

# 2024



**AX** REAL ESTATE

INTERIM REPORT AND  
INTERIM CONDENSED CONSOLIDATED  
FINANCIAL STATEMENTS (UNAUDITED)

30<sup>TH</sup> APRIL 2024

# CONTENTS

INTERIM DIRECTORS' REPORT .....	3
STATEMENT PURSUANT TO CAPITAL MARKETS RULE 5.75.3 ISSUED BY THE MALTA FINANCIAL SERVICES AUTHORITY .....	6
CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME .....	7
CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION .....	8
CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY .....	10
CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS.....	11
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS .....	12

## INTERIM DIRECTORS' REPORT

The Directors present their report and the condensed consolidated financial statements for the six-month period ended 30 April 2024.

### PRINCIPAL ACTIVITIES

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

### REVIEW OF THE BUSINESS

The Board of Directors is pleased to present the financial results for the six-month period ended 30 April 2024.

During the period under review, the Group registered EUR6,816,718 (30 April 2023: EUR3,841,692) in total revenue, an increase of 77.4% over the same period last year. The significant increase in revenue represents the rental income from the lease of AX ODYCY hotel and lido in Qawra which commenced in May 2023. Following the extensive development and full refurbishment, the hotel underwent significant expansion by adding four storeys to its existing structure, increasing the number of guest rooms to 599.

In both periods presented, all properties available for rent were leased out. Rental income from AX Group and related parties accounted to EUR6,163,389 (30 April 2023: EUR 3,368,540) representing 92% (30 April 2023: 88%) of the rental revenues generated by the Group. The rental income by property type can be analysed as follows:

	30 April 2024		30 April 2023	
	EUR		EUR	
Hospitality	5,029,408	75%	2,243,454	58%
Care Home	862,214	13%	844,125	22%
Offices	391,635	6%	382,017	10%
Residential	182,831	3%	160,455	4%
Warehousing	231,002	3%	211,641	6%
	<b>6,697,090</b>		<b>3,841,692</b>	

Other operating costs amounted to EUR389,084 (30 April 2023: EUR463,512). Staff costs including directors' remuneration amounted to EUR136,797 (30 April 2023: EUR133,565).

During the period under review, the Group registered an operating profit of EUR6,324,578 (30 April 2023: EUR 3,306,817) representing an improvement

in the operating profit margin of 7%, from 86% last year to 93% in the current period. The operating profit achieved is in line with the projected performance for the period under review.

Net finance costs amounted to EUR3,162,589 (30 April 2023: EUR1,859,955). This includes interest on debt securities in issue, bank borrowings and interest due on related party loans. The increase over the prior year largely represents the interest on the loan facility drawn to complete the extension of the AX ODYCY hotel and redevelopment of the lido in Qawra. Furthermore, an interest cost of EUR 717,673 were capitalised to investment property in the corresponding period last year.

Profit before tax during the period under review amounted to EUR3,161,989 (30 April 2023: EUR1,446,862).

Works on the Verdala project in Rabat are progressing steadily. The construction of the Verdala Hotel was completed earlier this month and finishings works are moving on as planned. The target is to have the hotel operational by Q1 of 2025.

A gross interim dividend of EUR0.0148 (gross prior to 15% top-up tax where applicable) per ordinary share equivalent to EUR4,060,183.16 was declared in January 2024.

## INTERIM DIRECTORS' REPORT - CONTINUED

### REVIEW OF THE BUSINESS - CONTINUED

Financial Key Performance Indicators		
EUR millions	30-Apr-24	30-Apr-23
Revenue	6.8	3.8
Operating profit	6.3	3.3
Profit before tax	3.2	1.4
EBITDA	6.3	3.3
Operating profit margin (%)	93%	86%
Interest cover (times)	2.0	1.8

Net assets at period end stood at EUR134,178,747 compared to EUR135,585,611 as at 31 October 2023. The decrease is mainly attributable to the dividend paid in January 2024. The Group's balance sheet remains sound with a gearing ratio of 51.8% in line with the Group projections.

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

As at the date of reporting, all the rental properties of the Group are contracted till the end of the year and beyond. This robust occupancy underscores the strong demand for our rental assets and provides a stable revenue stream for the Group. Our hotel properties are performing exceptionally well, consistently exceeding budgeted targets. This strong performance positions the Group favourably to achieve the projected variable rent.

Specifically, the AX ODYCY hotel and lido has shown outstanding results, with both revenue and profitability significantly exceeding budgeted figures. This exceptional performance not only reflects the high quality of our hospitality offerings but also validates our strategic investments in these assets.

### GOING CONCERN

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

# INTERIM DIRECTORS' REPORT - CONTINUED

## PRINCIPAL RISKS AND UNCERTAINTIES

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

1. Strategy risk

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

2. Operational risks

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

3. Legislative risks

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



---

Angelo Xuereb  
Chairman



---

Denise Xuereb  
Chief Executive Officer

By Order of the Board  
26 June 2024

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

We confirm that to the best of our knowledge:

- The interim condensed consolidated financial statements give a true and fair view of the financial position of the Group as at 30 April 2024, and of its financial performance and its cash flows for the six-month period then-ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34); and
- The interim Directors' Report includes a fair review of the information required in terms of Capital Markets Rules 5.81 to 5.84.



---

Angelo Xuereb  
Chairman



---

Denise Xuereb  
Chief Executive Officer

By Order of the Board  
26 June 2024

## CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 April 2024

	Note	30 April 2024 (unaudited) EUR	30 April 2023 (unaudited) EUR
Revenue	7	<b>6,816,718</b>	3,841,692
Other operating income		<b>33,741</b>	62,202
Other operating costs		<b>(389,084)</b>	(463,512)
Staff costs		<b>(136,797)</b>	(133,565)
<b>Operating profit</b>		<b>6,324,578</b>	3,306,817
Net finance costs		<b>(3,162,589)</b>	(1,859,955)
<b>Profit before taxation</b>		<b>3,161,989</b>	1,446,862
Taxation	8	<b>(559,463)</b>	(161,674)
<b>Profit after tax</b>		<b>2,602,526</b>	1,285,188
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>2,602,526</b>	1,285,188
Basic earnings per share	9	<b>0.009</b>	0.005

## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2024

	Note	30 April 2024 (unaudited) EUR	31 October 2023 (audited) EUR
<b>ASSETS AND LIABILITIES</b>			
<b>Non-current assets</b>			
Intangible assets		1,330	1,596
Investment property	10	<u>301,714,882</u>	<u>293,230,000</u>
		<b>301,716,212</b>	293,231,596
<b>Current assets</b>			
Inventories		391,130	421,187
Trade and other receivables	14	<u>3,563,490</u>	<u>6,783,216</u>
Cash at bank and in hand		<u>3,642,260</u>	<u>7,706,065</u>
		<b>7,596,880</b>	14,910,468
<b>Total assets</b>		<u><b>309,313,092</b></u>	<u>308,142,064</u>
<b>Current liabilities</b>			
Trade and other payables		5,859,212	5,762,737
Bank borrowings		5,082,440	4,266,777
Other financial liabilities		5,582,893	5,451,475
Debt securities in issue	11	322,192	1,024,110
Tax liabilities		<u>1,551,698</u>	<u>478,462</u>
		<b>18,398,435</b>	16,983,561
<b>Non-current liabilities</b>			
Trade and other payables		-	87,909
Bank borrowings		41,423,266	41,872,976
Other financial liabilities	14	50,146,956	48,402,930
Debt securities in issue	11	39,583,799	39,556,055
Deferred tax liabilities		<u>25,581,889</u>	<u>25,653,022</u>
		<b>156,735,910</b>	155,572,892
<b>Total liabilities</b>		<u><b>175,134,345</b></u>	<u>172,556,453</u>
<b>Net assets</b>		<u><b>134,178,747</b></u>	<u>135,585,611</u>



## CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION - CONTINUED

As at 30 April 2024

	Note	30 April 2024 (unaudited) EUR	31 October 2023 (audited) EUR
<b>EQUITY</b>			
Share capital		<b>34,292,088</b>	34,292,088
Share premium		<b>41,374,079</b>	41,374,079
Revaluation reserve		<b>38,809,360</b>	38,809,360
Other reserves		<b>330,752</b>	330,752
Retained earnings		<b>19,372,468</b>	20,779,332
<b>Total equity</b>		<b>134,178,747</b>	135,585,611

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 April 2024

(Unaudited)	Share capital EUR	Share premium EUR	Revaluation reserve EUR	Other reserves EUR	Retained earnings EUR	Total EUR
<b>At 1 November 2023</b>	<b>34,292,088</b>	<b>41,374,079</b>	<b>38,809,360</b>	<b>330,752</b>	<b>20,779,332</b>	<b>135,585,611</b>
Profit for the period	-	-	-	-	2,602,526	2,602,526
Total comprehensive income for the period	-	-	-	-	2,602,526	2,602,526
Dividends	-	-	-	-	(4,009,390)	(4,009,390)
<b>As at 30 April 2024</b>	<b>34,292,088</b>	<b>41,374,079</b>	<b>38,809,360</b>	<b>330,752</b>	<b>19,372,468</b>	<b>134,178,747</b>
(Unaudited)						
<b>At 1 November 2022</b>	<b>34,292,088</b>	<b>41,374,079</b>	<b>40,407,988</b>	<b>330,752</b>	<b>25,627,603</b>	<b>142,032,510</b>
Profit for the period	-	-	-	-	1,285,188	1,285,188
Total comprehensive income for the period	-	-	-	-	1,285,188	1,285,188
Dividends	-	-	-	-	(3,429,209)	(3,429,209)
<b>As at 30 April 2023</b>	<b>34,292,088</b>	<b>41,374,079</b>	<b>40,407,988</b>	<b>330,752</b>	<b>23,483,582</b>	<b>139,888,489</b>

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

## CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

Six-month period ended 30 April 2024

	<b>30 April 2024</b>	30 April 2023
	<b>(unaudited)</b>	(unaudited)
	<b>EUR</b>	EUR
Net cash flows from operating activities	<b>6,079,146</b>	4,508,198
Net cash flows used in investing activities	<b>(7,022,276)</b>	(17,247,981)
Net cash flows from financing activities	<b>(3,120,675)</b>	5,213,313
Net movement in cash and cash equivalents	<b>(4,063,805)</b>	(7,526,470)
Cash and cash equivalents at the beginning of the period	<b>7,706,065</b>	12,061,062
<b>Cash and cash equivalents at end of the period</b>	<b>3,642,260</b>	4,534,592

Cash and cash equivalents as at 30 April 2024 included in the cash flow statement consist of cash at bank and in hand of EUR3,642,260 (30 April 2023: EUR4,534,592).

There were no significant non-cash transactions during the six-month periods ended 30 April 2024 and 30 April 2023.

# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six-month period ended 30 April 2024

## 1. GENERAL INFORMATION

The interim condensed consolidated financial statements (“Interim Financial Statements”) of AX Real Estate p.l.c. (“the Company”) and its subsidiaries (collectively “the Group” or “the Estates Group”) for the six-month period ended 30 April 2024 were authorised for issue in accordance with a resolution of the Directors on 26 June 2024.

AX Real Estate p.l.c. (C 92104) is a public limited liability company incorporated in Malta. The Company acts as the holding company of the Estates Group within the AX Group. The Group is involved in the letting of a diverse portfolio of real estate to subsidiary companies of AX Group p.l.c. and third parties. The Company’s registered office is at AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta, MST 1741, Malta.

## 2. BASIS OF PREPARATION

The Interim Financial Statements have been prepared in accordance with International Accounting Standard 34 *Interim Financial Reporting* and in terms of the Capital Markets Rules 5.81 to 5.84. These Interim Financial Statements for the six-month period ended 30 April 2024 are being published pursuant to Capital Markets Rule 5.74 issued by the Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. In terms of Capital Markets Rule 5.75.5, this interim report has not been audited or reviewed by the Group’s independent auditors.

The financial information of the Group as at 30 April 2024 and for the six-month period then ended reflect the financial position and the performance of AX Real Estate p.l.c. and all its subsidiaries. The comparative amounts reflect the position of the Group as included in the audited financial statements ended 31 October 2023 and the unaudited results for the six-month period ended 30 April 2023.

The Interim Financial Statements have been prepared under the historical cost convention, except for investment property which is stated at fair value. The same accounting policies, presentation and methods of computation have been followed in these Interim Financial Statements as were applied in the preparation of the Group’s annual financial statements for the year ended 31 October 2023.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 October 2023, which form the basis for these Interim Financial Statements. These Interim Financial Statements are intended to provide an update on the latest complete set of annual financial statements and accordingly they focus on new activities, events and circumstances.

## 3. GOING CONCERN

### *Profitability*

The Group generated EUR6,697,090 (30 April 2023: EUR3,841,692) in rental income from the lease of the Group’s investment properties. As at the date of reporting, all the rental properties of the Group are contracted till the end of the year and beyond.

The Group has reported operating profit of EUR6,324,578 (30 April 2023: EUR3,306,817) in the current period representing 93% (30 April 2023: 86%) of revenue. The increase in revenue corresponds to the commencement of the lease on the redeveloped AX ODYCY and lido in Qawra, as well as enhanced performance in the other hotel properties.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 3. GOING CONCERN – CONTINUED

#### *Financial position*

As at reporting date, the Group's current liabilities exceeded its current assets by EUR10,801,555 (2023: EUR2,073,093) whereas the Group's total assets exceeded its total liabilities by EUR134,178,747 (2023: EUR135,585,611).

The current liabilities of the Group include balances of EUR5,582,893 (2023: EUR5,451,475) as at 30 April 2024 owed to the ultimate parent and other related parties. The ultimate parent and other related parties have confirmed in writing that they shall not request the repayment of amounts due to them until the Group is in a financial position to be able to do so.

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

#### *Liquidity*

During the period, management took various steps to retain a high level of liquidity in line with the Group's policy. As at reporting date, the Group had aggregate banking facilities of EUR51,027,775 (2023: EUR52,491,997) of which EUR3,925,270 (2023: EUR6,352,244) were undrawn banking facilities.

As at 30 April 2024, the Group had a gearing ratio of 51.8% (2023: 50.6%).

Management has prepared a forecast considering significant events and transactions that have occurred and are expected to occur subsequent to period end. This also considers the servicing of current and projected debt, including debt at variable rates.

#### *Conclusion*

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

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

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

The Hospitality division has performed exceptionally well during the period, with all hotels surpassing their projected performance. The AX ODYCY hotel and lido in Qawra is reporting outstanding results during the first full year of operations.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 3. GOING CONCERN – CONTINUED

#### *AX Group p.l.c.'s business update – continued*

The Healthcare division registered an increase in revenue of 7.6% compared to the corresponding period last year. The independent apartments at Hilltop Gardens remained fully occupied throughout the period, reflecting the sustained demand for our healthcare offerings. The Construction division has almost tripled its revenue from third party contracts during the period, given that the division was largely focused on the completion of the AX ODYCY hotel and lido last year.

Works on the Verdala project in Rabat are progressing as planned. Finishing works on the residential blocks are underway whilst construction of the hotel has recently been completed. The Verdala Terraces were officially launched on the market at the end of June 2023. Since then, the number of promise of sale agreements signed has steadily increased, reflecting continued confidence in the destination and concept.

In November 2023, AX Group p.l.c. issued a EUR40 million bond with a 5.85% interest rate, to redeem the EUR40 million AX Investments p.l.c. ("AXI") bond which matured on 6 March 2024. The new bond experienced high demand, leading to an early closure of the offer period. The new bonds were admitted to listing on the Official List of the Malta Stock Exchange on 7 November 2023.

As at 30 April 2024, the AX Group maintained a healthy financial stance with a gearing ratio of 48.7% (2023: 46.3%).

Management of the AX Group has prepared a cashflow forecast for the AX Group and has concluded that the AX Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive.

Management of the AX Group has also considered a stress tested scenario to assess the AX Group's resilience and ability to handle unforeseen challenges. Under all scenarios tested, the Group is expected to continue to have sufficient liquidity relative to the funding available to it. Management also notes that a number of the AX Group's properties are unencumbered and could potentially be used as a guarantee in obtaining additional financing from banks should the need arise.

### 4. APPLICATION OF NEW OR REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

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

During the financial period under review, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 November 2023. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in changes to the Group's accounting policies.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

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

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these condensed consolidated interim financial statements, that are mandatory for the Group's accounting periods beginning after 1 November 2023. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

### 6. FAIR VALUE MEASUREMENT

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

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

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

### 7. REVENUE

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

	<b>1 November 2023 to 30 April 2024 (unaudited) EUR</b>	1 November 2022 to 30 April 2023 (unaudited) EUR
Sale of property and real estate	<b>119,628</b>	-
Rental income	<b>6,697,090</b>	3,841,692
<b>Total Revenue</b>	<b>6,816,718</b>	3,841,692

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 8. INCOME TAX

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

### 9. EARNINGS PER SHARE

Earnings per share is based on the net result for the period divided by the weighted average number of ordinary shares in issue during the period. The weighted average number of shares in issue during the period amounted to 274,336,700 shares (30 April 2023: 274,336,700 shares).

### 10. INVESTMENT PROPERTY

During the reporting period, the Group registered additions to its investment property amounting to EUR8,484,882 (30 April 2023: EUR19,964,632). No further movement in investment property occurred during the reporting period.

#### *Valuation process*

The Group's investment properties are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the international valuation standards and professional practice. In the years where an independent valuation is not obtained, management reworks the fair value of the property by verifying all major inputs to the independent valuation report, assessing any property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer, as necessary. Internal methods are therefore aligned with those used by external valuers.

The Group entered into long-term lease agreements of 20 years with the respective operating companies of the AX Group responsible for the operation of the relevant investment properties with effect from dates ranging between 1 July 2021 to 1 January 2022. The Group entered into a long-term lease of 20 years with a related party for the operation of the redeveloped AX ODYCY hotel in Qawra and lido with effect from dates ranging between 1 May 2023 to 1 June 2023. For all properties, given the contractual obligations under the leases, their current use equates to the highest and best use.

The Group is committed to develop the Verdala hotel in Rabat. The Group's plans for its properties in Qawra envision an additional phase, one which will see the redevelopment of the Luzzu and Sunny Coast lido areas, and the demolition and rebuilding of the Sunny Coast Resort & Spa. The Group has the necessary planning permit for the Sunny Coast Resort & Spa redevelopment and is in the process of obtaining a full development permit for the redevelopment of the Luzzu and Sunny Coast lido areas. There are no immediate plans to commence this redevelopment. The Group has no further restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance and enhancements.

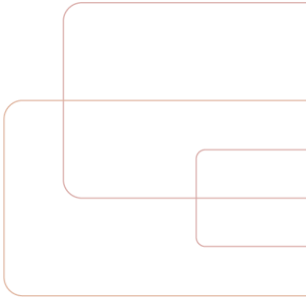
A portion of the investment properties owned is encumbered as they serve as securities for bank loans.

The Group's investment property has been determined to fall within level 3 of the fair value hierarchy.



# NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024



## 10. INVESTMENT PROPERTY – CONTINUED

### *Climate-related considerations*

For investment properties, which are measured at fair value, 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 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, these potential climate-related risks are not expected to have a material impact on the value of the Group's investment properties.

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

### *Details of the investment property and information about their fair value hierarchy as at the end of the period:*

<b>Type of Property</b>	<b>Level 3</b>	<b>Total</b>
Commercial property	292,218,142	292,218,142
Residential	9,496,740	9,496,740
<b>At 30 April 2024</b>	<b>301,714,882</b>	<b>301,714,882</b>

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 10. INVESTMENT PROPERTY – CONTINUED

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

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

Type of Property	Valuation Technique	Inputs	Sensitivity
Residential property amounting to EUR3,772,060 (2023: EUR3,770,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR746,476 (2023: same) using an average growth of 2% (2023: same) and discount rate of future income of 12.83% (2023: same), estimated terminal land value, capitalisation yield of 4.5% (2023: same) and discount rate of 5% (2023: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Commercial property amounting to EUR21,267,105 (2023: EUR21,200,000)	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 to EUR260 (2023: same) per square meter at a capitalisation rate ranging from 5.75% to 6% (2023: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Commercial property amounting to EUR8,471,080 (2023: EUR6,420,000)	Income capitalisation approach	Income capitalization approach: total projected stabilised EBITDA of EUR1,952,779 (2023: same) using an average growth of 2% (2023: same) and discount rate of future income of 12.83% (2023: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Commercial property amounting to EUR225,053,005 (2023: EUR218,830,000)	Income capitalisation approach	The main inputs used are a fixed rental income of EUR10,026,836 (2023: same) per annum, increasing by 2% (2023: same) per annum and with a discount rate between 6-9% (2023: same), and a variable rent with a discount rate of 8-11.83% (2023: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Commercial property amounting to EUR37,426,952 (2023: EUR37,290,000)	Income capitalisation approach	The main inputs used are a rental income of EUR1,716,000 (2023: same) per annum, increasing by 2% per annum and a discount rate of 7.75% (2023: same).	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Residential property amounting to EUR5,724,680 (2023: EUR5,720,000)	Comparative methods (Market approach)	The valuation of investment property was based on market rates for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market (2023: same).	The higher the market rates, the higher the fair value

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

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 11. DEBT SECURITIES IN ISSUE

During 2022, AX Real Estate p.l.c. issued an aggregate principal amount of EUR40,000,000 bonds (2022 -2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2024 for the 3.5% bonds (2022 – 2032) was EUR93.40 (31 October 2023: EUR92.98). The fair value of the bond as at 30 April 2024 amounted to EUR37,360,000 (31 October 2023: EUR37,192,000).

The carrying value of the bond as at 30 April 2024 amounted to EUR39,583,799 (31 October 2023: EUR39,556,055). The amount is made up of the total bonds issued amounting to EUR40,000,000 net of bond issue costs which are being amortised over the respective term of the bonds. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate. EUR21,645,400 of these bonds were assigned to AX Group p.l.c. as part conversion of the loan payable by the Company on issue.

	<b>30 April 2024</b>	31 October 2023
	<b>(unaudited)</b>	(audited)
	<b>EUR</b>	EUR
At beginning of period	<b>39,556,055</b>	39,500,567
Bond issue costs amortisation for the period	<b>27,744</b>	55,488
At period end (non-current)	<b>39,583,799</b>	39,556,055
Accrued interest (current)	<b>322,192</b>	1,024,110
	<b>39,905,991</b>	40,580,165

### 12. FINANCIAL ASSETS AND FINANCIAL LIABILITIES

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

#### *Fair values*

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

At 30 April 2024 and 31 October 2023 carrying amounts of the Group's current financial assets and current financial liabilities approximated their fair values due to the short-term nature of these financial instruments.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 13. CONTINGENCIES AND CAPITAL COMMITMENTS

There were no major changes in contingent assets and liabilities, and they remain in essence as reported in the Group's annual financial statements of 31 October 2023.

Commitments for capital expenditure with respect to the development and completion of a number of projects as at 30 April 2024 stand as follows:

	<b>30 April 2024</b>
	<b>(unaudited)</b>
	<b>EUR</b>
Authorised and contracted	<b>2,863,169</b>
Authorised but not contracted	<b>11,579,830</b>

### 14. RELATED PARTY TRANSACTIONS

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

Outstanding balances with other related parties have been disclosed in note 20 and note 24 to the audited financial statements as at 31 October 2023. Transactions and balances with these other related parties during the interim period are included in these interim condensed consolidated financial statements within trade and other receivables, and other financial liabilities, including the below.

Rental income from AX Group and related parties accounted to EUR6,163,389 (30 April 2023: EUR3,368,540) during the six-month period ended 30 April 2024.

Capital expenditure on properties held by the Group by AX Construction Limited, a related party, amounted to EUR1,873,897 (30 April 2023: EUR6,204,265).

Following the above, amongst others, amounts owed by such related parties as at 30 April 2024 of EUR1,791,154 (31 October 2023: EUR2,739,311) are included within trade and other receivables, which are non-interest bearing and have no fixed date of repayment.

As at 30 April 2024, amounts owed to parent for an aggregate of EUR30,687,799 (31 October 2023: EUR30,165,038) are included within other financial liabilities, which are unsecured, bear interest at the weighted average borrowing rate of the AX Group which stood at 4.98% as at 30 April 2024 and are repayable on 31 December 2034. The payment of the interest due on this loan is also deferred until December 2032.

Other financial liabilities also include amounts owed to other related parties for an aggregate of EUR15,047,510 (31 October 2023: EUR15,047,510) which bears interest of 6.25% and is repayable on 31 December 2034. The payment of the interest due on this loan is also deferred until December 2032.

## NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS – CONTINUED

Six-month period ended 30 April 2024

### 15. DISTRIBUTIONS MADE AND PROPOSED

	<b>1 November 2023 to 30 April 2024 (unaudited) EUR</b>	1 November 2022 to 30 April 2023 (unaudited) EUR
<b>Dividends on ordinary shares declared and paid:</b>		
Interim dividend	<b>4,009,390</b>	3,429,209
<b>Proposed dividends on ordinary shares:</b>		
Interim dividend	-	3,429,209

### 16. EVENTS AFTER THE REPORTING PERIOD

The Commissioner of Lands had filed claims against the Group seeking damages for the alleged illegal occupation of land that includes parts of the AX ODYCY and AX Sunny Coast lidos. The Group contested these claims. In May 2024, a concession agreement was signed, granting the Group a temporary emphyteusis on the land for a period of 65 years, along with a settlement agreement for previous land usage. The agreed consideration with the Commissioner of Lands for the past use of the land up to May 2024 amounts to EUR 2,134,262, with AX Group p.l.c. committed to contributing EUR 1,750,000 of this amount.