AX REAL ESTATE

AX REAL ESTATE P.L.C.
C 92104

INTERIM REPORT AND INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

30 APRIL 2022

CONTENTS

INTERIM DIRECTORS' REPORT

The Directors present their report and the condensed consolidated financial statements for the six-month period ended 30 April 2022.

PRINCIPAL ACTIVITIES

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

REVIEW OF THE BUSINESS

The Board of Directors is pleased to present the financial results for the six-month period ended 30 April 2022.

During the period under review, the Group registered EUR4,350,172 in total revenue. This was primarily made up of EUR3,618,172 in rental income and EUR732,000 from the sale of property.

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

30 April 2022 (unaudited)		
	EUR	
Hospitality	2,164,427	60%
Care Home	827,534	23%
Offices	301,474	8%
Residential	140,588	4%
Warehousing	184,149	5%
	3,618,172	

Revenue from the sale of property represents the sale of the remaining apartments at Targa Gap complex in Mosta. All apartments earmarked for sale have now been disposed of and no further sale of immovable property is projected during the remaining part of the year.

Other operating costs amounted to EUR923,518 and are primarily made up of EUR496,659 representing the cost of property sold and administrative overheads of EUR426,859. Staff costs including directors' remuneration amounted to EUR158,578.

During the period under review, the Group registered an operating profit of EUR3,357,408 representing a margin of 77% over total revenue. The operating profit achieved is in line with the projected performance for the period under review.

Finance charges including the interest on the newly issued 3.5% AX Real Estate p.l.c. 2032 bond amounted to EUR1,564,881.

Profit before tax during the period under review amounted to EUR1,792,527.

In February 2022, the Group obtained the full development permit for the redevelopment of the Suncrest lido in Qawra. This was another important milestone for the Group to ensure that the Suncrest extension and lido redevelopment (Phase 1 of the Qawra redevelopment) are delivered within the stipulated time frames. In the meantime, works on the redevelopment of the Verdala site in Rabat and the extension of the Suncrest Hotel in Qawra progressed according to the planned timeframes during the period under review. As initially planned, the new Suncrest Hotel is expected to reopen to the public in April 2023 with the new Verdala Hotel expected to start operating a year later.

INTERIM DIRECTORS' REPORT - CONTINUED

REVIEW OF THE BUSINESS - CONTINUED

During 2021, the Board resolved to approve the change in status of the AX Real Estate Limited ('the Company') from a Private Limited Liability Company to a Public Limited Liability Company. As a result, the Company's name was changed to AX Real Estate p.l.c. with effect from 23 November 2021.

On 23 November 2021, the issued share capital of AX Real Estate p.l.c. was increased by EUR12,450,000 though a bonus issue of 99,600,000 ordinary 'A' shares of a nominal value of EUR0.125 each in favour of the-then Existing Shareholders, by virtue of the capitalisation of retained earnings. On 30 November 2021, the Company issued 150,000,000 ordinary 'B' shares of a nominal value of EUR0.125 each in favour of AX Group p.l.c. by virtue of the capitalisation of a loan due to AX Group p.l.c. 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.

In February 2022, the Company was listed on the Malta Stock Exchange, with 25% of the ordinary 'A' shares being taken up by the general public. Through this transaction, the Company raised EUR13,645,644.

In conjunction with the share issue, the Company also issued EUR40,000,000 unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with the Company. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2022 for the 3.5% bonds (2022 – 2032) was EUR100.5. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

In January 2022, the Company obtained a sanction letter from a local credit institution for a Loan Facility amounting to EUR15,000,000 which has been provided to enable the Group to further support its initial costs related to the extension of the Suncrest Hotel in Qawra and for the redevelopment of the Verdala Hotel site in Rabat. The Loan Facility bears interest of 3.75% p.a. and the outstanding loan amount is repayable in full within 2 years from the date of the first drawdown. By 30 April 2022, EUR5,000,000 had been drawn down from this facility.

Financial Key Performance Indicators

€ millions	30 April 2022
Revenue	€4.4
Operating profit	€3.4
Profit before tax	€1.8
EBITDA	€3.4
Operating profit margin	(%) 77%
Interest cover (times)	2.1

Net assets at period end stood at EUR143,544,532 compared to EUR78,698,042 as at 31 October 2021. The increase is mainly attributable to the capitalisation of the loan due to AX Group p.l.c. amounting to EUR50,000,000 and the listing of new shares on the Malta Stock Exchange as mentioned above. The Group's balance sheet remains sound with a gearing ratio of 38.8%.

INTERIM DIRECTORS' REPORT - CONTINUED

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

As at the date of reporting, all of the rental properties of the Group are contracted till the end of the year and beyond. The positive economic recovery in the tourism industry augurs well for the Group in that the budgeted variable rent is expected to be achievable.

The completion of the Suncrest Hotel and the Verdala Hotel developments within the agreed timeframes is important for both the AX Real Estate Group, as well as the AX Group. Despite the enduring global supply chain challenges, the AX Group has not experienced any major disruptions so far. Management has ensured that sufficient resources are engaged to guarantee that orders are placed in time according to the programme of works.

Cognisant of the inflationary pressures on raw materials, management has been exploring construction methodologies to minimise the impact from cost overruns. Despite these initiatives, it is highly probable that under the current economic scenario the capital spend on the Suncrest and Verdala developments will be negatively impacted.

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.

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 Micallef Xuereb Chief Executive Officer

By Order of the Board
23 June 2022

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 2022, 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.

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Angelo Xuereb
Chairman

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Denise Micallef Xuereb
Chief Executive Officer

By Order of the Board
23 June 2022

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Six-month period ended 30 April 2022

	Note	Six-month period ended 30 April 2022 (unaudited) EUR
Revenue	7	4,350,172
Other operating income		89,332
Staff costs		(158,578)
Other operating costs		(923,518)
Operating profit		3,357,408
Net finance costs		(1,564,881)
Profit before taxation		1,792,527
Taxation	8	(119,944)
Profit after tax		1,672,583
Other comprehensive income		-
Total comprehensive income for the period		1,672,583
Basic earnings per share	9	0.01

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 April 2022

	Note	30 April 2022 (unaudited) EUR	31 October 2021 (audited) EUR
ASSETS AND LIABILITIES			
Non-current assets			
Intangible assets		**2,660**	2,660
Investment property	10	**242,754,852**	232,547,548
		242,757,512	232,550,208
Current assets			
Inventories		**438,198**	910,857
Trade and other receivables	14	**11,521,681**	3,603,501
Current tax asset		**-**	162,824
Cash at bank and in hand		**19,583,629**	1,000,807
		31,543,508	5,677,989
Total assets		**274,301,020**	238,228,197
Current liabilities			
Trade and other payables		**5,306,593**	1,495,934
Bank borrowings		**2,042,275**	2,751,193
Other financial liabilities		**6,982,750**	5,338,760
Debt securities in issue	11	**318,356**	-
Tax liabilities		**141,558**	-
		14,791,532	9,585,887
Non-current liabilities			
Trade and other payables		**467,000**	625,111
Bank borrowings		**12,699,878**	8,461,779
Other financial liabilities	14	**43,411,594**	120,821,015
Debt securities in issue	11	**39,467,865**	-
Deferred tax liabilities		**19,918,619**	20,036,363
		115,964,956	149,944,268
Total liabilities		**130,756,488**	159,530,155
Net assets		**143,544,532**	78,698,042

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION – CONTINUED
As at 30 April 2022

	Note	30 April 2022 (unaudited) EUR	31 October 2021 (audited) EUR
EQUITY			
Share capital		**34,292,088**	50,000
Share premium		**41,381,819**	-
Revaluation reserve		**38,502,470**	38,502,470
Other reserves		**330,752**	330,752
Retained earnings		**29,037,403**	39,814,820
Total equity		**143,544,532**	78,698,042

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Six-month period ended 30 April 2022

(Unaudited)	Share capital EUR	Share premium EUR	Revaluation reserve EUR	Other reserves EUR	Retained earnings EUR	Total EUR
At 1 November 2021	**50,000**	**-**	**38,502,470**	**330,752**	**39,814,820**	**78,698,042**
Profit for the period	-	-	-	-	1,672,583	1,672,583
Total comprehensive income for the period	-	-	-	-	1,672,583	1,672,583
Capitalisation of reserves (note 14)	12,450,000	-	-	-	(12,450,000)	-
Capitalisation of shareholder loan (note 14)	18,750,000	31,250,000	-	-	-	50,000,000
Issue of shares at a premium	3,042,088	10,131,819	-	-	-	13,173,907
As at 30 April 2022	**34,292,088**	**41,381,819**	**38,502,470**	**330,752**	**29,037,403**	**143,544,532**

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

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
Six-month period ended 30 April 2022

	Six-month period ended 30 April 2022 (unaudited)
	EUR
Net cash flows from operating activities	2,237,254
Net cash flows used in investing activities	(12,868,637)
Net cash flows from financing activities	29,201,743
Net movement in cash and cash equivalents	18,570,360
Cash and cash equivalents at the beginning of the period	1,000,807
Cash and cash equivalents at end of the period	**19,571,167**

Cash and cash equivalents as at 30 April 2022 included in the cash flow statement consist of cash at bank and in hand of EUR19,583,629 net of bank overdrafts of EUR12,462.

Significant non-cash transactions during the six-month period ended 30 April 2022 included the bonus issue of ordinary ‘A’ shares and the issue of ordinary ‘B’ shares by virtue of the capitalisation of a loan due to the ultimate parent as disclosed in note 14.

NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Six-month period ended 30 April 2022

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 2022 were authorised for issue in accordance with a resolution of the Directors on 23 June 2022.

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 2022 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 2022 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 2021. The Group was formed in October 2021 and as a result, no comparative results are available for the six-months ended 30 April 2021.

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 2021.

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 2021, 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.

Transaction between entities under common control

During the year ended 31 October 2021, the AX Group went through a reorganisation exercise, with the ultimate aim of consolidating the main property letting activities of the AX Group into one newly formed division under AX Real Estate p.l.c., and the shares in a number of subsidiaries of AX Group p.l.c. were sold to the Company to form this new subgroup. This transaction is deemed to meet the definition of a transaction between entities under common control per IFRS3 - this is defined as a transaction in which all of the combining entities or businesses are ultimately controlled by the same party or parties both before and after the business combination, and that control is not transitory.

2. BASIS OF PREPARATION – CONTINUED

Transaction between entities under common control - continued

Management had elected to account for the transaction between entities under common control by recognizing the assets and liabilities of the companies being acquired at their carrying amount and that the income statement in the annual consolidated financial statements reflected the results of the combining parties.

This method is referred to as the “pooling of interests method”, whereby the logic of pooling is that there is no change in control. In applying the pooling of interest method, the Company had elected not to restate comparatives for periods prior to the transaction, such that the transaction under common control was accounted for from the date of transaction, being the acquisition dates of when the Company acquired control of the subsidiaries and accordingly the annual consolidated financial statements of the Group were not restated for periods prior to the combination under common control occurring.

3. GOING CONCERN

During the six-month period ended 30 April 2022, the Group recorded revenue of EUR4,350,172 and a profit before tax of EUR1,792,527. As at reporting date, the Group’s current assets exceeded its current liabilities by EUR16,751,976 (31 October 2021: current liabilities exceeded its current assets by EUR3,907,898). Current assets as at 30 April 2022 include funds of EUR 10,000,000 held in a short-term deposit account with a local bank which funds were obtained from the recent bond and equity issue by AX Real Estate p.l.c. As at 30 April 2022, the Group’s gearing ratio stood at 38.8%.

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 majority of the current operative commercial leases are those entered into between the Estates 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 AX Real Estate p.l.c. has prepared an eighteen-month forecast for the Estates Group in order to assess the impact of the current situation on the underlying businesses, and has concluded that as a result of the strength of the Group’s financial position and the expected economic recovery from the COVID–19 pandemic, the Group will be able to sustain its operations over the foreseeable future in a manner that is cash flow positive.

Liquidity

In order to finance the Suncrest and Verdala Hotel developments, the AX Group went through a reorganisation exercise, with the ultimate aim of consolidating the main property letting activities of the Group into one newly formed division under AX Real Estate p.l.c. In February 2022, the AX Group 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, AX Real Estate p.l.c. raised EUR13,645,644.

In conjunction with the share issue, AX Real Estate p.l.c. also issued EUR 40,000,000 unsecured bonds redeemable in 2032. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated by AX Real Estate p.l.c. to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. It is the intention of AX Group p.l.c. to dispose of the allocated bonds at the opportune time to ascertain sufficient liquidity for the Suncrest and Verdala hotel developments. In addition, the Company has obtained a bank loan of EUR 15,000,000 on this project in February 2022, out of which EUR 5,000,000 have so far been drawn.

3. GOING CONCERN – CONTINUED

Liquidity - continued

Despite the increase in gearing, the Estates Group still retains a low gearing ratio of 38.8% as at reporting date. The low gearing coupled with the healthy relationship that the Group enjoys with local banks places the Group in a good position should it need to raise further funding through bank loans.

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

Despite the ongoing pandemic, the interim period under review was to a lesser extent negatively impacted by the COVID-19 pandemic. AX Group revenue surged by 57% compared to same period last year. All of the business streams except for the sale of immovable property exceeded previous year revenues. The hospitality division saw its revenues for the period under review more than triple when compared to the same period last year despite the Suncrest hotel in Qawra being closed.

As expected, all properties that were on a promise of sale were contracted during the period under review. As at end of April, the stock of developed residential property have been disposed of and the Group does not forecast that it will be selling any immovable property during the rest of the financial year.

The redevelopment permit for the Suncrest Lido in Qawra was obtained during the period under review is another crucial milestone to ensure that the AX Group's master plan for the Qawra foreshore is achieved. Demolition and excavation works are at an advanced stage with the plan aiming to have the lido open shortly after the hotel re-opening.

AX Group p.l.c.'s cash flow forecast

AX Group management has prepared a forecast for the AX Group covering eighteen-months from reporting date in order to assess the impact of the current situation on the businesses. The assumptions modelled are based on the estimated potential impact of COVID-19 restrictions and regulations, encompassing a gradual recovery following the lifting of restrictions by the local authorities. The base case scenario contemplates the benefits of actions already taken by management to mitigate the trading downsides brought by COVID-19. The forecast includes the curtailment of capital expenditure within the hospitality and care divisions whereby only essential capital expenditure is planned. In addition to the Suncrest and Verdala projects which are partly being financed through the recent equity and bond issue, as well as bank financing by AX Real Estate p.l.c., the AX Group plans to continue with the development of a limited number of projects that are key to its long-term strategy.

The AX Group took various steps to retain a high level of liquidity in line with its policy. As at reporting date, the AX Group had aggregate banking facilities of EUR 40,301,026 (31 October 2021: EUR 27,412,974) of which EUR 15,996,097 (31 October 2021: EUR 6,011,835) were undrawn banking facilities.

AX Group management has also considered a stress tested scenario, in which the economy recovers at a slower pace than forecasted in the base case, with current restrictions remaining in place for a longer period. Under all scenarios tested, the AX Group is expected to continue to have sufficient liquidity relative to the funding available to it.

3. GOING CONCERN – CONTINUED

Forecasted capital expenditure

The Suncrest and Verdala projects are currently being financed through the proceeds from the recent equity and bond issue, as well as the EUR15,000,000 bank financing secured by AX Real Estate p.l.c. earlier this year. Moreover, the Group requires additional financing of circa EUR30,500,000 to complete the Suncrest Hotel extension & lido. The Group has applied for an additional bank loan facility from a local bank and is awaiting the approval of this new facility which approval is expected to be received within the coming month. Meanwhile, the Group will continue to manage the projected cash outflows in line with the planned programme of works and with the funds currently available, which are expected to continue sustaining both projects till the end of the calendar year.

Whilst the response from the bank has been positive, management is also actively considering alternative financing options should the bank reject the request made. Management notes that most of the Group's properties are unencumbered and could potentially be used as a guarantee to obtain additional financing from banks.

Impact of the Ukraine war

In February 2022, following the military conflict between Russia and Ukraine, the European Union and other countries announced several packages of restrictive measures against Russia, as well as personal sanctions against a number of high-ranking individuals. Due to the growing geopolitical tensions, since February 2022, there has been a significant increase in volatility on the securities and currency markets, as well as a significant depreciation of the Ruble against the US dollar and the Euro. It is expected that these events may significantly affect the activities of Russian and Ukrainian enterprises in various sectors of the economy. The Group and the Company do not have direct exposures to related parties and/or key customers or suppliers from those countries.

Despite the enduring global supply chain challenges, the AX Group has not experienced any major disruptions so far. Management has ensured that sufficient resources are engaged to guarantee that orders are placed in time according to the programme of works. As explained in the directors' report, due to inflationary pressures on raw materials, management has been exploring alternative construction methodologies to minimise the impact from cost overruns. Despite these initiatives, it is highly probable that under the current economic scenario, the capital spend on the Suncrest and Verdala developments will be negatively impacted.

Conclusion

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

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 2021. 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.

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 2021. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's Directors are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

5. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

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

6. FAIR VALUE MEASUREMENT

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

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

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

7. REVENUE

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

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

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 224,210,930 shares.

10. INVESTMENT PROPERTY

During the reporting period, the Group registered additions to its investment property amounting to EUR10,207,304. No further movement in investment property occurred during the reporting period.

Valuation process

The Group's investment properties are revalued by professionally qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with the international valuation standards and professional practice. In the years or periods where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses any property valuation movements when compared to the prior year valuation report and hold discussions with the independent valuer, as necessary. For all properties, their current use equates to the highest and best use.

The Group entered into long-term lease agreements of 20 years with the respective operating companies of the AX Group responsible for the operation of the relevant investment properties with effect from dates ranging between 1st July 2021 to 1st January 2022. For all properties, given the contractual obligations under the leases, their current use equates to the highest and best use.

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

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

Type of Property	**Level 3**	**Total**
Commercial property	234,515,823	234,515,823
Residential	8,239,029	8,239,029
Total	242,754,852	242,754,852

The last valuations obtained of the Group's properties was as at 31 October 2021.

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.

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 EUR3,848,272	Income capitalisation approach	Income capitalization approach: total projected EBITDA of €520,800 using an average growth of 2%, discount rate of future income of 11.83%, estimated terminal land value, capitalisation yield of 4.5% and discount rate of 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 EUR19,445,497	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return in the range of EUR40 to EUR200 per square meter at a capitalisation rate ranging from 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 EUR6,840,874	Income capitalisation approach	The inputs used to calculate the total value of the property is a capitalisation rate of 5% to 11.83%.	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 EUR171,323,175	Income capitalisation approach	The main inputs used are a fixed rental income of EUR9,569,663 per annum, increasing by 2% per annum and a capitalisation rate of 5-6% and a variable rent with a capitalisation rate of 8.33%.	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 EUR36,906,277	Income capitalisation approach	The main inputs used are a rental income of EUR1,650,000 per annum, increasing by 2% per annum and a capitalisation rate of 5-6%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value
Residential property amounting to EUR4,390,757	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.	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.

11. DEBT SECURITIES IN ISSUE

During the six-month interim period, AX Real Estate p.l.c. issued an aggregate principal amount of EUR40,000,000 bonds (2022 -2032), having a nominal value of EUR100 each, bearing interest at the rate of 3.5% per annum. The general public subscribed to EUR18,354,600 bonds whilst the remaining EUR21,645,400 bonds were allocated to AX Group p.l.c. through the part conversion of the existing intra-group loan with AX Real Estate p.l.c. These bonds are unsecured and subject to the terms and conditions in the prospectus dated 6 December 2021. The bonds are listed on the Official Companies List of the Malta Stock Exchange. The quoted market price as at 30 April 2022 for the 3.5% bonds (2022 – 2032) was EUR100.5. The fair value of the bond as at 30 April 2022 amounted to EUR40,200,000. The carrying value of the bond as at 30 April 2022 amounted to EUR39,467,865. The amount is made up of the total bonds issued amounting to EUR40,000,000 net of bond issue costs which are being amortised over the respective term of the bonds. Interest on the bonds is due and payable annually in arrears on 7 February of each year at the above-mentioned rate.

	30 April 2022	31 October 2021
	(unaudited)	(audited)
	EUR	EUR
At beginning of period	**-**	-
Bonds issued during the period (net of bond issue costs)	**39,455,483**	-
Bond issue costs amortisation for the period	**12,382**	-
At year end (non-current)	**39,467,865**	-
Accrued interest (current)	**318,356**	-
	39,786,221	-

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 2022 and 31 October 2021 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.

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 2021.

Commitments for capital expenditure with respect to the development and completion of a number of projects as at 30 April 2022 stand as follows:

	30 April 2022 (unaudited) EUR
Authorised and contracted	**17,565,482**
Authorised but not contracted	**62,444,653**

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 2021. Transactions and balances with these other related parties during the interim period are included in these interim condensed consolidated financial statements within trade and other receivables, trade and other payables, and other financial liabilities, including the below.

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

Capital expenditure on properties held by the Group by AX Construction Limited, a related party, amounted to EUR4,602,497.

Following the above, amongst others, amounts owed by such related parties as at 30 April 2022 of EUR8,055,174 (31 October 2021: EUR2,789,513) are included within trade and other receivables, which are non-interest bearing and have no fixed date of repayment.

On 23 November 2021, the issued share capital of AX Real Estate p.l.c. was increased by EUR12,450,000 though a bonus issue of 99,600,000 ordinary 'A' shares of a nominal value of EUR0.125 each in favour of the-then Existing Shareholders, by virtue of the capitalisation of retained earnings. On 30 November 2021, the Company issued 150,000,000 ordinary 'B' shares of a nominal value of EUR0.125 each in favour of AX Group p.l.c. by virtue of the capitalisation of a loan due to AX Group p.l.c. 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.

Following the above, amongst others, as at 30 April 2022, amounts owed to parent for an aggregate of EUR28,829,150 (31 October 2021: EUR105,773,516) are included within other financial liabilities, which are unsecured, bear interest of 3% plus EURIBOR and are repayable on 31 December 2034. Other financial liabilities also include amounts owed to other related parties for an aggregate of EUR14,582,444 (31 October 2021: EUR15,047,500) which bears interest of 6.25% and is repayable on 31 December 2034.

15. EVENTS AFTER THE REPORTING PERIOD

At its meeting held on 23 June 2022, the Board of Directors of AX Real Estate p.l.c. resolved to distribute a net interim dividend of EUR0.0125 per ordinary share equivalent to EUR3,429,208.75.