatory landscape on ESG matters.

STATEMENT ON NON-FINANCIAL INFORMATION - CONTINUED

Uphold Good Governance - continued

The Governance of ESG and the Alliance - continued

AX Group is dedicated to adapting our own operations and catalyzing positive change on a larger scale. Recognizing the profound connection between business success and societal well-being, we, through MESGA, actively pursue a sustainable future for Malta. MESGA is now on a journey to increase the number of corporate members joining us in this transformative journey, building a future where responsible corporate practices shape a thriving and sustainable 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 21 February 2024 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 2023.

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, three 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, Paris 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.

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

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – CONTINUED

The Board - continued

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, all three directors 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 Group Chief Operating Officer, Mr Nicky Camilleri and the Group Managing Director Finance and Administration, Mr Albert Bonello and the Group Internal Auditor, Ms Isabelle Spiteri.

The Audit Committee met five 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, all of which are independent non-executive Directors.

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

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 one time during the year under review.

Dealings by Directors and Senior Officers

Conscious of its responsibility for monitoring dealings by Directors and senior officers in the Company's securities, the Board approved a Code of Conduct for Securities Transactions by Directors, Executives and Employees in compliance with 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,

CORPORATE GOVERNANCE – STATEMENT OF COMPLIANCE – CONTINUED

Risk Identification- continued

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 EUR947,153. 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 Board of Directors on 21 February 2024 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 2023.

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
Revenue	8	49,865,256	38,269,722	31,270,094	6,280,049
Other operating income	9	427,273	173,267	14,222	11,882
Operating costs	13	(16,957,245)	(14,940,146)	(2,148,174)	(760,507)
Staff costs	10	(25,889,943)	(16,282,597)	(3,825,546)	(2,359,424)
Depreciation	17,19	(9,337,751)	(6,915,876)	(589,297)	(514,342)
Gain/(Loss) on revaluation of investment properties	18	103,161	1,669,149	(362,933)	-
Movement in fair value of financial asset	22	-	-	(637,955)	(631,500)
Loss on disposal of financial asset		-	-	(595,700)	(21,000)
Operating (loss)/profit		(1,789,249)	1,973,519	23,124,711	2,005,158
Share of results of associates and joint ventures	21	975,602	848,954	-	-
Finance income	11	110,382	83,234	2,597,998	1,934,390
Finance costs	12	(6,113,901)	(4,208,709)	(3,678,631)	(3,468,880)
(Loss)/profit before taxation		(6,817,166)	(1,303,002)	22,044,078	470,668
Taxation	15	2,995,582	1,053,898	(2,175,406)	470,859
(Loss)/profit for the year		(3,821,584)	(249,104)	19,868,672	941,527

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
Attributable to:					
Owners of the parent		(3,856,785)	12,720	-	-
Non-controlling interest		35,201	(261,824)	-	-
		(3,821,584)	(249,104)	-	-
Basic loss per share	16	(3.28)	(0.21)	-	-
Other comprehensive income					
Other comprehensive income that will not be reclassified to profit or loss in subsequent periods					
Gain/(loss) on property revaluations	17	3,632,933	(3,587,403)	-	-
Taxation	15	(2,785,280)	2,055,405	-	-
Other comprehensive income/(loss) net of tax		847,653	(1,531,998)	-	-
Total comprehensive (loss)/ income		(2,973,931)	(1,781,102)	19,868,672	941,527
Attributable to:					
Owners of the parent		(3,009,132)	(1,519,278)	-	-
Non-controlling interest		35,201	(261,824)	-	-
Total comprehensive (loss)/ income		(2,973,931)	(1,781,102)	19,868,672	941,527

The notes on pages 218 to 268 form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
ASSETS AND LIABILITIES					
Non-current assets					
Property, plant and equipment	17	324,000,066	281,437,248	1,029,965	1,126,545
Investment properties	18	61,703,333	57,887,382	9,792,134	9,552,294
Right-of-use assets	19	393,679	-	5,284,855	5,129,916
Net investment in the lease	19	-	-	1,303,744	-
Inventories	23	-	37,022,773	-	2,416,665
Investment in subsidiaries	20	-	-	82,472,590	82,054,477
Investments in associates and joint ventures	21	7,889,009	8,250,655	-	-
Loans receivable	22	2,175,155	1,763,011	42,779,811	38,801,076
Financial assets	22	-	-	16,813,945	20,488,900
		396,161,242	386,361,069	159,477,044	159,569,873
Current assets					
Inventories	23	49,101,502	3,506,446	3,179,131	762,466
Trade and other receivables	24	15,142,002	17,981,033	9,849,491	12,121,650
Net investment in the lease	19	-	-	230,941	-
Current tax asset		2,966,585	1,029,704	3,536,449	2,223,190
Cash at bank and in hand	25	10,656,902	13,881,138	39,843	146,931
		77,866,991	36,398,321	16,835,855	15,254,237
Total assets		474,028,233	422,759,390	176,312,899	174,824,110
Current liabilities					
Trade and other payables	27	29,469,209	21,347,630	3,843,671	3,186,570
Bank borrowings	28	11,431,154	7,975,770	-	-
Other financial liabilities	29	5,973	80,712	38,319,182	31,352,449
Debt securities in issue	30	42,692,823	2,798,243	746,712	744,349
Current lease liabilities	19	22,217	-	356,282	155,364
		83,621,376	32,202,355	43,265,847	35,438,732

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
Non-current liabilities					
Trade and other payables	27	11,517,083	13,039,435	-	58,539
Bank borrowings	28	68,988,396	27,126,253	-	-
Other financial liabilities	29	-	-	2,700,848	29,934,923
Debt securities in issue	30	45,629,109	82,423,921	24,773,154	24,736,174
Non-current lease liabilities	19	372,104	-	6,079,868	5,166,536
Deferred tax liabilities	31	20,359,867	19,744,779	522,562	243,375
		146,866,559	142,334,388	34,076,432	60,139,547
Total liabilities		230,487,935	174,536,743	77,342,279	95,578,279
Net assets		243,540,298	248,222,647	98,970,620	79,245,831
EQUITY					
Capital and reserves					
Share capital	32	1,164,688	1,164,688	1,164,688	1,164,688
Revaluation reserve	32	209,785,089	208,812,536	4,066,290	4,392,929
Other reserves		616,095	616,095	285,342	285,342
Retained earnings	32	19,235,716	24,317,401	93,454,300	73,402,872
		230,801,588	234,910,720	98,970,620	79,245,831
Non-controlling interest		12,738,710	13,311,927	-	-
Total equity		243,540,298	248,222,647	98,970,620	79,245,831

The notes on pages 218 to 268 form an integral part of these financial statements.

The financial statements on pages 212 to 268 have been authorized for issue by the Board of Directors on 21 February 2024 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 2023.

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 2021	1,164,688	209,425,003	616,095	25,224,212	236,429,998	712,683	237,142,681
Profit for the year	-	-	-	12,720	12,720	(261,824)	(249,104)
Other comprehensive income for the year, net of tax	-	(1,531,998)	-	-	(1,531,998)	-	(1,531,998)
Total comprehensive income 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
(Loss)/profit for the year	-	-	-	(3,856,785)	(3,856,785)	35,201	(3,821,584)
Other comprehensive loss for the year, net of tax	-	847,653	-	-	847,653	-	847,653
Total comprehensive income/(loss) for the year	-	847,653	-	(3,856,785)	(3,009,132)	35,201	(2,973,931)
Dividends (Note 32)	-	-	-	(1,100,000)	(1,100,000)	(608,418)	(1,708,418)
Fair value movement of investment properties, net of tax	-	124,900	-	(124,900)	-	-	-
At 31 October 2023	1,164,688	209,785,089	616,095	19,235,716	230,801,588	12,738,710	243,540,298

STATEMENTS OF CHANGES IN EQUITY – CONTINUED

Company

	Share capital	Revaluation reserve	Other reserves	Retained earnings	Total
	EUR	EUR	EUR	EUR	EUR
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
Profit for the year	-	-	-	19,868,672	19,868,672
Total comprehensive income for the year	-	-	-	19,868,672	19,868,672
Effect of merger (Note 3)	-	-	-	956,117	956,117
Dividends (Note 32)	-	-	-	(1,100,000)	(1,100,000)
Fair value movement of investment properties, net of tax	-	(326,639)	-	326,639	-
At 31 October 2023	1,164,688	4,066,290	285,342	93,454,300	98,970,620

The notes on pages 218 to 268 form an integral part of these financial statements.

STATEMENTS OF CASHFLOWS

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
Cash flows from operating activities					
(Loss)/profit before taxation		(6,817,166)	(1,303,002)	22,044,078	470,668
Adjustments for:					
Depreciation	17,19	9,337,751	6,915,876	589,297	514,342
Impairment of property, plant and equipment	17	-	330,037	-	-
Dividend receivable	8	-	-	(29,498,155)	-
Share of results of associates and joint ventures	21	(975,602)	(848,954)	-	-
Movement in fair value of investment properties	18	(103,161)	(1,669,149)	362,933	-
Movement in fair value of financial asset	22	-	-	637,955	631,500
Loss on disposal of financial asset		-	-	595,700	21,000
Movement in expected credit loss	13	(237,241)	293,241	13,632	(142,722)
Movement in provision for litigation	13	247,887	-	-	-
Other short-term employee benefits	10	3,073,642	-	613,526	-
Issue cost amortization	12	154,797	164,124	36,980	46,301
Interest expense	12	5,959,104	4,044,585	3,641,651	3,422,579
Interest income	11	(110,382)	(83,234)	(2,597,998)	(1,934,390)
Operating profit/(loss) before working capital changes		10,529,629	7,843,524	(3,560,401)	3,029,278
Movement in inventories	17, 18,23	(15,423,923)	(13,795,923)	-	(2,416,665)
Movement in trade and other receivables		(1,347,157)	(3,117,759)	(766,631)	(3,027,070)
Movement in trade and other payables		761,585	7,574,669	5,652,277	(158,423)
Cash flows (used in) /from operating activities		(5,479,866)	(1,495,489)	1,325,245	(2,572,880)
Interest paid		(5,743,539)	(3,459,466)	(864,863)	(860,137)
Interest received	11	-	83,234	65,456	32,693
Taxation (paid)/ credit received		(1,110,865)	382,573	-	-
Net cash flows (used in)/ from operating activities		(12,334,270)	(4,489,148)	525,838	(3,400,324)
Cash flows from investing activities					
Purchase of property, plant and equipment		(36,069,495)	(31,326,395)	(152,129)	(76,595)
Payments to acquire investment properties		(2,677,229)	(1,036,146)	-	(15,876)
Dividends received	21	1,337,248	-	-	-
Disposal of financial assets		-	-	2,441,300	504,000
Movement in loan to subsidiary		-	-	(1,688,689)	3,485,768
Net cash flows (used in)/ from investing activities		(37,409,476)	(32,362,541)	600,482	3,897,297
Cash flows from financing activities					
Movement in bank loan		49,292,698	11,586,663	-	-
Movement on other loans		(412,144)	(32,691)	-	-
Proceeds from issue of shares		-	13,165,275	-	-
Proceeds from debt securities in issue		2,864,045	18,303,671	-	-
Payment of lease liabilities	19	(36,500)	-	(628,408)	(374,583)
Dividends paid		(605,000)	-	(605,000)	-
Dividends to non-controlling interest		(608,418)	(304,208)	-	-
Net cash flows from/(used in) financing activities		50,494,681	42,718,710	(1,233,408)	(374,583)

		Group		Company	
		2023	2022	2023	2022
	Notes	EUR	EUR	EUR	EUR
Net movement in cash and cash equivalents		750,935	5,867,021	(107,088)	122,390
Cash and cash equivalents at beginning of year		9,578,750	3,711,729	146,931	24,541
Cash and cash equivalents at end of year	25	10,329,685	9,578,750	39,843	146,931

The notes on pages 218 to 268 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

Profitability

During the year ending 31 October 2023, the Group experienced an increase in revenue of 30% over last year and has reported an Adjusted EBITDA of EUR7,445,341 (2022: EUR7,220,246) which reconciles to the Group's operating profit/(loss) after adjusting for gain/(loss) on revaluation of investment properties, movement in fair value of financial asset, gain/(loss) on disposal of financial asset and depreciation on the Statement of Profit or Loss.

Financial Position

As at 31 October 2023, the Company's current liabilities exceeded its current assets by EUR26,429,992 (2022: EUR20,184,495). 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 2023, the Group's current liabilities exceeded its current assets by EUR5,754,385 (2022: current assets exceeded its current liabilities by EUR4,195,966) whereas the Group's total assets exceeded its total liabilities by EUR243,540,298 (2022: EUR248,222,647). The current liability position as at 31 October 2023 is inclusive of the EUR40million "6% AX Investments p.l.c. 2014 Bond" issued by AX Investments p.l.c., a subsidiary of the Company, which matures in March 2024. In addition, the working capital position at 31 October 2023 includes a balance of EUR2,020,019 (2022: EUR1,670,284) 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, considering events and transactions that have occurred shortly after year-end or are expected to occur in the forthcoming eighteen month period, 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 be able to 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.

Refinancing of EUR40million "6% AX Investments p.l.c. 2014 Bond"

As disclosed in Note 38, in November 2023, the Company issued a EUR40 million "5.85% AX Group p.l.c. 2023 Unsecured Bond" maturing in 2033, aimed to redeem the EUR 40million "6% AX Investments p.l.c. 2014 Bond" issued by AX Investments p.l.c., a subsidiary of the Company, scheduled to mature on 6 March 2024. Existing AX Investments p.l.c. bondholders were given priority to subscribe to the new bond issue by exchanging their current holdings. The total value of exchanged AX Investments p.l.c. bonds reached EUR 28,386,300, representing a 70.97% of the total AX Investments p.l.c. bond. The rest of the bond issue was subscribed by other preferred applicants, which included employees and directors of the AX Group and holders of other securities previously issued by the Company and AX Real Estate p.l.c., a related company. The newly issued bond was admitted to the Official List of the Malta Stock Exchange on 7 November 2023.

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 sanctioned

2. BASIS OF PREPARATION - CONTINUED

2.1 GOING CONCERN - CONTINUED

Liquidity and Capital Funding - continued

banking facilities of EUR120,763,291 (2022: EUR 38,999,638) of which EUR40,344,706 (2022: EUR 4,237,192) were undrawn banking facilities.

As at 31 October 2023, the Group's gearing ratio stood at 46.3% (2022: 37.5%) and 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. It should be noted that the Group is not required to maintain a sinking fund in relation to its borrowings.

In January 2023, two subsidiaries of AX Group obtained financing from a local credit institution amounting to EUR48.5 million, for the purpose of financing the completion of the AX ODYCY hotel extension and refurbishment and the Lido redevelopment. These loan facilities are repayable over a 15-year term from the date of the first drawdown with a 12-month capital moratorium. In addition, the Group obtained another loan facility from a local credit institution amounting to EUR36 million to finance the construction and completion of the Verdala Terraces project in Rabat. 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 the signing of the sale agreements of the Verdala Terraces will commence during financial year 2024 with part of the proceeds going towards loan repayment, thereby reducing the Group's debt. Following full repayment of this loan facility, proceeds from additional sale of apartments would be allocated to finance the final phase of this project.

Cashflow Forecast

Management has prepared a cashflow forecast covering 18-months from reporting date, considering significant events and transactions that have occurred or are expected to occur subsequent to period end. The base case scenario contemplates the Group FY2024 budget prepared by the various divisions of the Group. The hospitality division's revenue is expected to increase substantially primarily due to the first full year of operation of the AX ODYCY hotel, Lido and numerous food and beverage outlets in Qawra. Additionally, the construction division has secured multiple third-party contracts for the upcoming year which are expected to significantly boost revenue. The healthcare sector is anticipated to retain the same level of business experienced in 2023. During 2024, the Group is expected to start receiving cash inflows from the Verdala residential development through the signing of new promise of sale agreements as well as contracts of sale. Furthermore, the cashflow forecast cautiously reflects the impact of inflationary pressures on the operating costs of the Group. It also encompasses capital expenditure related to the finalization of the AX ODYCY and Verdala projects, along with their respective financing, as detailed 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 the servicing of current and projected debt, including debt at variable rates.

Management has simulated a stress-tested scenario to assess the Group's resilience and ability to handle unforeseen challenges. These include reducing the AX ODYCY hotel's projected performance by 20% in the coming year and delaying the sale of certain units at Verdala. Under all scenarios tested, the Group is expected to continue to have sufficient liquidity relative to the funding available to it.

The Group has also identified a contingency plan aimed to generate further liquidity should the events that are expected to occur do not materialize and, with the contingency plan in place, management is confident that the Group will continue to have sufficient liquidity to operate in the foreseeable future. The contingency plan includes the disposal of the 3.5% AX Real Estate p.l.c. 2032 bonds held by AX Group p.l.c. and the possibility of obtaining additional bank financing, guaranteed by unencumbered assets owned by the Group. Additionally, the Group has earmarked some non-core immovable property that can be disposed of.

3. LEGAL MERGER

On 5 September 2022, the board of Directors of Capua Palace Investments Limited, a company registered in Malta and the board of Directors of AX Group p.l.c. ("the Company"), approved a Draft Terms of Merger, whereby Capua Palace Investments Limited ("the company being acquired") was amalgamated into the Company. The merger became effective on the 30 March 2023, on which date Capua Palace Investments 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 1 November 2022.

Prior to the merger, the Company owned 100% of the ordinary shares in issue of Capua Palace Investments Limited. As a result of the legal merger, Capua Palace Investments 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 the Company of shares in Capua Palace Investments Limited, in exchange for the assets of Capua Palace Investments Limited. The assets acquired and liabilities assumed

3. LEGAL MERGER - CONTINUED

are recognised at the carrying amounts in the consolidated financial statements as of the date of the legal merger with any difference recognised in equity as disclosed below:

	Capua Palace Investments Limited 31 October 2022
	EUR
ASSETS	
Non-current assets	
Right-of-use asset	495,527
Other receivables	1,534,685
Total non-current assets	2,030,212
Current assets	
Trade and other receivables	2,863,507
Total current assets	2,863,507
TOTAL ASSETS	4,893,719
LIABILITIES	
Current liabilities	
Trade and other payables	2,364,639
Current tax payable	25,207
Total current liabilities	2,389,846
Non-current liabilities	
Deferred tax liabilities	278,141
Other payables	1,269,615
Total non-current liabilities	1,547,756
TOTAL LIABILITIES	3,937,602
EQUITY	
Retained earnings	956,117
TOTAL EQUITY	956,117
TOTAL EQUITY AND LIABILITIES	4,893,719

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 2023. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in

4. BASIS OF CONSOLIDATION - CONTINUED

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.

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

	Group % of equity and voting rights held	
	2023	2022
AX Construction 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 (merged into the Company per Note 3)	-	100
Central Leisure Developments Limited *	100	100
Harbour Connections Limited	100	100
Heritage Developments Limited *	50	50
Hilltop Gardens Retirement Village Limited	100	100
Hilltop Management Services Limited	100	100
AX Business Park Limited	100	100
Palazzo Merkanti Leisure Limited *	100	100
Prime Buildings Limited	75	75
Renewables Limited	100	100
Royal Hotels Limited *	75	75
Simblija Developments Limited *	100	100
Skyline Developments Limited *	100	100
St. John's Boutique Hotel Limited * (merged into Palazzo Merkanti Leisure Limited)	-	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.**	91.13	91.13
Engage People Limited	100	100
Verdala Terraces Limited	100	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.*

*** In February 2022, AX Group p.l.c. managed to successfully list 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, 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 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)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

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

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

- 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 IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for financial year beginning on or after 1 January 2024)
- Amendments to IAS 1 Presentation of Financial Statements:
  - Classification of Liabilities as Current or Non-current (issued on 23 January 2020)
  - Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 15 July 2020); and
  - Non-current Liabilities with Covenants (issued on 31 October 2022) (effective for financial year beginning on or after 1 January 2024)

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

Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies

The amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply materiality judgements to accounting policy disclosures. The amendments aim to help entities provide accounting policy disclosures that are more useful by replacing the requirement for entities to disclose their 'significant' accounting policies with a requirement to disclose their 'material' accounting policies and adding guidance on how entities apply the concept of materiality in making decisions about accounting disclosures. The amendments are expected to have an impact on the Group's disclosures of accounting policies, but not on the measurement, recognition or presentation of any items in the Group's financial statements.

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

These are as follows:

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023)

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

5.4 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue includes all revenues from the ordinary business activities of the Group and 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.4 REVENUE FROM CONTRACTS WITH CUSTOMERS - CONTINUED

ii. Provision of hospitality services primarily accommodation in hotels and boutique properties and catering services offered by the Group outlets and 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. 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.

5.5 EMPLOYEE BENEFITS

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

5.6 BORROWING COSTS

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

5.7 LEASES

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.7 LEASES - CONTINUED

Company and Group as a lessee

A single recognition and measurement approach for all leases is applied, except for short-term leases and leases of low-value assets. The Group 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 Group 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
Hospitality	-	15 years

If ownership of the leased asset is transferred to the Group 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 Group 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 Group and payments of penalties for terminating the lease, if the lease term reflects the Group 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 Group 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 Group'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.

5.8 TAXATION

i. Current income tax

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

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

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.8 TAXATION - CONTINUED

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.

5.9 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 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.

5.10 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.11 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 2023.

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 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.

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.

5.12 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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.12 FINANCIAL INSTRUMENTS - CONTINUED

i. Financial assets - continued

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
- 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. The Group holds no financial assets in this category.

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.

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.12 FINANCIAL INSTRUMENTS - CONTINUED

Financial assets at fair value through profit or loss - continued

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.

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 does not hold any financial liabilities which are mandatorily measured at fair value through profit or loss, nor has it designated any financial liabilities 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.12 FINANCIAL INSTRUMENTS - CONTINUED

Financial liabilities at amortised cost (loans and borrowings) - continued

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.

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.

General approach

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

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

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

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

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

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

Simplified approach

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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.12 FINANCIAL INSTRUMENTS - CONTINUED

Simplified approach - continued

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.

5.13 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.

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

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

5.14 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	16% - 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.

5.15 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.15 REVALUATION OF LAND AND BUILDINGS - CONTINUED

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% per annum

5.16 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.

5.17 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.17 INVENTORIES - CONTINUED

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.

5.18 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.

5.19 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 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.

5.20 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.

5.21 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.

5.22 PROVISIONS

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

5.23 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

5. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

5.23 FINANCIAL GUARANTEE CONTRACTS - CONTINUED

risk is the maximum amount the entity could have to pay if the guarantee is called on.

5.24 RELATED PARTIES

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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

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

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

JUDGEMENTS

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

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 2.1 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

6. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS - CONTINUED

ESTIMATES - CONTINUED

Fair value of land and buildings and investment properties - continued

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.

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.

7. SEGMENT INFORMATION - CONTINUED

- Real Estate and Development

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 2023

	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	36,528,735	4,138,979	6,841,329	1,680,464	675,749	-	49,865,256
Inter-segment	-	17,167,039	-	19,205,997	32,840,491	(69,213,527)	-
Revenue	36,528,735	21,306,018	6,841,329	20,886,461	33,516,240	(69,213,527)	49,865,256
Other operating Income		9,405	24,073	379,573	14,222	-	427,273
Other operating costs	(13,861,053)	(12,735,941)	(1,986,115)	(285,416)	(2,249,602)	14,160,882	(16,957,245)
Staff costs	(15,529,459)	(7,539,282)	(3,842,714)	(294,385)	(3,977,920)	5,293,817	(25,889,943)
Adjusted EBITDA	7,138,223	1,040,200	1,036,573	20,686,233	27,302,940	(49,758,828)	7,445,341
Depreciation	(2,797,501)	(302,400)	(35,207)	(747)	(253,144)	(5,948,752)	(9,337,751)
Gain/(loss) on revaluation				468,827	(365,666)		103,161
Operating loss							(1,789,249)
Share of results of associates and joint ventures							975,602
Net finance costs							(6,003,519)
Loss before tax							(6,817,166)
Taxation							2,995,582
Loss for the year							(3,821,584)
Segment assets	170,944,801	12,392,471	56,113,153	556,596,240	243,716,678	(565,735,110)	474,028,233
Segment liabilities	(166,735,645)	(10,806,676)	(66,103,751)	(283,536,118)	(128,124,492)	424,818,747	(230,487,935)

7. SEGMENT INFORMATION – CONTINUED

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			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)

8. REVENUE

Revenue by category of activity:	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Construction works and building materials	4,138,978	7,024,506	-	-
Hospitality and entertainment	36,237,054	22,508,583	-	-
Healthcare	6,623,179	5,971,575	-	-
Sale of property and real estate	651,000	1,292,128	-	-
Rental income	1,663,845	1,472,930	124,945	107,833
Management services	551,200	-	1,646,994	1,364,562
Dividends receivable	-	-	29,498,155	4,807,654
	49,865,256	38,269,722	31,270,094	6,280,049

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

Timing of revenue recognition

Group	2023	2022
	EUR	EUR
At a point in time		
Sale of property and real estate	651,000	1,292,128
Hospitality and entertainment	13,183,397	8,751,422
Healthcare	2,138,604	1,801,517
	15,973,001	11,845,067
Over time		
Construction works and building materials	4,138,978	7,024,506
Hospitality and entertainment	23,053,657	13,757,161
Healthcare	4,484,575	4,170,058
Management services	551,200	-
	32,228,410	24,951,725

9. OTHER OPERATING INCOME

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Ancillary services	427,273	173,267	14,222	11,882

10. STAFF COSTS

	Group		Company	
	2023	2022	2023	2022
		EUR	EUR	EUR
Personnel costs				
Wages and salaries (i)	22,785,483	14,684,523	3,419,137	2,253,936
Social security costs	1,462,663	1,099,096	123,234	105,488
	24,248,146	15,783,619	3,542,371	2,359,424
Subcontracted labour	3,861,972	4,314,816	-	-
Salaries capitalised (ii)	(5,293,817)	(3,815,838)	-	-
Salaries recharged to subsidiaries	-	-	(330,351)	-
Other short-term employee benefits (iii)	3,073,642	-	613,526	-
	25,889,943	16,282,597	3,825,546	2,359,424

(i) Wages and salaries in 2022 are net of COVID-19 related wage supplement received from the Government of Malta which was extended until end of May 2022. During 2022, the Group received EUR1,484,865 and the Company received EUR234,864.

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

(iii) Other short-term employee benefits relate to a provision for a recently introduced retention bonus programme which is applicable to all staff members subject to achieving certain criteria. This incentive aims to reward loyal and committed employees for their extended tenure with the Group.

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

	Group		Company	
	2023	2022	2023	2023
	EUR	EUR	EUR	EUR
Management and administration	206	173	43	39
Operations and distribution	716	511	2	2
	922	684	45	41

11. FINANCE INCOME

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Interest income on loans and receivables	110,382	83,234	65,456	32,693
Interest income on loans to subsidiary	-	-	1,826,742	1,352,147
Interest on net investment in the lease	-	-	66,225	-
Interest income on investments	-	-	639,575	549,550
	110,382	83,234	2,597,998	1,934,390

12. FINANCE COSTS

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Interest on bank loans and overdrafts	1,928,723	762,597	-	-
Interest on debt securities in issue	3,684,967	3,263,989	864,863	860,137
Interest on lease liabilities	19,785	-	289,470	236,043
Interest on amounts payable to subsidiary	-	-	2,487,318	2,326,399
Amortisation of bond issue costs	154,797	164,124	36,980	46,301
Bank loan fees	325,629	-	-	-
Unrealised exchange losses	-	17,999	-	-
	6,113,901	4,208,709	3,678,631	3,468,880

13. OPERATING COSTS

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Auditors' remuneration				
For audit services – statutory audit	190,000	147,000	43,000	19,000
For audit services – other assurance	27,000	33,750	27,000	25,000
For non-audit services	10,000	8,600	400	300
Stock consumed	4,939,470	4,162,636	-	-
Cost of constructing property sold	152,482	882,215	-	-
Construction costs	640,276	503,883	-	-
Movement in allowance for expected credit losses	(237,241)	293,241	13,632	(142,722)
Provision of litigation	247,887	-	-	-
Water and electricity	1,872,746	1,128,986	11,280	19,665
Repairs and maintenance	1,145,314	957,831	270,290	176,739
Professional fees	871,059	1,045,107	299,723	250,326
Commissions	2,405,973	1,263,949	24,097	907
Cleaning	551,935	314,662	1,890	1,917
Advertising and marketing	427,247	307,055	95,984	26,624
Insurance	433,977	268,178	59,352	45,577
Bank charges	156,510	328,441	5,465	-
Licences and permits	403,987	298,088	74,887	10,337
Waiver of amount due from subsidiary	-	-	1,000,000	-
Other administrative costs	2,718,623	2,996,524	221,174	326,837
	16,957,245	14,940,146	2,148,174	760,507

14. KEY MANAGEMENT PERSONNEL COMPENSATION

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Directors' compensation				
Short-term benefits	990,153	910,509	947,153	868,342
Other key management personnel compensation				
Salaries and social security contributions	856,789	632,721	512,469	273,207

15. TAXATION

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Current income tax				
- for the year	(825,389)	(779,291)	2,174,360	-
- losses surrendered to subsidiaries	-	-	-	(211,735)
Deferred tax through profit or loss	(2,170,193)	(274,607)	1,046	(259,124)
Income tax credit	(2,995,582)	(1,053,898)	2,175,406	(470,859)
Deferred tax through other comprehensive income	2,785,280	(2,055,405)	-	-

15. TAXATION – CONTINUED

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
(Loss)/profit before taxation	(6,817,166)	(1,303,002)	22,044,078	470,668
- Tax thereon at 35%	(2,386,008)	(456,051)	7,715,427	164,734
Tax effect of:				
Income not subject to tax	(341,461)	(297,134)	(5,220,135)	-
Income at different tax rate	(1,195,912)	(1,479,403)	118,281	7,548
Disallowed expenses	927,799	926,100	-	-
Other permanent differences	-	252,590	(438,167)	(643,141)
Income tax credit for the year	(2,995,582)	(1,053,898)	2,175,406	(470,859)

16. EARNINGS PER SHARE

The earnings per share has been calculated on the Group's loss for the year of EUR3,821,584 (2022: EUR249,104) divided by the weighted average number of ordinary shares in issue during the year.

	Group	
	2023	2022
	EUR	EUR
Weighted average number of shares in issue	1,164,688	1,164,688
	EUR	EUR
Basic loss per share	(3.28)	(0.21)

17. PROPERTY, PLANT AND EQUIPMENT

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Fair value/Cost						
At 01.11.2021	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
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
Additions	22,418,750	-	8,044,222	51,141	11,296,727	41,810,840
Revaluation	3,632,933	-	-	-	-	3,632,933
Transfer from Inventory (i)	6,428,078	-	-	-	-	6,428,078
Other transfer*	(3,147,122)	-	-	-	-	(3,147,122)
At 31.10.2023	282,204,879	29,333	33,731,944	890,268	62,857,228	379,713,652

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Group

	Land and buildings	Improvements	Plant and machinery	Motor vehicles	Furniture, fixtures and equipment	Total
	EUR	EUR	EUR	EUR	EUR	EUR
Depreciation						
At 01.11.2021	84,503	29,333	13,921,108	591,498	31,022,932	45,649,374
Provision for the year	2,929,072	-	1,327,825	65,218	2,593,761	6,915,876
Transfer*	(3,013,575)	-	-	-	-	(3,013,575)
At 31.10.2022	-	29,333	15,248,933	656,716	33,616,693	49,551,675
Provision for the year	3,221,263	-	2,188,916	77,185	3,821,669	9,309,033
Transfer*	(3,147,122)	-	-	-	-	(3,147,122)
At 31.10.2023	74,141	29,333	17,437,849	733,901	37,438,362	55,713,586
Net book value						
At 31.10.2023	282,130,738	-	16,294,095	156,367	25,418,866	324,000,066
Net book value						
At 31.10.2022	252,872,240	-	10,438,789	182,411	17,943,808	281,437,248
Net book value						
At 31.10.2021	243,671,277	-	5,481,353	215,934	19,177,305	268,545,869

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

(i) *Details of the transfer from inventory*

The transfer from inventory relates to the transfer of property resulting from a change in use, following management's assessment of whether the property meets, or ceases to meet, the definition of property, plant and equipment.

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

(i) *Details of the transfer from inventory - continued*

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Transfer from inventory with a view to be occupied by the Group	6,428,078	-	-	-

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 EUR101,518,322 (2022: EUR76,468,823).

Capitalised borrowing costs

The Group completed works on the extension of the AX ODYCY hotel and redevelopment of the Lido in Qawra during 2023. This project was 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 2023 was EUR717,673 (2022: EUR436,226). The rates used to determine the amount of borrowing costs eligible for capitalisation were 2.85% plus 3-month Euribor, 3.5% and 4.25% respectively per annum, which were the EIR of the specific borrowings.

17. PROPERTY, PLANT AND EQUIPMENT – CONTINUED

Company	Furniture, fittings and equipment	Motor vehicles	Total
	EUR	EUR	EUR
Cost			
At 01.11.2021	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
Additions	95,773	56,356	152,129
At 31.10.2023	2,592,662	488,411	3,081,073
Depreciation			
At 01.11.2021	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
Provision for the year	198,328	50,381	248,709
At 31.10.2023	1,592,480	458,628	2,051,108
Net book value			
At 31.10.2023	1,000,182	29,783	1,029,965
Net book value			
At 31.10.2022	1,102,737	23,808	1,126,545

18. INVESTMENT PROPERTIES

	Group	Company
	EUR	EUR
Fair value		
At 31 October 2021	48,445,539	5,250,000
Additions	980,045	15,876
Revaluation	1,669,149	-
Transfers 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
At 31 October 2022	57,887,382	9,552,294
Additions	3,289,228	602,773
Revaluation	103,161	(362,933)
Transfers (to)/from inventory (ii)	423,562	-
At 31 October 2023	61,703,333	9,792,134

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 from property, plant and equipment

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
End of owner-occupation	-	2,478,180	-	-

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

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Transfer from inventory with a view to earn rentals or for capital appreciation	979,367	28,051	-	-
Transfer to inventory with a view to sell	(555,805)	-	-	-
	423,562	28,051	-	-

(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 2022, the prospective buyer pulled out from negotiations. Consequently, the Group transferred EUR4,286,418 from assets held for sale to investment property during 2022.

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

18. INVESTMENT PROPERTIES – CONTINUED

Valuation process - continued

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.

Climate-related considerations

For investment properties measured at fair value and land and buildings at revalued amount, the Group considers the effect of physical and transition climate-related risks and whether these could impact the value of the Group's properties.

Management has evaluated potential climate-related risks that could impact the value of the Group's land and buildings and investment properties, and these considerations have been included within the valuation process. These include possible physical risks from climate-change such as potential damage from extreme weather events, or transitional risks such as changes in property attractiveness due to shifting climate conditions and increasing requirement for energy efficiency of buildings.

Management has concluded that, based on the information currently available as factored in the cashflow forecasts, these potential climate-related risks are not expected to have a material impact on the value of the Group's land and buildings and investment properties.

The Group remains vigilant and committed to continuously monitoring these climate-related considerations and will adjust the land and buildings and investment property valuations as necessary to reflect any significant changes in these risks or in their potential impact on the Group.

Changes in valuation techniques

The valuation technique used to determine the fair value of the Qawra hotel complex was changed from the average of income capitalisation approach and replacement cost approach in the prior year to the income capitalisation approach in the current year. This was deemed to be the most appropriate approach by the independent valuer given the completion of the extension of the AX ODYCY hotel and redevelopment of the Lido in Qawra.

The valuation technique used to determine the fair value of Palazzo Lucia in Valletta was changed from the market approach in the prior year to the income capitalisation approach in the current year in line with the changing circumstances and strategic direction of the property. After the substantial completion of refurbishment works on the property, the Group's plan for the forthcoming year is to lease out the property. Given these circumstances, management believes that the Income Capitalisation Approach more accurately reflects the property's earning potential and therefore offers a better representation of its fair value.

The change in valuation methods are applied prospectively since they present 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

The current use of the Group and the Company's investment properties measured at fair value is considered to be the highest and best use except for part of the Verdala site which management intends to function as part of the hotel, and Palazzo Capua which management intends to refurbish and lease as office space. 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 5.9.

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 Group's Statement of Profit or Loss and Other Comprehensive Income, amount to EUR103,161 (2022: EUR1,669,149). The Company recorded a loss on fair value measurements amounting to EUR362,933 (2022: nil). These are attributable to changes in unrealized gains or losses relating to investment property held at the end of the reporting period.

18. INVESTMENT PROPERTIES – CONTINUED

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	19,000,000	19,000,000	31/10/2022
Commercial property	3,900,000	3,900,000	31/10/2021
	2,712,963	2,712,963	31/10/2022
	20,680,633	20,680,633	31/10/2023
Residential	5,308,737	5,308,737	31/10/2021
	10,101,000	10,101,000	31/10/2023
Total	61,703,333	61,703,333	

(ii) Land and Buildings

Type of Property	Level 3 EUR	Total EUR	Date of Valuation
Commercial property	282,204,879	282,204,879	31/10/2023
Total	282,204,879	282,204,879	

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.

18. INVESTMENT PROPERTIES – CONTINUED

Valuation techniques used to derive Level 3 fair value - continued

(i) Investment Properties

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR3,769,000 (2022: EUR4,159,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR746,476 (2022: EUR740,688) using an average growth of 2% (2022: 2%), discount rate of future income of 12.83% (2022: 11.83%), estimated terminal land value, capitalisation yield of 4.5% (2022: 4.5%) and discount rate of 5% (2022: 5%).	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* (2022: 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% (2022: 7%). Annual rental rate of EUR425 per sqm (2022: EUR425) is assumed and EUR320,000 (2022: 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 EUR13,340,619** (2022: EUR11,105,000)	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 and EUR268 per square meter (2022: in the range of EUR40 and EUR177) at a capitalisation rate of 6% (2022: 6%).	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 (2022: EUR19,000,000)	Income capitalisation approach	The inputs used to calculate the total value of the property on completion is an annual return of EUR145 per square meter (2022: EUR 145) at a capitalisation rate of 7% (2022: 7%) 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.
Commercial property amounting to EUR7,340,014*** (2022: EUR6,508,531)	Income capitalisation approach	The inputs used to calculate the total value of the property on completion is an annual return of EUR550 per square meter multiplied by a quality factor depending on the area, at a capitalisation rate of 6.25% 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.
Residential property amounting to EUR612,000****	Market approach	Market transaction.	The higher the market rates, the higher the fair value
Residential property amounting to EUR5,308,737 (2022: EUR5,278,604)	Replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	The higher the rates for construction, finishings, services and fittings the higher the fair value.
Residential property amounting to EUR5,720,000 (2022: EUR4,410,000)	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 EUR3,900,000 (2022: 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 (2022: EUR100-EUR300) at a capitalisation rate of 5.5% (2022: 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.

18. INVESTMENT PROPERTIES – CONTINUED

Valuation techniques used to derive Level 3 fair value - continued

(i) Investment Properties - continued

*Transferred from owner-occupied property to investment property during the prior year as disclosed in Details of the transfers (to) / from property, plant and equipment in Note 18.
** Includes a property amounting to EUR979,367 which was transferred from inventory to investment property during the year as disclosed in Details of the transfers (to) / from property, plant and equipment in Note 18.
***Classified as land in the prior year but has been reclassified as commercial property since the property has completed development. Furthermore, during the year, the valuation technique used to determine revalued amount of this property was changed as disclosed in Changes in valuation techniques in Note 18.
****Property acquired by the Group during the current year.

(ii) Land and Buildings

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR8,124,822 (2022: EUR8,135,340)	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 (2022: same) at a capitalisation rate in the range of 5.75% to 6% (2022: 5.75% to 6%).	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 EUR42,009,911 (2022: EUR41,583,710)	Average of profits method; income capitalisation approach and replacement cost approach	Profits method: stabilised EBIDTA of EUR2,136,690 (2022: EUR2,187,871), capitalisation yield of 5.5% (2022: 5.5%), land appreciation of 4.5% per annum (2022: 4.5%), discount rate for commercial property sale at termination 5% (2022: 5%) and EBITDA multipliers ranging between 11.6X to 16.4X (2022: 11.6X to 16.5X). Income capitalization approach: stabilised EBIDTA of EUR2,136,690 (2022: EUR2,187,871), capitalisation yield of 5.5% (2022: 5.5%), land appreciation of 4.5% per annum (2022: 4.5%), discount rate for commercial property sale at termination 5% (2022: 5%) and discount rate for future income ranging 7.5%-11.83% (2022: 7.5%-11.83%). Replacement cost approach: This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	Profits method: The higher the EBITDA and capitalisation yield, the higher the fair value. Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value. Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property amounting to EUR6,420,000 (2022: EUR6,220,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR1,952,779 (2022: EUR1,728,273) using an average growth of 2% (2022: 2%), discount rate of future income of 12.83% (2022: 11.83%), estimated terminal land value, capitalisation yield of 5.75% (2022: 4.5%) and discount rate of 5% (2022: 5%).	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 EUR121,570,575* (2022: EUR101,858,065)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR13,474,000 using an average growth of 3%, discount rate of 10%-11.35%.	The higher the EBITDA and capitalisation yield, the higher the fair value.
Commercial property amounting to EUR8,504,376**	Residual Method	The valuation of the property was based on market rates for comparable advertised properties using the residual method, 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 gross development value is deducting all projected development costs as well as a developer's profit.	The higher the market rates, the higher the fair value.

18. INVESTMENT PROPERTIES – CONTINUED

(ii) Land and Buildings - continued

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR88,988,158 (2022: EUR88,488,088)	Average of income capitalisation approach and replacement cost approach	Income capitalization approach: a stabilised EBIDTA range between EUR1,162,600 (2022: EUR1,112,989) and EUR7,826,338 (2022: EUR16,242,053) taking a 2% yearly growth rate (2022: ranging from 2% to 3%), capitalisation yield ranging from 6% to 8.33% (2022: 8.33%), land appreciation of 4.5% (2022: 4.5%) per annum, discount rate for commercial property sale at termination of 5.25% (2022: ranging from 5% and 5.25%) and discount rate for future income of 11.83% (2022: 11.83%). Replacement cost approach: This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various components of the existing building.	Income capitalization approach: The higher the EBITDA and capitalisation yield, the higher the fair value. Replacement cost approach: The higher the rates for construction, finishings, services and fittings, the higher the fair value.
Commercial property amounting to EUR6,587,037 (2022: EUR6,587,037)***	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% (2022: 7%). Annual rental rate of EUR425 per sqm (2022: EUR425 per sqm) is assumed for the Palazzo and EUR320,000 (2022: same) 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, the valuation technique used to determine the revalued amount of this commercial property was changed as disclosed in Changes in valuation techniques in Note 18.
**During the year, the property was transferred at cost from inventory to owner-occupied property as disclosed in Details of the transfers (to)/from inventory in Note 17.
***During the prior 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.

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	Total	Date of
	EUR	EUR	Valuation
Commercial property	3,900,000	3,900,000	31/10/2023
Residential	5,280,134	5,280,134	31/10/2022
Residential	612,000	612,000	31/10/2023
Total	9,792,134	9,792,134	

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.

18. INVESTMENT PROPERTIES – CONTINUED

Company *- continued*

Valuation techniques used to derive Level 3 fair value - continued

Type of Property	Valuation Technique	Inputs	Sensitivity
Commercial property amounting to EUR3,900,000 (2022: 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 (2022: EUR100-EUR300) at a capitalisation rate of 5.5% (2022: 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 EUR5,280,134 (2022: 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.
Residential property amounting to EUR612,000*	Market approach	Market transaction	The higher the rates, the higher the fair value.

*Property acquired by the Group during the current year.

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 EUR1,663,845 (2022: EUR1,472,930).

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

	2023	2022
	EUR	EUR
Within one year	1,252,010	1,238,800
Between two and five years	1,844,112	2,014,755
Over five years	951,783	903,663
	4,047,905	4,157,218

Group and Company as a lessee

The Company has lease contracts with its subsidiaries for its Head Office, a warehouse and a sublease contract for Palazzo Capua following the merger of Capua Palace Investments Limited into the Company (see Note 3). The lease contracts have terms between ten to twenty years.

During the year, the Group entered into a new lease agreement for the rental of a property in Valletta adjacent to the Valletta hotels operated by the Group for a term of fifteen years.

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

	Group	Company
	EUR	EUR
Opening balance at 1 November 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
Effect of merger (Note 3)	-	495,527
Recognition of a new lease	422,397	-
Depreciation on right-of-use assets	(28,718)	(340,588)
Closing balance at 31 October 2023	393,679	5,284,855

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

	Group	Company
	EUR	EUR
Opening balance at 1 November 2021	-	5,010,033
Recognition of a 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
Effect of merger (Note 3)	-	1,453,188
Recognition of new lease	411,036	-
Accretion of interest	19,785	289,470
Amounts set-off in respect of payments	(36,500)	(628,408)
Closing balance as at 31 October 2023	394,321	6,436,150
Current	22,217	356,282
Non-current	372,104	6,079,868
	394,321	6,436,150

The Company subleases the Palazzo Capua to a subsidiary. As a result, the Company has a net investment in the lease of EUR1,534,685 (2022: nil), out of which EUR230,941 (2022: nil) is a current balance.

20. INVESTMENT IN SUBSIDIARIES

Company	EUR
Cost	
At 1 November 2021	30,461,427
Disposal	(4,950)
Increase in capital contributions (Note i)	1,598,000
Capitalisation of loan receivable (Note 22) (Note ii)	50,000,000
At 31 October 2022	82,054,477
Disposal	(1,162)
Increase in capital contributions (Note i)	419,275
At 31 October 2023	82,472,590

These financial statements comprise the results and position of the Group and the Company at 31 October 2023, 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 the year, the Company made capital contributions of EUR419,275 (2022: EUR1,598,000) in subsidiaries.

(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.

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Group	EUR
At 31 October 2021	7,401,701
Share of results	848,954
At 31 October 2022	8,250,655
Share of results	975,602
Dividends	(1,337,248)
At 31 October 2023	7,889,009

The Group has a 36% interest and voting rights in Valletta Cruise Port p.l.c. (2022: 36%), 33% interest and voting rights in Imselliet Solar Limited (2022: 33%) and 50% interest and voting rights in Hardrocks Estates Limited (2022: 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 (2022: 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:

21. INVESTMENT IN ASSOCIATES AND JOINT VENTURES – CONTINUED

	2023	2022
	EUR	EUR
Current assets	6,606,838	6,195,190
Non-current assets	52,019,501	53,728,014
Current liabilities	6,018,027	4,267,296
Non-current liabilities	35,049,467	37,154,407
Revenue	14,421,411	12,289,907
Profit for the year	2,418,435	2,484,331

The associates had no contingent liabilities or capital commitments at 31 October 2023 and 31 October 2022.

22. LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS

Group

	Loans receivable from shareholders	Loans receivable from other related party	Total
	EUR	EUR	EUR
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
New loan origination	412,144	-	412,144
At 31 October 2023	1,275,155	900,000	2,175,155

Loans to shareholders and to other related party are unsecured, bear an interest rate of 4% and are repayable between 31 December 2025 and 31 December 2027. 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 2021	113,966,777	-
Repayment of loan	(3,481,838)	-
Acquisition of 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	20,488,900
New loan origination	2,044,166	-
Repayment of loan	(767,783)	-
Interest on loans transferred from current	2,720,160	-
Disposal of debt securities	-	(3,037,000)
Fair value movement	-	(637,955)
At 31 October 2023	42,836,082	16,813,945
Expected credit loss		
At 1 November 2021	169,114	-
Movement for the year	(130,651)	-
At 31 October 2022	38,463	-
Movement for the year	17,808	-
At 31 October 2023	56,271	-
Net book value		
At 31 October 2023	42,779,811	16,813,945
Net book value		
At 31 October 2022	38,801,076	20,488,900

22. LOANS RECEIVABLE AND OTHER FINANCIAL ASSETS – CONTINUED

Loans receivable

Loans receivable include loans to shareholders amounting to EUR1,275,155 (2022: EUR863,011) which are unsecured, bear an interest rate of 4% and are repayable between 31 December 2025 and 31 December 2027. The remaining balance relates to subsidiary undertaking loans, which are unsecured, carry interest at of 4.85% to 4.98% (2022: 3% + Euribor) and are repayable between 31 October 2029 to 31 October 2033. 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 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 held at 31 October 2023 amounted to EUR16,813,945.

23. INVENTORIES

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Property held for development and re-sale	47,070,934	38,516,896	3,179,131	3,179,131
Raw materials and consumables	2,030,568	2,012,323	-	-
	49,101,502	40,529,219	3,179,131	3,179,131
Current (i)	49,101,502	3,506,446	3,179,131	762,466
Non-current	-	37,022,773	-	2,416,665
	49,101,502	40,529,219	3,179,131	3,179,131

(i) The construction of the residential units at the Verdala site was completed during the current year. Accordingly, the units are ready to be sold in the ordinary course of business and such inventory property was transferred from non-current assets to current assets as at 31 October 2023.

During the current year, EUR5.1million (2022: EUR5.0million) was recognized as an expense for inventories carried at cost. This is recognized as part of operating expenses (Note 13).

24. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Trade receivables (i)	6,464,973	4,467,917	212,799	52,788
Provision for doubtful debts (i)	(386,856)	(719,901)	-	-
Allowance for ECL on trade receivables (i)	(195,485)	(69,420)	-	-
	5,882,632	3,678,596	212,799	52,788
Amounts owed by associates (ii)	678,425	811,844	-	-
Amounts owed by other related parties (ii)	215,363	177,502	21,761	17,024
Amounts owed by subsidiaries (ii)	-	-	5,862,448	8,038,160
Shareholders' current account (ii)	3,111,344	2,193,483	2,942,227	2,028,089
Allowance for ECL on balances owed by related parties	-	-	(8,882)	(8,823)
Advanced payments to suppliers (iii)	1,695,032	5,011,457	3,466	-
Indirect taxation	712,577	1,046,267	-	-
Other receivables	1,033,143	2,309,432	319,250	1,964,142
Prepayments and accrued income	1,813,486	2,752,452	496,422	30,270
	15,142,002	17,981,033	9,849,491	12,121,650

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

24. TRADE AND OTHER RECEIVABLES – CONTINUED

Impairment of financial assets – trade receivables
The entity applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due and also according to the geographical location of customers. The expected credit losses for trade receivables as at 31 October 2023 was determined as follows:

2023		Current	>30 days	>60 days	>90 days	>180 days	>365 days	Total
Expected credit loss rate	%	0.20-1.72	0.04-3.99	0.07-52.53	0.11-89.61	0.39-89.61	100	
Gross carrying amount	EUR	3,894,019	715,842	820,053	586,449	364,507	84,103	6,464,973
Lifetime expected credit loss	EUR	34,947	14,163	23,984	85,811	12,425	24,155	195,485
Provision for doubtful debts	EUR	-	-	-	-	386,856	-	386,856

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

(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.

(iii) Advanced payments to suppliers relate to preliminary payments executed by the Group to suppliers in respect of its ongoing projects as per contract terms. The Group has already settled these payments, and it is expected that the counterparties will fulfil their contractual obligations as a compensation for these advances.

25. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Cash at bank and in hand	10,656,902	13,881,138	39,843	146,931
Bank overdrafts (Note 28)	(327,217)	(4,302,388)	-	-
	10,329,685	9,578,750	39,843	146,931

25. CASH AND CASH EQUIVALENTS - CONTINUED

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

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Non-cash operating activities				
Property sold to shareholder	600,000		-	-
Waiver of amount owed by subsidiary (Note 35)	-	-	1,000,000	-
Non-cash investing activities				
Assets taken over upon merger (Note 3	-	-	4,893,719	-
Non-cash financing activities				
Capitalisation of loan receivable into new shares in subsidiary (Note 20)	-	-	-	50,000,000
Dividend declared by Company	495,000	-	495,000	-
Dividend declared by subsidiary (Note 8)	-	-	29,498,155	-
Increase in capital contribution (Note 20)			419,275	1,598,000
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 EUR2,551,759 (2022: EUR532,411).

27. TRADE AND OTHER PAYABLES

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Trade payables (i)	10,172,884	7,911,414	327,306	282,604
Other payables (ii)	5,525,007	4,733,101	2,656,836	2,705,853
Indirect taxation and social security	-	-	195,077	145,056
Accruals and deferred income (iii)	25,288,401	21,742,550	664,452	111,596
	40,986,292	34,387,065	3,843,671	3,245,109
Current	29,469,209	21,347,630	3,843,671	3,186,570
Non-current	11,517,083	13,039,435	-	58,539
	40,986,292	34,387,065	3,843,671	3,245,109

(i) Trade payables are non-interest bearing and repayable within a 60-day term.
(ii) Other payables include a provision of EUR1,750,000 (2022: 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. Other payables of the Group also includes a provision of EUR268,000 for ground rent payable to the Commissioner of Lands in relation to the Qawra foreshore. As at the reporting date, negotiations with the Commissioner of Lands are still ongoing and an agreement has not yet been signed.
(iii) Accruals and deferred income mainly relate to upfront receipts from retirement home residents which will be recognised as revenue when the performance obligation is satisfied.

28. BANK BORROWINGS

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Bank loans	80,092,333	30,799,635	-	-
Bank overdrafts (Note 25)	327,217	4,302,388	-	-
	80,419,550	35,102,023	-	-

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. TThese loan facilities were provided to enable the Group to complete the extension of the AX ODYCY hotel and redevelopment of the Lido in Qawra.

In addition, 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.

28. BANK BORROWINGS - CONTINUED

Bank loans and overdrafts are repayable as follows:

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
On demand or within one year	11,431,154	7,975,770	-	-
Between two and five years	21,608,479	24,724,181	-	-
After five years	47,379,917	2,402,072	-	-
	80,419,550	35,102,023	-	-
Current	11,431,154	7,975,770	-	-
Non-current	68,988,396	27,126,253	-	-
	80,419,550	35,102,023	-	-

The Group has aggregate bank facilities of EUR120,763,291 (2022: EUR38,999,638) of which EUR40,344,706 (2022: EUR4,237,192) 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 of 3.9% to 6.8% per annum (2022: 3.25% to 5.15%).

29. OTHER FINANCIAL LIABILITIES

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Amounts owed to subsidiaries (i)	-	-	41,020,030	61,211,372
Amounts owed to other related parties (ii)	5,973	80,712	-	76,000
Total other financial liabilities	5,973	80,712	41,020,030	61,287,372
Current	5,973	80,712	38,319,182	31,352,449
Non-current	-	-	2,700,848	29,934,923
Total other financial liabilities	5,973	80,712	41,020,030	61,287,372

(i) Amounts owed to subsidiaries are unsecured, interest free and have no fixed date of repayment, except for an aggregate amount of EUR26,654,660 (2022: EUR29,934,923) which bears interest in the range of 3-10% and is expected to be repaid in 2024 disclosed within current financial liabilities and an amount of EUR2,700,848 which bears interest of 5.2%.
(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 2023 for the 3.5% bonds (2022 – 2032) was EUR92.98 (2022: EUR97.01). The fair value of the bonds as at 31 October 2023 amounted to EUR37,192,000 (2022: EUR38,265,665). The carrying value of the bond as at 31 October 2023 amounted to EUR39,556,055 (2022: EUR39,500,567). 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

30. DEBT SECURITIES IN ISSUE - CONTINUED

lifetime of the bonds and of EUR21,645,400 which were assigned to AX Group p.l.c. as described above. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

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 2023 for the 3.25% bonds (2020 – 2026) was EUR98.5 (2022: EUR100) and for the 3.75% bonds (2020 – 2029) was EUR95.01 (2022: EUR99.99). The fair value of the bonds as at 31 October 2023 amounted to EUR14,775,000 (2022: EUR15,000,000) and EUR9,501,000 (2022: EUR9,999,000) respectively, which amounts to an aggregated fair value of EUR24,276,000 (2022: EUR24,999,000). The carrying value of the bonds as at 31 October 2023 amounted to EUR24,773,154 (2022: EUR24,736,174). 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 2023 for the 6% bonds (2014 – 2024) was EUR101.25 (2022: EUR103.5). The fair value of the bond as at 31 October 2023 amounted to EUR40,500,000 (2022: EUR41,400,000). The carrying value of the bond as at 31 October 2023 amounted to EUR39,976,264 (2022: EUR39,913,935). The amount is made up of the bond issue of EUR40,000,000 net of the bond issue costs which are being amortised over the lifetime of the bonds. Interest on the bonds is due and payable annually in arrears on 6 March at the above-mentioned rate. 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 per Note 38, in November 2023, the Company issued a EUR 40 million, 5.85% interest bond to redeem the maturing EUR40 million AX Investments p.l.c. bond mentioned above. The oversubscribed new bond closed early, with EUR28,386,300 from existing AX Investments p.l.c. bondholders and the rest from other preferred applicants. The funds are reserved for the AX Investments p.l.c. bond redemption in March 2024.

As at year-end, the Group had a balance of EUR85,442,763 (2022: EUR82,423,921) from the bond issues. The amount is made up of the bond issues of EUR86,199,619 net of bond issue costs which are being amortised over the life of the bonds.

NOTES TO THE FINANCIAL STATEMENTS – CONTINUED

30. DEBT SECURITIES IN ISSUE - CONTINUED

Group

	2023	2022
	EUR	EUR
At beginning of year	82,423,921	63,956,123
Bonds issued during the year (net of bond issue costs)	2,863,916	39,465,891
Bonds held by group entities	-	(21,645,400)
Bond issue costs amortization for the year	154,926	647,307
	85,442,763	82,423,921
Accrued interest	2,879,169	2,798,243
At end of year	88,321,932	85,222,164
Current	42,692,823	2,798,243
Non-Current	45,629,109	82,423,921
	88,321,932	85,222,164

Company

	2023	2022
	EUR	EUR
At beginning of year	24,736,174	24,689,873
Bond issue costs amortised for the year	36,980	46,301
	24,773,154	24,736,174
Accrued interest	746,712	744,349
At end of year	25,519,866	25,480,523
Current	746,712	744,349
Non-current	24,773,154	24,736,174
	25,519,866	25,480,523

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 EUR8,373,920 (2022: EUR8,325,070).

	Group		Company	
	2023	2022	2023	2022
	EUR	EUR	EUR	EUR
Arising on:				
Excess of capital allowances over depreciation	(161,515)	128,471	(320,820)	42,623
Provision for doubtful debts	(240,893)	(332,179)	(22,804)	(16,550)
Provision for obsolete stock	(15,326)	-	-	-
Provision for litigation	(86,760)	-	-	-
Unabsorbed tax losses and capital allowances	(8,017,142)	(4,995,158)	-	(257,392)
Revaluation of investment properties	28,881,503	24,943,645	732,000	762,913
Net lease position	-	-	134,186	(67,194)
Fair value movement of investment in debt securities	-	-	-	(221,025)
	20,359,867	19,744,779	522,562	243,375

32. CALLED UP ISSUED SHARE CAPITAL

Company and Group

	2023	2022
	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 (2022: 1,164,688) ordinary shares of EUR1 each	1,164,688	1,164,688

32. CALLED UP ISSUED SHARE CAPITAL - CONTINUED

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

In November 2022, the Company declared an interim dividend of EUR0.94 per ordinary share, amounting to EUR1,100,000 (2022: Nil).

During the year, AX Real Estate p.l.c., a subsidiary of the Company, declared and paid dividends of EUR0.025 per ordinary share, amounting to EUR608,418 due to non-controlling interest (2022: EUR304,208).

33. CONTINGENT LIABILITIES

At 31 October 2023, 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.

- Various guarantees were given in favour of third parties amounting to EUR2,699,525 (2022: EUR1,764,516).

34. CAPITAL COMMITMENTS

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

	2023	2022
	EUR	EUR
Authorised and contracted	22,125,869	37,509,692
Authorised but not contracted	35,407,849	72,348,576

35. 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, Note 24 and Note 29.

Company

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

35. RELATED PARTIES - CONTINUED

Transactions with related parties

The Company entered into transactions with related parties as follows:

	2023	2022
	EUR	EUR
Management services (Note 8)	1,646,994	1,364,562
Dividend received from subsidiaries (Note 8)	29,498,155	4,807,654
Property sold to shareholder	600,000	-
Interest receivable from subsidiaries (Note 11)	1,826,742	1,352,147
Interest payable to subsidiaries (Note 12)	2,487,318	2,326,399
Waiver of amount owed by subsidiary (Note 13) (Note i)	1,000,000	-
Recharge of salaries (Note 10)	330,351	-
Capitalisation of loan receivable into new shares in subsidiary (Note 20)	-	50,000,000
Increase in capital contribution (Note 20)	419,275	1,598,000
Assignment of debt securities issued by subsidiary (Note 22)	-	21,645,400

i) The waiver of amount owned by subsidiary relates to a loan advanced to a fully owned subsidiary for the acquisition of property.

Balances with related parties

Balances with related parties are disclosed in Note 20, Note 22, Note 24 and Note 29.

36. 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 22 and 24.

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 2023 and 31 October 2022, 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.

36. RISK MANAGEMENT OBJECTIVES AND POLICIES - CONTINUED

Liquidity risk - continued

Group

2023	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	4,900,487	10,052,093	33,100,075	54,805,146	102,857,801
Debt securities in issue	42,643,607	803,556	20,940,944	35,003,044	99,391,151
Other payables	15,697,891	-	-	-	15,697,891
Total	63,241,985	10,855,648	54,041,019	89,808,190	217,946,843

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

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 EUR11,802,061. Moreover, as disclosed in Note 30, 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.

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.

37. 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.

37. CAPITAL MANAGEMENT - CONTINUED

	2023	2022
	EUR	EUR
Interest bearing loans and borrowings (Note 28, 30)	168,741,482	120,324,187
Other financial liabilities (Note 29)	5,973	80,712
Trade and other payables (Note 27)	40,986,292	34,387,065
Less: cash and cash equivalents (Note 25)	(10,656,902)	(13,881,138)
Net Debt	199,076,845	140,910,826
Equity (Note 32)	1,164,688	1,164,688
Other reserves	229,636,900	233,746,032
Total capital	230,801,588	234,910,720
Capital and net debt	429,878,433	375,821,546
Gearing ratio	46.3%	37.5%

No changes were made in the objectives, policies and processes for managing capital during the years ended 31 October 2023 and 2022.

38. SUBSEQUENT EVENTS

In November 2023, the Company issued a EUR40million "5.85% AX Group p.l.c. 2023 Unsecured Bond" maturing in 2033, aimed to redeem the EUR40million "6% AX Investments p.l.c. 2014 Bond" issued by AX Investments p.l.c., a subsidiary of the Company, maturing on 6 March 2024. Existing AX Investments p.l.c. bondholders were given priority to subscribe to the new bond issue by exchanging their current holdings. The total value of exchanged AX Investments p.l.c. bonds reached EUR28,386,300, representing a 70.97% of the total AX Investments p.l.c. bond. The rest of the bond issue was subscribed by other preferred applicants, which included employees and directors of the AX Group and holders of other securities previously issued by the Company and AX Real Estate p.l.c., a related company. The newly issued bond was admitted to the Official List of the Malta Stock Exchange on 7 November 2023.

In January 2024, AX Real Estate p.l.c., a subsidiary of the Company, declared a dividend amounting to EUR304,208 due to non-controlling interest.

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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 212 to 268, which comprise the consolidated and separate statements of financial position as at 31 October 2023, and the consolidated and separate statements of profit or loss and 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 material accounting policy information.

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 2023, 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.

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 cashflow forecast, management has taken into consideration the November 2023 issue of a EUR40 million "5.75% AX Group p.l.c. 2023 Unsecured Bond" maturing in 2033, aimed to redeem the EUR40 million "6% AX Investments p.l.c. 2014 Bond" issued by AX Investments p.l.c., a subsidiary of the Company, maturing on 6 March 2024. The bond was fully subscribed, of which 70.97% of the total bond value was subscribed by the existing AX Investments p.l.c. bondholders in exchange for their current holdings. The rest of the bond was subscribed by other preferred applicants, including employees and directors of the AX Group, and holders of other securities issued by the AX Group. The newly issued bond was admitted to the Official List of the Malta Stock Exchange on 7 November 2023.

At the time of approving these financial statements, the Directors have determined that there is a reasonable expectation that the Group and the Company will be able to 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.

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

Going concerned - continued

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

Our audit procedures included evaluating the Directors' going concern assessment in order to assess whether there are events and conditions that exist that create material uncertainty that may cast significant doubt of the Group's 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 April 2025 and discussed these with management. We have 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.
- Performed an independent sensitivity analysis, stress-testing key inputs, assumptions and contingency plan to assess whether the liquidity headroom calculations are reasonable.
- Obtained corroborative evidence from management which confirms that the proceeds from the EUR 40 million "5.85% AX Group p.l.c. 2023 Unsecured Bond" aimed to redeem the EUR 40 million "6% AX Investments p.l.c. 2014 Bond" scheduled to mature on 6 March 2024 have been designated accordingly. The evidence obtained comprehensively details the transaction and affirms the amount of capital raised through the new bond issue.

We also assessed the relevance and adequacy of disclosures relating to going concern presented in Note 2.1 and Note 38 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 5.14, 5.15, 6 and 17 to the accompanying financial statements, account for 60% of total assets as at 31 October 2023. 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 5.16, 6 and 18 to the accompanying financial statements, accounting for 13% of total assets of the Group as at 31 October 2023. 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 5.14, 5.15, 5.16, 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 going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the 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;

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.

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;
- 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 4 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.

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

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 2023, 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 2023 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

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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 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 Market 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 209 to 211 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 193, 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

21 February 2024

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