

SUMMARY NOTE

This Summary Note is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013.

dated 3 February 2014

The Bonds are being issued by

AX INVESTMENTS P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 27586

with the joint and several Guarantee* of

AX HOLDINGS LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 3595

***Prospective investors should refer to the information regarding the Guarantee contained in Section B.18 of this Summary Note for a description of the scope, nature and term of the Guarantee. Reference should also be made to the section entitled "Risk Factors" contained in this Summary Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by AX Holdings Limited.**

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

Manager and Registrar

BOV
Bank of Valletta

APPROVED BY THE DIRECTORS

Angelo Xuereb

Michael Warrington

Patrick J. Galea

Michael Sciortino

Philip A. Ransley

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

IMPORTANT INFORMATION

THIS SUMMARY NOTE CONSTITUTES PART OF A PROSPECTUS AND CONTAINS INFORMATION IN RELATION TO AX INVESTMENTS P.L.C. (THE “ISSUER”), ITS BUSINESS AND THE SECURITIES BEING ISSUED IN TERMS OF THE PROSPECTUS. THIS DOCUMENT INCLUDES INFORMATION GIVEN IN COMPLIANCE WITH: (A) THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012), COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012 AND COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013); AND (B) THE RULES AND REGULATIONS APPLICABLE TO THE ADMISSION OF SECURITIES ON THE OFFICIAL LIST OF THE MSE.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER, ITS DIRECTORS OR ADVISORS. THE ADVISORS ENGAGED BY THE ISSUER FOR THE PURPOSE OF THIS BOND ISSUE ARE ACTING EXCLUSIVELY FOR THE ISSUER.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH SECURITIES AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRIES OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY AND THE MSE, AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES. APPLICATION HAS BEEN MADE TO THE LISTING AUTHORITY FOR THE APPROVAL OF THE PROSPECTUS AND FOR THE ADMISSION OF THE ISSUER'S BONDS ON A REGULATED MARKET. APPLICATION HAS ALSO BEEN MADE TO THE MSE FOR THE BONDS TO BE ADMITTED TO THE OFFICIAL LIST OF THE MSE. **A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.**

THE CONTENTS OF THE ISSUER'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER'S WEBSITE DO NOT FORM PART OF THIS DOCUMENT. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN ANY FINANCIAL INSTRUMENTS AND SECURITIES ISSUED BY THE ISSUER.

ALL THE ADVISORS TO THE ISSUER HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION OR RESPONSIBILITY TOWARDS ANY OTHER PERSON. NONE OF THE ADVISORS ACCEPT ANY RESPONSIBILITY TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE CONTENTS OF, AND ANY INFORMATION CONTAINED IN, THE PROSPECTUS, ITS COMPLETENESS OR ACCURACY OR ANY OTHER STATEMENT MADE IN CONNECTION THEREWITH.

THE DIRECTORS OF THE ISSUER CONFIRM THAT WHERE INFORMATION INCLUDED IN THIS PROSPECTUS HAS BEEN SOURCED FROM A THIRD PARTY, SUCH INFORMATION HAS BEEN ACCURATELY REPRODUCED, AND AS FAR AS THE DIRECTORS OF THE ISSUER ARE AWARE AND ARE ABLE TO ASCERTAIN FROM INFORMATION PUBLISHED BY THAT THIRD PARTY, NO FACTS HAVE BEEN OMITTED WHICH WOULD RENDER THE REPRODUCED INFORMATION INACCURATE OR MISLEADING.

THE VALUE OF INVESTMENTS CAN RISE OR FALL AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. IF YOU NEED ADVICE WITH RESPECT TO THE BOND ISSUE, YOU SHOULD CONSULT A LICENSED STOCKBROKER OR AN INVESTMENT ADVISOR LICENSED UNDER THE INVESTMENT SERVICES ACT (CAP. 370 OF THE LAWS OF MALTA).

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY BONDS PURSUANT TO THE PROSPECTUS SHALL SUBMIT TO THE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE ISSUER TO BRING ANY ACTION, SUIT OR PROCEEDING, IN ANY OTHER COMPETENT JURISDICTION, ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF BONDS, OR AGREEMENT, ACCEPTANCE OR CONTRACT RESULTING HEREFROM, OR THE PROSPECTUS AS A WHOLE.

STATEMENTS MADE IN THIS DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THERETO.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

This Summary Note is prepared in accordance with the requirements of the Regulation, as amended by Commission Delegated Regulation (EU) No. 486/2012 of the 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013.

Summaries are made up of disclosure requirements known as 'Elements'. These elements are numbered in Sections A – E (A.1– E.7). This summary contains all the Elements required to be included in a summary for this type of securities and Issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and Issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of 'not applicable'.

In this Summary Note the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
Application Form(s)	the forms of application of subscription for Bonds, specimens of which are contained in Annex II of the Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of the Securities Note;
AX Group or Group	AX Holdings Limited, a company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta, and any company or entity in which AX Holdings Limited has a controlling interest. For the avoidance of doubt, any reference in this Summary Note to the Group shall include both the Issuer and the Guarantor;
AX Group Employees	employees and directors of any company forming part of the AX Group as at the Cut-Off Date;
Bond(s)	the €40 million bonds due 2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum;
Bondholder	a holder of Bonds;
Bond Issue or Offer	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Company, AXI or Issuer	AX Investments p.l.c., a company registered under the laws of Malta with company registration number C 27586 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Cut-Off Date	close of business of 3 February 2014;
Directors or Board of Directors	the directors of the Issuer whose names are set out under the heading "Identity of Directors, Senior Management, Advisors and Auditors" in the Registration Document;
Euro or €	the lawful currency of the Republic of Malta;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, and bearing company registration number C 42525;
Existing Bondholder	a holder of Maturing Bonds as at the Cut-Off Date;
Group Hotels	the following hotels owned and operated by the respective operating subsidiaries of the Group: <ol style="list-style-type: none"> 1. Sunny Coast Resort and Spa, Qawra; 2. Seashells Resort at Suncrest, Qawra; 3. Victoria Hotel, Sliema; and 4. The Palace, Sliema;
Guarantee	the joint and several suretyship of the Guarantor as described in Element B.18 of this Summary Note;
Guarantor or AXH	AX Holdings Limited, the parent company of the AX Group, a company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Interest Payment Date	6 March of each year between and including each of the years 2015 and the year 2024, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	17 March 2014;
Issue Period	the period between 24 February 2014 to 28 February 2014 during which the Bonds are on offer;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta);
Listing Rules	the listing rules of the Listing Authority;

Maturing Bonds	the Series I 6.7% bonds due to mature on 16 December 2016 or, at the Issuer's option, on either 15 December 2014 or 15 December 2015, amounting as at the Cut-Off Date to €11,647,819, issued by the Issuer, under the joint and several guarantee of the Guarantor pursuant to a prospectus dated 28 November 2006;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Preplacement Offer	the entry into conditional subscription agreements by and between the Issuer and Authorised Financial Intermediaries for the subscription of Bonds by, and allocation thereof to, participating Authorised Financial Intermediaries, up to an aggregate amount of €10,000,000;
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Redemption Date	6 March 2024;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 3 February 2014, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities;
Securities Note	the securities note issued by the Issuer dated 3 February 2014, forming part of the Prospectus;
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Subscription Agreement	an agreement between the Issuer, the Registrar and Authorised Financial Intermediaries to subscribe for the Bonds;
Summary Note	this summary note issued by the Issuer dated 3 February 2014, forming part of the Prospectus.

SECTION A INTRODUCTION AND WARNINGS

A.1 Prospective investors are hereby warned that:

- i. This summary is being provided to convey the essential characteristics and risks associated with the Issuer and the securities being offered pursuant to this document. This part is merely a summary and therefore should only be read as an introduction to the Prospectus. It is not and does not purport to be exhaustive and investors are warned that they should not rely on the information contained in this summary in making a decision as to whether to invest in the securities described in this document. Any decision to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- ii. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of Malta, have to bear the costs of translating the Prospectus before legal proceedings are initiated; and
- iii. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, and who applied for its notification, but only if the summary, when read together with the other parts of the Prospectus: is misleading, inaccurate or inconsistent; or does not provide key information in order to aid investors when considering whether to invest in such securities.

A.2 Consent required for use of the Prospectus in connection with the Preplacement Offer: prospective investors are hereby informed that:

- i. for the purposes of any subscription for Bonds by Authorised Financial Intermediaries pursuant to the Preplacement Offer and any subsequent resale or placement of Bonds by Authorised Financial Intermediaries participating in the Preplacement Offer in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of the Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale or placement, provided this is limited only:
 - a. in respect of Bonds subscribed for in terms of the Preplacement Offer by Authorised Financial Intermediaries listed in Annex I of the Securities Note participating in the Preplacement Offer;

- b. to any resale or placement of Bonds subscribed for as aforesaid, taking place in Malta;
 - c. to any resale or placement of Bonds subscribed for as aforesaid, taking place within the period of 60 days from the date of the Prospectus (the consent provided herein shall no longer apply following the lapse of such period).
- ii. **in the event of a resale or placement of Bonds by an Authorised Financial Intermediary subsequent to the Preplacement Offer, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale or placement at the time such is made.**

SECTION B ISSUER

- B.1** The legal and commercial name of the Issuer is AX Investments p.l.c. The legal and commercial name of the Guarantor is AX Holdings Limited.
- B.2** The Issuer was registered in Malta in terms of the Act on 17 January 2001 as a public limited liability company. The Guarantor was registered in terms of the Commercial Partnerships Ordinance (Cap. 168 of the Laws of Malta) on 27 January 1977 as a private limited liability company. Both the Issuer and the Guarantor are domiciled in Malta.
- B.4b** The principal object of the Issuer is to carry on the business of a finance and investment company within the AX Group, in particular the financing of the funding requirements of specific projects being undertaken by members of the AX Group. The Issuer does not itself carry on any trading activities apart from the raising of capital and the advancing thereof to AX Group members. The future performance of the Issuer is intimately related to that of AX Holdings Limited and, in turn, the whole AX Group, particularly since members of the AX Group at present constitute its only trading partners as borrowers.

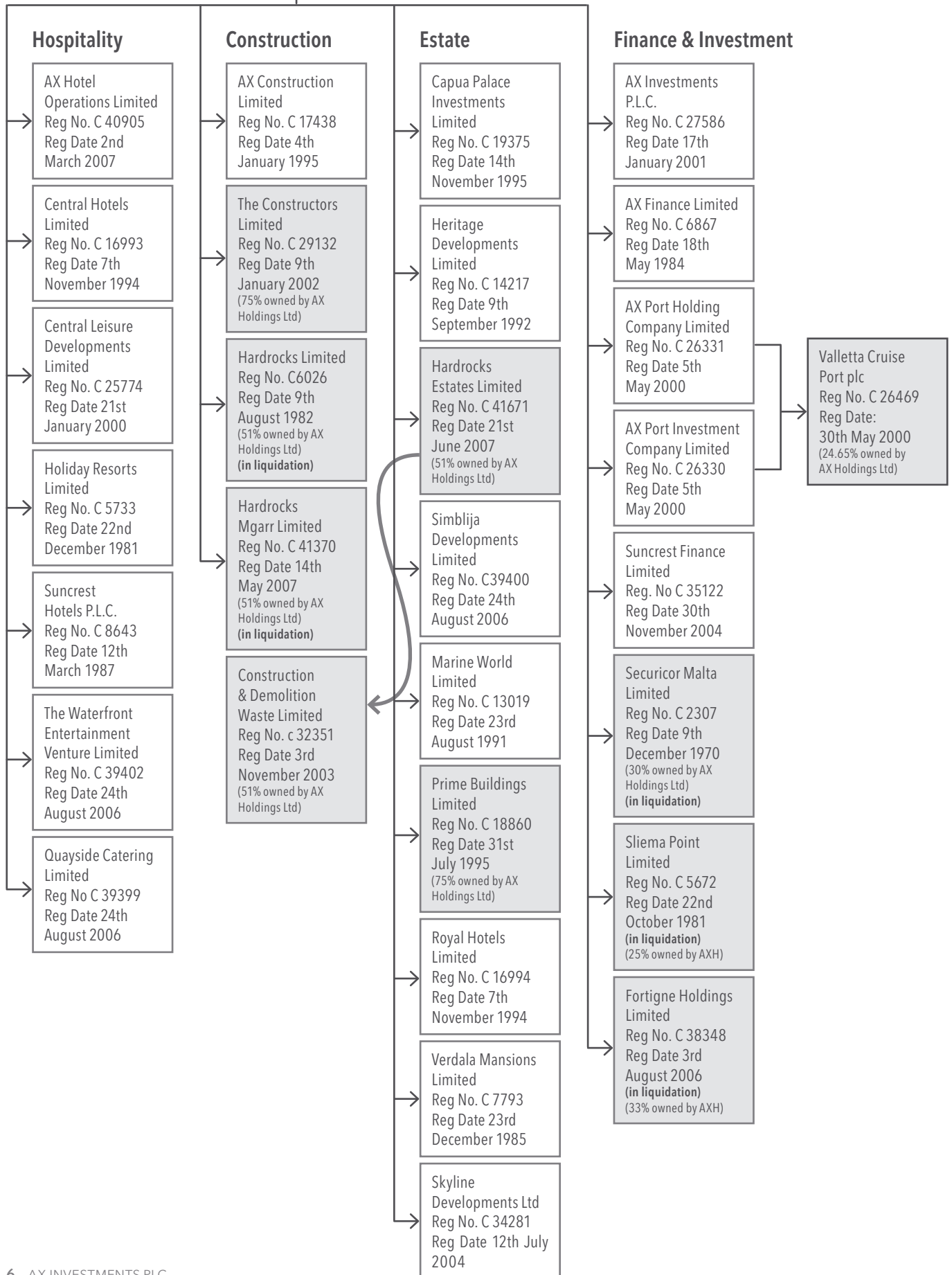
The Guarantor, as the parent company of the AX Group, considers that generally the AX Group will be subject to the normal business risks associated with the industries in which it is involved and does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the AX Group's and its business, at least with respect to the current financial year. The AX Group's strategy for the foreseeable future is to continue to develop its assets with a view to realising and maximising its financial potential.

An overview of the trends expected in the key areas of operation of the AX Group in the foreseeable future follows:

- i. **Hospitality** - The Group plans to refurbish the Seashells Resort at Suncrest, with a view to the hotel improving its average room rate in the near term. Management will continue to market the hotel as an 'all inclusive' resort which to date has had a positive impact on the hotel's performance. The Victoria Hotel will also undergo a soft refurbishment programme in order to maintain the level and quality of the property. All Group Hotels have increased earnings in recent years, broadly in line with the growth trend experienced in the tourism sector locally.
 - ii. **Construction** - The construction industry in general has been going through a slow period in the last few years. The AX Group has on the other hand been relatively active in this segment primarily due to management's decision to specialise and focus on a number of niche markets including restoration projects, a trend likely to be maintained in the foreseeable future as the need to restore historical sites and properties in Malta is on-going and funding thereof continues to be partly available through EU infrastructural programmes. In the near term, the AX Group's construction division will be predominantly involved in the construction and development of the Hilltop Gardens Care Home & Residences, operating to capacity.
 - iii. **Property Development** - The AX Group continues to actively seek approval from the competent authorities to undertake the development of the former Grand Hotel Verdala into a 100-room hotel and a complex comprising 80 luxury apartments.
- B.5** The organisational structure of the Group is illustrated in the diagram overleaf. Unless otherwise indicated, the companies within the Hospitality, Construction, Estate and Finance & Investment divisions indicated therein are ultimately fully owned by AXH:

AX Holdings Ltd
Reg No. C 3595 – Reg Date 27th January 1977

Vilhena Property
Investment Ltd



- B.9** Not Applicable: the Registration Document forming part of the Prospectus does not contain profit forecasts or estimates.
- B.10** Not Applicable: the audit reports on the audited financial statements for the years ended 31 October 2011, 2012 and 2013 do not contain any material qualifications.
- B.12** The historical financial information for the Issuer and the Guarantor for the three financial years ended 31 October 2011, 2012 and 2013 as audited by Nexia BT is set out in the financial statements of the Issuer and in the consolidated financial statements of the Guarantor respectively. Such audited financial statements are available on the Issuer's website (<http://www.axinvestmentsplc.com>) and at its registered office.

The remaining components of Element B.12 are not applicable, given that there has been no material adverse change in the prospects of the Issuer and/or of Guarantor since the date of their respective last published audited financial statements.

Extracts of the historical financial information referred to above are set out below:

AX Investments p.l.c.

Income Statement for the years ended 31 October

	2013	2012	2011
	(€'000)	(€'000)	(€'000)
Results from operating activities	19	27	32
(Loss)/profit before tax	(126)	521	54
(Loss)/profit after tax	(95)	338	(302)

AX Investments p.l.c.

Balance Sheet as at 31 October

	2013	2012	2011
	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets	21,307	22,760	22,097
Current assets	203	6	48
Total assets	21,510	22,766	22,145
EQUITY AND LIABILITIES			
Equity	5,757	5,852	5,514
Liabilities	15,753	16,914	16,631
Total equity and liabilities	21,510	22,766	22,145

AX Holdings Limited

Income Statement for the years ended 31 October

	2013	2012	2011
	(€'000)	(€'000)	(€'000)
EBITDA	7,292	6,542	5,056
Profit before tax	9,266	1,777	2,962
Profit after tax	7,056	2,894	1,664

AX Holdings Limited

Consolidated Balance Sheet as at 31 October

	2013	2012	2011
	(€'000)	(€'000)	(€'000)
ASSETS			
Non-current assets	142,758	136,073	108,915
Current assets	14,247	15,177	14,479
Total assets	157,005	151,250	123,394
EQUITY AND LIABILITIES			
Equity	88,027	80,381	54,946
Liabilities	68,978	70,869	68,448
Total equity and liabilities	157,005	151,250	123,394

- B.13** Not Applicable: neither the Issuer nor the Guarantor are aware of any recent events which are to a material extent relevant to the evaluation of their solvency.
- B.14** The Issuer was set up in 2001 with the principal object of acting as the finance and investment arm of the AX Group, in particular the financing of the funding requirements of specific projects being undertaken by members of said Group. The Issuer does not itself carry on any trading activities apart from the raising of capital and the advancing thereof to members of the AX Group as and when the demands of their business or the demands of a particular project so require.
- The Issuer therefore raises capital in the Maltese market and onlends to subsidiaries of AXH for their investment requirements. The Issuer is dependent on the operations and performance of AXH and, in turn, on the cash flow streams from its' subsidiaries, in particular the hotel-operating and real estate companies within the AX Group.
- The Guarantor is the holding company and parent of the AX Group with business interests spanning across the entire range of industry sectors in which the Group is involved. The AX Group is organised into four primary business divisions and plans to re-enter the healthcare market in the near future. The three operating divisions of the AX Group comprise hospitality, construction and property, whilst the finance and investment division provides finance to AXH and its subsidiaries and also manages certain strategic assets.
- B.15** As at the date of the Prospectus, the Issuer serves as the principal vehicle for the financing of the funding requirements of specific projects being undertaken by members of the AX Group across the industry sectors specified in the preceding paragraph. In terms of its Memorandum and Articles of Association, the principal object of the Issuer is to carry on the business of a finance and investment company and in particular but without prejudice to the generality of the foregoing the financing or re-financing of the funding requirements of the business of AXH or any of its subsidiaries and/or associated companies. The main object of the Guarantor is to co-ordinate the business of its subsidiaries, the members of the AX Group.
- B.16** The Issuer's current authorised and issued share capital is €2,795,247.60, divided into 1,200,000 ordinary shares of €2.329373 each, fully paid up and divided as follows: AXH holds 1,199,999 ordinary shares of €2.329373 each, and Verdala Mansions Limited holds 1 ordinary share of €2.329373. The Guarantor's current authorised and issued share capital is €470,533.35, divided into 202,000 ordinary shares of €2.329373 each, fully paid up and divided as follows: Fulcrum Services Limited (C 12271) holds 201,999 ordinary shares of €2.329373 each and Angelo Xuereb holds 1 ordinary share of €2.329373.
- B.17** Not Applicable: Neither the Issuer nor the Guarantor have sought the credit rating of an independent rating agency, and there has been no assessment by any independent rating agency of the Bonds issued by the Issuer.
- B.18** For the purposes of the Guarantee, AXH stands surety jointly and severally with the Issuer and guarantees the due and punctual performance of all the obligations undertaken by the Issuer in terms of such Issue. Accordingly, until such time as Bonds remain in issue, the Guarantor undertakes to pay any amounts of principal and interest which become due and payable by the Issuer to Bondholders under the Bonds but which remain unpaid by the Issuer for more than 60 days from due date. In such cases the Guarantor would be under an obligation to pay to the Bondholders, upon demand and without the necessity of action first being taken by Bondholders against the Issuer itself, the amount due and payable by the Issuer to such Bondholders. The Guarantor's obligations under the Guarantee shall remain in full force and effect until no sum remains payable to any Bondholder pursuant to the issue of the Bonds.

SECTION C SECURITIES

- C.1** The Issuer shall issue an aggregate of €40,000,000 in Bonds having a face value of €100 per bond, subject to a minimum holding of €1,000 in Bonds. The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. On admission to trading the Bonds will have the following ISIN number MT0000081233. The Bonds shall bear interest at the rate of 6% per annum and shall be repayable in full upon maturity unless they are previously re-purchased, cancelled or redeemed.
- C.2** The Bonds are denominated in Euro (€).
- C.5** The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- C.8** Investors wishing to participate in the Bonds will be able to do so by duly executing the appropriate Application Form (or a Subscription Agreement, as the case may be) in relation to the Bonds. Execution of the Application Form (or the Subscription Agreement, as the case may be) will entitle such investor to:
- i. the payment of capital;
 - ii. the payment of interest;
 - iii. ranking with respect to other indebtedness of the Issuer and Guarantor in accordance with the status of the Bonds, as follows: "*the Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank pari passu, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any*";

- iv. attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bonds; and
- v. enjoy all such other rights attached to the Bonds emanating from the Prospectus.

C.9 The Bonds shall bear interest from and including 7 March 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 6 March 2015. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is six per cent (6%).

The remaining component of Element C.9 is not applicable, given that no representative of debt security holders has been appointed.

C.10 Not Applicable: there is no derivative component in the interest payments on the Bonds.

C.11 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 3 February 2014. Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List. The Bonds are expected to be admitted to the MSE with effect from 17 February 2014 and trading is expected to commence on 18 February 2014.

SECTION D RISKS

Holding of a Bond involves certain risks. Prospective investors should carefully consider, with their own independent financial and other professional advisors, the following risk factors and other investment considerations as well as all the other information contained in the Prospectus before deciding to acquire Bonds. Prospective investors are warned that by investing in the Bonds they may be exposing themselves to significant risks that may have the consequence of losing a substantial part or all of their investment.

The Prospectus contains statements that are, or may be deemed to be, “forward looking statements”, which relate to matters that are not historical facts and which may involve projections of future circumstances. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Issuer and/or its’ Directors. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

Below is a summary of the principal risks associated with an investment in the Issuer and the Bonds – there may be other risks which are not mentioned in this summary. Investors are therefore urged to consult their own financial or other professional advisors with respect to the suitability of investing the Bonds. The following is a summary of the principal risk factors:

D.2 Key information on the key risks specific to the Issuer, the Group and its business:

The Issuer is a special purpose vehicle set up to assist in the financing of the AX Group and has a limited asset base. In this respect, therefore, the operating results of the Group have a direct effect on the Issuer’s financial position and as such the risks intrinsic in the business and operations of the AX Group shall have a direct effect on the ability of the Issuer to meet its obligations in respect of the repayment of principal and interest under the Bonds when due.

The AX Group has a diversified business portfolio with activities including hospitality, property development and construction (including restoration) and the AX Group will be reviving its involvement in the healthcare sector through the development of a retirement complex. Below is a brief overview of the general risks the Group is exposed to and of the risks associated to the various sectors within which the Group operates:

1. General:

- i. The AX Group’s business activities are concentrated in and aimed at the Maltese market and negative economic factors and trends in Malta, particularly those having an effect on consumer demand, would have a negative impact on the business of the AX Group.
- ii. The Issuer’s inability to react quickly to changes in its revenue by reducing its operating expenses could have a material adverse effect on its business, financial condition and results of operations.
- iii. The lack of liquidity and alternative uses of real estate investments could significantly limit the Group’s ability to respond to adverse changes in the performance of its properties thereby potentially harming its financial condition. Furthermore, the Group’s ability to sell, in a timely fashion, one or more of its properties in response to changing economic, financial and investment conditions, is limited by market demand.
- iv. In providing the property valuation referred to in the Prospectus, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such valuation of property and property-related assets will reflect actual market values.

- v. The Group's key senior personnel and management have been and remain material to its growth and if one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.
- vi. With respect to losses for which the Group is covered by its insurance policies, it may be difficult and may take time to recover such losses from insurers. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.
- vii. Changes in laws and regulations relevant to the Group's business and operations could have an adverse impact on its business, results of operations, financial condition or prospects. Specifically, any change to laws and regulations relating to the property market may have an adverse effect on the capital value of the Group's assets.
- viii. The Group's operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which could materially increase operating and other expenses include, but are not limited to, increases in the rate of inflation and increases in payroll expenses, which increases could have a material adverse effect on the Group's financial position.
- ix. The Group may not be able to secure sufficient financing for its current and future investments and any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.
- x. The Group has a material amount of debt and it expects to incur additional debt in connection with its future growth in terms of acquisitions and developments. A substantial portion of the Group's generated cash flows will be required to make principal and interest payments on the Group's debt. Substantial borrowings under bank credit facilities are expected to be at variable interest rates, which could cause the Group to be vulnerable to increases in interest rates. The agreements regulating the Issuer's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Issuer which could limit the Issuer's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally, or otherwise inhibit the ability to conduct necessary corporate activities.

2. Hospitality:

- i. The Group's hotel operations and the results thereof are subject to a number of external factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control. These include, but are not limited to, changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, changes in laws and regulations on employment, the preparation and sale of food and beverages, and the related costs of compliance. The impact of any of such factors (or a combination of them) may adversely affect room rates and occupancy levels at the Group's hotels, or otherwise cause a reduction in the Group's income, which would have a material adverse effect on the Group's business, financial condition and results of operations.
- ii. Fluctuations in international currencies may make Malta as a vacation destination less attractive than others, which can have an effect on the operating performance of the Group. An important tourist market for the Group's hotels is the UK which is adversely affected when the Sterling is weak but positively affected when Sterling is strong.
- iii. To varying degrees, the Group is reliant upon technologies and operating systems developed by third parties for the running of its business, and is exposed to the risk of failures in such systems. There can be no assurance that the service or systems will not be disrupted and disruption to such and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.
- iv. The Group may not be able to reduce the hotels' fixed costs in a timely manner in response to changes in demand for services, increases in tax rates, utility costs, insurance costs, repairs and maintenance and administrative expenses. Any failure to adjust such fixed costs expeditiously may adversely affect the Group's profitability and financial condition.

3. Property Development:

- i. One of the main pillars of the AX Group's business is property development, targeted at the local commercial and residential market, which is subject to a number of specific risks: the risk of cost overruns; the risk of insufficiency of resources to complete; the risk of sales transactions not materialising at the prices and the tempo envisaged; and the risk of sales delays resulting in a liquidity strain, higher interest costs and the erosion of revenue generation. If any of these risks were to materialise, they would have an adverse impact on the Group's revenue generation and cash flows.
- ii. The Group makes significant investments in the acquisition, development and improvement of its existing and new properties as deemed appropriate and it is susceptible to experiencing cost over-runs relating to unanticipated delays in developing property, unanticipated liabilities associated with property under development and by effecting enhancements to development projects.

- iii. The Group may at times incur significant costs in connection with the assessment of potential real estate investment opportunities. If a proposed real estate investment were not to proceed to completion after such costs have been incurred, the Group will be unable to recoup same directly from that investment, which could have a negative impact on profitability.
- iv. A number of factors that commonly affect the real estate development industry, many of which are beyond the Group's control, could adversely affect the economic performance and value of the Group's real estate properties under development.
- v. The Group may face competition for the acquisition of real estate and it cannot guarantee that it will succeed in identifying suitable acquisition targets and investment opportunities which meet the terms and criteria of its growth strategy. As a result of competition from other developers, the Group may not be able to acquire properties at attractive prices, or at all. This combination of circumstances could adversely affect the Group's business, financial condition and results of operations.
- vi. The Group may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. Environmental liabilities, if realised, could have a material adverse effect on the Group's business, financial condition and results of operations.

4. Construction:

- i. Construction projects are subject to a number of specific risks inherent in the field of property development, including in particular: the risk of cost overruns; the risk of insufficiency of resources to complete; the risk of rental transactions not being effected at the prices and within the timeframe envisaged; higher interest costs; reliance on counterparties; delays or refusals in obtaining the necessary planning permissions and the erosion of revenue generation. If any of these risks were to materialise, they would have an adverse impact on the Group's revenue generation, cash flows and financial performance.
- ii. With particular reference to the restoration sector, which forms an important part of the Group's construction division, the restoration and preservation of unique buildings, palaces, and other ancient structures entails having specially talented and trained employees to carry out projects of this nature, which employees may not be available for recruitment at the time in the volumes and at the cost envisaged by the Group.

5. Healthcare:

The AX Group is projecting to commence operations of the Hilltop Gardens Care Home & Residences in 2016, at which point the Group will be subject to general business risks inherent in the provision of accommodation and care for elderly persons, including increased government regulation and oversight, changing consumer preferences, fluctuations in occupancy levels, increases in labour costs and other operating costs, possible future changes in labour relations, competition from or the oversupply of other similar properties, general economic conditions, health-related risks, disease outbreaks and control risks. Any one or a combination of these factors may adversely affect the business, results of operations and financial condition of the Group.

D.3 Essential information on the key risks specific to the Bonds:

An investment in the Bonds involves certain risks, including those set out below in this section. In deciding whether to make an investment in the Bonds, prospective investors are advised to carefully consider, with their own independent financial and other (including tax, accounting, credit, legal and regulatory) professional advisors, the following risk factors (not listed in order of priority) and other investment considerations, together with all the other information contained in the Prospectus:

- i. The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- ii. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- iii. A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- iv. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- v. The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

- vi. The Bonds are being guaranteed by the Guarantor and Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount and to take action against the Guarantor without having to first take action against the Issuer. The level of recoverability by the Bondholders from the Guarantor is dependent upon the financial strength of the Guarantor and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims in respect of the assets of the Guarantor.
- vii. In the event that the Issuer wishes to amend any of the terms and conditions of Issue of the Bonds it shall call a meeting of Bondholders. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- viii. The terms and conditions applicable to the Bonds and this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of the Prospectus.
- ix. No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.

SECTION E OFFER

E.2b The proceeds from the Bonds, which net of Issue expenses are expected to amount to approximately €39,300,000, will be used by the Issuer for the ensuing purposes, in the following amounts and order of priority:

- i. a maximum amount of €11.6 million of the proceeds from the Bond Issue will be used to finance the redemption of the outstanding amount of Maturing Bonds;
- ii. the amount of €21 million shall be advanced to Simblija Developments Limited (C 39400), a wholly owned subsidiary of AXH and member of the AX Group, for the purpose of constructing the Hilltop Project (the remaining amount of €1 million required for the purpose of constructing the Hilltop Project shall be funded by own funds of Simblija Developments Limited); and
- iii. the remaining balance of the net Issue proceeds will be used for general corporate funding purposes of the Group, in particular for the early repayment of certain outstanding loans.

In the event that the Bond Issue is not fully subscribed the Issuer will proceed with the listing of the amount of Bonds subscribed for, and any residual amounts required by the Issuer for the purposes of the uses specified in bullets (ii) and (iii) above which shall not have been raised through the Bond Issue shall be financed from the Group's general cash flow and/or the Group shall re-define its financing strategy accordingly.

E.3 The Bonds are open for subscription to all categories of investors, namely: Existing Bondholders holding Maturing Bonds as at the Cut-Off Date; AX Group Employees; Authorised Financial Intermediaries participating in a Preplacement Offer (described below); and the general public through any of the Authorised Financial Intermediaries.

Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by the transfer to the Issuer of Maturing Bonds at par value, subject to a minimum holding of €1,000 in Bonds. Any Existing Bondholders whose holding in Maturing Bonds as at the Cut-Off Date is less than €1,000 shall be required to pay the difference together with the submission of their Application Form 'A' ("**Cash Top-Up**"). The transfer of Maturing Bonds to the Issuer in consideration for the subscription for Bonds shall cause the obligations of the Issuer with respect to such Maturing Bonds to be extinguished, and shall give rise to obligations on the part of the Issuer under the Bonds. Holders of Maturing Bonds transferring all of the Maturing Bonds held by them as at the Cut-Off Date may also apply for an amount of Bonds in excess of the amount of Maturing Bonds being transferred by submitting an Application Form 'B', subject to a minimum application of €1,000 and in multiples of €100 thereafter.

All other Applicants, not being holders of Maturing Bonds, may subscribe for Bonds by submitting an Application Form 'B', subject to a minimum application of €1,000 and in multiples of €100 thereafter.

The Issuer has reserved an aggregate amount of Bonds amounting to €1,000,000 for subscription by AX Group Employees, who shall be entitled to apply for Bonds by submitting an Application Form 'B' to any Authorised Financial Intermediary.

The Issuer entered into a conditional private placing agreement with Charts Investment Management Service Limited on 3 February 2014, whereby the Issuer bound itself to allocate to Charts Investment Management Service Limited, which has bound itself to purchase, Bonds amounting to an aggregate value of €6,000,000 on 19 February 2014.

An aggregate amount of €10,000,000 of Bonds has been reserved for subscription by Authorised Financial Intermediaries participating through the Preplacement Offer.

Bonds shall be allocated first to Existing Bondholders applying for Bonds by way of Maturing Bond Transfer subject to a minimum application of €1,000 and rounded upwards to the nearest €100. Up to an aggregate amount of €1,000,000 shall then be allocated to AX Group Employees. Following the aforementioned allocations and subsequent to the allocation of €6,000,000 to Charts Investment Management Service Limited pursuant to the conditional private placing agreement referred to above, any remaining Bonds shall be allocated without priority or preference and in accordance with the allocation policy as determined by the Issuer and Registrar to:

- i. Existing Bondholders having applied for Bonds in excess of their respective holding in Maturing Bonds;
- ii. AX Group Employees where the aggregate amount applied for by such class of investors is in excess of the reserved amount of €1,000,000; and
- iii. Applications submitted by the general public.

The following is a synopsis of the general terms and conditions applicable to the Bonds. A Bondholder is deemed to have invested only after having received, read and understood the contents of the Prospectus, including the full terms and conditions contained in the annexes thereto:

1. General

The Bonds constitute the general, direct, unconditional, and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 6 March 2024.

2. Form, Denomination and Title

The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the CSD. The Bonds will be issued without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €1,000 per individual Bondholder. Financial intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €1,000 to each underlying client. Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided in the Securities Note.

3. Interest

The Bonds shall bear interest from and including 7 March 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 6 March 2015. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day.

A Maturing Bond Transfer shall be without prejudice to the rights of the holders of Maturing Bonds to receive interest on the Maturing Bonds up to and including 15 December 2014. The Issuer intends to settle the difference between the interest rate applicable to the Maturing Bonds and the interest rate of 6% applicable to the Bonds, from 7 March 2014 up to 15 December 2014 (being the first early redemption date applicable to the outstanding Maturing Bonds in terms of the Prospectus dated 28 November 2006), to all persons holding Maturing Bonds who would have submitted their Application Form(s) by not later than 20 February 2014 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds by transferring their Maturing Bonds to the Issuer as mentioned above.

4. Status of the Notes and Negative Pledge

The Bonds constitute the general, direct, unconditional and unsecured obligations of each of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any.

5. Payments

Payment of the principal amount of a Bond will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Redemption Date.

Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate from time to time. Such payment shall be effected within seven (7) days of the Interest Payment Date.

6. Redemption

Unless previously redeemed, purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 6 March 2024. The Issuer may at any time purchase Bonds in the open market or otherwise at any price, and any purchase by tender shall be made available to all Bondholders alike. All Bonds so redeemed or purchased will be cancelled forthwith and may not be re-issued or re-sold.

7. Events of Default

The Securities Note sets out a list of events of default the occurrence of which would result in the Bonds becoming immediately due and repayable at their principal amount together with accrued interest.

8. Transferability of the Bonds

The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time. All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations. The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer. The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

9. Register of Bondholders

Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers, registration numbers and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall at all reasonable times have during business hours, access to the register of Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

10. Further Issues

The Issuer may from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds) or upon such terms as the Issuer may determine at the time of their issue.

11. Meetings of Bondholders

The terms and conditions of the Bonds may be amended with the approval of the Bondholders at a meeting called for that purpose by the Issuer in accordance with the terms and procedures set out for the holding of Bondholders' meetings.

12. Governing Law and Jurisdiction

The Bonds have been created, and the Bond Issue relating thereto is being made, in terms of the Act. From their inception the Bonds, and all contractual arrangements arising therefrom, shall be governed by and shall be construed in accordance with Maltese law. Any legal action, suit, action or proceeding against the Issuer arising out of or in connection with the Bonds shall be brought exclusively before the Maltese Courts and the Bondholder shall be deemed to acknowledge that it is submitting to the exclusive jurisdiction of the Maltese Courts as aforesaid.

- E.4** Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which includes Charts Investment Management Service Limited and Bank of Valletta p.l.c.), and any fees payable to Charts Investment Management Service Limited and Bank of Valletta p.l.c. in connection with the Issue as Sponsor and as Manager and Registrar respectively, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.
- E.7** Professional fees, costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue, are estimated not to exceed €700,000.

Time-Table

1. Application Forms mailed to holders of Maturing Bonds as at the Cut-Off Date	7 February 2014
2. Application Forms available	11 February 2014
3. Private placing date	19 February 2014
4. Closing date for applications to be received from holders of Maturing Bonds as at the Cut-Off Date	20 February 2014
5. Preplacement Offer	20 February 2014
6. Issue Period (Opening and closing of subscription lists, respectively)	24 February 2014 to 28 February 2014, both days included
7. Commencement of interest on the Bonds	7 March 2014
8. Announcement of basis of acceptance	7 March 2014
9. Refunds of unallocated monies	14 March 2014
10. Expected dispatch of allotment advices	14 March 2014
11. Expected date of admission of the securities to listing	17 March 2014
12. Expected date of commencement of trading in the securities	18 March 2014

The Issuer reserves to right to close the offer of Bonds before 28 February 2014 in the event of over-subscription, in which case, the events set out in steps 8 to 10 above shall be brought forward, although the number of working days between the respective events shall not also be altered.

REGISTRATION DOCUMENT

This Registration Document is issued in accordance with the provisions of Chapter 4 of the Listing Rules issued by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013.

dated 3 February 2014

The Bonds are being issued by

AX INVESTMENTS P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED IN MALTA
WITH COMPANY REGISTRATION NUMBER C 27586

with the joint and several Guarantee* of

AX HOLDINGS LIMITED

A PRIVATE LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 3595

***Prospective investors are to refer to the Guarantee contained in Annex III of the Securities Note forming part of this Prospectus for a description of the scope, nature and term of the Guarantee. Reference should also be made to the sections entitled "Risk Factors" contained in this Registration Document and the Securities Note for a discussion of certain risk factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by AX Holdings Limited.**

Legal Counsel

Sponsor

Manager and Registrar

CAMILLERI PREZIOSI
ADVOCATES

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

BOV
Bank of Valletta

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON AX INVESTMENTS P.L.C. IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND COMMISSION REGULATION (EC) NO. 809/2004 OF 29 APRIL 2004 IMPLEMENTING DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL AS REGARDS INFORMATION CONTAINED IN PROSPECTUSES AS WELL AS THE FORMAT, INCORPORATION BY REFERENCE AND PUBLICATION OF SUCH PROSPECTUSES AND DISSEMINATION OF ADVERTISEMENTS (AS AMENDED BY COMMISSION DELEGATED REGULATION (EU) NO. 486/2012 OF 30 MARCH 2012, COMMISSION DELEGATED REGULATION (EU) NO. 862/2012 OF 4 JUNE 2012 AND COMMISSION DELEGATED REGULATION (EU) NO. 759/2013 OF 30 APRIL 2013).

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS, TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF SECURITIES OF THE ISSUER OTHER THAN THOSE CONTAINED IN THIS REGISTRATION DOCUMENT AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE ISSUER BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

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STATEMENTS MADE IN THIS REGISTRATION DOCUMENT ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS TO THE ISSUER AND THE GUARANTOR" IN SECTION 3.3 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS PUBLIC OFFER AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

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1. DEFINITIONS

In this Registration Document the following words and expressions shall bear the following meanings except where the context otherwise requires:

Act	the Companies Act (Cap. 386 of the Laws of Malta);
AX Group or Group	AX Holdings Limited and any company or entity in which AX Holdings Limited has a controlling interest. For the avoidance of doubt, any reference in this Registration Document to the Group shall include both the Issuer and the Guarantor;
Bond Issue or Offer	the issue of the Bonds;
Bonds	the €40 million bonds due 2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum, as detailed in the Securities Note;
Directors or Board of Directors	the directors of the Issuer whose names are set out under the heading “Identity of Directors, Senior Management, Advisors and Auditors”;
Euro or €	the lawful currency of the Republic of Malta;
Group Hotels	the following hotels owned and operated by the respective operating subsidiaries of the Group: 1. Sunny Coast Resort and Spa, Qawra; 2. Seashells Resort at Suncrest, Qawra; 3. Victoria Hotel, Sliema; and 4. The Palace, Sliema;
Guarantee	the joint and several suretyship of the Guarantor undertaking to effect payment of interest and capital repayments of any amount due by the Issuer to any Bondholder and which remain unpaid by the Issuer after 60 days of the due date for payment thereof. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to the Securities Note as Annex III thereof;
Guarantor or AXH	AX Holdings Limited, the parent company of the AX Group, a company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Issuer, Company or AXI	AX Investments p.l.c., a company registered under the laws of Malta with company registration number C 27586 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta);
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
MFSA	Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the Laws of Malta);
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Redemption Date	shall have the meaning set out in the Securities Note;
Registration Document	this document in its entirety;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities;
Securities Note	the securities note issued by the Issuer dated 3 February 2014, forming part of the Prospectus;
Summary Note	the summary note issued by the Issuer dated 3 February 2014, forming part of the Prospectus.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THIS PROSPECTUS, BEFORE MAKING ANY INVESTMENT DECISION WITH RESPECT TO THE ISSUER. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE ISSUER IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE ISSUER'S FINANCIAL RESULTS AND TRADING PROSPECTS AND THE ABILITY OF THE ISSUER TO FULFIL ITS OBLIGATIONS UNDER THE SECURITIES ISSUED BY IT FROM TIME TO TIME. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE ISSUER FACES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE ISSUER'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL IMPACT ON THE FINANCIAL CONDITION AND OPERATIONAL PERFORMANCE OF THE ISSUER.

NEITHER THE PROSPECTUS NOR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE ISSUER: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION NOR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE ISSUER. PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.1 *Forward-looking statements*

The Prospectus and the documents incorporated therein by reference or annexed thereto contain forward-looking statements that include, among others, statements concerning the Issuer's strategies and plans relating to the attainment of its objectives, capital requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "plan", "estimate", "anticipate", "believe", or similar phrases. These forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Important factors that could cause actual results to differ materially from the expectations of the Issuer's Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus. If any of the risks described were to materialise, they could have a serious effect on the Issuer's financial results, trading prospects and the ability of the Issuer to fulfill its obligations under the securities to be issued. Accordingly, the Issuer cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ from those expressed or implied by such statements and no assurance is given that the future results or expectations will be achieved.

2.2 *Risks relating to the Issuer*

The Issuer is a special purpose vehicle set up to assist in the financing of the AX Group, and as such has a limited asset base. In this respect, therefore, the operating results of the Group have a direct effect on the Issuer's financial position and as such the risks intrinsic in the business and operations of the AX Group shall have a direct effect on the ability of the Issuer to meet its obligations in respect of the repayment of principal and interest under the Bonds when due.

2.3 *Risks relating to the Group and its business*

2.3.1 Introduction

The AX Group has a diversified business portfolio with activities including hospitality, property development and construction (including restoration). As shall be explained in further detail in this Registration Document, the AX Group will be reviving its involvement in the healthcare sector through the development of a retirement complex. The Issuer's operations and the results of its operations are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hotel, real estate and healthcare industries and beyond the Group's control.

2.3.2 Hospitality

(i) *The Group is subject to certain risks common to the hotel industry, certain of which are beyond its control*

The Group's hotel operations and the results thereof are subject to a number of external factors that could adversely affect the Group's business, many of which are common to the hotel industry and beyond the Group's control, including the following:

- changes in travel patterns, any increase in or the imposition of new taxes on air travel and fuel, and cutbacks and stoppages on Malta-bound airline routes;
- changes in laws and regulations on employment, the preparation and sale of food and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies and zoning and development, and the related costs of compliance;
- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;
- increases in operating costs due to inflation, employment costs, workers' compensation and healthcare related costs, utility costs, increased taxes and insurance costs; and
- the termination, non-renewal and/or the renewal on less favourable terms of material contracts, as well as agreements entered into with tour operators;

The impact of any of these factors (or a combination of them) may adversely affect room rates and occupancy levels at the Group's hotels, or otherwise cause a reduction in the Group's income, which would have a material adverse effect on the Group's business, financial condition and results of operations.

(ii) *Currency fluctuations may have a material adverse effect on the Group's business, financial condition and results of operations*

Fluctuations in international currencies may make Malta as a vacation destination less attractive than others which can have an effect on the operating performance of the Group. An important tourist market for the Group's hotels is the UK which is adversely affected when the Sterling is weak but positively affected when Sterling is strong.

(iii) *The Group's reliance on non-proprietary software systems and third-party information technology providers*

To varying degrees, the Group is reliant upon technologies and operating systems (including IT systems) developed by third parties for the running of its business, and is exposed to the risk of failures in such systems. Whilst the Group has service level agreements and disaster recovery plans to ensure continuity and stability of these systems, there can be no assurance that the service or systems will not be disrupted. Disruption to those technologies or systems and/or lack of resilience in operational availability could adversely affect the efficiency of the Group's business, financial condition and/or operating results.

(iv) *The Group may not be able to reduce the hotels' fixed costs rapidly in response to any reduction in revenue or increase in variable expenses*
The fixed costs associated with owning hotels can be significant. The Group may be unable to reduce these fixed costs in a timely manner in response to changes in demand for services, increases in tax rates, utility costs, insurance costs, repairs and maintenance and administrative expenses. Any failure to adjust such fixed costs expeditiously may adversely affect the Group's profitability and financial condition.

2.3.3 Property development

(i) *Risks specific to property development*

One of the main pillars of the AX Group's business is property development, targeted at the local commercial and residential market. All development projects are subject to a number of specific risks: the risk of cost overruns; the risk of insufficiency of resources to complete; the risk of sales transactions not materialising at the prices and the tempo envisaged; and the risk of sales delays resulting in a liquidity strain, higher interest costs and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Group's revenue generation and cash flows.

(ii) *The Group may not realise the benefits it expects from investments made on its properties*

The Group has made and expects to continue making significant investments in the acquisition, development and improvement of its existing and new properties as deemed appropriate. Renovating and improving existing properties and acquiring and developing new and commercially viable properties is important to the Group's business. The Group is susceptible to experiencing cost over-runs relating to unanticipated delays in developing property, unanticipated liabilities associated with property under development and by effecting enhancements to development projects. If these risks were to materialise, the Group may fail to realise the expected benefits from investments made in its properties and the Group's business, financial condition and results of operations may be adversely affected.

(iii) *Certain costs incurred in connection with potential real estate developments may not be recouped in the event that a proposed investment is aborted*

The Group may at times incur significant costs in connection with the assessment of potential real estate investment opportunities. These may involve costs associated with property surveys, valuation reports, title and environmental investigations. If a proposed real estate investment were not to proceed to completion after such costs have been incurred, the Group will be unable to recoup same directly from that investment, which could have a negative impact on profitability.

(iv) *Material risks relating to real estate development may affect the economic performance and value of the Group's real estate properties under development*

A number of factors that commonly affect the real estate development industry, many of which are beyond the Group's control, could adversely affect the economic performance and value of the Group's real estate properties under development. Such factors may include:

- general industry trends, including the cyclical nature of the real estate market;
- changes in local market conditions, such as an oversupply of similar properties, a reduction in demand for real estate or change of local preferences and tastes;
- delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorisations;
- shortages and/or price increases in raw materials or other construction inputs, such as, among others, cement, steel, energy and other utilities, leading to cost overruns;
- possible structural and environmental problems;
- covenants, conditions, restrictions and easements relating to the properties or their use;
- laws, rules and regulations, including in relation to financing, environmental usage, zoning ordinances, tax, fiscal policies, insurance and trade restrictions;
- legal complexities and uncertainties regarding the rights of the Group to obtain legal title over certain of its properties, and inconsistencies and inaccuracies in the land registrations system;
- acts of nature, such as earthquakes and floods, that may damage the properties or delay their development; and
- increased competition in any of the markets in which the Group is undertaking real estate development may lead to an over-supply of commercial, residential and hotel properties in such markets which could lead to a lowering of prices and a corresponding reduction in revenue of the Group from such projects.

Any of the factors described above could have a material adverse effect on the Group's business, financial condition and results of operations, including by increasing the projected costs and times for completion of ongoing development projects.

(v) *The Group may face competition for the acquisition of real estate*

Although the Group's strategy envisages the possibility of expanding its property portfolio by acquiring new assets, it cannot guarantee that it will succeed in identifying suitable acquisition targets and investment opportunities which meet the terms and criteria of its growth strategy. As a result of competition from other developers, the Group may not be able to acquire properties at attractive prices, or at all. Furthermore, competitors may anticipate and capitalise on certain potential investment opportunities ahead of the Group and succeed in acquiring properties, assets or companies which the Group may have been seeking to acquire. An increasing number of competing developers of property for re-sale could also lead to an over-supply of residential units, which could affect pricing of units and the length of time it takes to make a sale, and at the same time cause increases in land prices due to heightened demand. This combination of circumstances could adversely affect the Group's business, financial condition and results of operations.

(vi) *The Group may be exposed to environmental liabilities attaching to real estate property*

The Group may become liable for the costs of removal, investigation or remediation of any hazardous or toxic substances that may be located on or in, or which may have migrated from, a property owned or occupied by it, which costs may be substantial. The Group may also be required to remove or remediate any hazardous substances that it causes or knowingly permits at any property that it owns or may in future own. Laws and regulations, which may be amended over time, may also impose liability for the presence of certain materials or substances or the release of certain materials or substances into the air, land or water or the migration of certain materials or substances from a real estate investment, including asbestos, and such presence, release or migration could form the basis for liability to third parties for personal injury or other damages. These environmental liabilities, if realised, could have a material adverse effect on its business, financial condition and results of operations.

2.3.4 Construction

Construction projects are subject to a number of specific risks inherent in this field, including in particular: the risk of cost overruns; the risk of insufficiency of resources to complete; the risk of rental transactions not being effected at the prices and within the timeframe envisaged; higher interest costs; and the erosion of revenue generation. If these risks were to materialise, they would have an adverse impact on the Group's revenue generation, cash flows and financial performance.

Furthermore, for completion of certain projects the Group places certain reliance on counterparties such as contractors and subcontractors engaged in the demolition, excavation, construction and finishing of developments. Such parties (which may include both third parties as well as related parties) may fail to perform or default on their obligations to the Group due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control.

Delays or refusals in obtaining the necessary planning permissions and in the issuance of full development permits would have an adverse effect on the business, financial condition and profitability of the Group, where long-term development projects are undertaken on the basis of an outline development permit.

If any of the above mentioned risks, many of which are common to the construction industry, were to materialise, they could have an adverse impact on the Group's revenue generation, cash flows and financial performance.

With particular reference to the restoration sector, which forms an important part of the Group's construction division, the restoration and preservation of unique buildings, palaces, and other ancient structures entails having specially talented and trained employees to carry out projects of this nature, which employees may not be available for recruitment at the time, in the volumes and at the cost envisaged by the Group.

2.3.5 Healthcare

Risks associated with the healthcare industry

The AX Group is projecting to commence operations of the Hilltop Gardens Care Home & Residences in 2016, at which point the Group will be subject to general business risks inherent in the provision of accommodation and care for elderly persons, as follows:

- regulations and laws relating to the healthcare industry are constantly evolving and relatively untested by the local Courts. Healthcare provision has significant political and social importance in Malta;
- operations may be affected by changing consumer preferences, fluctuations in occupancy levels, increases in labour costs and other operating costs, competition from or the oversupply of other similar properties and general economic conditions;
- there is a risk of significant changes to current or future healthcare programs, and laws and regulations that could be detrimental to the Group's healthcare division may be introduced;
- breaches of law or license conditions could lead to, among other things, penalties, loss of operating licenses and damage to reputation;
- if the nursing home is not sufficiently successful in recruiting and retaining medical and nursing staff, its cost structure and profitability, but also its reputation and offering on the local market, will suffer;
- healthcare operators are exposed to the risk of medical indemnity or similar claims and litigation. Residents may threaten litigation, including for medical negligence or malpractice, which, if successful, could have an adverse impact on the financial performance, position and future prospects of this operation. Although professional indemnity and public liability insurance in respect of a range of events to which this operation may be susceptible will be taken out at the appropriate time, no assurance can be given that such insurance will remain available in the future on commercially viable terms or at all;
- the nursing home is susceptible to the outbreak of pandemic which could present it with major operational difficulties in protecting residents and maintaining an adequate staffing profile, in addition to disrupting normal business activities.

Any one or a combination of the above factors may adversely affect the business, results of operations and financial condition of the Group.

2.3.6 Other risks generally applicable to the business of the AX Group

(i) *Dependence on the Maltese market*

The AX Group's business activities are concentrated in and aimed at the Maltese market. Accordingly, the AX Group is highly susceptible to the economic trends that may from time to time be felt in Malta. Negative economic factors and trends in Malta, particularly those having an effect on consumer demand, would have a negative impact on the business of the AX Group.

(ii) *A portion of the Issuer's operating expenses are fixed, which may impede the Issuer from reacting quickly to changes in its revenue*

A significant portion of the Issuer's costs are fixed and the Issuer's operating results are vulnerable to short-term changes in its revenues. The Issuer's inability to react quickly to changes in its revenue by reducing its operating expenses could have a material adverse effect on its business, financial condition and results of operations.

(iii) *Liquidity risk*

The lack of liquidity and alternative uses of real estate investments could significantly limit the Issuer's ability to respond to adverse changes in the performance of its properties thereby potentially harming its financial condition. Furthermore, the Issuer's ability to sell, in a timely fashion, one or more of its properties in response to changing economic, financial and investment conditions, is limited by market demand. The real estate market is affected by many factors, such as general economic conditions, availability of financing, interest rates and other factors, including supply and demand, that are beyond the Issuer's control.

(iv) *Property valuations*

The valuation referred to in the Prospectus is prepared by an independent qualified architect in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors (RICS). In providing a market value of the property, the independent architect has made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends as reality may not match the assumptions. There can be no assurance that such valuation of property and property-related assets will reflect actual market values.

(v) *The Group's key senior personnel and management have been and remain material to its growth*

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel. If one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

- (vi) *The Group's insurance policies*
Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.
- (vii) *Change in laws and regulations*
Changes in laws and regulations relevant to the Group's business and operations could have an adverse impact on its business, results of operations, financial condition or prospects. Specifically, any change to laws and regulations relating to the property market may have an adverse effect on the capital value of the Group's assets.
- (viii) *The Group may be subject to increases in operating and other expenses*
The Group's operating and other expenses could increase without a corresponding increase in turnover or revenue. The factors which could materially increase operating and other expenses include:
- a. increases in the rate of inflation, in particular where the income stream of the Group does not increase correspondingly;
 - b. increases in payroll expenses;
 - c. increases in property taxes and other statutory charges;
 - d. changes in laws, regulations or government policies;
 - e. increases in insurance premia;
 - f. unforeseen increases in the costs of maintaining properties; and
 - g. unforeseen capital expenditure.

Such increases could have a material adverse effect on the Group's financial position.

2.4 Risks emanating from the Issuer's financing strategy

2.4.1 The Group may not be able to secure sufficient project financing

The Group may not be able to obtain the capital it requires for development or improvement of existing or new properties on commercially reasonable terms, or at all. No assurance can be given that sufficient financing will be available on commercially reasonable terms. Any weakness in the capital markets may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties. Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and materially and adversely affect its business, financial condition, results of operations and prospects.

2.4.2 The Issuer's indebtedness could adversely affect its financial position

The Group has a material amount of debt and may incur additional debt in connection with its future growth in terms of acquisitions and developments.

Substantial borrowings under bank credit facilities are at variable interest rates, which causes the Group to be vulnerable to increases in interest rates. The agreements regulating the Issuer's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Issuer. These restrictions and covenants could limit the Issuer's ability to obtain future financing, make capital expenditure, withstand a future downturn in business or economic conditions generally or otherwise inhibit the ability to conduct necessary corporate activities.

A portion of the cash flow generated from the Group Hotels' operations is utilised to repay their debt obligations pursuant to financial covenants to which they are subject. This gives rise to a reduction in the amount of cash available for distribution to the Issuer which would otherwise be available for funding of the Group's working capital, capital expenditure, development costs and other general corporate costs, or for the distribution of dividends.

3. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTOR

As at the date of this Registration Document, the Board of Directors of each of the Issuer and the Guarantor are constituted as follows:

3.1 Directors

3.1.1 Directors of the Issuer

Angelo Xuereb	Chairman and Chief Executive Officer
Michael Warrington	Executive Director
Patrick J. Galea	Non-Executive Director
Michael Sciortino	Non-Executive Director
Philip A. Ransley	Non-Executive Director

THE DIRECTORS OF THE ISSUER ARE THE PERSONS RESPONSIBLE FOR THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT. TO THE BEST OF THE KNOWLEDGE AND BELIEF OF THE DIRECTORS OF THE ISSUER (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE THAT SUCH IS THE CASE), THE INFORMATION CONTAINED IN THIS REGISTRATION DOCUMENT IS IN ACCORDANCE WITH THE FACTS AND DOES NOT OMIT ANYTHING LIKELY TO AFFECT THE IMPORT OF SUCH INFORMATION. THE DIRECTORS ACCEPT RESPONSIBILITY ACCORDINGLY.

The persons listed under the sub-heading “**Advisors to the Issuer and the Guarantor**” have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.1.2 Directors of the Guarantor

Angelo Xuereb	Chairman and Chief Executive Officer
Michael Warrington	Group Finance Director
Richard Xuereb	Group Estate Director
Claire Zammit Xuereb	Group Hospitality Director
Denise Xuereb	Group Construction Director
John Soler	Non-Executive Director
Matthew Paris	Non-Executive Director

3.2 Senior management of the Guarantor

The Executive Directors sitting on the Board of Directors of the Guarantor, that is, Angelo Xuereb, Michael Warrington, Richard Xuereb, Claire Zammit Xuereb and Denise Xuereb, are responsible for the Group’s day-to-day management (hereinafter the “**Executive Board**”).

Other Senior Management

Albert Bonello	Group Financial Controller
David Wain	Group Legal Advisor

The senior management team of the Guarantor meets on a bi-monthly basis and is responsible for the overall strategic direction, governance, investment and management oversight of the Group.

3.3 Advisors to the Issuer and the Guarantor

Legal Counsel

Name: Camilleri Preziosi
Address: Level 3, Valletta Buildings, South Street,
Valletta VLT 1103 - MALTA

Financial Advisors

Name: Deloitte
Address: Deloitte Place, Mriehel Bypass,
Mriehel BKR 3000 - MALTA

Sponsor

Name: Charts Investment Management Service Limited
Address: Valletta Waterfront, Vault 17, Pinto Wharf,
Floriana FRN 1913 – MALTA

Manager and Registrar

Name: Bank of Valletta p.l.c.
Address: BOV Centre, Cannon Road,
St. Venera SVR 9030 - MALTA

3.4 Auditors

Name: Nexia BT
Address: The Penthouse, Suite 2, Capital Business Centre, Entrance C, Triq Taz-Zwejt,
San Gwann SGN 3000 - MALTA

The annual statutory financial statements of the Issuer and the annual statutory consolidated financial statements of the Guarantor for the financial years ended 31 October 2011, 2012 and 2013 have been audited by Nexia BT. Nexia BT is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the Laws of Malta).

4. INFORMATION ABOUT THE ISSUER AND THE GUARANTOR

4.1 Historical development of the Issuer

4.1.1 Introduction

Full Legal and Commercial Name of the Issuer:	AX Investments p.l.c.
Registered Address:	AX House, Mosta Road, Lija LJA 9010, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 27586
Date of Registration:	17 January 2001
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act
Telephone Number:	+356 21 312 345
Fax:	+356 21 411 698
Email:	cosec@axholdings.com.mt
Website:	http://www.axinvestmentsplc.com

The principal object of the Issuer is to carry on the business of a finance and investment company within the AX Group, in particular the financing of the funding requirements of specific projects being undertaken by members of the AX Group. The Issuer does not itself carry on any trading activities apart from the raising of capital and the advancing thereof to members of the AX Group as and when the demands of their business or the demands of a particular project so require. Accordingly, the Issuer is economically dependent on the operations and performance of AXH and, in turn, the AX Group.

4.1.2 Overview of the Issuer's business

The Issuer was set up in 2001 for the purpose of acting as the finance and investment arm of the AX Group. The first group financing transaction undertaken by the Issuer was the issue of a bond required for the development of one of the Group's projects, the Verdala Mansions in Rabat, Malta. That bond was issued in March 2001 for an amount of 2.3 million Maltese Liri ("Lm") with an original maturity of five years from the date of issue.

The proceeds generated from said bond were utilised for the development of the Verdala Mansions. The bond was redeemed in two tranches, with the final redemption being made in April 2005, one year prior to final maturity.

In December 2006, the Issuer issued €11,646,867 (Lm5 million) 6.7% bonds of €233 (Lm100) each, redeemable at par between 2014 and 2016. Interest on the bonds is due and payable annually in arrears on 15 December of each year. The bonds are listed on the Official List of the MSE and are guaranteed by the Guarantor.

In December 2006, the Company also issued €2,161,659 (Lm928,000) 4% bonds of € 233 (Lm100) redeemable at a premium of 40% and which were listed on the Official List of the MSE. The bonds matured on 15 December 2013.

The Issuer therefore raises capital in the Maltese market and onlends to subsidiaries of AXH for their investment requirements. The Issuer is dependent on the cash flow streams from these subsidiaries, in particular, the hotel-operating and real estate companies within the AX Group.

4.1.3 Group organisational structure

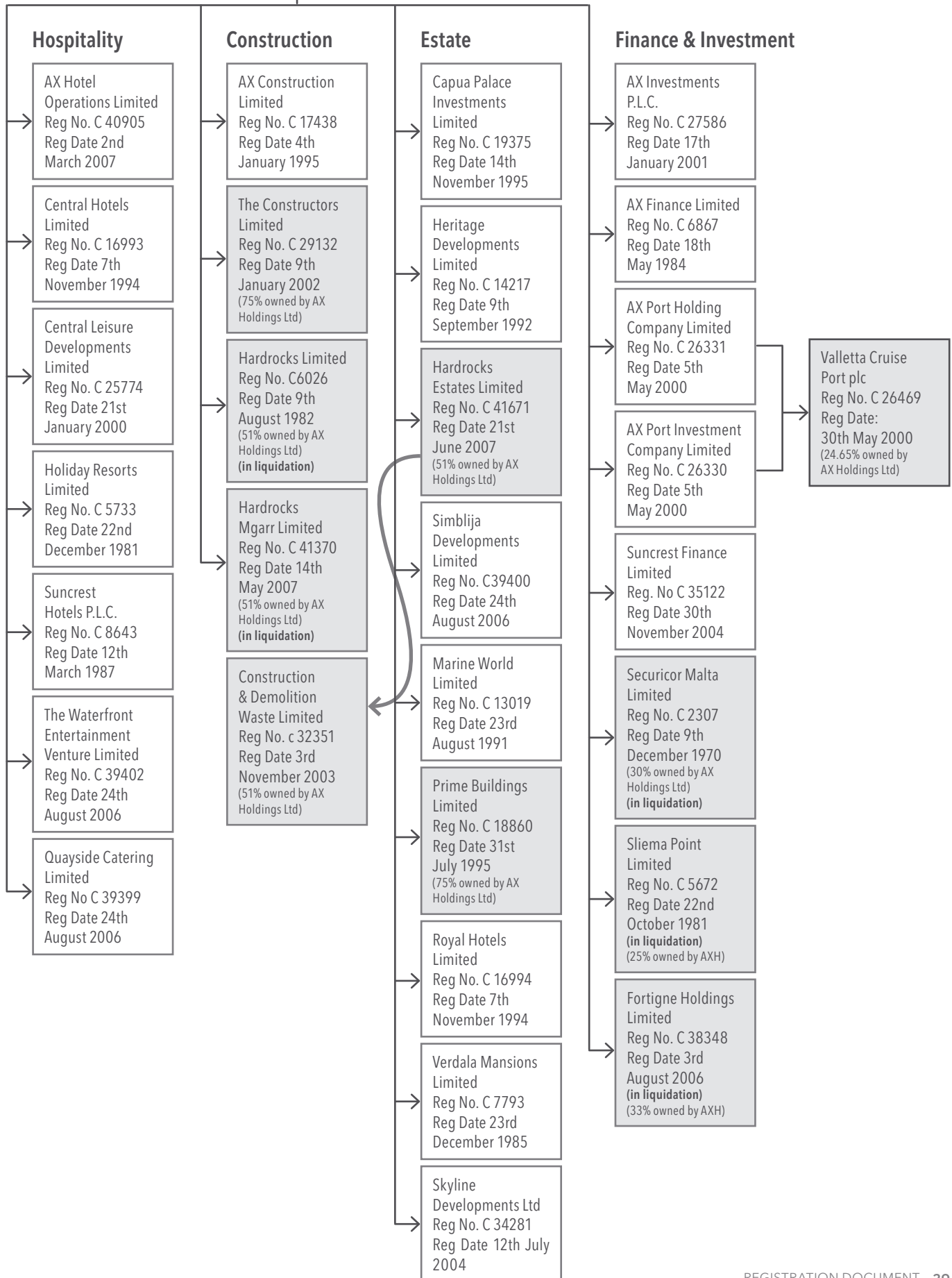
The Issuer is a fully owned subsidiary of the Guarantor and has an authorised and issued share capital of €2,795,247.60 divided into 1,200,000 ordinary shares of €2.329373 each, fully paid up. AXH holds 1,199,999 ordinary shares of €2.329373 each and Verdala Mansions Limited holds 1 ordinary share of €2.329373 (see Section 12.1.1 below for further details).

The Guarantor has an authorised and issued share capital of €470,533.35 divided into 202,000 ordinary shares of €2.329373 each, fully paid up. Fulcrum Services Limited (C 12271) (of which Angelo Xuereb is the beneficial owner) holds 201,999 ordinary shares of €2.329373 each and Angelo Xuereb holds 1 ordinary share of €2.329373 (see Section 12.2.1 below for further details).

As the holding company of the Group, the Guarantor is ultimately dependent upon the operations and performance of its subsidiaries and their respective operations. The organisational structure of the Group is illustrated in the diagram overleaf. Unless otherwise indicated, the companies within the Hospitality, Construction, Estate and Finance & Investment divisions indicated overleaf are ultimately fully owned by AXH:

AX Holdings Ltd
Reg No. C 3595 – Reg Date 27th January 1977

Vilhena Property
Investment Ltd



The Group's hospitality division encompasses its hotel operations and catering establishments. The operations of the Group Hotels are carried out by AX Hotel Operations Limited, a company managed by a management team comprising Angelo Xuereb as Chairman, Claire Zammit Xuereb, who is also the company's Executive Director, Michael Warrington, Denise Xuereb and George Schembri. The board meets on a quarterly basis and is responsible for the strategic direction and oversight of this company and its management. This company operates the Group Hotels, each of which are leased to AX Hotel Operations Limited by the hotel-owning companies within the Groups' hospitality division. It is envisaged that any future hotel operations undertaken by the Group will fall within the remit of AX Hotel Operations Ltd's operations, including where the underlying asset is not owned by the Group. Indeed, the company is also in a position to provide hotel management services for third parties under the right terms and conditions.

The main operating entity within the Group's construction division, which is headed by Denise Xuereb, is AX Construction Ltd. The company undertakes construction projects for third parties and group companies. The Group also has an interest in Construction & Demolition Waste Limited, which is involved in construction waste management.

The estates division is managed jointly by Angelo Xuereb and Richard Xuereb. The division encompasses all group properties. The main property assets held by the Group are the Group Hotels, The Verdala Hotel in Rabat, and the Simblija site in Naxxar on which the Group intends to develop the Hilltop Gardens Care Home & Residences (see Section 4.2.2 below). Title to such properties is held as follows:

Property	Owner
The Palace Hotel	Central Leisure Developments Ltd, a limited liability company registered under the laws of Malta with company registration number C 25774 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Victoria Hotel	Central Hotels Ltd, a limited liability company registered under the laws of Malta with company registration number C 16993 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Seashells Resort at Suncrest	Suncrest Hotels plc, a public limited liability company registered under the laws of Malta with company registration number C 08643 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Sunny Coast Resort and Spa	Holiday Resorts Ltd, a limited liability company registered under the laws of Malta with company registration number C 5733 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Verdala Hotel	Royal Hotels Ltd, a limited liability company registered under the laws of Malta with company registration number C 16994 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Simblija site	Simblija Development Ltd, a limited liability company registered under the laws of Malta with company registration number C 39400 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta.

Other properties are owned by group companies within this division and are earmarked either for development or for resale.

The finance and investment companies of the AX Group include the Issuer, AX Investments p.l.c., as well as AXH, AX Finance Limited, AX Port Holdings Ltd, AX Port Investments Ltd. and Suncrest Finance Ltd.

4.2 Historical development of the Guarantor

4.2.1 Introduction

Full Legal and Commercial Name of the Issuer:	AX Holdings Limited
Registered Address:	AX House, Mosta Road, Lija LJA 9010, Malta
Place of Registration and Domicile:	Malta
Registration Number:	C 3595
Date of Registration:	27 January 1977
Legal Form:	The Issuer is lawfully existing and registered as a public limited liability company in terms of the Act.
Telephone Numbers:	+356 21 312 345
Fax:	+356 21 411 698
Email:	admin@axholdings.com.mt
Website:	http://www.axholdings.com.mt/

AX Holdings Limited is the holding company of the AX Group, its business interests spanning across the entire range of industry sectors in which the Group is involved. AX Holdings Limited holds the investment in subsidiaries and associated companies that are the operating entities within the AX Group.

4.2.2 Overview of the Guarantor's business

Since its inception in 1977, through a number of subsidiary companies AXH has been actively involved in hotel operations, property development, construction and healthcare in Malta.

AXH is today primarily the owner of various subsidiary companies focused on its key business segments. The Group has a substantial property portfolio which it plans to develop at the appropriate time. Certain non-core property assets may also be disposed of at the appropriate time.

The AX Group is organised into four primary business divisions and plans to re-enter the healthcare market in the coming years. The three operating divisions of the AX Group comprise hospitality, construction and property, whilst the finance and investment division provides finance to AXH and its subsidiaries and also manages certain strategic assets. During the current financial year, the Group will be diversifying into healthcare through the development of a retirement complex in Naxxar.

The AX Group is a property-based organisation and most of its investments are in real estate assets. The Group holds financial assets only for the purpose of furthering its objective of developing its property assets with a view to long term asset appreciation through efficient management of such asset base.

The following is a more detailed breakdown of the Group's involvement in its main sectors of operation: hospitality, construction, property development and healthcare.

Hospitality

The hospitality division consists of four main operating hotels, The Palace Hotel, the Victoria Hotel, the Seashells Resort at Suncrest and the Sunny Coast Resort & Spa. This division is the principal contributor to the AX Group's turnover and represents a significant part of its asset base.

The Palace Hotel is a 149-room five star boutique hotel, with a strong appeal to business travellers. The Palace was developed in 2009 and is the AX Group's first investment in the five star hotel segment. The hotel is connected to the Victoria Hotel, which allows both hotels to centralise and share certain costs to maximise operating profits.

The Victoria Hotel is a 137-room boutique hotel located in Sliema. It is marketed as a four star superior business hotel and mainly targets the business market. Adjacent to the Victoria Hotel is Palazzo Capua, a 200 year old property, which features a range of conference and meeting facilities.

The Seashells Resort at Suncrest is a 452-room four star hotel located in Qawra. It includes various food and beverage outlets, the Carisma Spa and Wellness International Centre and a large outdoor swimming pool. The hotel is operated as an 'all-inclusive' resort which is proving to be very popular with a number of tour operators. Management has implemented a refurbishment programme of all common areas and the rooms and will be completed in 2015.

The Sunny Coast Resort & Spa is a 91-room four star aparthotel situated in Qawra. The resort has operated in the vacation ownership market since 1983 and was the AX Group's first venture in the hospitality sector. The hotel features three restaurants, external and heated indoor pools, spa and leisure facilities, and a squash court.

The AX Group's involvement in the hospitality sector is also represented by AXH's shareholding (24.65%) in Valletta Cruise Port p.l.c. (formerly Viset Malta p.l.c.). The company operates the cruise and ferry terminal at the Valletta Waterfront and also leases to third parties the buildings on the land side of the quays.

Construction

The AX Group has over the years been involved in a number of construction projects in Malta, including the construction of the Delimara power station chimney, the Santa Venera bridges, the Malta Maritime Authority offices in Marsa and the Forni Complex in Valletta. In 2011 the AX Group through its subsidiary company AX Construction Limited, as promoter of and lead partner in a joint venture with another two companies, was responsible for the construction of the superstructure of the new parliament building in Valletta.

AX Construction Limited undertakes most forms of civil engineering works and turnkey contracts. The company has experience in carrying out large building and finishing projects, infrastructure projects, marine and restoration projects. The company also carries out construction and turnkey projects for AX Group subsidiaries.

Since 2010, the construction division has been involved in prestigious restoration projects including the restoration of the Valletta and Birgu bastions and Fort St Angelo. Other restoration works entrusted to the Group included Scamps Palace (the building which used to house the Casino di Venezia), Palazzo Capua and Pinto stores at the Valletta Waterfront. The company is currently executing the restoration of St Paul's Catacombs in Rabat and the Lascaris War Rooms in Valletta.

Property Development

The property development division acquires investment properties, identifies business and commercial uses for these properties, and undertakes such projects to dispose of them at an opportune time. Some of these investments are held on a long term basis while others are developed and sold in the normal course of business.

The AX Group has been involved in the property market since its inception. Among the larger property development projects undertaken are the development of Falcon House in Sliema and Verdala Mansions. The AX Group has in recent years constructed a number of warehouses in an industrial zone in Burmarrad for disposal, except for five properties which have been retained for rental purposes. The AX Group owns other parcels of land on which it plans to undertake quality residential developments in the coming years and is in the process of acquiring the necessary permits to undertake such projects.

Hilltop Gardens Care Home & Residences

In 2011 the AX Group's executive board approved the investment in the Hilltop Gardens Care Home & Residences. Located in the Simblija area of Naxxar, the Hilltop Gardens Care Home & Residences will be unique in its nature and consist of a nursing home and private residences in the form of self-catering apartments. Set over an area of circa 17,000 square metres in a tranquil and panoramic site overlooking Iklin valley, the retirement

complex will have a low building density and will offer a number of facilities for its residents. Although the concept of the Hilltop Gardens Care Home & Residences is novel to Malta, it is based on a model successfully used and operated overseas.

(i) Hilltop Gardens Residences

The Hilltop Gardens Residences will include a complex of one or two bedroom apartments and penthouses, finished to high standards. The complex will be set over an area of *circa* 12,000 square metres, the majority of which will consist of landscaped gardens and facilities. All apartments will include a living area, kitchen, guest toilet, bedroom(s) and private toilets, and will be complemented by a large private terrace. The main purpose of the Hilltop Gardens Residences is to provide the elderly with a better quality of life, where rather than living in seclusion the elderly will form part of a community enjoying all the comforts and safeguards provided by the private care sector.

The setup of the residences will allow residents to live independently within a secure community knowing that care is at hand should the need arise. The complex will include a spa, hair salon, swimming pool, restaurant, crafts center, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A 24 hour reception desk and security personnel complement the residences. Residents would also be able to request certain services be provided at a charge, including cleaning, repairs and maintenance of apartments and preparation and delivery of meals.

An optional low level monitoring of the residents would also be available for peace of mind of the residents and their relatives alike.

(ii) Hilltop Gardens Care Home

The other key component of the Hilltop Gardens Care Home & Residences will be a 90-bed nursing home for the more dependent residents. Building on its previous experience in the design, construction and eight year operation of a private hospital, which also included an intensive home for the elderly, the Group is in the process of negotiating the appointment of a specialist in the area to assist it in the design, construction and operation of the nursing home at Simblija.

The finishes of the nursing home and the quality of the service to be provided to residents thereof are set to complement the standards of the Hilltop Gardens Care Home & Residences and will accordingly fall within the higher end of the spectrum of private care for the elderly.

Notwithstanding their location within the same grounds, the nursing home and the residences complex will be distinct and separate from each other, where the residents of the respective facilities will receive the distinct level of care each requires, without restricting access for residents of the complex between the two entities.

An application for full development permission for the Hilltop Gardens Care Home & Residences was submitted on the 11th August 2009 and this was approved by the MEPA board on the 27th February 2013 (PA 06678/02). Such permit was originally issued as a non-executable permit subject to a number of conditions, and following fulfillment of the conditions to be met in advance of commencement of the project, on the 7th January 2014 MEPA approved the issue of the permit in fully executable form. Work on preparing the site for development has begun. Such preparatory works are expected to be finalised by March 2014, and completion of the construction of the retirement home is expected before the end of 2014, with finishes to be completed during the first half of 2015. The residences will be built simultaneously but given the larger footprint of the development together with the significant number of facilities complementing the residential element, completion of construction is expected towards the end of 2015. The investment required for the development of the care home and the retirement complex is estimated at €22 million.

AX Construction will be the main contractor for the development of this project and will be entrusted with the turnkey contract to finish the properties to the specified standards.

4.2.3 Business development strategy

The AX Group has focused its energies during the last five years in strengthening its business and operating structures particularly in its core hotel operations. Furthermore, the Group has diversified its markets and business delivery, and marketing strategies have been developed and implemented for each of its hotels. In particular, the AX Group has invested in internet marketing and has trained its key personnel to assist in the execution of its business plans.

The Group is optimistic that the hotel industry in Malta will continue to perform positively in the coming years and believes that the Group Hotels have the right management and resources to successfully grow the business units. AX Hotel Operations Ltd is also actively seeking new hotel properties to operate and will take on engagements to manage third party owned hotels subject to the right conditions.

AX Construction Limited has a strong third party order book for 2014 which will see turnover from such services double over 2013 performance. Coupled with its involvement in the construction of the Hilltop Gardens Care Home & Residences, the company is investing in human resources as necessary to further strengthen its management and operating teams in anticipation of the said increase in volume of business.

The Group owns a number of properties for which it has pending development applications. These include a property in the Marsa business park which measures *circa* 6,000 square metres, and two parcels of land in Mosta on which it can build residential and commercial properties. It is the intention of the Group to develop these assets at a future date and is currently engaged with MEPA in the planning process for these proposed projects.

The Executive Board reviews the performance of all operating entities within the AX Group as well as its investments on a periodic basis. The Executive Board foresees that the AX Group will be strongly focused on executing the Hilltop Gardens Care Home & Residences project during 2014

and 2015 but also envisages that it has the required resources and capacity to undertake other investments during the coming years. In particular, the Executive Board approved an investment of €7 million for the refurbishment of the Seashells Resort at Suncrest during the first quarter of 2015. This investment will be financed through a bank facility for the same amount which facility was secured on 31 December 2013 with Bank of Valletta p.l.c.

The AX Group also has a pending development permit for the Grand Hotel Verdala in Rabat. When such building permits are issued, the Executive Board will consider the appropriate time to authorise commencement of this project. The investment decision will take into consideration the appropriate resources needed to undertake said development, the nature and level of financing required and the Group's gearing and business performance at such time.

5. TREND INFORMATION AND FINANCIAL PERFORMANCE

5.1 *Trend information*

There has been no material adverse change in the prospects of the Issuer and/or Guarantor since the date of publication of their latest audited financial statements.

At the time of publication of this Registration Document, the Issuer considers that its future performance is intimately related to that of the whole AX Group, particularly since members of the AX Group constitute its only trading partners as borrowers. The Guarantor, as the parent company of the AX Group, considers that generally the AX Group will be subject to the normal business risks associated with the industries in which it is involved and does not anticipate any trends, uncertainties, demands, commitments or events outside the ordinary course of business that could be deemed likely to have a material effect on the upcoming prospects of the AX Group's and its business, at least with respect to the current financial year.

The AX Group's strategy for the foreseeable future is to continue to develop its assets with a view to realising and maximising its financial potential.

The following is an overview of the trends expected in the key areas of operation of the AX Group in the foreseeable future:

Hospitality

The Group plans to carry out a refurbishment of the Seashells Resort at Suncrest, which should enable the hotel to improve its average room rate in the near term. Furthermore, management will continue to market the hotel as an 'all inclusive' resort which to date has had a positive impact on the hotel's performance. The Victoria Hotel will also undergo a soft refurbishment programme in order to maintain the level and quality of the property.

All the hotels operated by the AX Group have increased earnings in recent years, broadly in line with the growth trend experienced in the local tourism sector. The Group will continue to invest in the upkeep of its properties, enhance and innovate its offerings, and focus on optimising its marketing effort in order to maintain its competitive edge and improve both occupancy levels and average room rates.

Construction

The construction industry in general has been going through a slow period in the past few years. The AX Group has on the other hand been somewhat active in this segment primarily due to management's decision to specialise and focus on a number of niche markets including restoration projects. This trend is likely to be maintained in the foreseeable future as the need to restore historical sites and properties in Malta is ongoing, and funding thereof continues to be partly available through EU infrastructural programmes.

In the near term, the AX Group will be predominantly involved in the construction and development of the Hilltop Gardens Care Home & Residences, and therefore the construction division of the Group shall be operating at capacity.

Property Development

The AX Group continues to actively seek approval from the relevant authorities to undertake the development of the former Grand Hotel Verdala. The proposed plans include the development of a 100-room hotel and a complex comprising 80 luxury apartments.

5.2 Key financial review

The financial information about the Issuer and Guarantor is included in their respective audited financial statements for each of the financial years ended 31 October 2011, 2012 and 2013. The said statements have been published and are available on the Issuer's website (<http://www.axinvestmentsplc.com>) and at its registered office. Set out below are highlights taken from the audited financial statements of the Issuer and the audited consolidated financial statements of the Guarantor for the years ended 31 October 2011, 2012 and 2013.

5.2.1 Financial review of the Issuer

AX Investments p.l.c.

Income Statement for the years ended 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
Rental income	163	163	163
Administrative expenses	(144)	(136)	(131)
Results from operating activities	19	27	32
Share of (loss)/profit of associated undertaking	(110)	314	-
Net finance costs	(35)	180	22
(Loss)/profit before tax	(126)	521	54
Taxation	31	(183)	(356)
(Loss)/profit after tax	(95)	338	(302)

AX Investments p.l.c.

Balance Sheet as at 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
ASSETS			
Non-current assets	21,307	22,760	22,097
Current assets	203	6	48
Total assets	21,510	22,766	22,145
EQUITY AND LIABILITIES			
Equity	5,757	5,852	5,514
Liabilities			
Non-current liabilities	12,648	14,986	15,366
Current liabilities	3,105	1,928	1,265
Total liabilities	15,753	16,914	16,631
Total equity and liabilities	21,510	22,766	22,145

AX Investments p.l.c.

Cash Flow Statement for the years ended 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
Net cash from operating activities	(8)	113	189
Net cash from investing activities	-	(2)	(79)
Net cash from financing activities	8	(145)	(729)
Net movement in cash and cash equivalents	-	(33)	(619)
Cash and cash equivalents at beginning of year	4	37	656
Cash and cash equivalents at end of year	4	4	37

5.2.2 Financial review of the Group

AX Holdings Limited

Consolidated Income Statement for the years ended 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
Revenue	23,778	23,160	21,706
Net operating costs	(16,486)	(16,618)	(16,650)
EBITDA	7,292	6,542	5,056
Depreciation	(2,795)	(2,676)	(2,987)
Investment property revaluation	7,094	-	3,283
Share of results of associated undertaking	199	183	73
Net finance costs	(2,524)	(2,272)	(2,463)
Profit before tax	9,266	1,777	2,962
Taxation	(2,210)	1,117	(1,298)
Profit after tax	7,056	2,894	1,664
Other comprehensive income			
Gains on property revaluation	692	28,487	1,787
Taxation	(103)	(5,138)	(347)
	589	23,349	1,440
Total comprehensive income	7,645	26,243	3,104

AX Holdings Limited

Consolidated Balance Sheet as at 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
ASSETS			
Non-current assets	142,758	136,073	108,915
Current assets	14,247	15,177	14,479
Total assets	157,005	151,250	123,394
EQUITY AND LIABILITIES			
Equity			
Capital and reserves	86,559	79,083	52,808
Non-controlling interest	1,468	1,297	2,138
Total equity	88,027	80,381	54,946
Liabilities			
Non-current liabilities	45,882	47,519	40,852
Current liabilities	23,096	23,350	27,596
Total liabilities	68,978	70,869	68,448
Total equity and liabilities	157,005	151,250	123,394

AX Holdings Limited

Consolidated Cash Flow Statement for the years ended 31 October

	2013 (€'000)	2012 (€'000)	2011 (€'000)
Net cash from operating activities	3,376	2,070	1,824
Net cash from investing activities	(941)	(1,199)	(800)
Net cash from financing activities	(1,445)	(560)	(1,270)
Net movement in cash and cash equivalents	990	311	(246)
Cash and cash equivalents at beginning of year	(2,592)	(2,903)	(2,657)
Cash and cash equivalents at end of year	(1,602)	(2,592)	(2,903)

In the past three financial years the AX Group registered an increase in consolidated revenues of 9.5% from €21.7 million in 2011 to €23.8 million in 2013. The hospitality division was the main contributor to revenue growth and this was primarily due to increases in average achieved hotel rates. Each of the four hotels registered a positive performance consistent with the tourism trend in Malta over the period under review. The other activities of the Group remained broadly stable and contributed *circa* €4 million (16%) to Group turnover in each of the past three financial years.

The AX Group reported a significant improvement in EBITDA of €2.2 million (equivalent to an increase of 44%), principally as a result of growth achieved in hotel revenues together with cost savings realised at each of the Group Hotels. On a percentage basis, Seashells Resort at Suncrest registered the highest increase in gross operating profit of 45.7%, followed by the Sunny Coast Resort & Spa at 33.4%.

For the financial years under review the Group registered uplifts in the fair value of its hotel and investment properties. The values of the Victoria Hotel and Palazzo Capua increased by €2 million and €3 million respectively in 2011. In the subsequent year, the values of The Palace and Seashells Resort at Suncrest improved by €19.4 million and €4.1 million respectively. The Simblija site, which will be developed into the Hilltop Gardens Care Home & Residences, was revised upwards by €10.3 million over two years (2012/2013).

The total assets of the AX Group in 2013 increased to €157.0 million (2011: €123.4 million) and shareholders' funds increased by €33.1 million in the three year period to €88.0 million.

6. MANAGEMENT

6.1 The Board of Directors of the Issuer

The Issuer is currently managed by a board of five directors entrusted with the overall direction and management of the Issuer. The Board currently consists of two Executive Directors and three Non-Executive Directors. The business address of each Director is the registered office of the Issuer.

Meetings of the Board of Directors are held at the registered office of the Group - AX House, Mosta Road, Lija, Malta.

6.1.1 Executive Directors

The Executive Directors of the Issuer are entrusted with the company's day-to-day management and are also directors or officers of other companies within the AX Group. They are supported in this role by several consultants and benefit from the know-how gained by members and officers of the AX Group.

The Executive Directors of the Issuer are Angelo Xuereb (Chairman) and Michael Warrington.

6.1.2 Non-Executive Directors

The Non-Executive Directors are independent of the Issuer and constitute a majority on the Board. The Non-Executive Directors' main functions are to monitor the operations of the Executive Directors and their performance, as well as to review any proposals tabled by the Executive Directors. In addition, the Non-Executive Directors have the role of acting as an important check on the possible conflicts of interest for the Executive Directors in view of their dual role as Executive Directors of the Company and their role as officers of the AX Group.

The Non-Executive Directors are Patrick J. Galea, Philip A. Ransley and Michael Sciortino.

Two of the Non-Executive Directors hold a majority on the Issuer's Audit Committee. (*see "Audit Committee" in Section 8 below*).

6.1.3 Curriculum vitae of Directors of the Issuer

Angelo Xuereb: a Maltese citizen, age 61, is the founder of the AX Group. Mr Xuereb has been the Chairman of the Board of the Issuer since its formation. He is also Chairman of AX Holdings Limited, the parent company. He sits on the Board of all companies forming part of the Group with interests in hotel operations, property investments and development and construction. Mr Xuereb is a council member of the Federation of Industry, a council member of the Building Industry Consultative Council, and the President of the Federation of Building Contractors. Mr Xuereb has also served as mayor of the Naxxar local council for six years.

Michael Warrington: a Maltese citizen, age 51, is a Certified Public Accountant and a Fellow of the Malta Institute of Accountants, as well as an Associate Member of the Chartered Institute of Bankers in the United Kingdom. Mr Warrington holds a Masters Degree in Financial Services from the University of Malta. He worked for several years with Bank of Valletta p.l.c., moving on to Air Malta p.l.c., where he was the Group Head responsible for the finance and information technology functions of the airline. He worked in the hospitality industry for a number of years. Mr Warrington is the Group Finance Director of AX Holdings Limited. He is a director on the boards of the following companies: Forthnet A.E, Citadel Insurance plc, Nissan International Insurance Ltd, SMS Ltd, Higher Ground Sicav plc, MW Properties Ltd, Land Development Holdings Ltd, Z Investment Partner Ltd, Z Investment Holdings Ltd, English Language Academy Ltd and Skyline Developments Ltd.

Patrick J. Galea: a Maltese citizen, age 54, has been in private professional practice as an advocate for over 30 years, having been called to the Bar in 1982, and has long experience of representation of parties before the Courts of Malta and in Arbitration proceedings. He has also advised extensively in civil and commercial law, intellectual property, planning and construction law, procurement, the leisure industry, energy and financial services

law. Dr Galea has served as Chairman of Raiffeisen Malta Bank p.l.c. Dr. Galea lectures in civil law and civil procedure at the Faculty of Laws at the University of Malta.

Chev. Philip A. Ransley: a Maltese Citizen, worked up to 1975 with two audit firms, Attard Manfre and later with Diamantino Manfre & Co. He joined in partnership in setting up Edrichton Holidays Limited, a tourism (incoming) company, in 1976, where he was the Financial Director up to 1988. He then joined Edrichton Holdings Ltd as a Financial Director up to its division in 1997. He is now a Financial Executive Controller for Tartarun Group (namely: Tartarun Developments Limited and Tartarun Tourism Services Ltd). The hospitality industry is still his main specialisation. He is a director on the boards of the following companies: PPAC Limited, PAPS Limited, Gallina Operators Limited and CGR Enterprises Limited.

Michael Sciortino: a Maltese Citizen, is a Certified Public Accountant and has been in private practice since 1997. Previously he held senior positions with various private and public entities. He has also served as a member of the Council of the MSE. Mr Sciortino is a director and board secretary of a number of companies.

6.1.4 Service contracts of the Issuer's Directors

Apart from Michael Warrington, none of the Directors of the Issuer have a service contract with the Issuer.

6.1.5 Aggregate emoluments of the Issuer's Directors

For the financial year ended 31 October 2013 the Issuer paid an aggregate of €43,000 to its Directors (2012: €43,000).

6.1.6 Loans to the Issuer's Directors

There are no loans outstanding by the Issuer to any of its Directors nor any guarantees issued for their benefit by the Issuer.

6.1.7 Removal of the Issuer's Directors

A Director may, unless he resigns, be removed by the shareholder appointing him or by an ordinary resolution of the shareholders as provided in sections 139 and 140 of the Act.

6.1.8 Powers of the Issuer's Directors

By virtue of the Articles of Association of the Issuer the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting. The powers of the Directors of the Issuer are better described in Section 12.1.2(d) below.

6.2 *Employees of the Issuer*

The Issuer relies on the AX Group for recruiting staff and does not have any employees of its own.

6.3 *The Board of Directors of the Guarantor*

The business of AX Holdings Limited is managed by a Board of Directors consisting of not more than eight Directors.

6.3.1 Curriculum vitae of Guarantor's Directors

The curriculum vitae of Angelo Xuereb and Michael Warrington are found in Section 6.1.3 above.

Richard Xuereb: Richard graduated from the University of Manchester where he studied construction management. He joined the AX Group in 2000 as a project manager going on to be appointed in 2006 as director responsible for construction. In 2013 Richard relinquished this role to take up the position of Estates Director of the Group.

Claire Zammit Xuereb: Claire has been involved in the hospitality division of the AX Group for the past 16 years, and has worked in most hotel departments primarily at the Seashells Resort at Suncrest and the Victoria Hotel. In 2003, Claire was appointed general manager at The Victoria Hotel and in 2007 became general manager at The Palace. In 2009, Claire took up the role of Group Hospitality Director, responsible for all the hotels within the AX Group. Claire has a Giion Bachelors Degree in Hospitality and Tourism Management, and a Bachelors of Science (Hons) International Hospitality Management (University of Wales).

Denise Xuereb: After completing her Bachelor's Degree in Management from the University of Malta, Denise joined the AX Construction team during the construction and finishing of The Palace Hotel in Sliema. She subsequently pursued her studies further by embarking on a Masters of Science programme specialising in Programme and Project Management at the *Ecole Supérieure de Commerce* in Paris. Denise now heads the AX Group's construction division and has been involved in the management of various prestigious and complex projects, including the projects for the construction of the new Parliament Building in Valletta and for the restoration of various bastions in Valletta and Birgu.

John Soler: John has more than 40 years' experience in retail banking after holding several senior positions with Bank of Valletta p.l.c. He led the bank's operations for over a decade before being appointed to the senior management team as Chief Officer Credit, with responsibility for Bank of Valletta's lending portfolio, including consumer lending, business lending, mortgages and card business. John presently sits on the Board of FCM Bank Ltd and Valletta Cruise Port plc and is the Chairman of the Audit Committee of both entities.

Matthew Paris: Matthew is a lawyer by profession and is mainly involved in international commercial litigation. He was admitted to the bar in 2013 and has since joined a private law firm. Specialising in .eu domain names, Matthew was appointed a panelist within the Czech Arbitration Court focused on disputes relating to domain name registrations.

6.3.2 Service contract of the Guarantor's Directors

None of the Directors of the Guarantor have a service contract with the AX Holdings Limited.

6.3.3 Aggregate emoluments of the Guarantor's Directors

For the financial year ended 31 October 2013 the Guarantor paid an aggregate of €35,000 to its Directors (2012: €35,000).

6.3.4 Loans to the Guarantor's Directors

There are no loans outstanding by the Guarantor to any of its Directors, nor any guarantees issued for their benefit by the Issuer.

6.3.5 Removal of the Guarantor's Directors

A Director may, unless he resigns, be removed by the shareholder appointing him or by an ordinary resolution of the shareholders as provided in sections 139 and 140 of the Act.

6.3.6 Powers of the Guarantor's Directors

By virtue of the Articles of Association of the Issuer the Directors are empowered to transact all business which is not by the Articles expressly reserved for the shareholders in general meeting. The powers of the Directors of the Guarantor are better described in Section 12.2.2(d) below.

6.4 *Employees of the Guarantor*

As at 31 October 2013, the Guarantor had 482 employees (2012: 450), of which 95 (2012: 90) staff members formed part of management and administration, whilst 387 (2012: 360) employees were involved in operations and distribution.

7. MANAGEMENT STRUCTURE

7.1 *General*

The Issuer is an investment company which does not require an elaborate management structure. Angelo Xuereb has been appointed Chairman of the Company. The Directors believe that the current organisational structures are adequate for the current activities of the Company. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business and to strengthen the checks and balances necessary for better corporate governance.

The Senior Management of the Guarantor is as follows:

Angelo Xuereb	Chairman and Chief Executive Officer
Michael Warrington	Group Finance Director
Richard Xuereb	Group Estate Director
Claire Zammit Xuereb	Group Hospitality Director
Denise Xuereb	Group Construction Director
Albert Bonello	Group Financial Controller
David Wain	Group Legal Advisor

7.2 AXH executive team

The Guarantor is managed by an executive responsible for the determination of policy and strategic guidance and management, composed of: the Chairman and Chief Executive of the AX Group, Angelo Xuereb; and the Group Finance Director, Michael Warrington; Richard Xuereb, Group Estates Director; Claire Zammit Xuereb, Group Hospitality Director; and Denise Xuereb, Group Construction Director.

Each of the principal operating subsidiaries of the AX Group has its own independent management organisations and structures. The General Managers of these companies report to the Executive Board. The Executive Board is responsible for the appointment of all executive officers and other key members of management within AXH and its subsidiaries.

The General Managers of the key operating subsidiaries are:

Kevin Callus	General Manager the Palace Hotel & Victoria Hotel
Joseph Vella	General Manager Seashells Resort at Suncrest
David Jaccarini	General Manager Sunny Coast Resort & Spa

7.3 Conflict of interest

As at the date of this document, each of Angelo Xuereb, Claire Zammit Xuereb, Denise Xuereb, Richard Xuereb and Michael Warrington are officers of a number of members of the AX Group, and as such are susceptible to conflicts between the potentially diverging interests of the different members of the AX Group.

In addition, Claire Zammit Xuereb, Denise Xuereb and Richard Xuereb are the direct descendants of Angelo Xuereb.

No private interests or duties unrelated to the Issuer have been disclosed by the senior managers and subsidiaries' general managers which may or are likely to place any of them in conflict with any interests in, or duties towards, the Issuer.

7.4 Major shareholders of the Issuer

AXH currently holds 1,199,999 of the Issuer's 1,200,000 issued ordinary shares. The AX Group is wholly owned directly or indirectly through AXH Limited by Angelo Xuereb. The remaining one share is held by Verdala Mansions Limited (C 7793). In terms of the Memorandum and Articles of Association of the Issuer, AXH is entitled to appoint one director for every 20% of the issued share capital of the Issuer, putting it in a position to appoint a majority of the Directors of the Issuer and accordingly have control over the management and operations of the Issuer. The close association with the AX Group is central to the attainment by the Issuer of its investment objectives and the implementation of its strategies.

The Issuer adopts measures in line with the Code of Corporate Governance to ensure that the relationship with AXH is retained at arm's length, including adherence to Rules on Related Party Transactions requiring the sanction of the Audit Committee, in which the majority is constituted by independent Non-Executive Directors, of which one shall also act as chairman.

7.5 Major shareholders of the Guarantor

AXH is, save for one share held by Angelo Xuereb, wholly owned by Fulcrum Services Limited (C 12271), a private limited liability company in which Angelo Xuereb is the ultimate beneficial owner.

8. AUDIT COMMITTEE PRACTICES

8.1 Audit committee

8.1.1 The Issuer

The terms of reference of the Audit Committee consist of *inter alia* its support to the Board of Directors of the Issuer in its responsibilities in dealing with issues of risk, control and governance, and associated assurance. The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Briefly, the Committee is expected to deal with and advise the Board on:

- a. its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- b. maintaining communications on such matters between the Board, management and the independent auditors; and
- c. preserving the company's assets by understanding the company's risk environment and determining how to deal with those risks.

In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Audit Committee is composed of Patrick Galea, Philip Ransley and Michael Sciortino, the Non-Executive Directors of the Company, and Michael Warrington, an Executive Director of the Company. The Audit Committee is chaired by Philip Ransley, a Non-Executive Director. In compliance with the Listing Rules, Michael Sciortino is considered by the Board to be the director competent in accounting and/or auditing matters. The CVs of the said Directors may be found in Section 6.1.3 above.

8.1.2 The Guarantor

The Guarantor set up an Audit Committee with the primary objective of assisting the Board in fulfilling its oversight responsibilities over the financial reporting process, financial policies and internal control structure of the Group. The Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Guarantor's board of directors, management and the external auditors. In addition, the Audit Committee also has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the AX Group and a related party, to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Group.

The committee is made up of a majority of Non-Executive Directors and is composed of John Soler, a Non-Executive Director of AXH, who acts as Chairman, whilst Michael Warrington (Group Finance Director) and Matthew Paris act as members. In compliance with the listing Rules, John Soler is considered by the Board to be the Director competent in accounting and/or auditing matters. The CVs of the said Directors may be found in Section 6.3.1 above.

9. COMPLIANCE WITH CORPORATE GOVERNANCE REQUIREMENTS

9.1 *The Issuer*

The Issuer is subject to, and supports, the Code of Principles of Good Corporate Governance (the "Code") forming part of the Listing Rules. The Issuer is confident that the adoption of the Code has resulted in positive effects accruing to the Issuer.

The Board considers that during the financial year ended 31 October 2013, the Company was in compliance with the Code with the following exceptions:

- Principle 2.1: the roles of Chairman and Chief Executive Officer are both carried out by Angelo Xuereb. Although the Code recommends that the role of Chairman and Chief Executive Officer are kept separate, the Directors believe that Mr Xuereb should occupy both positions, particularly in view of the experience and stature he brings to both the board and executive management team of the Company. In terms of Principle 3.1, which calls for the appointment of a senior independent Director where the roles of Chairman and Chief Executive Officer are carried out by the same person, the Board has appointed Michael Sciortino as the indicated senior independent Director;
- Principle 8: The Issuer does not have a Remuneration Committee as recommended in Principle 8 since the Issuer does not have any employees other than the Directors and the company secretary; and
- Principle 8: The Issuer does not have a Nomination Committee as recommended in Principle 8. Appointments to the Board of Directors of the Issuer are determined by the shareholders of the Company in accordance with the Memorandum and Articles of Association of the Issuer. The Issuer considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the code.

9.2 *The Guarantor*

Notwithstanding that the Guarantor is a private company not bound by the provisions of the Code set out in the Listing Rules, the Guarantor has set out to adopt a series of measures intended to align its governance structures with the provisions of the Code in so far as such are considered applicable to its position as the parent of the AX Group and Guarantor of the Issue. The first of such measures has seen the establishment of a Group Audit Committee (as better described in Section 8.1.2 above) which provides an oversight function in relation to all Group related transactions.

10. HISTORICAL INFORMATION

The historical financial information for the three financial years ended 31 October 2011, 2012 and 2013 as audited by Nexia BT are set out in the financial statements of the Issuer and in the consolidated financial statements of the Guarantor. Such financial statements are both available on the Issuer's website www.axinvestmentsplc.com. There were no significant changes to the financial or trading position of the Issuer, the Guarantor or the Group of which the Guarantor is the parent company, since the end of the financial period to which the last annual financial statements relate.

11. LITIGATION

There are no governmental, legal or arbitration proceedings against the Issuer, including any pending or threatened proceedings, of which the Issuer is aware and considers could have significant effects on the financial position or profitability of the Issuer. Similarly, there are no governmental, legal or arbitration proceedings against the Guarantor, including any pending or threatened proceedings, of which the Guarantor is aware and considers could have significant effects on the financial position or profitability of the Guarantor.

With respect to the remainder of the AX Group, two subsidiaries, namely Royal Hotels Ltd and Heritage Developments Ltd, are involved in pending legal proceedings (writs 310/05 and 311/05) with Malta Enterprise Corporation over the use of the site of the former Grand Hotel Verdala in Rabat. Malta Enterprise has requested the rescission of the deeds of sale of the property in question, the consequent eviction of the companies from such property and the liquidation and payment of damages. Royal Hotels Ltd and Heritage Developments Ltd have challenged such claims. As at the date of this Prospectus, these proceedings are set for judgment, albeit deferred in light of ongoing settlement negotiations. Subject to the said proceedings, there is no litigation of material importance against any member of the AX Group, including actual or pending legal or arbitration proceedings, which the Issuer is aware of and considers could have significant effects on the AX Group's financial position or profitability.

12. ADDITIONAL INFORMATION

12.1 *The Issuer*

12.1.1 Share capital

The Issuer's current authorised and issued share capital is €2,795,247.60, divided into 1,200,000 ordinary shares of €2.329373 each, fully paid up. The issued share capital of the Issuer is divided as follows: AXH holds 1,199,999 ordinary shares of €2.329373 each, and Verdala Mansions Limited holds 1 ordinary share of €2.329373.

The authorised share capital of the Issuer may be increased by an ordinary resolution of the shareholders in general meeting. In terms of the Issuer's Memorandum and Articles of Association none of the capital shall be issued in such a way as would effectively alter the control of the Issuer or nature of its business, without the prior approval of the Issuer in general meeting.

It is not expected that shares in the Issuer shall be issued during the next financial year, whether fully or partly paid up, in consideration for cash or otherwise.

The shares of the Issuer are not listed on the MSE, and no application for such listing has been made to date.

There is no capital of the Issuer which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option.

12.1.2 Memorandum and articles of association

(a) Objects

The Memorandum and Articles of Association of the Issuer (C 27586) are registered with the Registry of Companies. The main object of the Issuer is to carry on the business of a finance and investment company and in particular but without prejudice to the generality of the foregoing the financing or re-financing of the funding requirements of the business of AXH or any of its subsidiaries and/or associated companies. Clause 3 of the Memorandum of Association contains the full list of objects of the Company. A copy of the Memorandum and Articles of Association of the Issuer may be inspected during the lifetime of this Registration Document at the registered office of the Issuer and at the Registry of Companies of the MFSA.

(b) Voting Rights

The holders of shares in the Issuer are entitled to vote at meetings of the shareholders of the Company on the basis of one vote for each share held.

(c) Appointment of Directors

At present, in terms of the Memorandum and Articles of Association, the Board of Directors of the Issuer shall consist of not more than five Directors who are appointed in accordance with Article 55.1 of the Articles of Association of the Company, as follows:

- 55.1 (a) A shareholder holding not less than 20 per cent of the issued share capital of the Issuer having voting rights or a number of shareholders who between them hold not less than 20 per cent of the issued share capital of the Issuer having voting rights shall be entitled to appoint one Director for every such 20 per cent holding by letter addressed to the Issuer.
- 55.1(b) Any shareholder who does not qualify to appoint Directors in terms of the provisions of paragraph (a) of this subarticle 55.1, and who has not aggregated his holdings with those of other shareholders for the purposes of appointing a Director(s) pursuant thereto, shall be entitled to participate and vote in an election of Directors to take place once in every year at the Annual General Meeting of the Issuer.
- 55.1(c) Shareholders entitled to appoint Directors pursuant to the provisions of sub-article 55.1(a) shall not be entitled to participate in the election of Directors in terms of paragraph (b) of this sub-article.
- 55.1(d) The Chairman shall be appointed by the Directors at their first meeting following the annual general meeting in each year, save for the first chairman who is appointed by the subscribers of this Memorandum and Articles and who shall retain the post of chairman until such time as he resigns or is earlier removed in accordance with the provisions of these articles regulating the removal of Directors.

(d) Powers of Directors

The Directors are vested with the management of the Issuer, and their powers of management and administration emanate directly from the Memorandum and Articles of Association and the law. The Directors are empowered to act on behalf of the Issuer and in this respect have the authority to enter into contracts, sue and be sued in representation of the Issuer. In terms of the Memorandum and Articles of Association they may do all such things that are not by the Memorandum and Articles of Association reserved for the shareholders in general meeting.

Directors may not vote on any proposal, issue, arrangement or contract in which they have a material interest.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by the shareholders in general meeting. Within that limit the Directors shall have the power to vote remuneration to themselves or any number of their body. Any increases in the maximum limit of Directors' aggregate emoluments have to be approved by the general meeting. The Directors may also vote on pensions, gratuities or allowances on retirement to any Director who has held any other salaried office with the Issuer, or to such Director's widow or dependants. However, any such proposal shall have to be approved by the shareholders in general meeting.

In terms of the Memorandum and Articles of Association, the Board of Directors may exercise all the powers of the Issuer to borrow money and give security therefore, subject to the limit established in the Memorandum and Articles of Association and the over-riding authority of shareholders in general meeting to change, amend, restrict and or otherwise modify such limit and the Directors' borrowing powers.

There are no provisions in the Issuer's Memorandum and Articles of Association regulating the retirement or non-retirement of Directors over an age limit.

12.2 The Guarantor

12.2.1 Share capital

The current authorised and issued share capital of the Guarantor is €4,705,333.35, divided into 202,000 ordinary shares of €2.329373 each, fully paid up. Fulcrum Services Limited (C 12271) holds 201,999 ordinary shares of €2.329373 each and Angelo Xuereb holds 1 ordinary share of €2.329373.

The authorised share capital of the Guarantor may be increased by an ordinary resolution of the shareholders in general meeting. Shares can be issued when and under those conditions decided by a resolution of the shareholders in general meeting, but it is not expected that shares in the Guarantor shall be issued during the next financial year, whether fully or partly paid up, in consideration for cash or otherwise.

The Memorandum and Articles of Association of the Guarantor do not permit any invitation to the public to subscribe to shares of the Guarantor.

There is no capital of the Guarantor which is currently under option, nor is there any agreement by virtue of which any part of the capital of the Issuer is to be put under option.

12.2.2 Memorandum and articles of association

(a) Objects

The Memorandum and Articles of Association of the Guarantor (C 3595) are registered with the Registry of Companies. The main object of the company is to co-ordinate the business of the AX Group. Clause 3 of the Memorandum of Association contains the full list of objects of the company. A copy of the Memorandum and Articles of Association of the Guarantor may be inspected during the lifetime of this Registration Document at the registered office of the Guarantor and at the Registry of Companies of the MFSA.

(b) Voting Rights

The holders of shares in the Guarantor are entitled to vote at meetings of the shareholders of the Guarantor on the basis of one vote for each share held.

(c) Appointment of Directors

In terms of the Memorandum and Articles of Association, the Board of Directors of the Guarantor shall consist of not more than eight Directors, who are appointed by a simple majority of the votes present at a general meeting.

(d) Powers of Directors

The Board of Directors is vested with the management of the Guarantor, and its powers to bind the company are unlimited. The Directors are empowered to act on behalf of the Guarantor and in this respect have the authority to enter into deeds of whatever nature engaging the company and to sue and be sued in representation of the Guarantor. The Board of Directors may do all such things that are not by the Memorandum and Articles of Association reserved for the shareholders in general meeting.

The maximum limit of aggregate emoluments of the Directors is, in terms of the Memorandum and Articles of Association, to be established by a simple majority of the shareholders in general meeting.

13. MATERIAL CONTRACTS

The Issuer and Guarantor have not entered into any material contracts which are not in the ordinary course of their business and which could result in any member of the AX Group being under an obligation or entitlement that is material to the Issuer's or Guarantor's ability to meet their obligations to security holders in respect of the securities being issued pursuant to, and described in, the Securities Note forming part of the Prospectus.

14. PROPERTY VALUATION REPORT

The Issuer commissioned Stephen A Mangion B.Arch. A&CE of Mangion, Mangion & Partners, a firm of architects, to issue a property valuation report in relation to the site of the Hilltop Gardens Care Home & Residences at Simblija, Naxxar. The following are the details of the said valuer:

Name: Stephen A Mangion
Business address: Mangion, Mangion & Partners
Apartment M, Block C, Dolphin Court
Embassy Way
Ta'Xbiex
XBX 1073, Malta

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the prospectus. The valuation report is dated 17 January 2014.

A copy of the report compiled by Arch. Stephen A Mangion in respect of the site at Simblija in Naxxar (estimated at *circa* €20 million) is annexed to this Registration Document as Annex I and is available for inspection as set out in Section 16 overleaf.

15. INTEREST OF EXPERTS AND ADVISORS

Save for the the valuation report prepared in relation to the Hilltop Gardens Care Home & Residences and contained in Annex I to the Registration Document and the financial analysis summary set out as Annex IV to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The financial analysis summary and the valuation report have been included in the form and context in which they appear with the authorisation of Charts Investment Management Service Limited of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913, Malta and Stephen A. Mangion respectively, which have given and have not withdrawn their consent to the inclusion of such reports herein. Charts Investment Management Service Limited and Stephen A. Mangion do not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary and the valuation report have been accurately reproduced in the Prospectus and that there are no facts of which the Issuer is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

16. DOCUMENTS AVAILABLE FOR INSPECTION

For the duration period of this Registration Document the following documents (or copies thereof) shall be available for inspection at the registered address of the Issuer:

- a. Memorandum and Articles of Association of the Issuer and the Guarantor;
- b. Audited Financial Statements of the Issuer for the years ended 31 October 2011, 2012 and 2013;
- c. Audited Consolidated Financial Statements of the Guarantor for the years ended 31 October 2011, 2012 and 2013;
- d. The letter of confirmation drawn up by Deloitte dated 3 February 2014;
- e. Financial Analysis Summary prepared by Charts Investment Management Service Limited dated 3 February 2014;
- f. Independent Expert's property valuation report prepared at the Issuer's request in respect of the Hilltop Gardens Care Home & Residences, Naxxar; and
- g. The Guarantee.

These documents are also available for inspection in electronic form on the Issuer's website at www.axinvestmentsplc.com

Annex 1 Architects' Valuation Report

VALUATION
OF HILLTOP GARDENS,
IS-SIMBLIJA,
NAXXAR

S.A. Mangion B.Arch., A.&C.E.
P.E. Camilleri B.E.&A.(Hons), A.&C.E.

Architects
Civil Engineers
& Planning Consultants



Our ref: 91063va001 – final draft

The Directors
AX Investments plc
AX House
Mosta Road
Lija

17th January 2014

Re: Hilltop Gardens, Is-Simblija, Naxxar

Dear Sirs,

I have been instructed to prepare a valuation of the immovable property known as Hilltop Gardens Retirement Village and Nursing Home located at Is-Simblija, Naxxar.

I have prepared this valuation as an independent valuer in terms of the UK Royal Institute of Chartered Surveyors Appraisal and Valuation Method. I confirm that there is no conflict of interest in preparing this valuation report, since I or my practice will not benefit from the valuation exercise other than the valuation fee. As a warranted architect in terms of section 7(3) of the Architecture and Civil Engineering Professionals (PERITI) Act 1996, I have been involved in numerous valuations for public and private companies and for individual clients and have acted as a property valuer for three major banks since 2003.

The basis of the valuation is to arrive at the best price at which the sale of an interest in the property would have been completed unconditionally for a cash consideration on the date of the valuation, assuming:

- A willing seller;
- That prior to the date of the valuation, there had been a reasonable period (having regard to the nature of the property and the state of the market) for the proper marketing of the interest, for the agreement on price and on the terms and conditions for the completion of the sale;
- That the state of the market, level of values and other circumstances are consistent over the period of the valuation;
- That no account is taken of any additional bid by a purchaser with a special interest, and
- That both parties had acted knowledgeably, prudently and without compulsion.

Associates: J.V. Cachia B.E.&A., A.&C.E., D. Micallef Grimaud B.E.&A., A.&C.E., S. Marletta C. Eng.

Apartment M, Block 'C', Dolphin Court, 37 Embassy Way, Ta' Xbiex MSD 11, Malta
Tel: 21 336 704 | 21 336 706 | 21 320 854 | 21 320 833 Fax: 21 320 838 E-mail: info@mmp.com.mt
VAT No: 1095-9914

Purpose of the valuation:

The purpose of the valuation is for its inclusion with the Prospectus to be published in connection with the proposed public bond issue by AX Investments p.l.c. (hereinafter referred to as the Issuer) in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority. I understand that part of the bond issue proceeds are earmarked for use by Simblija Developments Ltd (SDL) which, as in the case of the Issuer is a subsidiary of AX Holdings Limited and a member of the 'AX Group', for the construction and development of the project described herein and in the said Prospectus as the Hilltop Gardens Care Home and Residences.

Data consulted:

My practice is the architectural firm appointed to design and supervise the project which includes the immovable property which is the subject of this valuation. I therefore have full access to the plans of the project and the permits issued. My practice has also been responsible for the preparation of estimates for the site works and construction and landscaping works. Other information considered in the preparation of the valuation and obtained from SDL or otherwise collated was as follows:

- Estimates for the finishing works, engineering services and other construction-related costs required to complete the project.
- Expected future revenue streams in terms of the likely letting prices, cost of land, administration, marketing costs, professional fees and commissions payable.
- Financial feasibility studies.
- Deeds of acquisition of the land.
- Phasing of the project and the programme for development.
- Details of bank borrowing related to the property.
- Market study by Deloitte: comparative rates charged in homes for the elderly.

Description of the property:

The property consists of a site located on the periphery of Naxxar. It is bounded on the North partly by Triq L-Inkwina on which there is a frontage of 48.5m and partly by built, third party property; on the West partly by Triq il-Forga on which there is a frontage of 34.2m and partly by a narrow strip of un-built, third party property lying between the property and Triq il-Forga; on the East and South by un-built, third party property part of which on the South side is the property of the sister of Mr. Angelo Xuereb, the principal shareholder and director of SDL.

The land was acquired and assembled through the following purchases:

- Section A: A portion located in the north central section of the property and having an area of 3,847m². It was purchased in the name of Angelo Xuereb on the 4th October 1976 as freehold. On the 16th January 2014, ownership of this portion of land was transferred to Simblija Developments Ltd in consideration for the issue by it of 9,317 shares of a nominal value of € 1.00 per share in favour of AX Holdings Ltd.
- Section B: A portion located in the south central section of the property and having an area of 2,814m². It was purchased in the name of Angelo Xuereb on the 28th July 1977 and it was subject to an annual, perpetual ground rent of Lm 0.50 (€ 1.16 p.a.) which was redeemed on the 26th May 1978. On the 16th January 2014, ownership of this portion of land was transferred to Simblija Developments Ltd for a cash consideration of € 1,864.
- Section C: A portion located in the west section of the property and having an area of 3,934m². It was purchased in the name of Angelo Xuereb on the 7th March 1980 as freehold. On the 16th January 2014, ownership of this portion of land was transferred to Simblija Developments Ltd in consideration for the issue by it of 4,659 shares of a nominal value of € 1.00 per share in favour of AX Holdings Ltd.
- Section D: A portion located in the east section of the property and having an area of 2,311m². It was purchased in the name of Simblija Developments Ltd on the 16th October 2006 and it is freehold. At the time it was acquired, there were two conditions, one of which relating to a right-of-way and a second relating to a tenant farmer. It has been reported to me by SDL that both conditions are now no longer applicable.
- Section E: A portion located in the west central section of the property and having an area of 3,620m². It was purchased in the name of AX Holdings Ltd on the 9th January 2007 and it is freehold. On the 16th January 2014, ownership of this portion of land was transferred to Simblija Development Ltd for a cash consideration of €540,100
- Section F: A portion located in the north section of the property and having an area of 235m². It was purchased in the name of Simblija Developments Ltd on the 17th March 2010 and it is freehold.

A site survey has indicated that the actual total area of the land (consisting of sections A, B, C, D, E and F as described above) is 16,362m².

The sections referred to above are shown on the attached site plan in Appendix 1. The possible acquisition of an additional small area designated G is also in progress. This would entail the exchange of a small area of land along this boundary. There will be no financial compensation paid on this exchange.

Up until recently, the land was used as a plant and equipment yard by AX Construction Ltd, another member of the AX Group. This use terminated in summer 2013. The site has meanwhile been cleared of all loose material and there are no residual traces of contamination of any kind.

Proposed Development:

The development proposed for the site is a complex for the elderly – the so called, Hilltop Gardens Care Home and Residences. This entails a new concept in the housing and care of the elderly. The complex will be a gated community on the periphery of Naxxar which includes residential units which will cater for elderly residents who are independent or semidependent as well as a nursing home for higher dependency residents. The intention is that once residents move in they could stay on in the complex until their demise as they could move to the high dependency nursing home when needed. The units range in size from single occupancy studio units to larger two bedroom apartments. A large number of the units would have views down into the adjacent valleys while a relatively small number of units would look towards the town or into the internal, pedestrian street which runs through the development. The number of units would be as follows:

- Single occupancy studios 16 in number
- Double occupancy studios 88 in number
- Quadruple occupancy studios 6 in number
- One-bedroom apartments 123 in number
- Two bedroom apartments 13 in number

There will be therefore a total of 246 units. Of these, 104 will be in the nursing home and the remainder will be in the residences.

Supplementing the residential accommodation, there will be various amenities as follows:

Front-of-house areas:

- Main reception, lounge and entrance for the residence
- Separate entrance and reception area for the nursing home
- Restaurant
- Multi-purpose hall with pre-function area
- Club with lounge, billiard room and related office
- Chapel
- Mini market
- Health club with indoor pool
- Crafts area
- Salon
- Fitness room
- Launderette
- Children's play room

Back-of-house areas:

- Main kitchen and related facilities
- Administration offices
- Storage
- Workshops
- Plant rooms
- Laundry
- Mortuary

In addition, there will be provision for underground car parking with a total of 125 car spaces.

The main floor areas are as follows:

- Residential units 19,542 m²
- Nursing home units and facilities 10,222 m²
- Front-of-house areas 2,486 m²
- Back-of-house areas. 3,568 m²
- Parking 5,198 m²

Externally, there will be a large swimming pool with a shallow children's section located on a large paved deck, an outdoor children's play area, an exercise walkway which runs round the whole site and gardening allotments. There will be two access roads both of which will be culs-de-sac terminating in a roundabout – the main one from Triq l-Inkwina which will access the residence entrance and a second one from Triq il-Forga, which will access the nursing home.

The level of finish will be high and fixtures, fittings and services will be designed to cater for the needs of elderly residents. Moreover, the engineering services will be designed to optimise the low carbon footprint of the residence and the use of natural and renewable energy and water resources. There will be security features in the building and furniture design to ensure a safe and comfortable yet luxurious residence.

Permits:

The site falls into the scheme for Naxxar which forms part of the Central Malta Local Plan (CMLP). The area is zoned as a white area.

An outline application was submitted on the 28th June 1993 and this was approved on the 10th April 2000 following an appeal to the Planning Appeals Board and the Outline Development Permit (ODP) granted (PA01798/93). This stipulated certain conditions, primarily:

- That the site coverage should not exceed 50% of the site area covered by the ODP.
- That the building height could not exceed that of the predominant height of the buildings in the area.

An application for Full Development Permission (FDP) was submitted on the 11th August 2009 and this was approved by the MEPA board on the 27th February 2013 (PA 06678/02).

The FDP was originally issued as a non-executable permit subject to a number of conditions. The salient conditions are:

- The development shall be used solely as a retirement home and it shall not be used for permanent residential accommodation or any other use. The applicant is bound to enter into a public deed to ensure the compliance of this condition. (1)
- The development is subject to a bank guarantee of € 100,000 to ensure that all conditions are adhered to. (2)
- The permit is valid for 5 years but it will cease to be valid if the development is not completed by the end of this validity period. (3)
- The permit shall be subject to Final Compliance Certification including clearance from the KNPD and the submission of a Fire Safety and Ventilation report. (4)
- The conditions imposed by the Environmental Health Directorate, Transport Malta and Enemalta are to be adhered to. (5)

Since conditions 1 and 2 above have now been fulfilled, on the 7th January 2014 MEPA approved the issue of the fully executable permit (PA 6678/02). A copy of the FDP is attached in the appendix.

Programme and time frames:

Site clearance works started in January 2014 and this will be followed by excavation works followed by construction works. SDL intends to engage separate contractors to build each of the three blocks which are detached from one another in order to expedite the completion of the works. Final completion of the project is envisaged to be by the end of 2015 and the start of operations is projected for the first quarter of 2016)

Assumptions on which the valuation is based and factors affecting the valuation:

Revenue: The concept of the Hilltop Gardens Care Home and Residences is a new one for Malta, although it exists in other countries. The residential units will be leased for a definite period of time up to a maximum period of 99 years. SDL have assessed the value of the average residential unit at € 199,000 based on comparison with comparable high-end developments in St Julians and Sliema with a discounted rate to allow for the location in Naxxar. The price of € 199,000 is equated to a 99-year lease with shorter lease periods reduced pro rata. The number of units leased each year as appearing in SDL's Financial Projections is then the equivalent number of units with the full 99 year lease period. The average area of a residential unit is 80m². The rate per m² derived for high end properties is € 3,500/m² giving a value of € 280,000. This was discounted by just under 30% to reflect the location, bringing it down to € 199,000 – which figure has been used in the Financial Projections.

The Financial Projections assume that all 143 units will be leased out over an eight year period. Allowance has also been made in the Projections for a number of re-sale of leases. These would apply when residents move to the nursing home or do not renew their lease. In the case of the care home, the daily rate was set at € 71 per day in year 1 and increasing to a maximum of € 80 per day from year 5 onwards. The rates were derived from the marketing study carried out by Deloitte. This study included an analysis of the rates charged by all existing old peoples' homes. These rates are considered to be achievable. The occupancy rate has been taken at 50% in year 1 increasing to 90% by year 5 and staying at that level thereafter. Additional revenue is provided by the consumption of food and beverages, other consumables and other income resulting from the rent of outlets and parking fees.

Land: In the Financial Projections, SDL have set out the total land value as € 20,000,000 and they have apportioned this value as to € 12,000,000 on the residential units and € 8,000,000 on the care home. This valuation has been checked hereunder using a comparative approach.

Building costs: These are based on preliminary cost estimates prepared generally using cost/m² rates. A 10% contingency figure has been applied on the estimate.

Other costs: Administration, marketing and finance costs have been provided for by SDL and, once again, a 10% contingency figure has been applied. The finance costs are based on amortising the 6% bank loan over a ten year period in the case of the care home and over a much shorter, three year period in the case of the residential units.

Timeframes: SDL has targeted the end of 2015 for completion of the development and the first quarter of 2016 for the start of operations. The programme is ambitious but possible, given SDL's intention to apportion the construction works among three contractors.

Valuation:

As stated above, the valuation is being prepared in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority. The Listing Rules require that for valuations which are in course of development, the following values are given:

- The open market value of the property in its existing state at the date of the valuation: - the value at the current state. (A)
- The value on the basis of current prices and current market conditions after the development has been completed: - the value on completion of works. (B)
- The value on the basis of current prices and current market conditions after the development has been completed and the property has been let: - the value on maturity. (C)

For (A), the open market value of the property in its existing state is taken as the value of the bare site carrying a permit for development. This is being valued using a comparative approach. Sites with a similar location and size as well as development potential were considered and compared with the land forming the property and a value derived.

For (B) and (C) the project has two components as described above – the residential development and the care home. The former is to be distributed in the form of leases of various lengths of up to 99 years while in the latter the accommodation will be let on a daily rate. Neither of them lends themselves to the application of a comparative method. Different approaches are being used in both cases, including the profits, or earnings method using a discounted cash flow approach.

The determination of the discount rate to be applied is based on the current risk-free rate, on a general risk associated with property developments in general and finally on a specific risk premium related directly to the property being valued. The risk-free rate is based on medium term (10 year) Government of Malta bonds with a current yield of 3.2%. To this is added a yield to reflect the general risks of investing in property, such as liquidity, depreciation, changes in the law etc. A rate of 2% is being taken to cover this. The final additional yield would cover risks specific to the property in question such as the location, slower lettings and the risk of voids. A yield of 1.8% is being proposed to cover this latter. This would bring the total discount rate to 7%.

(A) Current open market value of the property: The bare site with a valid permit to carry out the development of a retirement home.

For the purposes of the valuation, the open market value and the present capital value of the property in its existing state are considered to be the same. The site has an area of 16,362m². The permit issued allows 50% site coverage and a height of three floors plus a recessed floor over one of the proposed three blocks.

For a comparative approach, the following properties were identified and evaluated:

- A large commercial farm in Naxxar with an area of 19,108m² with industrial structures built on it which are covered by permits is selling at € 8,000,000. (1)
- A commercial site in Marsa with an area of 550m² and with permits for 4 to 5 floors is selling at € 740,000. (2)
- A commercial site in Qormi with an area of 1,000m² and with permits for 3 to 4 floors is selling at € 1,400,000. (3)
- A commercial site in Mosta with an area of 550m² and with permits for 4 to 5 floors is selling at € 1,514,000. (4)
- A commercial site in Qormi with an area of 2,400m² and with permits for 3 to 4 floors is selling at € 1,857,000. (5)
- A commercial site in Marsa with an area of 2,000m² and with permits for 5 floors is selling at € 2,700,000. (6)

Source: Frank Salt Real Estate Ltd.

The sites vary considerably in size and location, although all are commercial sites and most have a similar development profile to the property being valued. The rates per square metre are respectively: € 419/m², € 1,345/m², € 1,400/m², € 3,028/m², € 774/m² and € 1,350/m². Disregarding the extreme values, a median rate of € 1,350 appears appropriate. As the above are advertised prices, I am discounting this rate by 10%, bringing the rate down to €1,215/m². With an area of 16,362m², the site value would be given by:

$$16,362\text{m}^2 \times € 1,215/\text{m}^2 = € 19,879,830.$$

The value of € 20,000,000 upon which SDL has based their Financial Projections is therefore confirmed. (A)

(B) The value on the basis of current prices and current market conditions after the development has been completed.

The Financial Projections prepared by SDL were reviewed. These are split into separate projections for the Residences (the residential units) and the Care Home. These are being valued separately, albeit as part of the whole complex.

For the residences, the revenue resulting from the lease of the units over an eight year period is € 31,597,731 plus a further € 1,213,663 from re-sale of leases. After commissions are deducted, net revenue of € 31,863,462 remains. The total cost of land and buildings amounts to € 22,673,000; finance and other costs add a further € 2,144,000 bringing the total cost to €24,817,000 and leaving a cumulative pre-tax profit of € 7,045,962 by year 10. It has been assumed in the projections that all units will be leased by year 8 after which the only income remaining will be from re-sale of leases and allowance has been made for 5 re-sale of leases per year, generating a profit before tax of € 220,038. The net rental revenue is given for the 10 year period covering the leasing of all residential units. Thereafter, the annual cash flow should continue at the same rate as in year 10. The revenue flow was then discounted at the discount rate of 7% resulting in a value of € 25,306,807 – say, € 25,000,000.

For the care home, the daily rate will start at € 70 per night increasing to € 80 in year 5 after which it is assumed to remain unchanged. Occupancy levels will reach 90% in year 5 and will remain at that level. The value is based on capitalising the net operating income using the discount rate of 7%. The revenue flow was then discounted at the discount rate of 7% resulting in a value of € 13,519,150, say, € 13,500,000.

The combined value of the two parts of the development would then be € 38,500,000. (B)

(C) The value on the open market after the development has been completed and the property has been let.

The financial projections assume that the care home will reach the ultimate level of 90% occupancy in year 5. At this point in time, the level of risk will reduce and therefore the discount rate on this section of the development could be lowered especially in so far as the specific risks are concerned. I would therefore apply a discount rate of 5% on the care home component from that point on. This will give a value for the Care Home of €16,530,545, say € 16,500,000.

The combined value of the two parts of the development would then be € 41,500,000. (C)

On the basis of the above, the present value of the property in its existing state is therefore estimated at € 20,000,000 (twenty million Euros). The open market value of the property, in course of development, after the development has been completed is estimated at € 38,500,000 (thirty eight million five hundred thousand Euros); while the open market value after the development has been completed and the property has been let, is estimated at €41,500,000 (forty one million five hundred thousand Euros).

My opinion of the value of the property is based upon the data available at the date of the valuation, a large part of which was made available by Simblija Developments Ltd and their advisors. The area measurements have generally been checked and they are essentially correct. Estimates of cost have likewise been reviewed and they should represent a fair assessment of construction costs. Although no site investigations have been carried out as yet, there is no reason to suppose that any issues may arise which may affect the development negatively. The site has functioned for many years as a plant and equipment yard and before that, as a pre-casting plant. I have been informed by SDL that any contamination there may have been has been cleared up. Moreover, as the site is to be almost completely excavated any residual traces would be removed anyway. It has been assumed that the development will take place in strict conformity with the conditions of the planning permit and in accordance with the plans as approved by MEPA and any other statutory obligations and also that it will be constructed by reputable construction companies with first class workmanship and to high standards of quality.

Valuations are not a prediction of price, nor a guarantee of value, and whilst my valuation is one which I consider both reasonable and defensible, different valuers may properly arrive at different opinions of value. Moreover, the value of property development is susceptible to changes in economic conditions and it may therefore change over relatively short periods. This valuation is submitted without prejudice to the party to whom it is addressed. I advise that no responsibility is accepted or implied to third parties to whom this valuation may be disclosed, with or without my consent. In particular, I advise that no liability is accepted in contract, tort (including negligence or breach of statutory duty), restitution or otherwise, in respect of any direct loss of profit, any indirect, special or consequential loss whatsoever, however caused including, without limitation, loss of profit, loss of business, loss of goodwill, loss of use of money and loss of opportunity.

In accordance with standard practice, neither the whole nor any part of this valuation nor any reference thereto may be included in any published document without my prior written approval for the context in which it may appear.

A handwritten signature in black ink, appearing to read 'S. Mangion', is written over a horizontal line.

Stephen A Mangion B.Arch., A&CE

APPENDIX

Contents:

1. Site plan showing the sections of the land as acquired
2. Accommodation schedule
3. Floor plans of the development
4. MEPA permits (ODP and FDP)



RANDOLPH AMILLERI SURVEYS LIMITED LAND & ENGINEERING SURVEYORS 25, Oldham Road, Oldham, Greater Manchester, P.O. Box 250, Oldham, Greater Manchester, M20 2JN, UK Tel: 0161 275 0509 Fax: 0161 275 0509	
Project: NAXXAR Boundary Exercise SURVEY OF PROPERTY SUPERIMPOSED ONTO MEPA SITEPLAN	Job No.: 1093-1C
Surveyed by: AM/KC/MC	Scale: 1/500
Drawn by: JRC/ABM/MC/AM	Date: 09/06/2000
File Name: 093NAX1.dwg	Rev. Date: 03/2013

Accommodation Schedule - Simblija, Naxxar
Sep-13

Block A <i>Nursing</i>	Block B <i>Restaurant</i>	Block C <i>Reception</i>
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		Ground Floor			Total
Single Occupancy Studio	SOS	0	0	0	0
Double Occupancy Studio	DOS	22	2	1	25
Quadruple Occupancy Studio	QOS	1	0	0	1
1-Bedroom Apartment	OBA	1	9	6	16
2-Bedroom Apartment	TBA	0	0	0	0

Grand Total all floors
16
88
6
123
13

		First Floor			Total
Single Occupancy Studio	SOS	0	0	0	0
Double Occupancy Studio	DOS	23	1	1	25
Quadruple Occupancy Studio	QOS	2	0	0	2
1-Bedroom Apartment	OBA	2	18	20	40
2-Bedroom Apartment	TBA	0	2	1	3

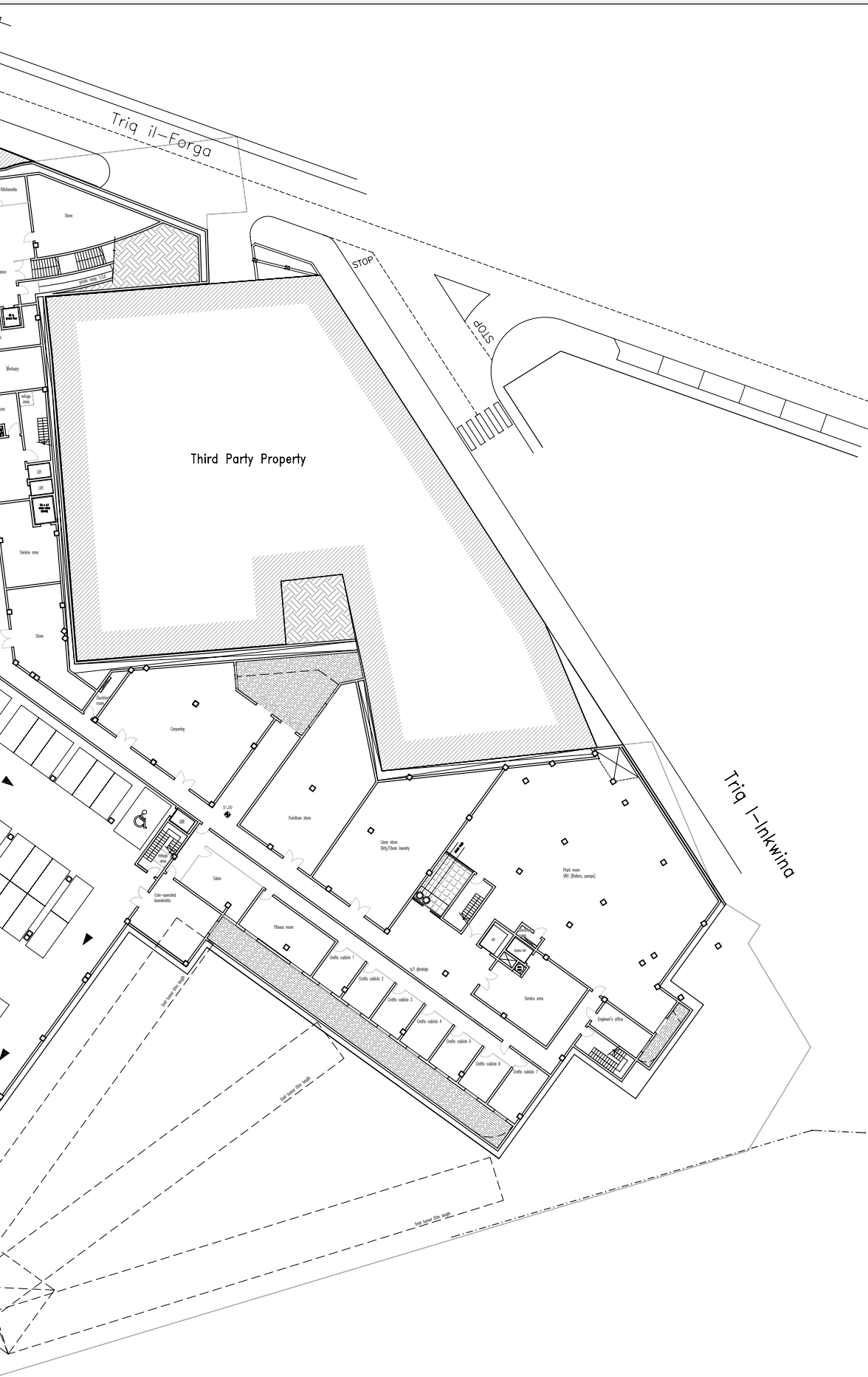
		Second Floor			Total
Single Occupancy Studio	SOS	0	0	0	0
Double Occupancy Studio	DOS	23	1	1	25
Quadruple Occupancy Studio	QOS	2	0	0	2
1-Bedroom Apartment	OBA	2	16	20	38
2-Bedroom Apartment	TBA	0	4	1	5

		Penthouse			Total
Single Occupancy Studio	SOS	16	0	0	16
Double Occupancy Studio	DOS	9	2	2	13
Quadruple Occupancy Studio	QOS	1	0	0	1
1-Bedroom Apartment	OBA	0	13	16	29
2-Bedroom Apartment	TBA	0	4	1	5

Total	104	72	70
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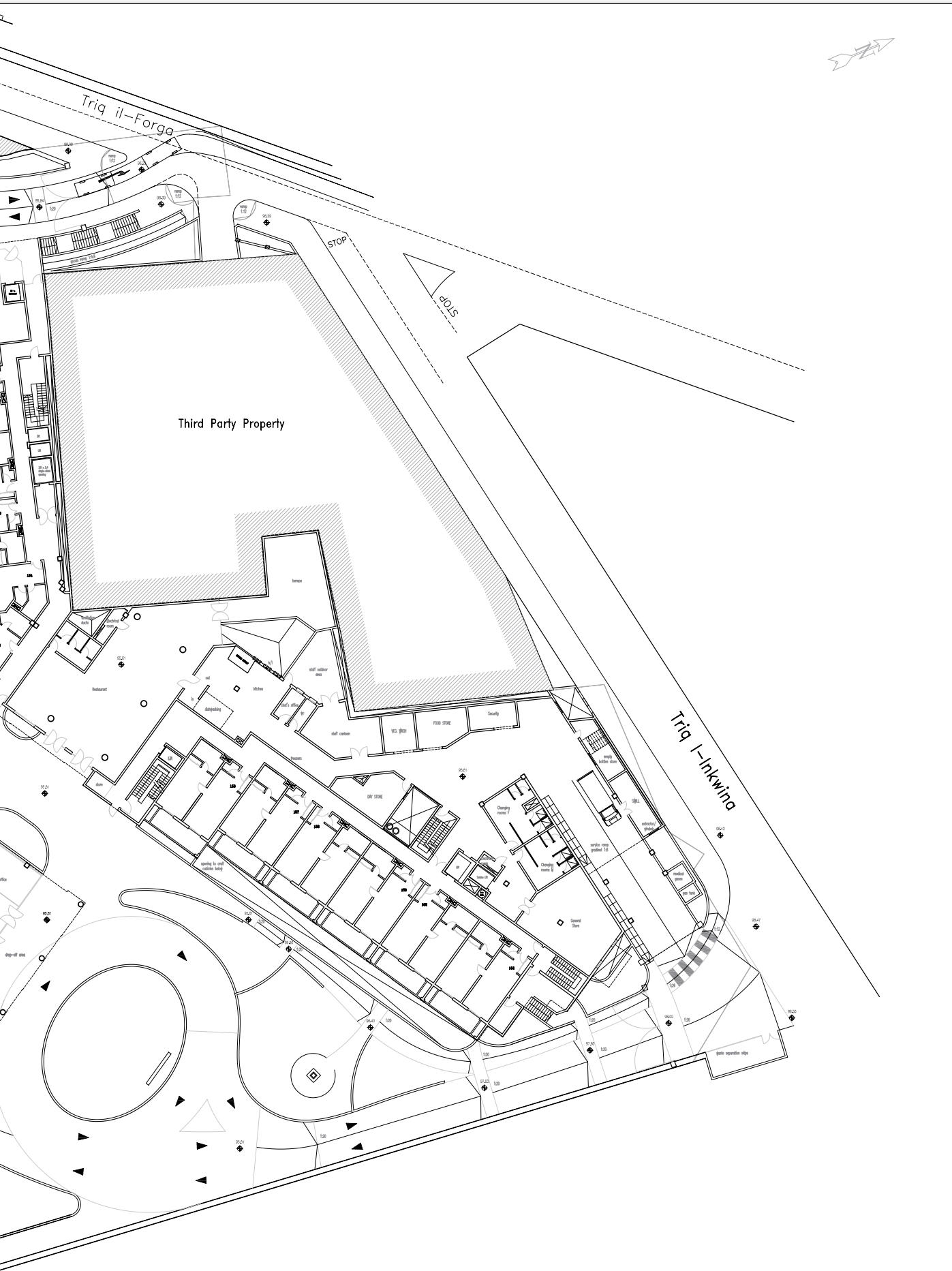
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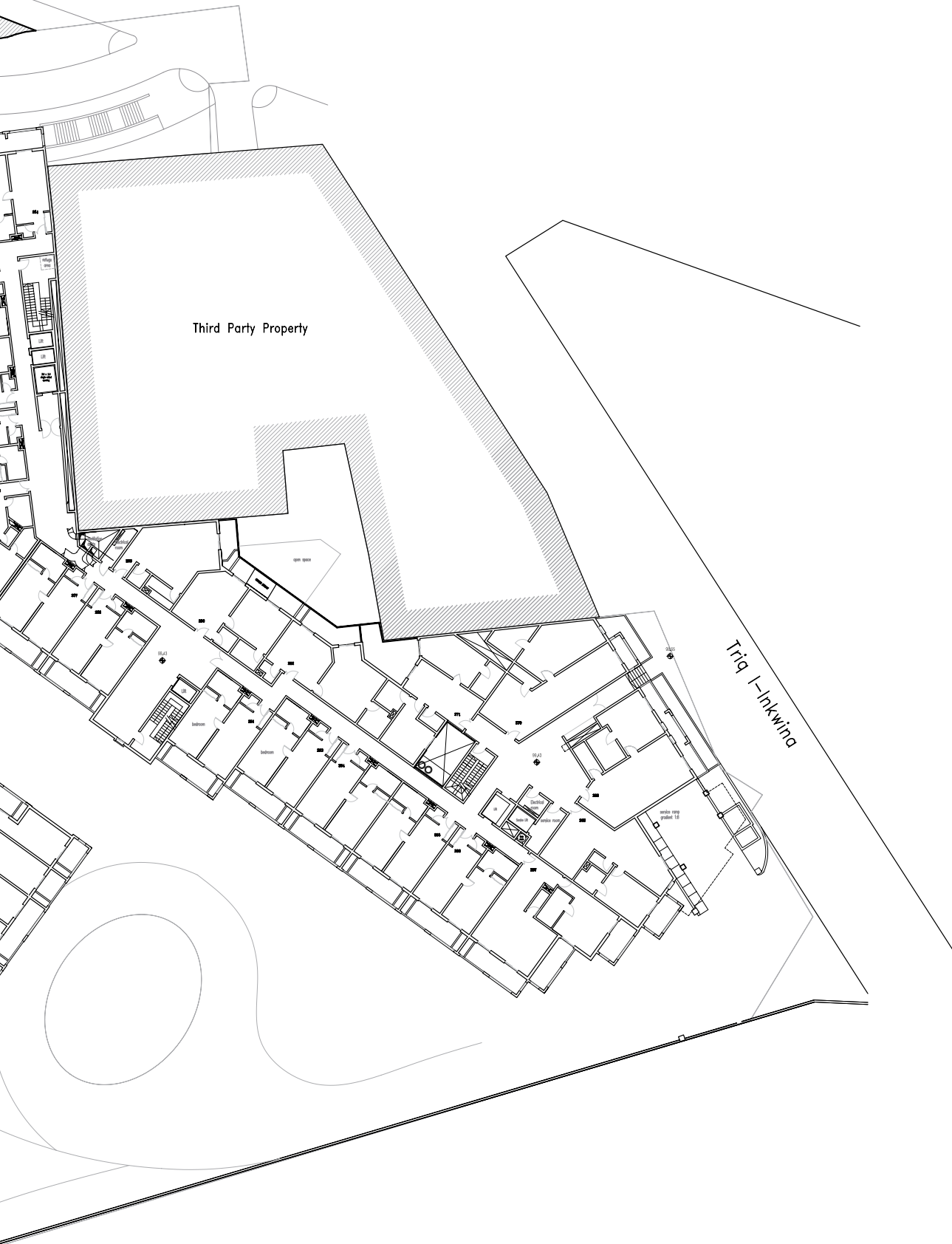
<ul style="list-style-type: none"> The drawing not to be SCALED OFF. All dimensions have to be CHECKED & VERIFIED on site. Any differences have to be referred back to the job architect. The drawing must be read in conjunction with all other drawings forming part of the project. The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It shall not be reproduced, copied, written in part, or disclosed to any third party without the written consent of Mangion, Mangion & Partners. 				2011/11 1/200 D.M.Gemouli 40		1100 Basement General Layout Plan 40		1100 mangion mangion & partners <small>REGISTERED ENGINEERS & ARCHITECTS</small> <small>14, CHERRY GARDENS, CHERRY GROVE, ST. JULIANS, MALTA</small>	
REV	DESCRIPTION	DATE	DRW	CHKD	DATE	JOB NO.	DATE	CDS	ISSUE NO.
-	-	-	-	-	-	91063	CS	111	-





<ul style="list-style-type: none"> The drawings not to be SCALED OFF. All dimensions have to be CHECKED & VERIFIED on site. Any differences have to be related back to the job contract. The drawing must be read in conjunction with all other drawings forming part of the project. The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It shall not be reproduced, copied, modified, in part or disclosed to any third party without the written consent of Mangion, Mangion & Partners. 		DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT: Villetta Gardens - Retirement Village DRAWING TITLE: Ground Floor General Layout Plan DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40	PROJECT NO: 91063 DATE: 11/03/13 DRAWN BY: D.M. Genouad CHECKED BY: D.M. Genouad SCALE: 1:200 SHEET NO: 40
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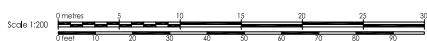
- The drawings not to be SCALED OFF.
- All dimensions have to be CHECKED & VERIFIED on site.
- Any differences have to be referred back to the job architect.
- The drawing must be read in conjunction with all other drawings forming part of the project.
- The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It shall not be reproduced, copied, written in part, or disclosed to any third party without the written consent of Mangion, Mangion & Partners.

REV	DESCRIPTION	DATE	BY	CHKD
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-

PROJECT:	Wipe Gardens - Retirement Village
DRAWING NO.:	Ground Floor General Layout Plan
SCALE:	1:200
DRAWN BY:	D.M. Genoud
CHECKED BY:	AD
DATE:	2013
JOB NO.:	91063
DATE:	November 2013
CODE:	CS
WORKING NO.:	113

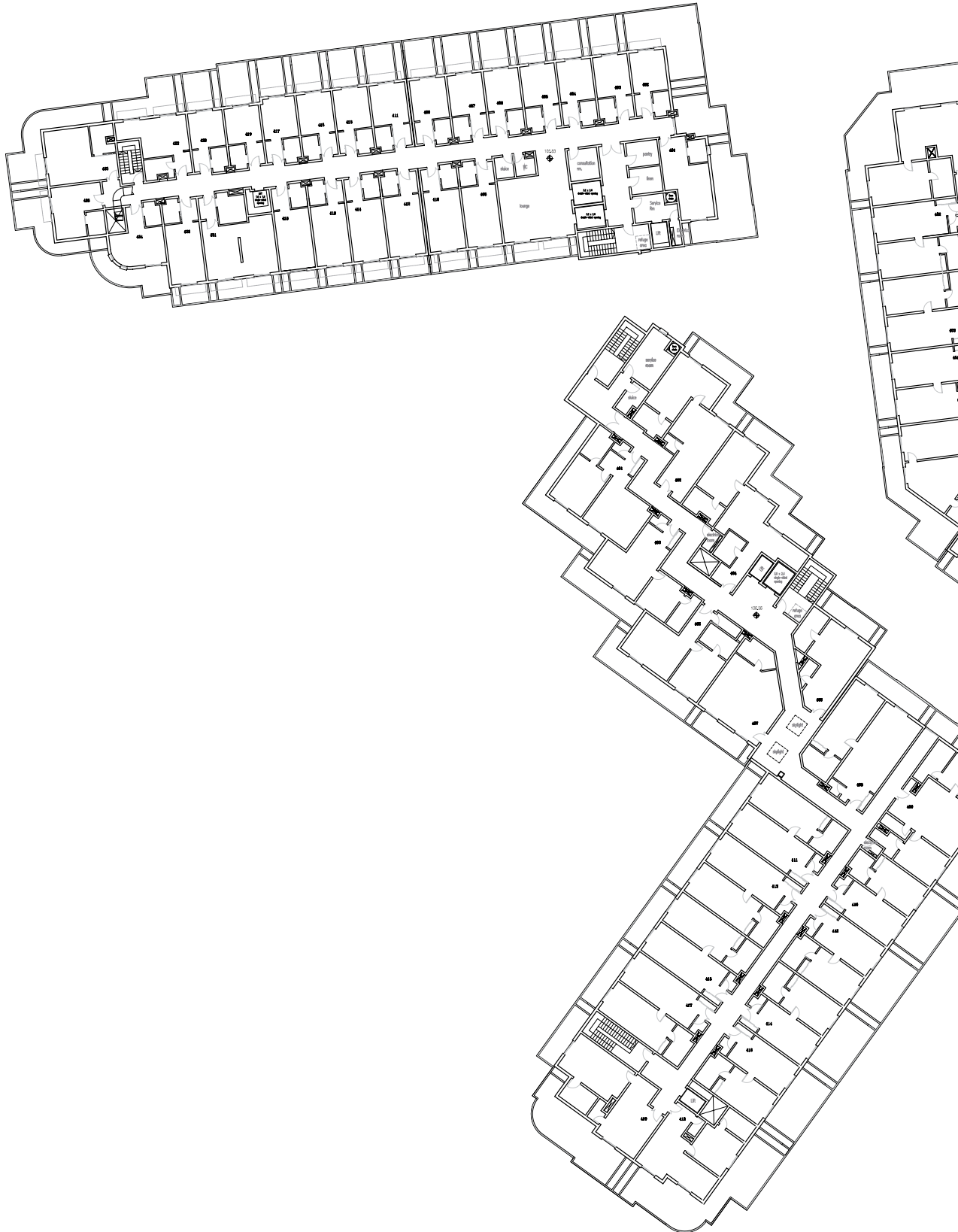
architects, engineers & planning consultants
mangion mangion & partners
14 CHATELAIN DRIVE, SUITE 101/102, WILLOWDALE, QUEENSLAND
TEL: 07 555 3333 FAX: 07 555 3334
WWW.MANGION.COM.AU

Third Party Property



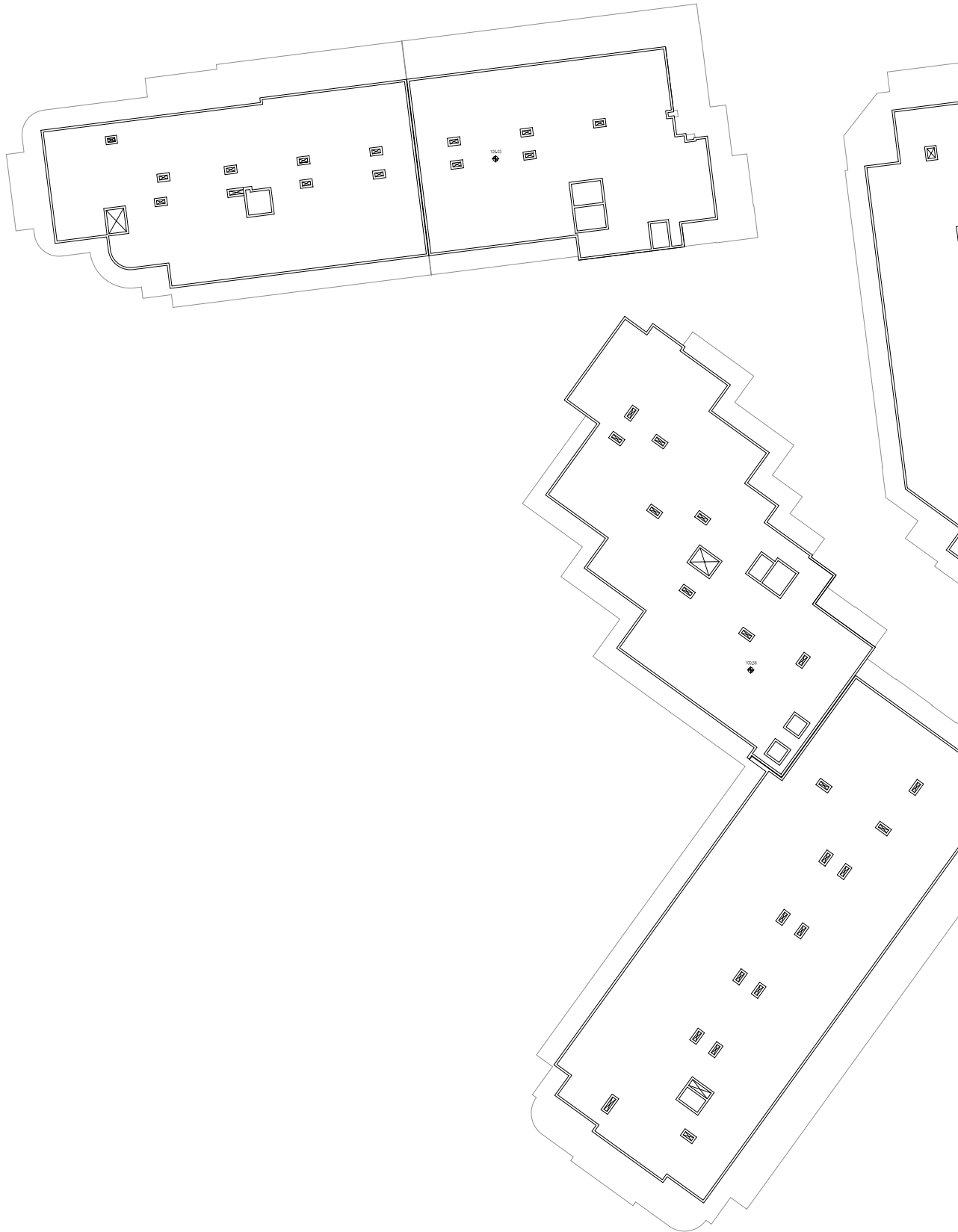


<ul style="list-style-type: none"> The drawings not to be SCALED OFF. All dimensions have to be CHECKED & VERIFIED on site. Any differences have to be referred back to the job architect. The drawing must be read in conjunction with all other drawings forming part of the project. The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It shall not be reproduced, copied, in part, or disclosed to any third party without the written consent of Mangion, Mangion & Partners. 		2011:11 1:200 Date: 2011-11-01 Scale: 1:200 Date: 2011-11-01	1100p Gardens - Retirement Village Ground Floor General Layout Plan Drawn by: D.M. Gormond Job No: 91063 Date: 2011-11-01	Sheet No: 40 Date: 2011-11-01 Job No: 91063 Date: 2011-11-01	mmp mangion mangion & partners architects, engineers & planning consultants 14 GARDEN STREET, SUITE 201, GARDEN STREET, MELBOURNE VIC 3000 Phone: (03) 9412 1234 Fax: (03) 9412 1235 Email: info@mangion.com.au Website: www.mangion.com.au
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<ul style="list-style-type: none"> The drawings not to be SCALED OFF. All dimensions have to be CHECKED & VERIFIED on site. Any differences have to be referred back to the job architect. The drawing must be read in conjunction with all other drawings forming part of the project. The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It should not be reproduced, copied, written in part, or disclosed to any third party without the written consent of Mangion, Mangion & Partners. 	REV	DESCRIPTION	DATE	BY	DATE	NO	DATE	NO	DATE	NO	DATE	NO	DATE	NO	DATE	NO	DATE	NO
Project Name: White Gardens - Retirement Village Drawing Title: Ground Floor General Layout Plan Scale: 1:200 Drawn By: D.M. Gormaul Checked By: J.D. Date: 08/11/2013 Job No: 91063 Code: CS Drawing No: 115													architects, engineers & planning consultants mangion mangion & partners <small>INCORPORATED IN THE REPUBLIC OF IRELAND 14, CHARLES STREET, DUBLIN 1, DUBLIN, IRELAND</small>					





<ul style="list-style-type: none"> The drawing is not to be SCALED OFF. All dimensions have to be CHECKED & VERIFIED on site. Any differences have to be referred back to the job architect. The drawing must be read in conjunction with all other drawings forming part of the project. The drawing is the sole property and design of Mangion, Mangion & Partners. It is issued in confidence and must not be used for any purpose other than that for which it is issued. It should not be reproduced, stored or in part or disclosed to any third party without the written consent of Mangion, Mangion & Partners. 	REV	DESCRIPTION	DATE	BY	DATE	PROJECT	DATE	COMPLETION	DATE	SR#	1163	CODE	CS	DRAWING NO.	116	REV.	..
Project: Hill of Gardens Retirement Village Drawing: Ground Floor General Layout Plan Scale: 1/200 Drawn by: D.M. GANJION Check: A.D. Date: 08/11/2013 Date: 11/2013 Date: 11/2013 Date: 11/2013												architects, engineers & planning consultants mangion mangion & partners <small>44 SOUTH BRIDGE ROAD, SUITE 201, SINGAPORE 059120</small>					



A WTOR TA TA' L I P P J A N A R
PLANNING AUTHORITY

To: Mr Angelo Xudros
A X House
Mosta Road
Lija
BZN 09

Date: 10 April, 2000
Our Ref: PA 01796/93

Application Number: PA 01796/93
Application Type: Outline development permission
Date Received: 28 June, 1993
Approved
Documents : PA 1796/93/1F as per Planning Appeals Board decision dated 17 January 2000.

Location: Site at Trig Il-Forga, Naaxar
Proposal: Residential complex for old people

Development Planning Act 1992 Section 33
Outline Development Permission

The Planning Authority hereby grants development permission in accordance with the application and plans described above, subject to the following conditions:

1. No work shall commence on site until full development permission has been granted for the development. The following reserved matters still require approval by the Planning Authority as part of a full development permit application:

design;
external appearance of the proposed building;
means of access; and landscaping of the site;
landscaping of the site;

Details of these reserved matters should be submitted for the approval of the Planning Authority within three years of the date of this permission, that is by 10 April 2003.
2. The Full Development Application must include adequate areas for open spaces and/or recreational areas.
3. The height limitation in the Full Development Application must conform with the adjacent buildings.
4. This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this

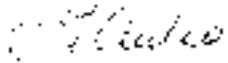
PA 01796/93

Awtoritàà l-ippjanar, Pjazza 201, Baxx 200, Valletta CMR 01, Malta
<http://www.pamta.gov.mt> e-mail: enquiries@pamta.gov.mt
Tel: +356 2460124 Fax: +356 2246646

Copy of Original Decision Notice

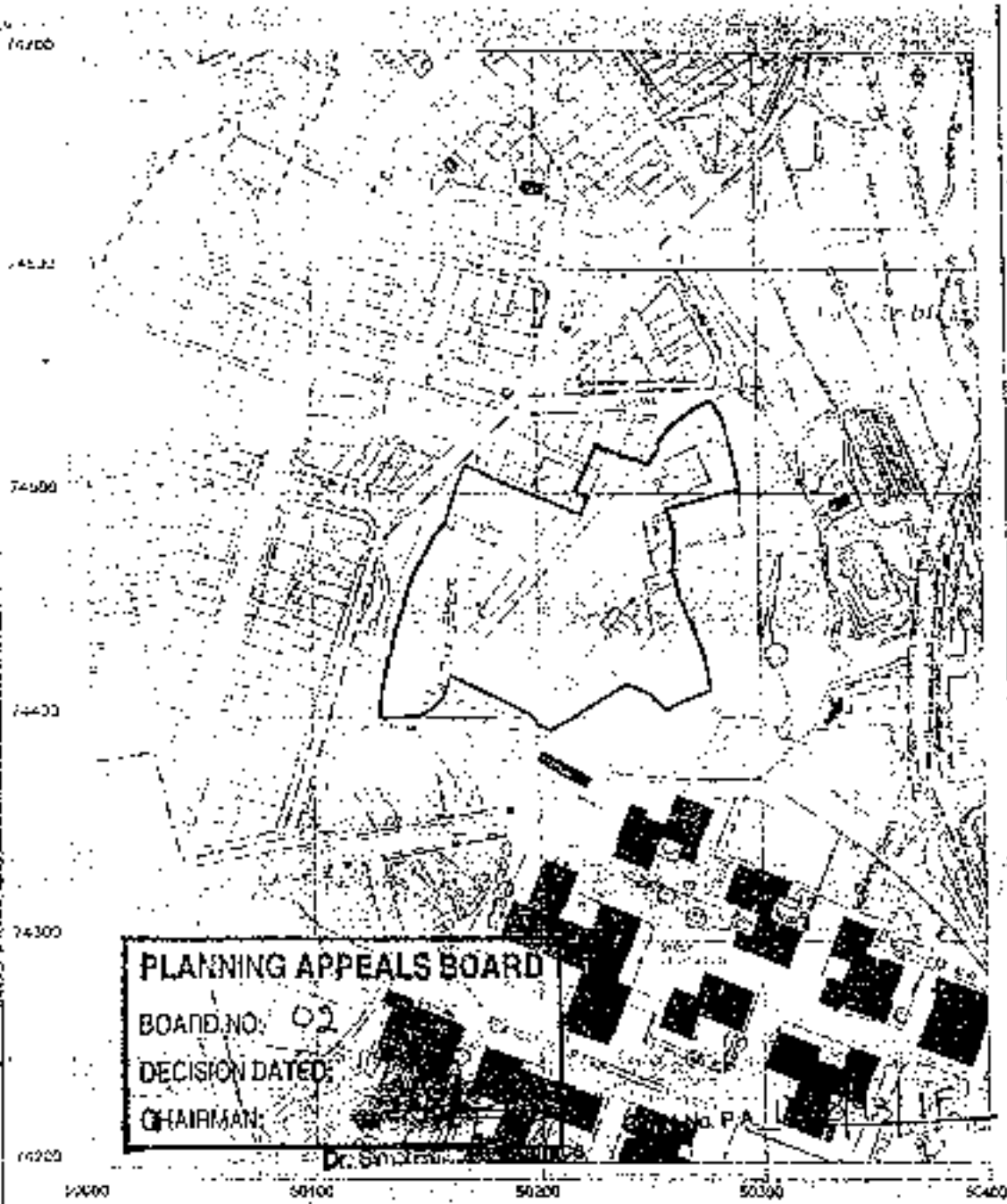
development from the Land and/or Estate Management Departments.

This Outline permit has been approved to us per Planning Appeals Board sitting
January, 2000 (PAB 865/98)



Frances Galea
A/Secretary
Development Control Commission

PAC:70045



PLANNING AUTHORITY

Development Application Site Plan

St. Francis Xavier
Folkestone
PO Box 730, Yellands
Tel: 240976 Fax: 224846



Application No. - **01798/1993** Location :-

Scale : 1:2500

Part of Survey Sheets: 500740 500745 500740 500745

Date :- 8/3/00

Copy of Original Decision Notice



Mr Angelo Xuereb
c/o A X Holdings
A X House
Mosta Road
Lija BZN 09

Date: 26 February 2013
Our Ref: PA/06878/02

Application Number:	PA/06878/02	
Application Type:	Full development permission	
Date Received:	28 November 2002	
Approved Documents:	Site Plan	PA 6678/02/160A
	Block plan	PA 6678/02/174a
	General site layout - Level 0	PA 6678/02/182c
	General site layout - Level 1	PA 6678/02/182d
	General site layout - Level 2	PA 6678/02/171d
	General site layout - Level 3	PA 6678/02/182e
	General site layout - Level 4	PA 6678/02/182f
	Nursing block - Level 0	PA 6678/02/182g
	Nursing block - Level 1	PA 6678/02/182h
	Nursing block - Level 2	PA 6678/02/132i
	Nursing block - Level 3	PA 6678/02/132m
	Nursing block - Level 4	PA 6678/02/132n
	Nursing block - Elevations	PA 6678/02/171v/171q
	Reception block - Level 1	PA 6678/02/171i
	Reception block - Level 2	PA 6678/02/171j
	Reception block - Level 3	PA 6678/02/171k
	Reception block - Level 4	PA 6678/02/182j
	Reception block - Elevations	PA 6678/02/171v/171s
	Restaurant block - Level 0	PA 6678/02/182l
	Restaurant block - Level 1	PA 6678/02/171h
	Restaurant block - Level 1	PA 6678/02/132q
	Restaurant block - Level 1	PA 6678/02/132r
	Restaurant block - Level 1	PA 6678/02/132s
	Restaurant block - Elevations	PA 6678/02/171p/171r
	Sections	PA 6678/02/171p/171o
	Sections	PA 6678/02/171n/171m

Supporting documents:

Department for Environmental Health	PA 6678/02/142
National Commission, Persons with Disability	PA 6678/02/165A
Landscaping Scheme	PA 6678/02/174b/174c
Fire Safety & Ventilation Report	PA 6678/02/151b/182s
Transport Malta	PA 6678/02/164
EncMalla	PA 6678/02/148

PA/06878/02

Print Date: 17/12/2013

NOVA FOTY KOMPANIJA I INZINIERI SUKONATI
LAWSONSON & MALTA DESIGN CONSULTANTS

10, GOSWAMI STRAITS, SUITE 101, TORRE
15, 11500, 2790 0000 - FAX: 01561 1120 2295
10, GOSWAMI STRAITS, SUITE 101, TORRE SUKONATI

Location
Proposal:

Area known as Ta' Simitġja, Naxxar outskirts, Tnq L-Inkwina, Naxxar
Construction of a village for the elderly

Environment and Development Planning Act, 2010
Full Development Permission

The Malta Environment & Planning Authority hereby grants development permission in accordance with the application and documents described above, subject to the following conditions:

- 1 The development which is the subject of this permission shall be used as a retirement home and for no other use notwithstanding the provisions of the Use Classes Order 1994, or any amendment or addition to this Order. The proposed development hereby approved shall be used solely as a retirement home and shall not be used for permanent residential occupation or any other use. No unit within this development may be issued with an individual compliance certificate by the Authority, nor may any such unit be individually serviced by a water or electricity meter by a national service provider.

The applicant shall enter into a public deed under the terms of Section 76 of the Environment Development Planning Act to ensure the compliance with the above mentioned conditions, and also that the development remains as a single business operation under one ownership, prohibiting the owner of the development from transferring or disposing under any title, onerous or gratuitous other than lease, any unit within the development, and that the development shall remain as a single business operation under one ownership.

- 2 This development permission is subject to a bank guarantee to the value of €100,000 (One Hundred Thousand Euro) to ensure that all conditions of this development permission are adhered to. The total amount of the guarantee shall be released to the applicant only after completion of the development hereby approved and upon confirmation by the Malta Environment and Planning Authority that the requirement of this condition has been complied with in full. If this condition is not complied with, then the total amount of the bank guarantee shall be forfeited. Forfeiture of the bank guarantee does not preclude the applicant from the obligation of conforming to the approved drawings and conditions contained in this permission.

- 3 A Construction Management Plan shall be submitted to MEPA for approval prior to commencement of works and shall show:
 - all construction access points;
 - storage areas for materials and plant; a construction programme, including details of the timing and phasing of the development, how demolition, excavation and development is to be carried out;
 - protection measures for retained buildings, structures and landscapes;
 - protection measures for the safety of pedestrians/vehicles;
 - the location of disposal sites for material from demolition and excavation, and the means and routing of transport to disposal sites;
 - traffic management scheme for the area affected by the development and the construction traffic.

PA/03678/02

Print Date: 17/12/2013

- 4 The landscaping scheme is being retained as a reserved matter, and a detailed landscaping scheme is to be submitted for the approval of MEPA. The landscaping scheme shall be submitted within 6 months from the date of publication of the decision in the press. No works shall commence prior to the approval of a landscaping scheme for the site.
- 5 The design and layout of the boundary wall are being retained as reserved matters, since the boundary wall may require shifting to allow for adequate screening through landscaping.
- 6 A culvert measuring 0.8m wide by 0.75m deep should however be prepared along the facade of the development in order that any overhead lines may be substituted by underground cables.
- 7
 - a) This development permission is valid for a period of FIVE YEARS from the date of publication of the decision in the press but will cease to be valid if the development is not completed by the end of this validity period.
 - b) This permission relates only to the development as specifically indicated on the approved drawings. This permission does not sanction any other illegal development that may exist on the site.
 - c) Copies of all approved drawings and documents shall be available for inspection on site by MEPA staff at all reasonable times. All works shall be carried out strictly in accordance with the approved drawings, documents and conditions of this permission. Where a matter is not specified, then the conditions of this permission and of Development Control Policy and Design Guidance shall take precedence and shall modify the drawings and documents accordingly.
 - d) Where applicable, all building works shall be erected in accordance with the official alignment and official/existing finished road levels as set out on site by MEPA's Land Surveyor. The Setting Out Request Notice must be submitted to the Land Survey Unit of MEPA when the setting out of the alignment and levels is required.
 - e) Where an officially schemed street, within the development zone, bordering the site is unopened or unformed it shall be opened up and brought up to its proper approved and official formation levels prior to the commencement of any development hereby being permitted.
 - f) Before any part of the development hereby permitted commences the enclosed green copy of this development permission shall be displayed on the site. This must be mounted on a notice board suitably protected from the weather and located not more than 2 metres above ground level at a point on the site boundary where it is clearly visible and can be easily read from the street. The copy of the permission must be maintained in a good condition and it shall remain displayed on the site until the works are complete.
 - g) The enclosed Commencement Notice shall be returned to MEPA so that it is received at least five days prior to the commencement of any works hereby permitted.
 - h) Where applicable, the development hereby permitted shall be carried out in accordance with the provisions of the Environmental Management Construction Site Regulations.

Legal Notice 295 of 2007 (or subsequent amendments). Any hoarding shall be erected in accordance with Schedule 2 of the same Regulations.

i) All new development shall be provided with a water cistern to store rainwater run-off from the built-up area of the development as required by the Code of Police Laws.

j) Where applicable, the ramp leading down to the underlying basement/garages for private car parking shall at no point be steeper than 1:5 from the back edge of the pavement. If there are more than 5 public car parking spaces or garages, the ramp shall not be steeper than 1:8 (or 1:10 if helical). The ramp shall always be so formed that it does not encroach onto the pavement.

k) Where applicable, an area of a depth of 4 metres from the pavement, with a gradient not steeper than 1:10, shall be provided within the site for vehicles to wait at pavement level before entering the street.

l) Where applicable, any garages/parking spaces shall only be used for the parking of private cars and they shall be kept available at all times for this purpose.

m) Where applicable, any approved stores shall be used for domestic storage only and shall be physically and internally linked to the overlying dwellings.

n) The height of the development shall not exceed the permitted number of floors and the height in metres as indicated on the approved drawings.

o) No steps, ramps or street furniture are to be constructed on or encroached onto the public pavement or road.

p) Any doors and windows, the lower edge of which is less than 2m above road level and any gates shall not open outwards onto a public pavement or road.

q) Where applicable, the garage door opening(s) at ground floor level, overlooking the public street shall be fitted with a solid aperture within the thickness of the external wall along the building alignment. This aperture shall be of the same colour of the other apertures on the elevation, unless otherwise indicated on the approved drawings. This aperture shall be fitted prior to the issue of any Compliance Certificate (partial or full) on the whole or any part of the development hereby approved. No gates are permitted on this opening.

r) Where present, window grilles (including 'pregnant' windows), sills, planters and other similar elements which are part of or fixed to the facade of buildings, the lower edge of which is less than 2 metres above road level, shall not project more than 0.5 metres from the facade over a public pavement or street.

s) Air conditioning units shall not be located on the facades of the building which are visible from a public space/street.

t) There shall be no service pipes, cables or wires visible on the front elevation or on any other elevations of the building which are visible from the street or public space.

8 a) Where provided, loading and unloading shall take place solely within the premises, and not from/on the public pavement or street.

PA/06678/02

Print Date: 17/12/2013

b) Unless shown on the approved drawings, no approval is hereby granted for the display of any sign or advertisement. These must form the subject of a separate application for advertisement consent.

c) No activity is to take place outside the premises, unless clearly indicated on the approved drawings, and no crates or other items are to be stored outside. The placing/installation of any structures or facilities in front of the premises, unless indicated on the approved drawings, must be the subject of a separate clearance/permission from MEPA.

d) Where external seating is provided:

- (i) all tables, chairs and any ancillary structures shall not be fixed to the ground (stone or concrete tables and chairs are not permitted);
- (ii) the canopies/umbrellas/ancillary structures are not permitted unless expressly indicated on the approved drawings;
- (iii) the external seating area shall be physically demarcated on the ground, prior to the occupation of such land;
- (iv) no other street furniture (such as planters and bollards) are permitted unless expressly indicated on the approved drawings;
- (v) the tables, chairs and any ancillary structures shall be removed from the site and stored internally when the premises are closed;
- (vi) any boundary barriers shall be removed from the site when the area is not occupied by the tables and chairs;
- (vii) if so required, the tables, chairs and any ancillary structures shall be removed without compensation rights to the applicant;
- (viii) the tables and chairs shall not obstruct the pedestrian flows on the pavement and only the areas indicated on the approved drawings shall be occupied.

9 The development hereby permitted shall be subject to Final Compliance (Completion) Certification verifying that the development has been carried out in full accordance with the approved drawings, documents and conditions imposed of permission. Prior to the issuing of the Final Compliance Certificate for this development, the applicant shall submit to MEPA:

(i) clearance from the National Commission for Persons with Disability verifying that the development fully satisfies the accessibility standards and/or any conditions imposed by the Commission in their Accessibility Audit report PA 6678/02/165A

(ii) certification from a qualified engineer confirming that the development fully satisfies the requirements specified in the Fire Safety and Ventilation Report PA 6678/02/151b/152b

Should a partial compliance certificate be requested, a Bank Guarantee of EUR 50,000 shall be imposed to ensure that the final Compliance (Completion) Certificate is obtained.

10 The conditions imposed and enforced by the Environmental Health Directorate are of document PA 6678/02/142. The architect/applicant are required to contact the Environmental Health Directorate, throughout all the construction phases of the development hereby approved, to ensure that the development is carried out in conformity with the conditions imposed by the Environmental Health Directorate.

PA/06678/02

Print Date: 17/12/2013

- 11 The conditions imposed and enforced by Transport Malta are at document PA 6678/02/164. The architect/applicant are required to contact Transport Malta, throughout all the construction phases of the development hereby approved, to ensure that the development is carried out in conformity with the conditions imposed by Transport Malta.
- 12 The conditions imposed and enforced by Enemalta are at document PA 6678/02/146. The architect/applicant are required to contact Enemalta throughout all the construction phases of the development hereby approved, to ensure that the development is carried out in conformity with the conditions imposed by Enemalta.

The execution and validity of this permission is suspended and no works as approved by the said development permission may commence before the lapse of the time period established in Article 41(2) of the Act. It shall remain so suspended until the Environment and Planning Review Tribunal appoints its first hearing in terms of Article 41(4) if, together with an appeal lodged against such permit, a request for a suspension of permit is also requested in terms of Article 41(3).

Where the approved drawings and/or documents are dimensioned, then the declared dimensions shall prevail over the actual size as depicted on the approved drawings and/or documents.

Developers are advised to check the invert level to the sewer main with the Water Services Corporation as they would have to make their own arrangements where a gravity service connection is not possible. In these cases, the architect has to indicate the solutions envisaged and to indicate on the plan what needs to be carried out and obtain approval from WSC. Developers are further reminded that connection of storm water into main sewers is not allowed.

If the declaration of ownership as contained in the application form, is determined as incorrect by a Court of Law, then the said Court of Law can declare this development permission as null and void. This development permission does not remove or replace the need to obtain the consent of the land/building owner to this development before it is carried out. Furthermore, it does not imply that consent will necessarily be forthcoming nor does it bind the land/building owner to agree to this development. Where the land/building is owned or administered by the Government of Malta a specific clearance and agreement must be obtained for this development from the Land and/or Estate Management Departments.

This development permission is granted saving third party rights. This permission does not exonerate the applicant from obtaining any other necessary permission, license, clearance or approval required from any Government department, local council, agency or authority (including MEPA), as required by any law or regulation.

This development permit does not authorise any storage of substances listed in Occupational Health and Safety Authority Act (Cap. 424) - Control of Major Accident Hazards Regulations 2003, as amended, in quantities that would render this site an establishment within scope of those regulations. The storage and handling of said substances may require a new or amended development permission in line with current policies and regulations.

For any non-residential uses hereby being approved, prior to commencement of any works on site or any eventual permitted change of use, the applicant shall be required to contact the Environment Protection Directorate (within MEPA) to obtain any necessary operational permit or registration. This requirement does not apply to Class 4, 5, 7 and 8 uses as listed in the Development Planning (Use Classes) Order (1994), or its subsequent amendments.

PA/06676/02

Print Date: 17/12/2013

This decision is being published on 2 March 2013.

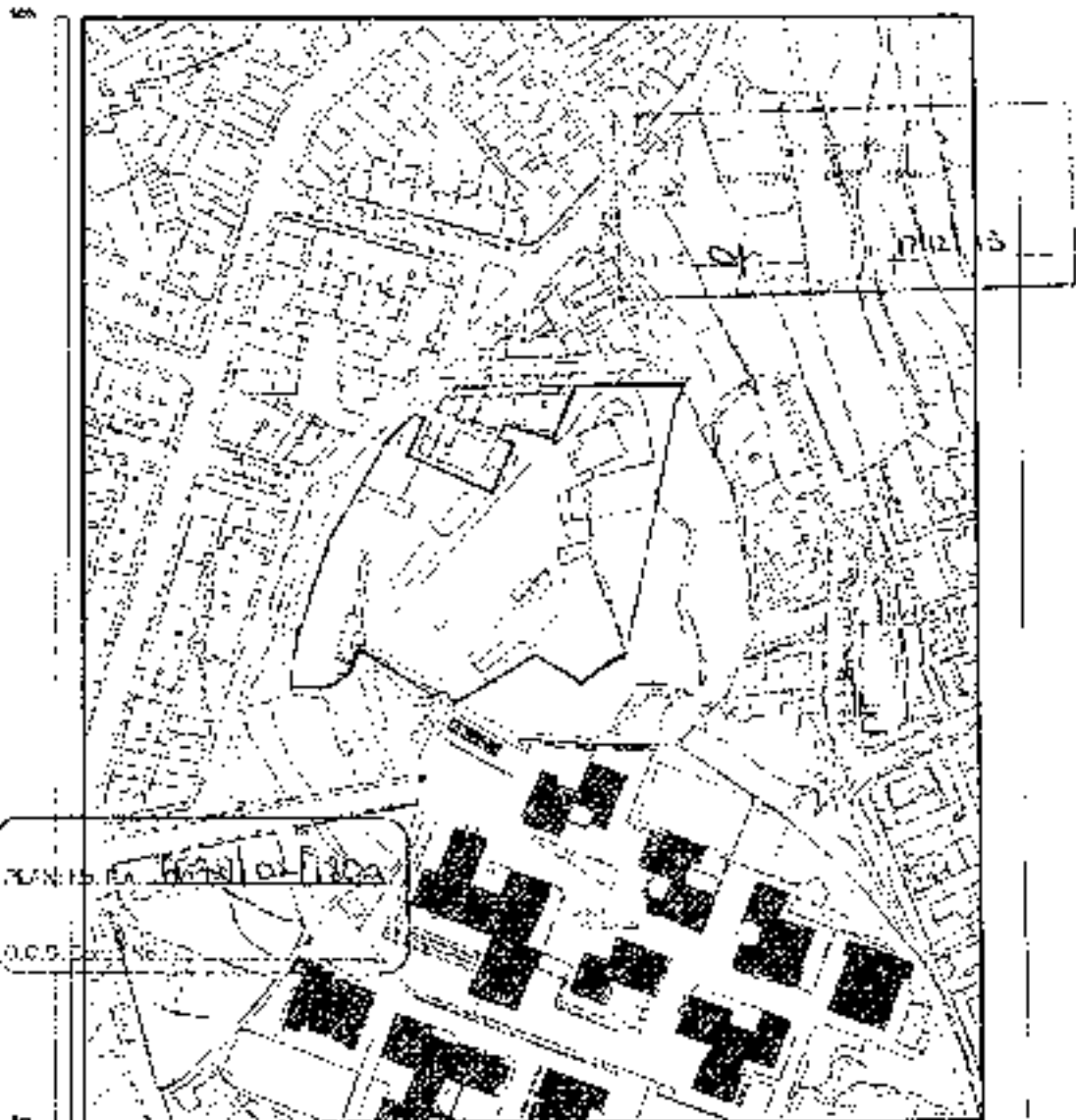


David Cassar
Board Secretary
MEPA

~~(A0000000)~~

PA/06678/02

Print Date: 17/12/2013



PLAN: 15. EA. 17/12/13
O.C.D. 15. EA. 17/12/13

Min. Easting = 56025.3, Min. Northing = 74501.83, Max. Easting = 60433.28, Max. Northing = 74728.51

27 AUG 2012

MEPA

MEPA Environmental Planning
100 Rue de la Courbe, 1000
Tel: +32 24906100 Fax: +32 24906101

Site Plan, Scale 1:2500. Revision Tuesday, January 22, 2013
Not to be used for interpretation of scaling of sphere alignments

Copyright © 2012. All rights reserved.

www.mepa.be

MANGION MANGION

MANGION MANGION
100 Rue de la Courbe, 1000
Avenue de la Courbe, 1000
100 Rue de la Courbe, 1000
Tel: +32 24906100 Fax: +32 24906101

Notes to Applicant and Permit

Right for reconsideration

Where applicable, you have a right to submit a request for reconsideration to the Authority in terms of regulation 10 of Legal Notice 514 of 2010.

Right for appeal

You have a right to submit an appeal, against the decision, to the Environment and Planning Review Tribunal in terms of article 41 and the Second Schedule of the Environment and Development Planning Act, 2010.

Time limits

Requests for reconsideration or appeals must be made within 30 days from the publication of the decision notification in the local press as required by regulation 8(8) of Legal Notice 514 of 2010.

Fees to submit a request for reconsideration or appeal

In either case, there is a fee to be paid which should accompany the request for reconsideration or the appeal. The fees are as follows:

For reconsideration - 3% of the Development Permit Fee paid in respect of the original application, subject to a minimum of €69.35

For appeal - 5% of the Development Permit Fee paid in respect of the original application, subject to a minimum of €186.35

Submission of request for reconsideration or appeal

With regards to requests for reconsideration, Form MEPA 6/10 must be used for submission. All fields of the Form must be filled in as appropriate. Requests for reconsideration can only be submitted electronically.

With regards to appeals, as required by the Second Schedule of the Act, the submission must include the detailed grounds for appeal and the requests being made by the appellant. Appeals must be submitted physically at the offices of the Environment and Planning Review Tribunal, St. Francis Ditch, Floriana.

Submission of an appeal — General Services Board

If this application has been refused on sanitary issues, an appeal to the General Services Board may be submitted within one month from publication of Decision Notification on the press.

SECURITIES NOTE

This document is a Securities Note issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, as amended by Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012, Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013. This Securities Note is issued pursuant to the requirements of Listing Rule 4.14 of the Listing Rules and contains information about the Bonds being issued by AX Investments p.l.c. Application has been made for the admission to listing and trading of the Bonds on the Official List of the MSE. This Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about the Issuer.

dated 3 February 2014

SECURITIES NOTE

in respect of an Issue of €40,000,000 6% Bonds 2024
of a nominal value of €100 per Bond issued at par by

AX INVESTMENTS P.L.C.

(a public limited liability company registered under the laws of Malta
with company registration number C 27586)

with the joint and several Guarantee* of

AX HOLDINGS LIMITED

(a private limited liability company registered under the laws of Malta
with company registration number C 3595)

***Prospective investors should refer to the Guarantee contained in Annex III of this Securities Note for a description of the scope, nature and term of the Guarantee. Reference should be made to the sections entitled "Risk Factors" contained in the Registration Document and this Securities Note for a discussion of certain factors which should be considered by prospective investors in connection with the Bonds and the Guarantee provided by AX Holdings Limited.**

ISIN:- MT0000081233

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Sponsor

CHARTS
WEALTH MANAGEMENT • CORPORATE BROKING

Manager and Registrar

BOV
Bank of Valletta

THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THESE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE SAID INSTRUMENTS ARE IN COMPLIANCE WITH THE REQUIREMENTS AND CONDITIONS SET OUT IN THE LISTING RULES. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENT AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENT.

THE LISTING AUTHORITY ACCEPTS NO RESPONSIBILITY FOR THE CONTENTS OF THE PROSPECTUS, MAKES NO REPRESENTATIONS AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIMS ANY LIABILITY WHATSOEVER FOR ANY LOSS HOWEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THESE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS. A PROSPECTIVE INVESTOR SHOULD BE AWARE OF THE POTENTIAL RISKS IN INVESTING IN THE SECURITIES OF AN ISSUER AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISOR.

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION ON AN ISSUE BY AX INVESTMENTS PLC (THE “ISSUER”) OF €40,000,000 BONDS 2024 OF A NOMINAL VALUE OF €100, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 6% PER ANNUM, PAYABLE ANNUALLY ON 6 MARCH OF EACH YEAR. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION.

THIS SECURITIES NOTE CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE REGISTRATION DOCUMENT ISSUED BY THE ISSUER.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS TO ISSUE ANY ADVERTISEMENT OR TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS IN CONNECTION WITH THE SALE OF BONDS OF THE ISSUER OTHER THAN THOSE CONTAINED IN THE PROSPECTUS AND IN THE DOCUMENTS REFERRED TO HEREIN, AND IF GIVEN OR MADE, SUCH INFORMATION OR REPRESENTATIONS MUST NOT BE RELIED UPON AS HAVING BEEN AUTHORISED BY THE ISSUER OR ITS DIRECTORS OR ADVISORS.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR BONDS BY ANY PERSON IN ANY JURISDICTION (I) IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR (II) IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO OR (III) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION.

IT IS THE RESPONSIBILITY OF ANY PERSONS IN POSSESSION OF THIS DOCUMENT AND ANY PERSONS WISHING TO APPLY FOR ANY BONDS ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE APPLICANTS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE ISSUER SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH BONDS AND ANY APPLICABLE EXCHANGE CONTROL REQUIREMENTS AND TAXES IN THE COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE ISSUE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE BONDS OR THE DISTRIBUTION OF THE PROSPECTUS (OR ANY PART THEREOF) OR ANY OFFERING MATERIAL IN ANY COUNTRY OR JURISDICTION WHERE ACTION FOR THAT PURPOSE IS REQUIRED. IN RELATION TO EACH MEMBER STATE OF THE EUROPEAN ECONOMIC AREA (OTHER THAN MALTA) WHICH HAS IMPLEMENTED DIRECTIVE 2003/71/EC OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL OF 4 NOVEMBER 2003 ON THE PROSPECTUS TO BE PUBLISHED WHEN SECURITIES ARE OFFERED TO THE PUBLIC OR ADMITTED TO TRADING OR WHICH, PENDING SUCH IMPLEMENTATION, APPLIES ARTICLE 3.2 OF SAID DIRECTIVE, THE BONDS CAN ONLY BE OFFERED TO “QUALIFIED INVESTORS” (AS DEFINED IN SAID DIRECTIVE) AS WELL AS IN ANY OTHER CIRCUMSTANCES WHICH DO NOT REQUIRE THE PUBLICATION BY THE ISSUER OF A PROSPECTUS PURSUANT TO ARTICLE 3 OF SAID DIRECTIVE.

THE BONDS HAVE NOT BEEN NOR WILL THEY BE REGISTERED UNDER THE UNITED STATES SECURITIES ACT, 1933 AS AMENDED, OR UNDER ANY FEDERAL OR STATE SECURITIES LAW AND MAY NOT BE OFFERED, SOLD OR OTHERWISE TRANSFERRED, DIRECTLY OR INDIRECTLY, IN THE UNITED STATES OF AMERICA, ITS TERRITORIES OR POSSESSIONS, OR ANY AREA SUBJECT TO ITS JURISDICTION (THE “U.S.”) OR TO OR FOR THE BENEFIT OF, DIRECTLY OR INDIRECTLY, ANY U.S. PERSON (AS DEFINED IN REGULATION “S” OF THE SAID ACT). FURTHERMORE THE ISSUER WILL NOT BE REGISTERED UNDER THE UNITED STATES INVESTMENT COMPANY ACT, 1940 AS AMENDED AND INVESTORS WILL NOT BE ENTITLED TO THE BENEFITS SET OUT THEREIN.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES AND TO THE MSE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES IN ACCORDANCE WITH THE ACT.

STATEMENTS MADE IN THE PROSPECTUS ARE, EXCEPT WHERE OTHERWISE STATED, BASED ON THE LAW AND PRACTICE CURRENTLY IN FORCE IN MALTA AND ARE SUBJECT TO CHANGES THEREIN.

THE CONTENTS OF THE ISSUER’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE ISSUER’S WEBSITE DO NOT FORM PART OF THE PROSPECTUS. ACCORDINGLY NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE BONDS.

ALL THE ADVISORS TO THE ISSUER NAMED IN THE PROSPECTUS UNDER THE HEADING “IDENTITY OF DIRECTORS, SENIOR MANAGEMENT, ADVISORS AND AUDITORS OF THE ISSUER AND THE GUARANTOR” UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS ISSUE AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER ALL THE INFORMATION CONTAINED IN THE PROSPECTUS AS A WHOLE AND SHOULD CONSULT THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS.

1. DEFINITIONS

Words and expressions and capitalised terms used in this Securities Note shall, except where the context otherwise requires and except where otherwise defined herein, bear the same meaning as the meaning given to such words, expressed and capitalised terms as indicated in the Registration Document forming part of the Prospectus. Additionally, the following words and expressions as used in this Securities Note shall bear the following meanings whenever such words and expressions are used in their capitalised form, except where the context otherwise requires:

Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for Bonds made by an Applicant/s by completing an Application Form/s and delivering same to the Registrar or to any of the Authorised Financial Intermediaries;
Application Forms	the forms of application of subscription for Bonds, specimens of which are contained in Annex II of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Securities Note;
AX Group or Group	AX Holdings Limited, a company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta, and any company or entity in which AX Holdings Limited has a controlling interest. For the avoidance of doubt, any reference in this Securities Note to the Group shall include both the Issuer and the Guarantor;
AX Group Employees	employees and directors of any company forming part of the AX Group as at the Cut-Off Date;
Bond(s)	the €40,000,000 bonds due 2024 of a face value of €100 per bond redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds;
Bond Issue Price	the price of €100 per Bond;
Business Day	any day between Monday and Friday (both days included) on which commercial banks in Malta settle payments and are open for normal banking business;
Company, AXI or Issuer	AX Investments p.l.c., a company registered under the laws of Malta with company registration number C 27586 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
CSD	the Central Securities Depository of the Malta Stock Exchange established pursuant to Chapter 4 of the Malta Stock Exchange Bye-Laws, having its address at Garrison Chapel, Castille Place, Valletta, VLT 1063;
Cut-Off Date	close of business of 3 February 2014;
Exchange, Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the Laws of Malta), having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta, and bearing company registration number C 42525;
Existing Bondholder	a holder of Maturing Bonds as at the Cut-Off Date;
Guarantee	the joint and several suretyship of the Guarantor undertaking to effect payment of interest and capital repayments of any amount due by the Issuer to any Bondholder and which remain unpaid by the Issuer after 60 days of the due date for payment thereof. A copy of the Guarantee and a description of the nature, scope and terms of the Guarantee are appended to this Securities Note as Annex III;
Guarantor or AXH	AX Holdings Limited, the parent company of the AX Group, a company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Interest Payment Date	6 March of each year between and including each of the years 2015 and the year 2024, provided that if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Issue Date	17 March 2014;
Listing Authority	the MFSA, appointed as Listing Authority for the purposes of the Financial Markets Act (Cap. 345 of the Laws of Malta);
Issue Period	the period between 24 February 2014 to 28 February 2014 during which the Bonds are on offer;
Listing Rules	the listing rules of the Listing Authority;
Maturing Bonds	the Series I 6.7% bonds due to mature on 16 December 2016 or, at the Issuer's option, on either 15 December 2014 or 15 December 2015, amounting as at the Cut-Off Date to €11,647,819, issued by the Issuer, under the joint and several guarantee of the Guarantor pursuant to a prospectus dated 28 November 2006;
Official List	the list prepared and published by the Malta Stock Exchange as its official list in accordance with the Malta Stock Exchange Bye-Laws;
Placement Offer	shall have the meaning set out in Section 7.7 of this Securities Note;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note;

Redemption Date	6 March 2024;
Redemption Value	the nominal value of each Bond (€100 per Bond);
Registration Document	the registration document issued by the Issuer dated 3 February 2014, forming part of the Prospectus;
Regulation	Commission Regulation (EC) No. 809/2004 of 29 April 2004 implementing Directive 2003/71/EC of the European Parliament and of the Council as regards information contained in a prospectus and dissemination of advertisements, as amended by: Commission Delegated Regulation (EU) No. 486/2012 of 30 March 2012 amending Regulation (EC) No. 809/2004 as regards the format and the content of the prospectus, the base prospectus, the summary and the final terms and as regards the disclosure requirements; Commission Delegated Regulation (EU) No. 862/2012 of 4 June 2012 amending Regulation (EC) No. 809/2004 as regards information on the consent to use of the prospectus, information on underlying indexes and the requirement for a report prepared by independent accountants or auditors; and Commission Delegated Regulation (EU) No. 759/2013 of 30 April 2013 amending Regulation (EC) No. 809/2004 as regards the disclosure requirements for convertible and exchangeable debt securities;
Securities Note	this document in its entirety;
Sponsor	Charts Investment Management Service Limited, an authorised financial intermediary licensed by the MFSA and a Member of the MSE;
Subscription Agreement	an agreement between the Issuer, the Registrar and an Authorised Financial Intermediary to subscribe for Bonds;
Summary Note	the summary note issued by the Issuer dated 3 February 2014, forming part of the Prospectus;
Terms and Conditions	the terms and conditions of the Bond Issue as contained in Section 7 of this Securities Note.

2. RISK FACTORS

2.1 General

THE VALUE OF INVESTMENTS CAN GO UP OR DOWN AND PAST PERFORMANCE IS NOT NECESSARILY INDICATIVE OF FUTURE PERFORMANCE.

THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL UPON MATURITY ON THE REDEMPTION DATE UNLESS THE BONDS ARE PREVIOUSLY RE-PURCHASED AND CANCELLED.

AN INVESTMENT IN THE BONDS INVOLVES CERTAIN RISKS INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISORS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE SEQUENCE IN WHICH THE RISKS BELOW ARE LISTED IS NOT INTENDED TO BE INDICATIVE OF ANY ORDER OF PRIORITY OR OF THE EXTENT OF THEIR CONSEQUENCES.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE BONDS: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION OR (II) SHOULD BE CONSIDERED AS A RECOMMENDATION BY THE ISSUER OR THE SPONSOR OR AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE OR ANY OTHER PART OF THE PROSPECTUS OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY BONDS, SHOULD PURCHASE ANY BONDS.

ACCORDINGLY PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT.

2.2 Forward looking statements

This Securities Note contains “forward looking statements” which include, among others, statements concerning matters that are not historical facts and which may involve projections of future circumstances. These forward looking statements are subject to a number of risks, uncertainties and assumptions and important factors that could cause actual risks to differ materially from the expectations of the Issuer’s Directors. No assurance is given that the future results or expectations will be achieved.

2.3 Risks relating to the Bonds

- The existence of an orderly and liquid market for the Bonds depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Issuer's Bonds at any given time and the general economic conditions in the market in which the Bonds are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Issuer has no control. Accordingly, there can be no assurance that an active secondary market for the Bonds will develop, or, if it develops, that it will continue. Furthermore, there can be no assurance that an investor will be able to sell or otherwise trade in the Bonds at or above the Bond Issue Price or at all.
- Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.
- A Bondholder will bear the risk of any fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause (Section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer and of the Guarantor, as the case may be, for so long as such security interests remain in effect.
- No prediction can be made about the effect which any future public offerings of the Issuer's securities, or any takeover or merger activity involving the Issuer, will have on the market price of the Bonds prevailing from time to time.
- In the event that the Issuer wishes to amend any of the Terms and Conditions of Issue of the Bond it shall call a meeting of Bondholders in accordance with the provisions of Section 5.13 of this Securities Note. These provisions permit defined majorities to bind all Bondholders including Bondholders who did not attend and vote at the relevant meeting and Bondholders who voted in a manner contrary to the majority.
- Repayment of interest and capital on the Bonds is being guaranteed by the Guarantor and therefore, Bondholders are entitled to request the Guarantor to pay the full amounts due under the Bonds if the Issuer fails to meet any amount. The guarantee also entitles the Bondholders to take action against the Guarantor without having to first take action against the Issuer. The level of recoverability by the Bondholders from the Guarantor of any amounts due under any of the Bonds is dependent upon the financial strength of the Guarantor and in the case of insolvency of the Guarantor, such level of recoverability is further dependent upon the existence or otherwise of any prior ranking claims over the assets of the Guarantor.
- The Terms and Conditions of this Bond Issue are based on Maltese law in effect as at the date of this Prospectus. No assurance can be given as to the impact of any possible judicial decision or change in Maltese law or administrative practice after the date of this Prospectus.

3. PERSONS RESPONSIBLE

This document includes information given in compliance with the Listing Rules for the purpose of providing prospective investors with information with regard to the Issuer. All of the Directors of the Issuer, whose names appear under the sub-heading "Directors" under the heading "Identity of Directors, Senior Management, Advisors and Auditors of the Issuer and the Guarantor" in Section 3 of the Registration Document, accept responsibility for the information contained in this Securities Note.

To the best of the knowledge and belief of the Directors of the Issuer, who have taken all reasonable care to ensure that such is the case, the information contained in this Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors of the Issuer accept responsibility accordingly.

3.1 Consent for use of Prospectus

Consent required in connection with the use of the Prospectus during the Issue Period by the Authorised Financial Intermediaries:

For the purposes of any subscription for Bonds through any of the Authorised Financial Intermediaries during the Issue Period and any subsequent resale, placement or other offering of Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Directive, the Issuer consents to the use of this Prospectus (and accepts responsibility for the information contained therein) with respect to any such subsequent resale, placement or other offering of Bonds, provided this is limited only:

- i. in respect of Bonds subscribed for through Authorised Financial Intermediaries listed in Annex I of this Securities Note during the Issue Period;
- ii. to any resale or placement of Bonds taking place in Malta;
- iii. to any resale or placement of Bonds taking place within the period of 60 days from the date of the Prospectus.

Neither the Issuer nor the Sponsor has any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of Bonds.

Other than as set out above, neither the Issuer nor the Sponsor has authorised (nor do they authorise or consent to the use of this Prospectus in connection with) the making of any public offer of the Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Issuer or the Sponsor and neither the Issuer nor the Sponsor has any responsibility or liability for the actions of any person making such offers.

Investors should enquire whether an intermediary is considered to be an Authorised Financial Intermediary in terms of the Prospectus. If the investor is in doubt as to whether it can rely on the Prospectus and/or who is responsible for its contents, it should obtain legal advice.

No person has been authorised to give any information or to make any representation not contained in or inconsistent with this Prospectus. If given or made, it must not be relied upon as having been authorised by the Issuer or Sponsor. The Issuer does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of Bonds by an Authorised Financial Intermediary, the Authorised Financial Intermediary shall be responsible to provide information to investors on the terms and conditions of the resale, placement or other offering at the time such is made.

Any resale, placement or other offering of Bonds to an investor by an Authorised Financial Intermediary will be made in accordance with any terms and other arrangements in place between such Authorised Financial Intermediary and such investor including as to price, allocations and settlement arrangements. Where such information is not contained in the Prospectus, it will be the responsibility of the applicable Authorised Financial Intermediary at the time of such resale, placement or other offering to provide the investor with that information and neither the Issuer nor the Sponsor has any responsibility or liability for such information.

Any Authorised Financial Intermediary using this Prospectus in connection with a resale, placement or other offering of Bonds subsequent to the Bond Issue shall, limitedly for the period of 60 days from the date of the Prospectus, publish on its website a notice to the effect that it is using this Prospectus for such resale, placement or other offering in accordance with the consent of the Issuer and the conditions attached thereto. The consent provided herein shall no longer apply following the lapse of such period.

4. ESSENTIAL INFORMATION

4.1 *Reasons for the Issue and use of proceeds*

The proceeds from the Bond Issue, which net of Issue expenses are expected to amount to approximately €39.3 million, will be used by the Issuer for the following purposes, in the amounts and order of priority set out below:

- 4.1.1 a maximum amount of €11.6 million of the proceeds from the Bond Issue will be used to finance the redemption of the outstanding amount of Maturing Bonds;
- 4.1.2 the amount of €21 million shall be advanced to Simblija Developments Limited (C 39400), a wholly owned subsidiary of AXH and member of the AX Group, for the purpose of constructing the Hilltop Gardens Care Home & Residences, a retirement complex consisting of a nursing home and self-catering apartments in Simblija, Naxxar, as described in Section 4.2.2 of the Registration Document and the independent expert valuation contained in Annex I thereof (the “**Hilltop Project**”) (The remaining amount of €1 million required for the purpose of constructing the Hilltop Project shall be funded by own funds of Simblija Developments Limited); and
- 4.1.3 the remaining balance of the net Issue proceeds will be used for general corporate funding purposes of the Group, in particular for the early repayment of certain outstanding loans.

In the event that the Bond Issue is not fully subscribed, the Issuer will proceed with the listing of the amount of Bonds subscribed for, and any residual amounts required by the Issuer for the purposes of the uses specified in Sections 4.1.2 and 4.1.3 above which shall not have been raised through the Bond Issue, shall be financed from the Group’s general cash flow and/or the Group shall re-define its financing strategy accordingly.

4.2 *Expenses*

Professional fees, and costs related to publicity, advertising, printing, listing, registration, sponsor, management, registrar fees, selling commission, and other miscellaneous expenses in connection with this Bond Issue are estimated not to exceed €700,000. There is no particular order of priority with respect to such expenses.

4.3 Issue statistics

Amount:	€40,000,000;
Form:	The Bonds will be issued in fully registered and dematerialised form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer at the Central Securities Depository of the Malta Stock Exchange ('CSD');
Denomination:	Euro (€);
ISIN:	MT0000081233;
Minimum amount per subscription:	Minimum of €1,000 and multiples of €100 thereafter;
Redemption Date:	6 March 2024;
Plan of Distribution:	The Bonds are open for subscription by all categories of investors, including: holders of Maturing Bonds; AX Group Employees; Authorised Financial Intermediaries either for their own account or on behalf of clients; and the general public;
Preferred Allocations:	<ol style="list-style-type: none">i. The allocation of Bonds shall be made with preference to those Applicants who, as Existing Bondholders, indicate their agreement to settle the consideration due for the Bonds applied for by surrendering in the Issuer's favour Maturing Bonds of an equivalent nominal value (as described below);ii. AX Group Employees will be granted preference in their applications for Bonds up to an aggregate amount of €1,000,000;
Preplacement Offer:	The Issuer shall enter into conditional subscription agreements with a number of Authorised Financial Intermediaries for the subscription of Bonds up to an aggregate amount of €10,000,000, whereby it will bind itself to allocate Bonds to participating investors during the Preplacement Offer;
Bond Issue Price:	At par (€100 per Bond);
Status of the Bonds:	The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any;
Listing:	Application has been made to the Listing Authority for the admissibility of the Bonds to listing and to the MSE for the Bonds to be listed and traded on its Official List;
Application Forms available:	11 February 2014;
Private Placing Agreement:	The Issuer has entered into a conditional private placing agreement with Charts Investment Management Service Limited whereby a maximum amount of €6,000,000 in value of Bonds has been made available for subscription by Charts Investment Management Service Limited on 19 February 2014;
Closing date for Applications:	20 February 2014 in the case of Existing Bondholders and 28 February 2014 in the case of the general public;
Preplacement Offer Period:	20 February 2014;
Issue Period:	24 February 2014 to 28 February 2014, both days included;
Interest:	6% per annum;
Interest Payment Date(s):	Annually on 6 March as from 6 March 2015 (the first interest payment date);
Governing Law of Bonds:	The Bonds are governed by and shall be construed in accordance with Maltese law;
Jurisdiction:	The Maltese Courts shall have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds.

4.4 Interest of natural and legal persons involved in the Issue

Save for the possible subscription for Bonds by Authorised Financial Intermediaries (which includes Charts Investment Management Service Limited and Bank of Valletta p.l.c.), and any fees payable to Charts Investment Management Service Limited and Bank of Valletta p.l.c. in connection with the Issue as Sponsor and as Manager and Registrar, respectively, so far as the Issuer is aware no person involved in the Issue has an interest material to the Issue.

5. INFORMATION CONCERNING THE SECURITIES TO BE ISSUED AND ADMITTED TO TRADING

5.1 *General*

- 5.1.1 Each Bond forms part of a duly authorised issue of 6% Bonds 2024 of a nominal value of €100 per Bond issued by the Issuer at par up to the principal amount of €40,000,000 (except as otherwise provided under Section 5.12 “Further Issues”).
- 5.1.2 The currency of the Bonds is Euro (€).
- 5.1.3 Subject to admission to listing of the Bonds to the Official List of the MSE, the Bonds are expected to be assigned ISIN MT0000081233.
- 5.1.4 Unless previously purchased and cancelled, the Bonds shall be redeemable at par on the Redemption Date.
- 5.1.5 The issue of the Bonds is made in accordance with the requirements of the Listing Rules, the Act, and the Regulation.
- 5.1.6 The Issue Period of the Bonds is between 24 February 2014 and 28 February 2014, both days included.
- 5.1.7 The Bond Issue is not underwritten.

5.2 *Ranking of the Bonds*

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, guaranteed by the Guarantor, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of each of the Issuer and the Guarantor, if any. Furthermore, subject to the negative pledge clause (Section 5.7 of this Securities Note), third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer for so long as such security interests remain in effect.

The following sets out a summary of Group indebtedness which as at 31 December 2013 amounted to €45,747,000, and includes bank loans, corporate bonds and other borrowings from related companies. The bank borrowings listed below are secured by privileges and hypothecs, and therefore the indebtedness being created by the Bonds, together with the other issued bonds, ranks after all these bank borrowings. In addition, the Bonds would also rank after any future debts which may be secured by a cause of preference such as a privilege and/or a hypothec.

SECURED BORROWINGS:

Central Leisure Developments Limited		
Bank Loans I - VII	11,274	General hypothec over assets belonging to Central Leisure Developments Limited supported by a special hypothec and privilege over The Palace Hotel. Special hypothecary guarantee of AX Holdings Limited over portion of land known as Tat-Tafl in Lija, and special hypothecary guarantee over assets of Central Hotels Limited, owner of the Victoria Hotel. Pledge over the company's receivables and comprehensive insurance policies, and guarantees from group managing director and third party companies.
Verdala Mansions Limited		
Bank Loan	4,234	General hypothec over assets belonging to Verdala Mansions Limited supported by a special hypothec over Verdala Mansions. General hypothecary guarantee over the assets of Royal Hotels Limited and Heritage Developments Limited. Pledge over company bank account and guarantees from group managing director.
Capua Palace Investments Limited		
Bank Loan	1,757	General hypothec over assets belonging to Capua Palace Investments Limited. Special hypothecary guarantee over Suncrest Hotels plc and guarantees from group managing director and third party companies.
AX Holdings Limited		
Bank Loan I	218	General hypothec over assets belonging to AX Holdings Limited. General and special hypothecary guarantee over assets of: Suncrest Hotels plc, Simblija Developments Ltd, Holiday Resorts Limited and shareholders. Guarantees provided by group managing director and third party companies.
Bank Loan II	540	General and special hypothec over assets belonging to AX Holdings Limited. General and special hypothecary guarantee over assets of Simblija Developments Ltd and group managing director. Guarantees provided by group managing director.
AX Construction Limited		
Bank Loan	268	General hypothec over assets belonging to AX Construction Limited. General and special hypothecary guarantee over assets of: Simblija Developments Ltd, Verdala Mansions Limited, AX Holdings Limited, Suncrest Hotels plc, Holiday Resorts Limited and group managing director. Guarantees provided by group managing director and third party companies.
Bank Overdraft	214	
Is-Simblija Developments Limited		
Bank Loan	407	General and special hypothec over assets belonging to Simblija Developments Limited. General and special hypothecary guarantee over assets of AX Holdings Limited and group managing director. Pledge and guarantees provided by group managing director and AX Holdings Limited.
AX Hotel Operations Limited		
Bank Overdraft	1,285	General hypothec over assets belonging to AX Hotel Operations Limited. General and special hypothecary guarantee over assets of: Central Leisure Developments Limited and Suncrest Hotels plc. Guarantees provided by AX Holdings Limited, Central Leisure Developments Limited and Suncrest Hotels plc.
AX Investments plc		
Bank Loan	2,000	General hypothec over assets belonging to AX Investments plc and a special hypothec over Palazzo Capua. Guarantee provided by AX Holdings Limited and pledge over building insurance policy covering immovable properties. Letter of undertaking that related party balances are subordinate to the bank debt.
C&D Waste Limited		
Bank Overdraft	241	General and special hypothec over assets belonging to C&D Waste Limited. Pledge over business insurance policy and guarantees provided by company managing directors. Letter of undertaking for the company not to declare dividends and repay related party balances without Bank's prior consent.

Group Borrowings (€'000)	31 Dec'13 Actual	Security
The Constructors Limited		
Bank Overdraft	295	General hypothec over assets belonging to The Constructors Limited and special hypothec over warehouse complex in Burmarrad. General hypothecary guarantee over assets of AX Holdings Limited. Guarantees provided by AX Holdings Limited and Group shareholders. Letter of undertaking for the company not to declare dividends and repay related party balances without Bank's prior consent.
Quayside Catering Ltd		
Bank Overdraft	50	General and special hypothec over assets belonging to Quayside Catering Ltd. Pledge over business combined policy over Tal-Kaptan restaurants and guarantees provided by company managing directors and AX Holdings Ltd. Letter of undertaking for the company not to declare dividends and repay related party balances without Bank's prior consent.
Royal Hotels Limited		
Malta Enterprise Loan	5,441	Special hypothec and privilege over the properties owned by Royal Hotels Limited.
Total Secured Borrowings	28,224	
UNSECURED BORROWINGS:		
Shareholder's loan	5,876	
6.7% bonds 2014-2016	11,647	
Total Unsecured Borrowings	17,523	
TOTAL BORROWINGS	45,747	

5.3 Rights attached to the Bonds

There are no special rights attached to the Bonds other than the right of the Bondholders to:

- i. the payment of capital;
- ii. the payment of interest;
- iii. ranking with respect to other indebtedness of the Issuer in accordance with the provisions of Section 5.2 hereof;
- iv. attend, participate in and vote at meetings of Bondholders in accordance with the terms and conditions of the Bond; and
- v. enjoy all such other rights attached to the Bonds emanating from this Prospectus.

5.4 Interest

- 5.4.1** The Bonds shall bear interest from and including 7 March 2014 at the rate of 6% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 6 March 2015. Any Interest Payment Date which falls on a day other than a Business Day will be carried over to the next following day that is a Business Day. In terms of article 2156 of the Civil Code (Cap. 16 of the Laws of Malta), the right of Bondholders to bring claims for payment of interest and repayment of the principal on the Bonds is barred by the lapse of five years.
- 5.4.2** When interest is required to be calculated for any period of less than a full year, it shall be calculated on the basis of a three hundred and sixty (360) day year consisting of twelve (12) months of thirty (30) days each, and in the case of an incomplete month, the number of days elapsed.
- 5.4.3** A Maturing Bond Transfer (as defined in Section 7.2.1 below) shall be without prejudice to the rights of the holders of Maturing Bonds to receive interest on the Maturing Bonds up to and including 15 December 2014 (being the first early redemption date applicable to the outstanding Maturing Bonds in terms of the Prospectus dated 28 November 2006 (the "**Maturing Bonds Early Redemption Date**"). The Issuer intends to settle the difference between the interest rates applicable to the Maturing Bonds (6.7%) and the interest rate of 6% applicable to the Bonds, from 7 March 2014 up to the Maturing Bonds Early Redemption Date, to all persons holding Maturing Bonds who would have submitted their Application Forms by not later than 20 February 2014 and, consequently, exercising their option to subscribe for Bonds and settle the consideration for Bonds applied for by transferring their Maturing Bonds to the Issuer as mentioned above.

5.5 Yield

The gross yield calculated on the basis of the Interest, the Bond Issue Price and the Redemption Value of the Bonds at Redemption Date is 6%.

5.6 Registration, form, denomination and title

- 5.6.1 Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Issuer by the CSD. There will be entered in such electronic register the names, addresses, identity card numbers (in the case of natural persons), registration numbers (in the case of companies) and MSE account numbers of the Bondholders and particulars of the Bonds held by them respectively, and the Bondholders shall have, at all reasonable times during business hours, access to the register of bondholders held at the CSD for the purpose of inspecting information held on their respective account.
- 5.6.2 The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to Bonds held in the register kept by the CSD.
- 5.6.3 The Bonds will be issued in fully registered form, without interest coupons, in denominations of any integral multiple of €100 provided that on subscription the Bonds will be issued for a minimum of €1,000 per individual Bondholder. Financial Intermediaries subscribing to the Bonds through nominee accounts for and on behalf of clients shall apply the minimum subscription amount of €1,000 to each underlying client.
- 5.6.4 Any person in whose name a Bond is registered may (to the fullest extent permitted by applicable law) be deemed and treated at all times, by all persons and for all purposes (including the making of any payments), as the absolute owner of such Bond. Title to the Bonds may be transferred as provided below under the heading “**Transferability of the Bonds**” in Section 5.11 of this Securities Note.

5.7 Negative pledge

The Company and the Guarantor undertake, for as long as any principal or interest under the Bonds or any of the Bonds remains outstanding, not to create or permit to subsist any Security Interest (as defined below), other than a Permitted Security Interest (as defined below), upon the whole or any part of their present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer and Guarantor, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds shares in and is secured equally and rateably therewith, and the instrument creating such Security Interest so provides.

“**Financial Indebtedness**” means any indebtedness in respect of: (A) monies borrowed; (B) any debenture, bond, note, loan stock or other security; (C) any acceptance credit; (D) the acquisition cost of any asset to the extent payable before or after the time of acquisition or possession by the party liable where the advance or deferred payment is arranged primarily as a method of raising finance for the acquisition of that asset; (E) leases entered into primarily as a method of raising finance for the acquisition of the asset leased; (F) amounts raised under any other transaction having the commercial effect of borrowing or raising of money; (G) any guarantee, indemnity or similar assurance against financial loss of any person;

“**Security Interest**” means any privilege, hypothec, pledge, lien, charge or other encumbrance or real right which grants rights of preference to a creditor over the assets of the Issuer or the Guarantor;

“**Permitted Security Interest**” means: (A) any Security Interest arising by operation of law; (B) any Security Interest securing temporary bank loans or overdrafts in the ordinary course of business; (C) any other Security Interest (in addition to (A) and (B) above) securing Financial Indebtedness of the Issuer or the Guarantor, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the unencumbered assets of the Issuer and the Guarantor and the aggregate principal amount of Bonds outstanding at the time.

Provided that the aggregate Security Interests referred to in (B) and (C) above do not result in the unencumbered assets of the Issuer and the Guarantor being less than one hundred and six percent of the aggregate principal amount of the Bonds still outstanding;

“**unencumbered assets**” means assets which are not subject to a Security Interest.

5.8 Payments

- 5.8.1 Payment of the principal amount of Bonds will be made in Euro by the Issuer to the person in whose name such Bonds are registered, with interest accrued up to the Redemption Date, by means of direct credit transfer into such bank account as the Bondholder may designate from time to time, provided such bank account is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Redemption Date. The Issuer shall not be responsible for any loss or delay in transmission. Upon

payment of the Redemption Value the Bonds shall be redeemed and the appropriate entry made in the electronic register of the Bonds at the CSD.

- 5.8.2 In the case of Bonds held subject to usufruct, payment will be made against the joint instructions of all bare owners and usufructuaries. Before effecting payment the Issuer and/or the CSD shall be entitled to request any legal documents deemed necessary concerning the entitlement of the bare owner/s and the usufructuary/ies to payment of the Bonds.
- 5.8.3 Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business fifteen (15) days prior to the Interest Payment Date, by means of a direct credit transfer into such bank account as the Bondholder may designate, from time to time, which is denominated in Euro and held with any licensed bank in Malta. Such payment shall be effected within seven (7) days of the Interest Payment Date. The Issuer shall not be responsible for any loss or delay in transmission.
- 5.8.4 All payments with respect to the Bonds are subject in all cases to any applicable fiscal or other laws and regulations prevailing in Malta. In particular, but without limitation, all payments of principal and interest by or on behalf of the Issuer in respect of the Bonds shall be made net of any amount which the Issuer is compelled by law to deduct or withhold for or on account of any present or future taxes, duties, assessments or other government charges of whatsoever nature imposed, levied, collected, withheld or assessed by or within the Republic of Malta or any authority thereof or therein having power to tax.
- 5.8.5 No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.9 *Redemption and purchase*

- 5.9.1 Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) on 6 March 2024.
- 5.9.2 Subject to the provisions of this Section 5.9, the Issuer may at any time purchase Bonds in the open market or otherwise at any price. Any purchase by tender shall be made available to all Bondholders alike.
- 5.9.3 All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

5.10 *Events of default*

The Bonds shall become immediately due and repayable at their principal amount together with accrued interest, if any, if any of the following events ("**Events of Default**") shall occur:

- 5.10.1 the Issuer or, in the event of default by the Issuer, the Guarantor, shall fail to pay any interest on any Bond when due and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer and Guarantor by any Bondholder; or
- 5.10.2 the Issuer or, in the event of default by the Issuer, the Guarantor, shall fail duly to perform or shall otherwise be in breach of any other material obligation contained in the Terms and Conditions of the Bonds and such failure shall continue for sixty (60) days after written notice thereof shall have been given to the Issuer and Guarantor by any Bondholder; or
- 5.10.3 an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Issuer and/or Guarantor; or
- 5.10.4 the Issuer or, in the event of default by the Issuer, the Guarantor, stops or suspends payments (whether of principal or interest) with respect to all or any class of its respective debts, or announces an intention to do so, or ceases or threatens to cease to carry on its respective business or a substantial part of its respective business; or
- 5.10.5 the Issuer or, in the event of default by the Issuer, the Guarantor, is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- 5.10.6 there shall have been entered against the Issuer and/or Guarantor a final judgment by a court of competent jurisdiction from which no appeal may be or is made for the payment of money in excess of €5,000,000 or its equivalent and ninety (90) days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or
- 5.10.7 any default occurs and continues for ninety (90) days under any contract or document relating to any Financial Indebtedness (as defined above) of the Issuer and/or Guarantor in excess of €5,000,000 or its equivalent at any time.

5.11 *Transferability of the Bonds*

- 5.11.1 The Bonds are freely transferable and, once admitted to the Official List of the MSE, shall be transferable only in whole in accordance with the rules and regulations of the MSE applicable from time to time.
- 5.11.2 Any person becoming entitled to a Bond in consequence of the death or bankruptcy of a Bondholder may, upon such evidence being produced as may from time to time properly be required by the Issuer or the CSD, elect either to be registered himself as holder of the Bond or to have some person nominated by him registered as the transferee thereof. If the person so becoming entitled shall elect to be registered himself, he shall deliver or send to the CSD a notice in writing signed by him stating that he so elects. If he shall elect to have another person registered he shall testify his election by transferring the Bond, or procuring the transfer of the Bond, in favour of that person.
- 5.11.3 All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.11.4 The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Issuer shall so require, the payment of a sum sufficient to cover any tax, duty or other governmental charge or insurance charges that may be imposed in relation thereto, will be borne by the Issuer.
- 5.11.5 The Issuer will not register the transfer or transmission of Bonds for a period of fifteen (15) days preceding the due date for any payment of interest on the Bonds.

5.12 *Further issues*

The Issuer may, from time to time, without the consent of the Bondholders, create and issue further debentures, debenture stock, bonds, loan notes, or any other debt securities, either having the same terms and conditions as any outstanding debt securities of any series (including the Bonds) and so that such further issue shall be consolidated and form a single series with the outstanding debt securities of the relevant series (including the Bonds), or upon such terms as the Issuer may determine at the time of their issue.

5.13 *Meetings of Bondholders*

- 5.13.1 The Issuer may from time to time call meetings of Bondholders for the purpose of consultation with Bondholders or for the purpose of obtaining the consent of Bondholders on matters which in terms of the Prospectus require the approval of a Bondholders' meeting.
- 5.13.2 A meeting of Bondholders shall be called by the Directors by giving all Bondholders listed on the register of Bondholders as at a date being not more than thirty (30) days preceding the date scheduled for the meeting, not less than fourteen (14) days' notice in writing. Such notice shall set out the time, place and date set for the meeting and the matters to be discussed or decided thereat, including, if applicable, sufficient information on any amendment of the Prospectus that is proposed to be voted upon at the meeting and seeking the approval of the Bondholders. Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Issuer shall, acting in accordance with the resolution(s) taken at the meeting, communicate to the Bondholders whether the necessary consent to the proposal made by the Issuer has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this Section 5.13 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.13.3 The amendment or waiver of any of the provisions of and/or conditions contained in this Securities Note, or in any other part of the Prospectus, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.13.4 A meeting of Bondholders shall only validly and properly proceed to business if there is a quorum present at the commencement of the meeting. For this purpose at least two (2) Bondholders present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, shall constitute a quorum. If a quorum is not present within thirty (30) minutes from the time scheduled for the commencement of the meeting as indicated on the notice convening same, the meeting shall stand adjourned to a place, date and time as shall be communicated by the Directors to the Bondholders present at that meeting. The Issuer shall within two (2) days from the date of the original meeting publish by way of a company announcement the date, time and place where the adjourned meeting is to be held. An adjourned meeting shall be held not earlier than seven (7) days, and not later than fifteen (15) days, following the original meeting. At an adjourned meeting: the number of Bondholders present, in person or by proxy, shall constitute a quorum; and only the matters specified in the notice calling the original meeting shall be placed on the agenda of, and shall be discussed at, the adjourned meeting.
- 5.13.5 Any person who in accordance with the Memorandum and Articles of Association of the Issuer is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

- 5.13.6 Once a quorum is declared present by the chairman of the meeting, the meeting may then proceed to business and address the matters set out in the notice convening the meeting. In the event of decisions being required at the meeting the directors or their representative shall present to the Bondholders the reasons why it is deemed necessary or desirable and appropriate that a particular decision is taken. The meeting shall allow reasonable and adequate time to Bondholders to present their views to the Issuer and the other Bondholders present at the meeting. The meeting shall then put the matter as proposed by the Issuer to a vote of the Bondholders present at the time at which the vote is being taken, and any Bondholders taken into account for the purpose of constituting a quorum who are no longer present for the taking of the vote shall not be taken into account for the purpose of such vote.
- 5.13.7 The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.
- 5.13.8 The proposal placed before a meeting of Bondholders shall only be considered approved if at least 65% in nominal value of the Bondholders present at the meeting at the time when the vote is being taken, in person or by proxy, shall have voted in favour of the proposal.
- 5.13.9 Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Issuer shall *mutatis mutandis* apply to meetings of Bondholders.

5.14 Authorisations and approvals

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a board resolution passed on 9 January 2014.

5.15 Notices

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of twenty four (24) hours after the letter containing the notice is posted, and in proving such service it shall be sufficient to prove that a prepaid letter containing such notice was properly addressed to such Bondholder at his registered address and posted.

6. TAXATION

6.1 General

Investors and prospective investors are urged to seek professional advice as regards both Maltese and any foreign tax legislation which may be applicable to them in respect of the Bonds, including their acquisition, holding and disposal as well as any income/gains derived therefrom or made on their disposal. The following is a summary of the anticipated tax treatment applicable to Bondholders in so far as taxation in Malta is concerned. This information does not constitute legal or tax advice and does not purport to be exhaustive.

The information below is based on an interpretation of tax law and practice relative to the applicable legislation, as known to the Issuer at the date of the Prospectus, in respect of a subject on which no official guidelines exist. Investors are reminded that tax law and practice and their interpretation as well as the levels of tax on the subject matter referred to in the preceding paragraph, may change from time to time.

This information is being given solely for the general information of investors. The precise implications for investors will depend, among other things, on their particular circumstances and on the classification of the Bonds from a Maltese tax perspective, and professional advice in this respect should be sought accordingly.

6.2 Malta tax on interest

Since interest is payable in respect of a Bond which is the subject of a public issue, unless the Issuer is otherwise instructed by a Bondholder or if the Bondholder does not fall within the definition of “**recipient**” in terms of article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of a final withholding tax, currently at the rate of 15% of the gross amount of the interest, pursuant to article 33 of the Income Tax Act. Bondholders who do not fall within the definition of a “recipient” do not qualify for the said rate and should seek advice on the taxation of such income as special rules may apply.

This withholding tax is considered as a final tax and a Maltese resident individual Bondholder need not declare the interest so received in his income tax return. No person shall be charged to further tax in respect of such income. However where the Bondholder is a Maltese resident individual, he is still entitled to declare the gross interest in the tax return and the tax so deducted will be available as a credit against the individual’s tax liability or for a refund as the case may be.

In the case of a valid election made by an eligible Bondholder resident in Malta to receive the interest due without the deduction of final tax, interest will be paid gross and such person will be obliged to declare the interest so received in his income tax return and be subject to tax on it at the standard rates applicable to that person at that time. Additionally in this latter case the Issuer will advise the Inland Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients unless the beneficiary is a non-resident of Malta. Any such election made by a resident Bondholder at the time of subscription may be subsequently changed by giving notice in writing to the Issuer. Such election or revocation will be effective within the time limit set out in the Income Tax Act.

In terms of article 12(1)(c) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Issuer in terms of law.

6.3 European Union Savings Directive

Non-residents of Malta should note that payment of interest to individuals and certain residual entities residing in another EU Member State is reported on an annual basis to the Malta Commissioner of Inland Revenue who will in turn exchange the information with the competent tax authority of the Member State where the recipient of interest is resident. This exchange of information takes place in terms of the EU Savings Directive 2003/48/EC.

6.4 Maltese taxation on capital gains on transfer of the Bonds

On the assumption that the Bonds would not fall within the definition of “**securities**” in terms of article 5(1)(b) of the Income Tax Act, that is, “shares and stocks and such like instrument that participate in any way in the profits of the company and whose return is not limited to a fixed rate of return”, no tax on capital gains is chargeable in respect of transfer of the Bonds.

6.5 Duty on documents and transfers

In terms of article 50 of the Financial Markets Act (Cap. 345 of the Laws of Malta) as the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds are exempt from Maltese duty.

INVESTORS AND PROSPECTIVE INVESTORS ARE URGED TO SEEK PROFESSIONAL ADVICE AS REGARDS BOTH MALTESE AND ANY FOREIGN TAX LEGISLATION APPLICABLE TO THE ACQUISITION, HOLDING AND DISPOSAL OF BONDS AS WELL AS INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS AND TO BONDHOLDERS. THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, REFERS ONLY TO BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

7. TERMS AND CONDITIONS OF THE BOND ISSUE

7.1 Expected timetable of the Bond Issue

1. Application Forms mailed to holders of Maturing Bonds as at the Cut-Off Date	7 February 2014
2. Application Forms available	11 February 2014
3. Private placing date	19 February 2014
4. Closing date for applications to be received from holders of Maturing Bonds as at the Cut-Off Date	20 February 2014
5. Preplacement Offer	20 February 2014
6. Issue Period (Opening and closing of subscription lists, respectively)	24 February 2014 to 28 February 2014, both days included
7. Commencement of interest on the Bonds	7 March 2014
8. Announcement of basis of acceptance	7 March 2014
9. Refunds of unallocated monies	14 March 2014
10. Expected dispatch of allotment advices	14 March 2014
11. Expected date of admission of the securities to listing	17 March 2014
12. Expected date of commencement of trading in the securities	18 March 2014

The Issuer reserves the right to close the Offer of Bonds before 28 February 2014 in the event of over-subscription, in which case, the events set out in steps 8 to 10 above shall be brought forward, although the number of workings days between the respective events shall not also be altered.

7.2 Terms and conditions of Application

- 7.2.1** Existing Bondholders applying for Bonds may elect to settle all or part of the amount due on the Bonds applied for by completing a pre-printed Application Form 'A' indicating that the consideration for the Bonds applied for shall be settled by way of transfer to the Issuer of all or part of the Maturing Bonds held as at the Cut-Off Date in an amount equivalent to the par value of the Bonds applied for, rounded upwards to the nearest hundred and subject to a minimum application of €1,000 ("**Maturing Bond Transfer**"). Any Existing Bondholders whose holding in Maturing Bonds is less than €1,000 shall be required to pay the difference together with the submission of their Application Form 'A' ("**Cash Top-Up**").
- 7.2.2** In addition to the aforesaid, holders of Maturing Bonds transferring all of the Maturing Bonds held by them as at the Cut-Off Date pursuant to Section 7.2.1 above may apply for an amount of Bonds in excess of the amount of Maturing Bonds being transferred. In such case the holders of Maturing Bonds may subscribe for additional Bonds by submitting an Application Form 'B', subject to a minimum application of €1,000 and in multiples of €100 thereafter. The completed Application Forms 'A' and 'B' are to be lodged with any of the Authorised Financial Intermediaries, together with payment of the Cash Top-Up referred to Section 7.2.1 above (if applicable) and the full price of the additional Bonds applied for, in Euro and in clear funds. Payment may be made in cash or cheque payable to "**The Registrar – AXI Bond Issue**".
- 7.2.3** All other Applicants, not being holders of Maturing Bonds, may subscribe for Bonds by submitting an Application Form 'B', subject to a minimum application of €1,000 and in multiples of €100 thereafter. The completed Application Form 'B' is to be lodged with any of the Authorised Financial Intermediaries. All Application Forms 'B' must be accompanied by the full price of the Bonds applied for and payment may be made either in cash or by cheque payable to "**The Registrar – AXI Bond Issue**".
- 7.2.4** By submitting a signed Application Form 'A' indicating that the Maturing Bond Transfer is being selected (whether in whole or in part consideration for the Bonds being applied for), the Applicant is thereby confirming:
- that all or part (as the case may be) of the Maturing Bonds held by the Applicant on the Cut-off Date are being transferred to the Issuer, together with the payment due in respect of any Cash Top-Up, if applicable;
 - that the pre-printed Application Form 'A' constitutes the Applicant's irrevocable mandate to the Issuer to:
 - cause the transfer of the said Maturing Bonds in the Issuer's name in consideration of the issue of Bonds; and
 - engage, at the Issuer's cost, the services of such brokers or intermediaries as may be necessary to fully and effectively vest title in the said Maturing Bonds in the Issuer and fully and effectively vest title in the appropriate number of Bonds in the Applicant;
 - the obligations of the Issuer and Guarantor with respect to the Maturing Bonds being transferred to the Issuer are extinguished, replaced by obligations on the part of the Issuer and Guarantor under the Bonds to be issued upon acceptance by the Issuer of the application in question.
- 7.2.5** By submitting a signed Application Form 'B' in terms of Sections 7.2.2 and 7.2.3 above, the Applicant is thereby confirming that: (i) the Applicant's remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured on its first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application, and furthermore the Applicant will not be entitled to receive a registration advice or to be registered in the register of Bondholders, unless the Applicant makes payment in cleared funds and such consideration is accepted by the Issuer, acting through the Registrar (which acceptance shall be made in the Issuer's absolute discretion and may be on the basis that the Applicant indemnifies the Issuer against all costs, damages, losses, expenses and liabilities arising out of or in connection with the failure of the Applicant's remittance to be honoured on first presentation).

- 7.2.6 Where the Applicant is the holder of Maturing Bonds which as at the Cut-Off Date are held subject to usufruct, the signatures of both the bare owner and the usufructuary will be required on the Application Form 'A'.
- 7.2.7 All Applications for the subscription of Bonds being effected by Maturing Bond Transfer must be submitted on the appropriate pre-printed Application Form 'A' by not later than 14.00 hours on 20 February 2014. The completed pre-printed Application Form 'A' is to be lodged with any of the Authorised Financial Intermediaries.

7.3 *General terms and conditions*

- 7.3.1 The issue and allotment of the Bonds is conditional upon the Bonds being admitted to the Official List of the MSE. In the event that the Bonds are not admitted to the Official List of the MSE, no Maturing Bond Transfers (see Section 7.2 above) shall take effect, and any Application monies received by the Issuer will be returned without interest by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form.
- 7.3.2 The subscription lists during the Issue Period will open at 08:30 hours on 24 February 2014 and will close as soon thereafter as may be determined by the Issuer, but in any event no later than 16:00 hours on 28 February 2014.
- 7.3.3 As indicated in Section 4.1 above under the heading "**Reasons for the Issue and Use of Proceeds**", the Maturing Bonds shall be redeemed out of the proceeds of the Bond Issue. It is the responsibility of investors wishing to apply for the Bonds to inform themselves as to the legal requirements of so applying including any requirements relating to external transaction requirements in Malta and any exchange control in the countries of their nationality, residence or domicile.
- 7.3.4 The contract created by the Issuer's acceptance of an Application filed by a prospective bondholder shall be subject to all the terms and conditions set out in this Securities Note and the Memorandum and Articles of Association of the Issuer.
- 7.3.5 If an Application Form is signed on behalf of another party or on behalf of a corporation or corporate entity or association of persons, the person signing will be deemed to have duly bound his principal, or the relative corporation, corporate entity, or association of persons, and will be deemed also to have given the confirmations, warranties and undertakings contained in these terms and conditions on their behalf. Such representative may be requested to submit the relative power of attorney/resolution or a copy thereof duly certified by a lawyer or notary public if so required by the Issuer and the Registrar, but it shall not be the duty or responsibility of the Registrar or Issuer to ascertain that such representative is duly authorised to appear on the Application Form.
- 7.3.6 In the case of joint Applications, reference to the Applicant in these Terms and Conditions is a reference to each of the joint Applicants, and liability therefor is joint and several. The person whose name shall be inserted in the field entitled "Applicant" on the Application Form, or first-named in the register of Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "Additional Applicants" in the Application Form or joint holders in the register, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s so held.
- 7.3.7 In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register. The usufructuary shall, for all intents and purposes, be deemed vis-à-vis the Issuer to be the holder of the Bond/s so held and shall have the right to receive interest on the Bond/s and to vote at meetings of the Bondholders but shall not, during the continuance of the Bond/s, have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to the repayment of principal on the Bond (which shall be due to the bare owner).
- 7.3.8 Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption monies payable to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption monies shall be paid directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
- 7.3.9 The Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly may not be offered or sold within the United States or to or for the account or benefit of a U.S. person.
- 7.3.10 No person receiving a copy of the Prospectus or an Application Form in any territory other than Malta may treat the same as constituting an invitation or offer to such person nor should such person in any event use such Application Form, unless, in the relevant territory, such an invitation or offer could lawfully be made to such person or such Application Form could lawfully be used without contravention of any registration or other legal requirements.
- 7.3.11 It is the responsibility of any person outside Malta wishing to make any Application to satisfy himself/herself as to full observance of the laws of any relevant territory in connection therewith, including obtaining any requisite governmental or other consents, observing any other formalities required to be observed in such territory and paying any issue, transfer or other taxes required to be paid in such territory.

- 7.3.12** Subject to all other terms and conditions set out in the Prospectus, the Issuer reserves the right to reject, in whole or in part, or to scale down, any Application, including multiple or suspected multiple Applications, and to present any cheques and/or drafts for payment upon receipt. The right is also reserved to refuse any Application which in the opinion of the Issuer is not properly completed in all respects in accordance with instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 7.3.13** The Bonds will be issued in multiples of €100. The minimum subscription amount of Bonds that can be subscribed for by Applicants (including holders of Maturing Bonds applying for Bonds in terms of Section 7.2 above) is €1,000.
- 7.3.14** Within five (5) Business Days from closing of the subscription lists, the Issuer shall announce the result of the Issue and shall determine, and issue a company announcement setting out, the basis of acceptance of applications and allocation policy to be adopted.
- 7.3.15** Other than in the case of a Maturing Bond Transfer, in the event that an Applicant has not been allocated any Bonds or has been allocated a number of Bonds which is less than the number applied for, the Applicant shall receive a full refund or, as the case may be, the balance of the price of the Bonds applied for but not allocated, without interest, by credit transfer to such account indicated in the Application Form, at the Applicant's sole risk within five (5) Business Days from the date of final allocation.
- 7.3.16** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 as amended from time to time, all appointed Authorised Financial Intermediaries are under a duty to communicate, upon request, all information about clients as is mentioned in articles 1.2(d) and 2.4 of the "Code of Conduct for Members of the Malta Stock Exchange" appended as Appendix IV to Chapter 3 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are MSE Members or not. Such information shall be held and controlled by the MSE in terms of the Data Protection Act (Cap. 440 of the Laws of Malta) for the purposes and within the terms of the MSE Data Protection Policy as published from time to time.
- 7.3.17** By completing and delivering an Application Form, whether 'A' or 'B', the Applicant:
- a. agrees and acknowledges to have had the opportunity to read the Prospectus and to be deemed to have had notice of all information and representations concerning the Issuer and the issue of the Bonds contained therein;
 - b. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects and in the case where an MSE account number is indicated in the Application Form, such MSE account number is the correct account of the Applicant. In the event of a discrepancy between the personal details (including name and surname and the Applicant's address) appearing on the Application Form and those held by the MSE in relation to the MSE account number indicated on the Application Form, the details held by the MSE shall be deemed to be the correct details of the Applicant;
 - c. authorises the Issuer and the MSE to process the personal data that the Applicant provides in the Application Form, for all purposes necessary for and subsequent to the Bond Issue, in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta). The Applicant has the right to request access to and rectification of the personal data relating to him/her as processed by the Issuer and/or the MSE. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus. The requests must further be signed by the Applicant to whom the personal data relates;
 - d. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the issue of the Bonds other than what is contained in the Prospectus and accordingly agree/s that no person responsible solely or jointly for the Prospectus or any part thereof will have any liability for any such other information or representation;
 - e. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance or surrender of the Maturing Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta) and regulations made thereunder, and that such monies will not bear interest;
 - f. agrees to provide the Registrar and/or the Issuer, as the case may be, with any information which it/they may request in connection with the Application;
 - g. warrants, in connection with the Application, to have observed all applicable laws, obtained any requisite governmental or other consents, complied with all requisite formalities and paid any issue, transfer or other taxes due in connection with his/her Application in any territory, and that the Applicant has not taken any action which will or may result in the Issuer or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the issue of the Bond or his/her Application;
 - h. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
 - i. represents that the Applicant is not a U.S. person (as such term is defined in Regulation S under the Securities Act of 1933 of the United States of America, as amended) as well as not to be accepting the invitation set out in the Prospectus from within the United States of America, its territories or its possessions, or any area subject to its jurisdiction (the "United States") or on behalf or for the account of anyone within the United States or anyone who is a U.S. person;
 - j. agrees that Charts Investment Management Service Limited will not, in its' capacity of Sponsor, treat the Applicant as its' customer by virtue of such Applicant making an Application for the Bonds, and that Charts Investment Management Service Limited will owe the Applicant no duties or responsibilities concerning the price of the Bonds or their suitability for the Applicant;
 - k. agrees that all documents in connection with the issue of the Bonds will be sent at the Applicant's own risk and may be sent by post at the address (or, in the case of joint Applications, the address of the first named Applicant) set out in the Application Form;
 - l. renounces to any rights the Applicant may have to set off any amounts the Applicant may at any time owe the Issuer against any amount due under the terms of these Bonds.

7.4 Plan of distribution and allotment

The Bonds are open for subscription to all categories of investors, which may be broadly split as follows:

- i. holders of Maturing Bonds may apply for Bonds and settle the consideration due by the transfer to the Issuer of all or part of the Maturing Bonds held by such Applicant as at the Cut-Off Date, subject to rounding upwards to the nearest €100, by submitting an Application Form 'A';
- ii. furthermore, Existing Bondholders shall have the option to apply for Bonds in excess of their respective holding in Maturing Bonds. Existing Bondholders may apply for additional Bonds as aforesaid by submitting an Application Form 'B';
- iii. the Issuer has reserved an aggregate amount of Bonds amounting to €1,000,000 for subscription by AX Group Employees, who shall be entitled to apply for Bonds by submitting an Application Form 'B' to any Authorised Financial Intermediary;
- iv. the Authorised Financial Intermediaries shall be entitled to subscribe for Bonds up to an aggregate amount of €10,000,000 as detailed in Section 7.7 below;
- v. applications for subscription for Bonds may be made by the general public through any of the Authorised Financial Intermediaries.

In each case, subscription amounts shall be in multiples of €100, subject to a minimum subscription amount of €1,000.

It is expected that an allotment advice will be dispatched to Applicants within five (5) Business Days of the announcement of the allocation policy. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance or surrender of the Maturing Bonds, as the case may be, and any verification of identity as required by the Prevention of Money Laundering Act (Cap. 373 of the Laws of Malta), and regulations made thereunder. Such monies will not bear interest while retained as aforesaid.

Dealings in the Bonds shall not commence prior to admission to trading of the Bonds by the MSE or prior to the said notification.

7.5 Private placing agreement

The Issuer entered into a conditional private placing agreement with Charts Investment Management Service Limited (C 7944) of Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913 on 3 February 2014, whereby the Issuer bound itself to allocate to Charts Investment Management Service Limited, which has bound itself to purchase, Bonds amounting to an aggregate value of €6,000,000 on 19 February 2014.

7.6 Pricing

The Bonds are being issued at par, that is, at €100 per Bond.

7.7 Preplacement offer

The Issuer shall enter into conditional subscription agreements with a number of Authorised Financial Intermediaries for the subscription of Bonds whereby it will bind itself to allocate Bonds thereto during the Preplacement Offer. An aggregate amount of €10,000,000 of Bonds are being reserved for Authorised Financial Intermediaries participating in the Preplacement Offer.

In terms of each Subscription Agreement entered into with an Authorised Financial Intermediary, the Issuer will be conditionally bound to issue, and each Authorised Financial Intermediary will bind itself to subscribe to, the number of Bonds indicated therein. The Subscription Agreements will become binding on each of the Issuer and the Authorised Financial Intermediaries upon delivery, provided that these intermediaries would have paid to the Issuer all subscription proceeds in cleared funds on delivery of the Subscription Agreement.

The minimum which each Authorised Financial Intermediary may apply for in terms of the Subscription Agreement is €250,000 in Bonds and the amount per underlying application must be of a minimum of €10,000 (and in multiples of €100 thereafter).

7.8 Allocation policy

Following the allocation of €6,000,000 to Charts Investment Management Service Limited pursuant to the conditional private placing agreement referred to in Section 7.5 above, the Issuer shall allocate the remaining Bonds on the basis of the following policy and order of priority:

- i. Bonds shall be allocated first to Existing Bondholders applying for Bonds by way of Maturing Bond Transfer in accordance with Section 7.2.1 above and subject to a minimum application of €1,000 and rounded upwards to the nearest €100;
- ii. Up to an aggregate amount of €1,000,000 shall be allocated to AX Group Employees;
- iii. An aggregate amount of €10,000,000 has been reserved for subscription by Authorised Financial Intermediaries participating through the Preplacement Offer in accordance with Section 7.7 above;
- iv. Following the allocations referred to in paras (i), (ii) and (iii) hereof, any remaining Bonds shall be allocated to:
 - a. Existing Bondholders having applied for Bonds in excess of their respective holding in Maturing Bonds;
 - b. AX Group Employees where the aggregate amount applied for by such class of investors is in excess of the reserved amount of €1,000,000; and
 - c. Applications submitted by the general public,without priority or preference and in accordance with the allocation policy as determined by the Issuer and Registrar.

7.9 *Admission to trading*

- 7.9.1 The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 3 February 2014.
- 7.9.2 Application has been made to the MSE for the Bonds being issued pursuant to the Prospectus to be listed and traded on the Official List of the MSE.
- 7.9.3 The Bonds are expected to be admitted to the MSE with effect from 17 March 2014 and trading is expected to commence on 18 March 2014.

ANNEX I – AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
APS Bank Ltd	Investment Services Unit, APS Centre, Level 2, Tower Street, B'Kara BKR 4012	25603192
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, St Venera SVR 9030	22751732
Calamatta Cuschieri & Co Ltd	Fifth Floor, Valletta Buildings, South Street, Valletta VLT 1103	25688688
Charts Investment Management Service Ltd	Valletta Waterfront, Vault 17, Pinto Wharf, Floriana FRN 1913	21224106
Crystal Finance Investments Ltd	10, First Floor, City Gate, Valletta VLT 1010	21226190
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	23426000
Fexserv Investment Services Ltd	Alpine House, Naxxar Road, San Gwann SGN 9032	25762001
Financial Planning Services Ltd	4, Marina Court No. 1, G. Cali Street, Ta' Xbiex XBX 1421	21344244
FINCO Treasury Management Ltd	Level 5, The Mall Complex, The Mall, Floriana FRN 1470	21220002
GlobalCapital Financial Management Ltd	Testaferrata Street, Ta'Xbiex XBX 1403	21342342
Growth Investments Ltd	Customer Service Centre, Piazza Giovanni XXIII, Floriana FRN 1420	25909356
Hogg Capital Investments Ltd	Regent House, Suite 33, Bizazza Street, Sliema SLM 1640	21322872
HSBC Bank Malta p.l.c.	Wealth Sales, Brokerage & Trading, High Street, Sliema SLM 1549	23802381
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	21224410
Joseph Scicluna Investment Services Ltd	Bella Vista Court, Level 3, Gorg Borg Olivier Street, Victoria, Gozo VCT 2517	21565707
Lombard Bank Malta p.l.c.	67. Republic Street, Valletta VLT 1117	25581114
Maltese Cross Financial Services Ltd	242, Fleur-de-Lys Road, B'Kara BKR 9069	21447600
Mercieca Financial Investment Services Ltd	Mercieca JF Kennedy Square, Victoria, Gozo VCT 2580	21553892
MFSP Financial Management Ltd	220, Immaculate Conception Street, Msida MSD 1838	21332200
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0A, St Marta Street, Victoria, Gozo VCT 2550	21554492
MZ Investment Services Ltd	55, MZ House, St Rita Street, Rabat RBT 1523	21453739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Third Floor, High Street, Sliema SLM 1549	22583000

ANNEX II - SPECIMEN APPLICATION FORMS



AX INVESTMENTS P.L.C.

€40,000,000

6% BONDS 2024

APPLICATION FORM 'A'

Existing Holders of AX Investments p.l.c. 6.7% Bonds 2014/16

Application
Number

Please read the notes overleaf before completing this Application Form. Mark 'x' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

A APPLICANT

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TEL. NO.	MOBILE NO.
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B Nominal Value of AX Investments p.l.c. 6.7% Bonds 2014 /16 (the "Maturing Bonds") held as at 3 February, 2014 (the "Cut-Off Date") in Euro.

I/We apply to purchase and acquire the amount set out below in AX Investments p.l.c. 6% Bonds 2024 at the Bond Issue Price (at par) pursuant to the Prospectus dated 3 February, 2014 (minimum subscription of €1,000 and in multiples of €100 thereafter).

AMOUNT IN WORDS

AMOUNT IN FIGURES **Box 1**
€

AMOUNT IN FIGURES **Box 2**
€

If your holding of Maturing Bonds as set out in Box 1 is less than €1,000, the amount of 6% Bonds 2024 which you can apply for (to be set out in Box 2) must be €1,000. If your holding of Maturing Bonds as set out in Box 1 is more than €1,000 the amount of 6% Bonds 2024 applied for (to be set out in Box 2) must be not less than €1,000 and not more than the amount of your holding of Maturing Bonds as set out in Box 1 rounded up to the nearest integral multiple of €100 (See note 6 overleaf).

Application for an amount in excess of the said amounts may be made by completing the separate Application Form 'B'

AMOUNT IN FIGURES **Box 3**
Difference payable on Application for rounding up to €1,000 or to the nearest €100, as applicable.
€

C RESIDENT - WITHHOLDING TAX DECLARATION (See note 10) (to be completed ONLY if the Applicant is a Resident of Malta)

- I/We elect to have Final Withholding Tax deducted from my/our interest.
 I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).

D NON-RESIDENT - DECLARATION FOR TAX PURPOSES (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	
T.I.N. (Tax Identification Number)	COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD No.	COUNTRY OF ISSUE	ISSUE DATE

- I/We am/are **NOT** resident in Malta but I/we am/are resident in the European Union.
 I/We am/are **NOT** resident in Malta and I/we am/are **NOT** resident in the European Union.

E INTEREST MANDATE (see note 10) Completion of this Panel is **MANDATORY**

BANK	IBAN
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F This Application Form 'A' is to be submitted in the case where the Applicant selects, as a method of payment for the AX Investments p.l.c. 6% Bonds 2024 being applied for, to transfer to the Issuer all or part of the Maturing Bonds held by the Applicant as at the Cut-Off Date for the nominal value set out in Box 1 of Panel B above. By submitting this signed Application Form 'A', the Applicant is thereby confirming that:

- All or part (as the case may be) of their holding of the Maturing Bonds indicated in this Application Form 'A' are being surrendered in favour of the Issuer for cancellation; and
- This pre-printed Application Form 'A' constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to:
 - surrender the said Maturing Bonds in the Issuer's favour for cancellation in consideration for the issue of 6% Bonds 2024 applied for; and
 - engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Bonds 2024 in the Applicant/s.

G I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its Terms and Conditions as contained therein which I/we fully accept.

Signature/s of Applicant/s
 (Parent/s or legal guardian/s are/is to sign if Applicant is a minor)
 (All parties are to sign in the case of a joint Application)
 (Bare owner/s and usufructuary/ies to sign in the case of holdings of Maturing Bonds that are subject to usufruct)

Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

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NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 3 February, 2014

1. This Application is governed by the Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 3 February, 2014 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. This Application Form is to be completed in BLOCK LETTERS.
3. This Application Form is not transferable and entitles you to a preferential treatment as a holder of the Maturing Bonds (see note 6 below).
4. Interest and redemption proceeds will be issued in the name of the person indicated in Panel A overleaf.
5. This Application Form is to be submitted in the case where the Applicant selects, as a method of payment for the AX Investments p.l.c. 6% Bonds 2024 being applied for, to transfer to the Issuer all or part of the holding in the Maturing Bonds held by the Applicant as at the Cut-Off Date the nominal value of which is set out in Box 1 of Panel B overleaf. By submitting this signed Application Form, the Applicant is thereby confirming that:
 - a. All or part (as the case may be) of their holding of Maturing Bonds indicated in this Application Form are being surrendered in favour of the Issuer for cancellation; and
 - b. The pre-printed Application Form constitutes the Applicant's/Applicants' irrevocable mandate to the Issuer to:
 - i. Surrender the said Maturing Bonds in the Issuer's favour for cancellation in consideration for the 6% Bonds 2024 applied for; and
 - ii. Engage the services of such brokers or intermediaries as may be necessary to fully and effectively carry out all procedures necessary to fully and effectively vest title in the appropriate number of 6% Bonds 2024 in the Applicant/s.
6. The amount set out in Box 2 of Panel B overleaf must be in multiples of €100. The Issuer will be giving preference to Applications made by the holders of Maturing Bonds up to the full amount of Maturing Bonds being transferred to the Issuer rounded up to (a) €1,000 if less than €1,000 or (b) to the nearest integral multiple €100 if more than €1,000. Any such Applicant must ensure that the relative Application Form is accompanied by payment of the difference between the full price of the amount of 6% Bonds 2024 applied for and the nominal value of the Maturing Bonds being transferred. The amount representing such differences, which is to be inserted in Box 3 of panel B overleaf, shall be made payable to 'The Registrar - AXI Bond Issue' which is to be attached to the Application Form being submitted to any Authorised Financial Intermediary listed in Annex I of the Securities Note forming part of the Prospectus.
7. Where the Applicant wishes to acquire a number of 6% Bonds 2024 having an aggregate value which exceeds the amount in respect of which preference is given as indicated in paragraph 6 above, the Applicant may do so by completing a separate Application Form 'B' through any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note, subject to availability.
8. Applicants who are Non-Residents in Malta for tax purposes must complete Panel D overleaf.
9. In the case where a holder of Maturing Bonds is a body corporate, Application Forms must be signed by a duly authorised representative/s indicating the capacity in which s/he/they are signing.
10. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as residents in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Interest received by non-resident Applicants is not taxable in Malta and non-residents will receive interest gross. Authorised entities applying in the name of a Prescribed Fund will have Final Withholding Tax, currently 10%, deducted from interest payments. Applicants will receive interest directly in a bank account held locally in Euro details of which are to be indicated in Panel E overleaf.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
11. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
12. The Applicant's MSE account number has been pre-printed on Panel A and reflects the MSE account number on the Issuer's Register at the CSD as at 3 February, 2014. **APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MSE IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
13. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note, during normal office hours by not later than 14:00 on 20 February, 2014. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the closing date indicated above. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bond as contained in the Prospectus. Any Applications received by the Registrar after 14:00 on 20 February, 2014 will not be accepted. If an Application is not accepted, any monies paid for rounding up purposes will be returned by direct credit into the bank account indicated in Panel E.
14. By completing and delivering an Application Form you (as the Applicant(s)):
 - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the 6% Bonds 2024 applied for; and
 - c. acknowledge that you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the 6% Bonds 2024 on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.



AX INVESTMENTS P.L.C.

€40,000,000

6% Bonds 2024

APPLICATION FORM 'B'

Please read the notes overleaf before completing this Application Form. Where required mark 'X' if applicable. Unless otherwise indicated, each of the panels below is to be completed.

APPLICANT/S (See notes 2 to 7)

A Non-Resident Minor (under 18) Body Corporate/
Body of Persons CIS-Prescribed Fund Employee

B TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME / REGISTERED NAME

ADDRESS

POSTCODE

MSE A/C NO. (if applicable)

I.D. CARD / PASSPORT / COMPANY REG. NO.

TEL. NO.

MOBILE NO.

C ADDITIONAL (JOINT) APPLICANTS (See note 3) (please use additional Application Forms if space is not sufficient)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

D MINOR'S PARENTS / LEGAL GUARDIANS (See note 4) (to be completed ONLY if the Applicant is a minor)

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

TITLE (Mr/Mrs/Ms/...) FULL NAME & SURNAME I.D. CARD / PASSPORT NO.

E I/WE APPLY TO PURCHASE AND ACQUIRE (See notes 8 and 9):

AMOUNT IN FIGURES

€

AMOUNT IN WORDS

AX Investments p.l.c. Bonds 6% Bonds 2024 (minimum €1,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 3 February, 2014 (the "Prospectus"), payable in full upon application under the Terms and Conditions as defined in the said Prospectus.

F RESIDENT - WITHOLDING TAX DECLARATION (See note 10) (to be completed ONLY if the Applicant is a Resident in Malta) I/We elect to have Final Withholding Tax deducted from my/our interest. I/We elect to receive interest GROSS (i.e. without deduction of withholding tax).**G NON-RESIDENT - DECLARATION FOR TAX PURPOSES** (See note 12) (to be completed ONLY if the Applicant is a Non-Resident)

TAX COUNTRY	CITY OF BIRTH	
TIN (Tax Identification Number)	COUNTRY OF BIRTH	
PASSPORT/NATIONAL I.D. CARD No.	COUNTRY OF ISSUE	ISSUE DATE

 I/We am/are NOT resident in Malta but I/we am/are resident in the European Union. I/We am/are NOT resident in Malta and I/we am/are NOT resident in the European Union.**H INTEREST, REFUND & REDEMPTION MANDATE** (See note 11) (completion of this panel is mandatory)

BANK

IBAN

I I/We have fully understood the instructions for completing this Application Form, and am/are making this Application solely on the basis of the Prospectus, and subject to its terms and conditions as contained therein which I/we fully accept.

Signature/s of Applicant/s

(Both parents or legal guardian/s are/is to sign if Applicant is a minor)
(All parties are to sign in the case of a joint Application)

Date

AUTHORISED FINANCIAL INTERMEDIARY'S STAMP

AUTHORISED FINANCIAL INTERMEDIARY'S CODE

APPLICATION NUMBER

NOTES ON HOW TO COMPLETE THIS APPLICATION FORM AND OTHER INFORMATION

The following notes are to be read in conjunction with the Prospectus dated 3 February, 2014 .

1. This Application is governed by the Terms and Conditions of Application contained in Section 7.2 of the Securities Note dated 3 February 2014 forming part of the Prospectus. Capitalised terms not defined herein shall, unless the context otherwise requires, have the meaning ascribed to them in the Prospectus.
2. The Application Form is to be completed in BLOCK LETTERS.
3. Applicants are to insert full personal details in Panel B. In the case of an application by more than one person (including husband and wife) full details of all individuals - including I.D. card numbers - must be given in Panels B and C **but the person whose name appears in Panel B shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 7 below).**
4. Applications in the name and for the benefit of minors shall be allowed provided that they are signed by both parents or by the legal guardian/s and accompanied by a Public Registry birth certificate of the minor in whose name and for whose benefit the Application Form is submitted. The relative box in Panel A must also be marked appropriately. Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as Bondholder, with interest and redemption proceeds payable to the parents or legal guardian/s signing the Application Form until such time as the minor attains the age of eighteen (18) years, following which all interest and redemption proceeds shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years.
5. Applicants who are Non-Residents in Malta for tax purposes, must indicate their passport number in Panel B and complete Panel G. The relative box in Panel A must also be marked appropriately.
6. In the case of a body corporate, the name of the entity exactly as registered, and the registration number are to be inserted in Panel B. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
7. **APPLICANTS WHO ALREADY HOLD SECURITIES ON THE MSE ARE TO INDICATE THEIR MSE ACCOUNT NUMBER IN PANEL B. APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED IN THE MSE ACCOUNT NUMBER QUOTED ON THE APPLICATION FORM. IF DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE MSE, DIFFER FROM ANY OR ALL OF THE DETAILS APPEARING OVERLEAF, A SEPARATE REQUEST BY THE APPLICANT TO CHANGE THESE DETAILS AS RECORDED AT THE MSE WILL HAVE TO BE EFFECTED.**
8. Applications must be for a minimum of €1,000 and thereafter in multiples of €100.
9. Payment in Euro may be made by cheque payable to 'The Registrar - AXI Bond Issue'. In the event that the cheque accompanying an Application Form is not honoured on the first presentation, the Issuer and the Registrar reserve the right to invalidate the relative Application.
10. Only Applicants who hold an official Maltese Identity Card or companies registered in Malta will be treated as resident in Malta. In such a case the Applicant may elect to have Final Withholding Tax, currently 15%, deducted from interest payments in which case such interest need not be declared in the Applicant's income tax return. The Applicant may elect to receive the interest gross (i.e. without deduction of Final Withholding Tax), but he/she will be obliged to declare interest so received on his/her tax return. Authorised entities applying in the name of a Prescribed Fund (having indicated their status in the appropriate box in Panel A) will have Final Withholding Tax, currently 10%, deducted from interest payments.

In terms of Section 6.2 of the Securities Note, unless the Issuer is otherwise instructed by a Bondholder, or if the Bondholder does not fall within the definition of "recipient" in terms of Article 41(c) of the Income Tax Act (Cap. 123 of the Laws of Malta), interest shall be paid to such person net of final withholding tax, currently at the rate of 15% of the gross amount of interest, pursuant to Article 33 of the Income Tax Act.
11. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds 2024 than those applied for, the monies or the balance of the amount paid but not allocated, as the case may be, will be returned by direct credit into the bank account as indicated in Panel H. Interest and redemption proceeds will be credited to the account indicated in Panel H or as otherwise amended by the Bondholder/s, during the term of the Bond.
12. European Council Directive 2003/48/EC on the taxation of savings income in the form of interest payments requires all payors established in the EU which pay interest to an individual resident in another EU Member State, to report the interest payment to the tax authorities of the Member State in which the payor is established. If the Applicant's permanent residential address is in an EU Member State or in another country to which the said Directive applies (called a "specified territory") then the interest paid will be reported.
13. Subscription lists will open at 08:30 hours on 24 February, 2014 and will close as soon thereafter as may be determined by the Issuer, but not later than close of business, 28 February, 2014. The Issuer reserves the right to close the Bond Issue before 28 February, 2014, in the event of over-subscription. The Issuer reserves the right to refuse any Application which appears to be in breach of the terms and conditions of the Bonds as contained in the Prospectus. Any Applications received by the Registrar after the subscription lists close will be rejected. Completed Application Forms are to be delivered to any of the Authorised Financial Intermediaries listed in Annex I of the Securities Note, during normal office hours. Remittances by post are made at the risk of the Applicant and the Issuer disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists.
14. By completing and delivering an Application Form you (as the Applicant(s)):
 - a. acknowledge that the Issuer may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 440 of the Laws of Malta);
 - b. acknowledge that the Issuer may process such personal data for all purposes necessary for and related to the 6% Bonds 2024 applied for; and
 - c. acknowledge that you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Issuer. Any such requests must be made in writing and addressed to the Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the 6% Bonds 2024 on offer will be repayable in full upon redemption. An investor should consult an independent financial advisor, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

ANNEX III – THE GUARANTEE



The Guarantee

To All Bondholders:

Reference is made to the issue of the €40 million Bonds 2024 by AX Investments p.l.c. (the “**Issuer**”) pursuant to and subject to the terms and conditions contained in the Securities Note dated 3 February 2014 (the “**Bonds**”).

Now therefore by virtue hereof we, AX Holdings Limited, hereby stand surety jointly and severally with the Issuer and irrevocably and unconditionally guarantee the due and punctual performance of all the obligations undertaken by the Issuer under the Bonds and, without prejudice to the generality of the foregoing, undertake to pay all amounts of principal and interest which have become due and payable by the Issuer to Bondholders under the Bonds, within 60 days from the date such amount falls due and remains unpaid by the Issuer.

All terms used in this guarantee shall, unless the context otherwise requires, have the same meaning assigned to them in the Prospectus.

This guarantee shall be governed by the laws of Malta.

Signed and executed on this the 3rd day of February 2014, after approval of the Board of Directors in its meeting of the 9 January 2014.

Director

NATURE, SCOPE AND TERMS OF THE GUARANTEE

1. Nature of the Guarantee

The offering of Bonds that will be made by the Issuer pursuant to a Securities Note to be published by the Issuer will be made with the benefit of the joint and several corporate Guarantee of the Guarantor, the full terms of which are set out in clause 4 below.

2. Scope of the Guarantee

The Guarantee is unconditional and shall cover all payments that may be due to Bondholders pursuant to the Securities Note. The Guarantee binds the Guarantor to pay to Bondholders any amount of interest or capital under the Bonds that may have become due under the terms of issue of a Bond.

The Guarantor has the power to veto any changes to the rights and terms of the Bonds which are issued with the benefit of its Guarantee.

3. Information about the Guarantor

Any information about the Guarantor which may be required pursuant to the Listing Rules and the Regulation may be found in the Registration Document.

AX Holdings Limited
AX House, Mosta Road,
Lija, LJA 9010, Malta

tel: +356 23 312345
fax: +356 21 411698
e-mail: admin@axholdings.com.mt

Company Reg No.: C 3595
VAT Reg. NO.: MT 1046 7916

4. Terms of the Guarantee

4.1 *Guarantee*

For the purposes of the Guarantee, the Guarantor irrevocably and unconditionally guarantees to each holder of the Bonds described in the Prospectus (“**Bondholder**”) that if for any reason the Issuer fails to pay any sum payable by it to such Bondholder pursuant to the terms of the Bonds detailed in the Securities Note as and when the same shall become due under any of the foregoing, the Guarantor will pay to such bondholder on demand the amount payable by the Issuer to such bondholder.

Such payment shall be made in the currency in force in Malta at the time the payment falls due.

This Guarantee shall apply to all Bonds issued on or after 17 March 2014 in accordance with the terms of the Securities Note.

4.2 *Guarantor as Joint and Several Surety*

The Guarantor will be liable under this Guarantee as joint and several surety with the Issuer.

4.3 *Guarantor’s Obligations Continuing*

The Guarantor’s obligations under this Guarantee are and will remain in full force and effect by way of continuing security until no sum remains payable to any Bondholder pursuant to the issue of the Bonds.

4.4 *Repayment to the Issuer*

If any payment received by a Bondholder is, on subsequent liquidation or insolvency of the Issuer, avoided under any laws relating to liquidation or insolvency, such payment will not be considered as having discharged or diminished the liability of the Guarantor, and this Guarantee will continue to apply as if such payment had at all times remained owing by the Issuer.

4.5 *Indemnity*

As a separate and alternative stipulation, the Guarantor unconditionally and irrevocably agrees that any sum expressed to be payable by the Issuer pursuant to the terms of the Bonds but which is for any reason (whether or not now known or becoming known to the Issuer, the Guarantor or any Bondholder) not recoverable from the Guarantor, will nevertheless be recoverable from it as if it were the sole principal debtor and will be paid by it to the Bondholder on demand. This indemnity constitutes a separate and independent obligation from the other obligations in this Guarantee, gives rise to a separate and independent obligation from the other obligations in this Guarantee and gives rise to a separate and independent cause of action.

4.6 *Status of Guarantee*

The obligation of the Guarantor under this Guarantee constitutes a general, direct and unsecured obligation of the Guarantor and ranks equally with all its other existing and future unsecured obligations, except for any debts for the time being preferred by law.

4.7 *Power to Execute*

The Guarantor hereby warrants and represents with each Bondholder that it has all corporate power, and has taken all necessary corporate or other steps, to enable it to execute, deliver and perform this Guarantee, and that this Guarantee constitutes a legal, valid and binding obligation of the Guarantor in accordance with the terms laid out in this clause 4.

4.8 *Deposit and Production of the Guarantee*

The instrument creating this Guarantee shall be deposited with and held by the Issuer at its registered address for the benefit of the Bondholders until all obligations of the Guarantor have been discharged in full, and until such time, the Guarantor acknowledges the right of every Bondholder to obtain a copy of the instrument creating the Guarantee.

4.9 *Subrogation*

Until all amounts which may be payable under the terms of the Bonds have been irrevocably paid in full, the Guarantor shall not by virtue of this Guarantee be subrogated to any rights of any Bondholder or claim in competition with the Bondholders against the Issuer.

4.10 *Governing Law and Jurisdiction*

This Guarantee is governed by and shall be construed in accordance with Maltese Law, and any disputes which may arise out of or in connection with this Guarantee are to be settled by the Courts of Malta, whose decision on the dispute shall be conclusive and binding.

ANNEX IV – FINANCIAL ANALYSIS SUMMARY

AX INVESTMENTS P.L.C.

FINANCIAL ANALYSIS SUMMARY

3 February 2014

CHARTS INVESTMENT MANAGEMENT SERVICE LTD
VALLETTA WATERFRONT • VAULT 17
PINTO WHARF • FLORIANA FRN 1913 • MALTA

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The Directors
AX Investments p.l.c.
Ax House, Mosta Road
Lija LJA 9010
Malta

3 February 2014

Dear Sirs

AX Investments p.l.c. Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the Listing Authority Policies, we have compiled the Financial Analysis Summary set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to AX Investments p.l.c. (the “**Company**”) and AX Holdings Limited (the “**Group**”). The data is derived from various sources or is based on our own computations as follows:

- a. Historical financial data for the three years ended 31 October 2011, 31 October 2012 and 31 October 2013 has been extracted from audited financial statements of the Company for the three years in question.
- b. Historical financial data for the three years ended 31 October 2011, 31 October 2012 and 31 October 2013 has been extracted from audited consolidated financial statements of the Group for the three years in question.
- c. The forecast data of the Group for the year ending 31 October 2014 has been provided by management of the Company.
- d. Our commentary on the results of the Group and on its financial position is based on the explanations provided by the Company.
- e. The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- f. The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of such companies has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

The Analysis is meant to assist investors in the Company’s securities and potential investors by summarising the more important financial data of the Company and the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Company and should not be interpreted as a recommendation to invest in any of the Company’s securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Company’s securities.

Yours faithfully,



Wilfred Mallia
Director

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PART 1

1. Company's Key Activities

The principal activity of the Company is to carry on the business of a finance and investment company within the AX Group.

The Company does not itself carry on any trading activities apart from the raising of capital and the advancing thereof to members of the AX Group as and when the demands of their business or the demands of a particular project so require. Accordingly, the Company is economically dependent on the AX Group.

2. Group's Key Activities

The AX Group is principally engaged in the provision of hospitality services, construction & property development, and operates exclusively in and from Malta. It commenced operations in the 1970s and in the earlier period, construction was the primary activity of the Group. During the 1980s, the AX Group diversified its activities into hotel operations and developed two hotels, the Sunny Coast Resort & Spa and the Seashells Resort at Suncrest, both located in Qawra Malta. The Group continued to grow this segment through the development of The Victoria Hotel and The Palace Hotel in 1996 and 2007 respectively, both of which are situated in Sliema Malta.

Over the years, the AX Group was involved in a number of property related projects, including the construction of the Valletta Cruise Port, the four hotels owned by the Group, Verdala Mansions, Capua Hospital and the Parliament Building in Valletta, amongst others. Furthermore, the AX Group has specialised in restoration works and has to date completed various restoration projects on a number of buildings in Malta, including Casino di Venezia, Valletta Waterfront, Palazzo Capua and Valletta & Birgu bastions.

3. Directors and Key Employees

AX Investments p.l.c. is managed by a Board consisting of five directors entrusted with its overall direction and management of the Company.

Board of Directors

Angelo Xuereb	Chairman and Chief Executive Officer
Michael Warrington	Executive Director
Patrick J. Galea	Non-Executive Director
Michael Scortino	Non-Executive Director
Philip A. Ransley	Non-Executive Director

The parent company of the AX Group is AX Holdings Limited, and is managed by a Board consisting of seven directors who are responsible for the day-to-day management of the Group.

Board of Directors

Angelo Xuereb	Chairman and Chief Executive Officer
Claire Zammit Xuereb	Group Hospitality Director
Richard Xuereb	Group Estate Director
Denise Xuereb	Group Construction Director
Michael Warrington	Group Finance Director
John Soler	Non-Executive Director
Matthew Paris	Non-Executive Director

The weekly average number of employees engaged with the companies forming part of the AX Group during FY2013 amounted to 482 persons (FY2012: 450).

4. Major Assets Owned by the Group

4.1 Group Assets

The AX Group is the owner of a number of properties which are included in the consolidated balance sheet under the headings: 'property, plant & equipment', 'investment property', and 'inventory of property'. The following is a list of major assets owned by the AX Group.

Major assets	FY2013 €'000	FY2012 €'000	FY2011 €'000
The Palace Hotel#	36,000	36,000	16,621
Victoria Hotel	18,004	18,003	18,000
Seashells Resort at Suncrest#	20,500	20,565	16,544
Sunny Coast Resort & Spa	15,200	15,272	15,195
Palazzo Capua*	8,250	8,250	8,250
Grand Hotel Verdala	11,423	11,423	11,423
Tas-Simblija#	10,323	3,038	-
Villa Vistana	3,500	3,500	3,500
Tad-Dwiemes, Marsa	3,400	3,521	3,521
Hard Rocks Warehouses	1,750	1,750	1,750
Other assets	10,434	9,575	10,807
Total	138,784	130,897	105,611

*Palazzo Capua is held directly by AX Investments p.l.c.

Year-on-year movements mainly relate to uplifts in valuation of the respective properties.

Source: Consolidated audited financial statements of AX Holdings Limited for the years ended 31 October 2011, 2012 and 2013.

5. Group Operational Development

The AX Group is principally involved in hotel operations, construction & property development, and related services. As from FY2014, the Group will be diversifying its activities to include the management of a retirement home in Simblija, limits of Naxxar Malta. A divisional analysis of the Group's business is provided below.

5.1 Key Financial Information - The Group

AX Group divisional analysis	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	24,766	23,778	23,160	21,706
Hospitality & entertainment	20,531	19,467	18,692	17,882
Construction, building materials & management services	2,949	3,020	3,301	3,116
Sale of property, real estate & rental income	1,286	1,291	1,167	708
Gross operating profit (€'000)	8,377	7,976	7,194	5,698
Hospitality & entertainment	6,816	6,427	5,478	4,945
Construction, building materials & management services	435	461	799	235
Sale of property, real estate & rental income	1,126	1,088	917	518
Gross operating profit margin (%)	34	33	31	26
Hospitality & entertainment	33	33	29	28
Construction, building materials & management services	15	15	24	7
Sale of property, real estate & rental income	88	84	79	73

Source: Management information

5.2 Hospitality & Entertainment

5.2.1 Market Overview

Tourism in Malta has been performing at a strong level and this trend continued in 2013 as well. In fact, tourist arrivals in 2013 exceeded 1.5 million guests (2012: 1.44 million), which is a new all-time high for the country. National Statistics Office (NSO) data shows that the total number of arrivals during the period January to November 2013 (being the latest available information) was estimated at 1,516,807 persons, an increase of 9.8% over the comparable period in 2012. In absolute terms, the main origin of inbound tourists remained the British market.

The majority of incoming tourists were leisure tourists, predominantly from the European Union. However, an increase of 24% was registered in tourists originating from non-EU countries. Non-package travel was higher than package travel, with a 53% share of the total. Nonetheless, package travel still advanced by 8% when compared to 2012. Total nights spent in the months January to November 2013 were estimated at 12.3 million, up by 8.8% over the previous year, while average length of stay remained flat at 8.1 nights. Expenditure by inbound tourists was also up during the period under review and reached €1.4 billion (+9%).

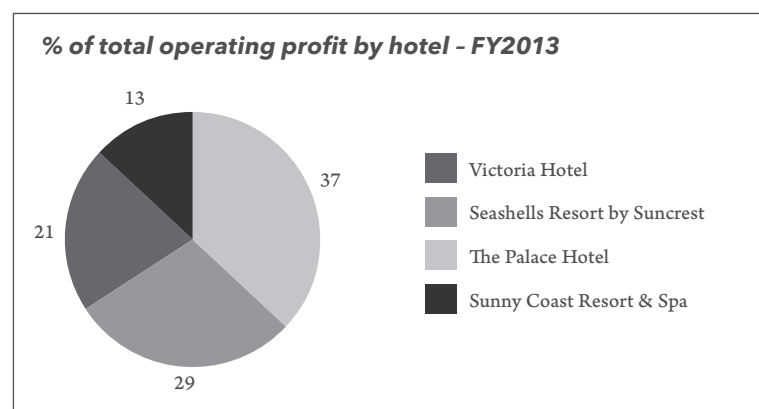
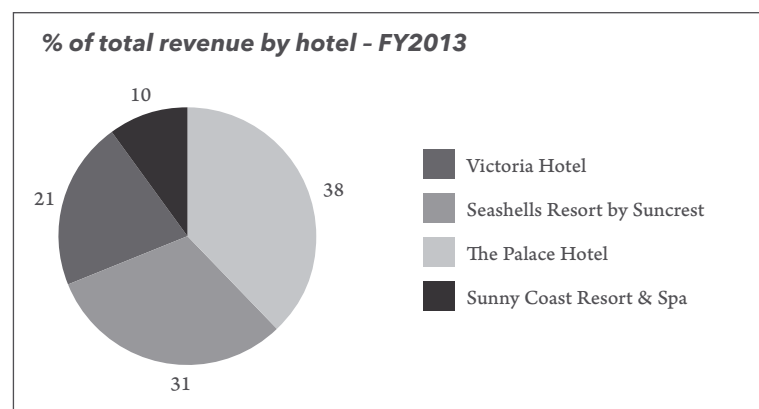
5.2.2 Financial Information - Sector Analysis

Hospitality & entertainment	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	20,531	19,467	18,692	17,882
The Palace Hotel	7,016	6,814	6,638	6,277
Victoria Hotel	3,982	3,888	3,638	3,479
Seashells Resort by Suncrest	6,257	5,690	5,443	5,192
Sunny Coast Resort & Spa	2,003	1,869	1,665	1,493
Tal-Kaptan Restaurants	1,273	1,206	1,308	1,441
Gross operating profit (€'000)	6,816	6,427	5,478	4,945
The Palace Hotel	2,405	2,357	2,180	1,810
Victoria Hotel	1,349	1,353	1,191	1,050
Seashells Resort by Suncrest	1,975	1,802	1,243	1,237
Sunny Coast Resort & Spa	952	830	693	622
Tal-Kaptan Restaurants	135	85	171	226
Gross operating profit margin (%)	33	33	29	28
The Palace Hotel	34	35	33	29
Victoria Hotel	34	35	33	30
Seashells Resort by Suncrest	32	32	23	24
Sunny Coast Resort & Spa	48	44	42	42
Tal-Kaptan Restaurants	11	7	13	16

Source: Management information

5.2.3 Aggregate Hotel Revenue and Operating Profit

The charts below depict total turnover and gross operating profit generated by each hotel as a percentage of aggregate hotel revenue and gross operating profit respectively.



Source: Company information

As illustrated above, the principal contributor to the Group's hotel sector in terms of both revenue and gross operating profit is The Palace Hotel, and the second best performer is the Seashells Resort by Suncrest. In aggregate, both hotels generate two-thirds of total revenue and gross operating profit and this situation was broadly similar in the financial years FY2011 to FY2013.

5.2.4 The Palace Hotel

The Palace Hotel is a 149-room five-star city hotel located in Sliema Malta and offers extensive conference and events facilities, and utilisation of the 200 year old Palazzo Capua. It was developed by the AX Group in 2007. The Palace Hotel also includes two restaurants (The Tabloid and TemptAsian), a spa, and an indoor & outdoor pool. The carrying amount of the Hotel as at 31 October 2013 is €36 million (FY2012: €36 million).

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	7,016	6,814	6,638	6,277
Rooms (€'000)	4,100	3,987	3,868	3,704
Food & Beverage, and other revenue (€'000)	2,916	2,827	2,770	2,573
Rooms				
Occupancy level (%)	83	82	82	80
Average room rate (€)	91	90	86	85
Revenue per available room (RevPAR) (€)	129	125	122	115
Gross operating profit (€'000)	2,405	2,357	2,180	1,810
Gross operating profit margin (%)	34	35	33	29

Source: Management information

Over the three financial years under review, The Palace registered growth both in revenue and gross operating profit of +8.6% and +30.2% respectively. The Hotel's occupancy increased marginally from 80% to 82% and average room rate improved by 6% from €85 in FY2011 to €90 in FY2013. The advancement in gross operating profit was primarily due to better achieved average room rates negotiated with tour operators and increased income from food & beverages. Furthermore, certain administrative and other expenses are shared with a sister hotel (the Victoria Hotel) and the cost savings have had a positive impact on gross operating profit. The Hotel's strategy is to continue improving its occupancy level and average rates, and increase food & beverage revenue mainly through marketing its outlets to non-guests.

Key Performance Indicators (KPIs)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
The Palace Hotel				
Occupancy level (%)	83	82	82	80
Average room rate (€)	91	90	86	85
Revenue per available room (RevPAR) (€)	129	125	122	115
Performance of Competitive Set				
Occupancy level (%)		69	68	68
Average room rate (€)		106	105	101
Revenue per available room (RevPAR) (€)		120	118	113
Market Penetration Rate				
Occupancy		1.19	1.21	1.18
Rate		0.85	0.82	0.84
Revenue Generating Index		1.04	1.04	1.02

Source: Management information

The above table outlines the historical performance and current year's expectation for the Hotel, and the historical performance for FY2011 to FY2013 of its competitive set which includes 5 star hotels in the central region particularly the Sliema and St Julians area.

The Revenue Generating Index (RGI), which measures a hotel's fair market share of its segment's revenue per available room, indicates that The Palace Hotel has been outperforming its competitive set (RGI below 1 means the hotel is underperforming its segment, whilst RGI above 1 denotes that the hotel is outperforming its market).

The Hotel has achieved higher occupancy levels than its competitive set, albeit at lower average room rates. Combining the two variables, The Palace Hotel has generated higher revenue per available room, thereby achieving an RGI of above 1 for all three years under review. The forward strategy is to further enhance the Hotel's performance through the continual improvement of its offerings and service, and to enhance average room rate mainly through an increased focus on conference & events business.

5.2.5 Victoria Hotel

The Victoria Hotel was developed by the AX Group in 1996. It is a four-star hotel consisting of 137 rooms and is situated a few metres away from The Palace in Sliema Malta. The Hotel together with the adjoining 200 year old Palazzo Capua features a range of conference and meeting facilities. The carrying amount of the Victoria Hotel as at 31 October 2013 is €18 million (FY2012: €18 million).

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	3,982	3,888	3,638	3,479
Rooms (€'000)	2,624	2,619	2,403	2,349
Food & Beverage, and other revenue (€'000)	1,358	1,269	1,235	1,130
Rooms				
Occupancy level (%)	81	81	81	81
Average room rate (€)	65	64	59	58
Revenue per available room (RevPAR) (€)	80	78	73	69
Gross operating profit (€'000)	1,349	1,353	1,191	1,050
Gross operating profit margin (%)	34	35	33	30

Source: Management information

The Victoria Hotel achieved a cumulative growth rate of *circa* 13% from FY2011 to FY2013 to register a gross operating profit of €1.4 million in FY2013. Although occupancy remained stable at 81% in the three financial years under review, the Hotel managed to increase its average room rate by 10% from €58 in FY2011 to €64 in FY2013 and thereby improve RevPAR by 13%. The growth in revenue has outweighed increases in costs due to savings achieved through the cost sharing exercise with The Palace Hotel, resulting in an improvement in gross operating profit margin from 30% to 35%. In the near term, the Hotel will be embarking on a renovation programme to gradually refurbish the rooms and common areas of the property, and also implement energy saving measures in all rooms. This should enable the Hotel to better compete with other hotels, enhance RevPAR and generate higher year-on-year gross operating profits.

Key Performance Indicators (KPIs)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
The Victoria Hotel				
Occupancy level (%)	81	81	81	81
Average room rate (€)	65	64	59	58
Revenue per available room (RevPAR) (€)	80	78	73	69
Performance of Competitive Set				
Occupancy level (%)		77	76	76
Average room rate (€)		62	59	58
Revenue per available room (RevPAR) (€)		70	67	66
Market Penetration Rate				
Occupancy		1.05	1.07	1.07
Rate		1.03	1.00	1.00
Revenue Generating Index		1.11	1.09	1.05

Source: Management information

The above table outlines the historical performance and current year's expectation for the Hotel, and the historical performance for FY2011 to FY2013 of its competitive set which includes 4 star hotels located in the central region.

The Hotel has constantly achieved better occupancy and RevPAR than its competitive set, particularly since the Hotel is marketed as a 4 star superior hotel and therefore targets business clients who choose not to stay at 5 star hotels. Furthermore, there are only three other hotels in the Sliema area that offer the same level of service and quality, namely the Waterfront Hotel, Fortina and The Diplomat. It is projected that for FY2014 the Hotel will maintain a stable occupancy rate of 81% which albeit should be higher than the average occupancy level of its competitive set. The average room rate achieved should be at par with its competitive set and is expected to reach €65 (FY2013: €64).

5.2.6 Seashells Resort at Suncrest

Seashells Resort at Suncrest is an all-inclusive four-star hotel located in Qawra Malta. It features 452 rooms designed in a contemporary style; the Carisma Spa and Wellness International Centre; a large outdoor swimming pool; and various food and beverage operations. The Hotel was developed by the AX Group in 1988 and its carrying value as at 31 October 2013 is €20.5 million (FY2012: €20.5 million).

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	6,257	5,690	5,443	5,192
Rooms (€'000)	2,983	2,670	2,400	2,202
Food & Beverage, and other revenue (€'000)	3,274	3,020	3,043	2,990
Rooms				
Occupancy level (%)	50	48	52	51
Average room rate (€)	36	34	28	26
Revenue per available room (RevPAR) (€)	38	35	33	32
Gross operating profit (€'000)	1,975	1,802	1,243	1,237
Gross operating profit margin (%)	32	32	23	24

Source: Management information

The Seashells Resort at Suncrest registered a gross operating profit of €1.8 million in FY2013, which is €565,000 more than FY2011 (+46%). The Hotel recorded lower occupancy levels (-6%) at better average room rates (+31%), which resulted in a 9% increase in RevPAR. In an effort to improve performance, the hotel is being marketed as an all-inclusive resort, which is proving to be very popular with tour operators and other leisure groups. A typical all-inclusive package would entice guests to stay at the Hotel for five nights or more, and all meals, snacks and drinks consumed at the Hotel's restaurants and bar are included in the offer.

In addition to reviewing the sales strategy, management initiated a cost saving exercise and approved a refurbishment programme. Over the last few years, all external and internal areas of the Hotel (such as the pool area and lobby) were renovated and the final phase of this programme will take place during the winter months of FY2015 with the refurbishment of all hotel rooms. It is expected that once the property is fully modernised, the Hotel will significantly improve occupancy levels and command better room rates, which should result in an increase in gross operating profit.

Key Performance Indicators (KPIs)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Seashells Resort at Suncrest				
Occupancy level (%)	50	48	52	51
Average room rate (€)	36	34	28	26
Revenue per available room (RevPAR) (€)	38	35	33	32
Performance of Competitive Set				
Occupancy level (%)		70	69	73
Average room rate (€)		44	44	41
Revenue per available room (RevPAR) (€)		55	55	55
Market Penetration Rate				
Occupancy		0.69	0.75	0.70
Rate		0.77	0.64	0.63
Revenue Generating Index		0.64	0.60	0.58

Source: Management information

The above table outlines the historical performance and current year's expectation for the Hotel, and the historical performance for FY2011 to FY2013 of its competitive. The Hotel's competitive set include 4 star hotels located in the Bugibba/Qawra area.

The Hotel has underperformed its competitive set in all three years under review and registered RevPAR at *circa* 40% below that achieved by its competitors. In FY2012, the Hotel registered an occupancy rate of 52% as compared to the sector average of 69%, and attained an average room rate of €28 which is more comparable to a three-star hotel rate. The emphasis in FY2013 has been to improve RevPAR by focusing on all-inclusive package deals, which was reasonably successful. In the near term, management will continue to focus on this strategy and coupled with the complete refurbishment of the Hotel, it is expected that occupancy level and room rate will approach the figures achieved by the Hotel's competitive set.

5.2.7 Sunny Coast Resort & Spa

The Sunny Coast Resort & Spa commenced operations in 1983 and was the first hotel developed by the AX Group. It is a four-star hotel situated in Qawra Malta and includes 91 rooms offered on a self-catering basis. The Hotel features three restaurants, external and heated indoor pools, spa and leisure facilities, and a squash court. The carrying amount of the Sunny Coast Resort & Spa as at 31 October 2013 is €15.2 million (FY2012: €15.3 million).

Operational Performance

The following table sets out the highlights of the hotel's operating performance for the years indicated therein:

	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	2,003	1,869	1,665	1,493
Rooms (€'000)	1,628	1,469	1,287	1,143
Other revenue (€'000)	374	400	378	350
Rooms				
Occupancy level (%)	63	59	52	49
Average room rate (€)	78	77	76	71
Revenue per available room (RevPAR) (€)	60	58	51	46
Gross operating profit (€'000)	952	830	693	622
Gross operating profit margin (%)	48	44	42	42

Source: Management information

The apartments at the Sunny Coast Resort & Spa were sold as timeshare accommodation during the initial years of operation. To date, timeshare contracts comprise the equivalent of 58 apartments or 64% of the Hotel and will expire over the next 8 years (term of contract was for 30 years). As a result, the Group has commenced identifying various options to fully utilise the property when timeshare is phased out. Other than timeshare maintenance fees and accommodation income derived from non-timeshare residents, the Hotel generates 'other revenue' which principally consists of rentals of its amenities, including the leisure centre & water activities, three restaurants and the spa. Gross operating profit for FY2013 amounted to €830,000, an increase of €208,000 (+33%) when compared to FY2011, and registered a gross operating profit margin of 44% (FY2012: 42%).

Key Performance Indicators (KPIs)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Sunny Coast Resort & Spa				
Occupancy level (%)	63	59	52	49
Average room rate (€)	78	77	76	71
Revenue per available room (RevPAR) (€)	60	58	51	46
Performance of Competitive Set				
Occupancy level (%)		70	69	73
Average room rate (€)		45	44	41
Revenue per available room (RevPAR) (€)		55	55	55
Market Penetration Rate				
Occupancy		0.84	0.75	0.67
Rate		1.71	1.73	1.73
Revenue Generating Index		1.05	0.93	0.84

Source: Management information

The above table outlines the historical performance and current year's expectation for the Hotel, and the historical performance for FY2011 to FY2013 of its competitive set. The Hotel's competitive set are four-star hotels located in the Bugibba/Qawra area.

The Hotel is not entirely comparable to its competitive set, primarily because it offers only self-catering accommodation and is principally limited to timeshare. Notwithstanding, performance data of its competitive set provides the only benchmark available to access the Hotel's level of operation.

The Hotel's RevPAR increased by 12% in each of FY2012 and FY2013, improving its revenue generating index from 0.84 in FY2011 to 1.05 in FY2013. Occupancy at the Hotel remains significantly lower than the level achieved by its competitive set, reflecting the fact that the Hotel is predominantly based on timeshare. However, the low occupancy is compensated for by relatively high average room rates. In FY2013, the rate achieved by the Hotel was 71% higher than the average room rate of its competitive set. Overall, the Hotel has improved its performance in the last three financial years and is now operating broadly in line with the market.

5.2.8 Tal-Kaptan Restaurants

The AX Group operates two restaurants under the commercial name "Tal-Kaptan". The first restaurant was opened in 1987 and is located within the premises of the Seashells Resort at Suncrest, and the other outlet is situated at the Valletta Waterfront and initiated operations in 2007. The outlets offer a casual dining experience and specialise in pizza and pasta dishes.

The following table sets out the turnover and gross operating profit of the restaurants for the years indicated therein:

	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	1,273	1,206	1,308	1,441
Gross operating profit (€'000)	135	85	171	226

Source: Management information

Revenue at the outlets has been in gradual decline over the three years under review. The Directors are of the view that this negative performance is partly due to changes that occurred at senior management level, but are confident that outstanding matters have now been addressed. Furthermore, competition in the sector has increased significantly and patrons now have a wider choice of restaurants offering various cuisines at their disposal. Given the significant amount of fixed overheads in the business, which is normal for a catering establishment, the drop in revenue of 16% between FY2011 and FY2013 resulted in a decrease of 62% in gross operating profit for the same period. It is expected that revenue in FY2014 should stable at €1.3 million and gross operating profit improve from €85,000 (FY2013) to €135,000 (FY2014).

5.3 Construction, Building Materials & Management Services

5.3.1 Market Overview

The activity in the construction industry has been in decline in the past few years and is set to remain weak at least in the near term. Latest statistics published by MEPA show that the number of building permits in the first quarter of 2013 fell strongly by 27.3% compared to the same period a year earlier. The decrease was mainly due to a lower number of permits issued for apartments. Although more recent data is unavailable, it is likely that this trend has continued throughout 2013 since employment in construction activities (including construction of buildings, civil engineering and specialised construction activities) declined by 9% in the third quarter.

National statistics relating to commercial property in Malta is currently not captured and therefore is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, it can be deduced that since Malta has progressed towards a services oriented economy, the requirement for commercial property, in particular office space, has gained in demand. Moreover, in addition to the needs of local businesses, Malta has experienced in recent years an influx of foreign entities setting up operations in the country, such as remote gaming companies and financial services companies, which have further increased the demand for commercial premises and maintained a buoyant rental market. The positive view of this sector is further substantiated when assessing the supply side as a number of development projects earmarked for office and retail space are planned to commence in the coming years in response to such requirements.

In public infrastructure, the construction industry in Malta has benefited from EU funding programmes (European Regional Development Fund and Cohesion Fund) that commenced in 2007 and for which a maximum of 85% of approved projects were financed by the EU. Unlike other property sectors, public infrastructure is relatively resistant to economic shocks and cycles, as Governments recognise infrastructure investment as a prerequisite for sustainable economic growth. At EU level, this sector is set to maintain its importance as a tool to enhance economic growth and it is expected that such programmes will continue to form an integral part of the yearly budget. Furthermore, investment in public infrastructure is also driven by the need to replace ageing infrastructure, amplified by concerns over sustainability and carbon reduction.

5.3.2 Financial Information – Sector Analysis

Construction, building materials & management services	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	2,949	3,020	3,301	3,116
Construction works	1,013	990	1,818	995
Construction waste management	150	688	801	1,623
Restoration projects	1,786	1,342	682	498
Gross operating profit (€'000)	435	461	799	235
Gross operating profit margin (%)	15	15	24	7

Source: Management information

5.3.3 Construction Works

Construction & development is another principal activity of the AX Group and relates mainly to civil engineering works, turnkey assignments, project management and restoration works. Over the years, the construction division of the Group was entrusted with a number of major projects including the development of the Group's four hotels; the Group's head office; Verdala Mansions in Rabat, Malta; Capua Hospital in Sliema; Parliament building super structure in Valletta; and various other projects which were executed for Group companies and third party clients. In FY2014, the construction division will initiate development of the proposed Hilltop Gardens Care Home & Residences on a site measuring *circa* 17,000 square metres, located in Simblija limits of Naxxar.

In recent years, the AX Group has been very active in restoration projects and has to date completed works on parts of the Valletta & Vittoriosa bastions, Fort St Angelo, Scamps Palace Building (site housing Casino di Venezia) and the Valletta Waterfront. This trend is set to continue in FY2014 as the Group embarks on projects valued at €2.89 million and involve the restoration of St Paul's Catacombs, parts of Valletta bastions and Lascaris War Rooms in Valletta.

The AX Group is engaged in construction waste management at a site in Mgarr, which consists of the management and disposal of excavation, construction and demolition waste. Prior to FY2013, the Group was also involved in quarry operations and included the production of gravel and sand. The level of activity in waste management has been fairly modest during the last three financial years primarily due to a decrease in building projects undertaken locally, hence generating less construction waste. It is expected that income derived from such operation will, in the short to medium term, remain stable at current levels.

5.4 Property, Real Estate & Rental Income

5.4.1 Financial Information – Sector Analysis

Property, real estate & rental income	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Turnover (€'000)	1,286	1,291	1,167	708
Sale of property & real estate	1,000	905	643	250
Rental income	286	386	524	458
Gross operating profit (€'000)	1,126	1,088	917	518
Gross operating profit margin (%)	88	84	79	73

Source: Management information

5.4.2 Overview of Sector Activity

During the three financial years under review, the AX Group was not involved in any major property development for resale. The most recent major project undertaken by the Group relating to the construction of apartments for resale was Verdala Mansions in 2003, which consisted of 36 upmarket apartments and which to date have all been sold to third parties.

The AX Group has been involved in constructing a number of warehouses located in an industrial zone in Burmarrad, of which, five properties are held for rental purposes and one warehouse was sold in each of FY2011, FY2012 and FY2013. In addition, the Group sold a maisonette located in Qawra and a property at Verdala Mansions in FY2012; and a parcel of land and garages in FY2013. For FY2014 and FY2015 the AX Group is projecting to sell a further five warehouses that were recently developed by the construction division of the Group, estimated at *circa* €2 million.

Rental income represents proceeds derived from the leasing of Group properties to third parties, and mainly comprises: Palazzo Capua, five warehouses located in an industrial zone in Burmarrad, Vault 5 at Valletta Waterfront, restaurants and lido at the Sunny Coast Resort & Spa, and three outlets situated in Qawra.

6. Proposed Development – Hilltop Gardens Care Home & Residences

6.1 General

The AX Group is in the process of commencing construction and development of the Hilltop Gardens Care Home & Residences (the “**Project**”), largely funded out of the bond proceeds. The property occupies an area of *circa* 17,000 square metres, and will include a mix of one and two bedroom apartments & penthouses, landscaped gardens and extensive facilities.

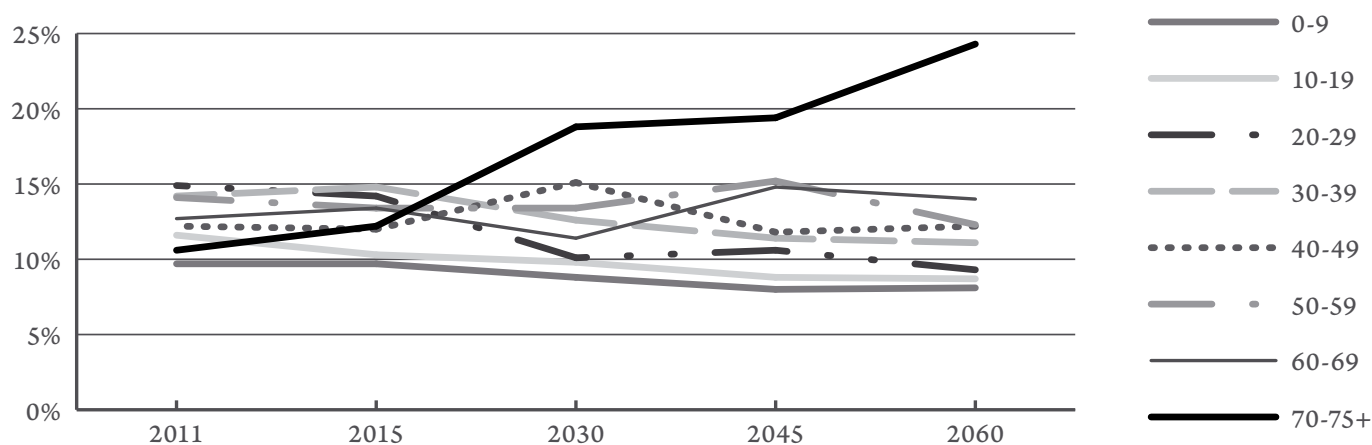
The Project will be an upmarket retirement property, which will offer independent living with access to a range of facilities and amenities, and 24-hour care when required. The facilities at the complex will include a restaurant, spa, hair salon, swimming pool, common room and a chapel, amongst others. The vision for this project is to offer independent living to the elderly with the security that there is on-site medical care and a support team that can take care of any ancillary services one may need (including laundry, cleaning, transportation and maintenance services). Furthermore, the complex will enable residents to live within a community, and enjoy the surrounding gardens and amenities.

The Hilltop Gardens Care Home & Residences will also include a nursing home which will provide intensive nursing care to dependent elderly residents.

6.2 Market Overview

Demand for retirement homes in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO, the percentage of the Maltese population over 65 years of age is expected to increase from 16% to 25% and 32% by 2030 and 2060 respectively (vide population distribution chart below). In absolute figures, Malta has 68,000 seniors above the age of 65 and this is expected to grow to 102,000 by 2025. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.

Projected percentage distribution of total population



Source: Demographic Review 2010, National Statistics Office, Malta

The Hilltop Gardens Care Home & Residences will be primarily marketed to the higher affluent retirees who have well developed thoughts of how they want to spend time after retirement. Such persons would tend to be financially stable, well-travelled, socially connected and desire to continue living independently. While this concept may be relatively innovative for Malta, upscale retirement living has gained market share in other countries. The AX Group believes that there is a demand for high-quality senior living which will be addressed with the development of the Project. Furthermore, in view of the fact that the pricing structure of the Hilltop Gardens Care Home & Residences will be significantly lower than similar offerings in other countries, such as the UK, the AX Group is also expecting some demand from foreigners who opt to retire in Malta.

6.3 Financial Information

The overall development expenditure relating to the Project is estimated at €22 million, and shall consist of 143 self-catering residential units, a 90-bed nursing home, and common areas, amenities and landscaping works.

The residential units will be leased on a variable basis and management expects to conclude lease agreements for periods ranging between 1 and 30 years. Additional revenue is projected to be generated from the sale of consumables, maintenance fees and the provision of services. Furthermore, management will offer tenants assistance in re-selling their units to third parties.

The nursing home will operate with a full complement of nursing staff and care workers on a 24-hour basis, and residents will be charged a daily room rate which will be supplemented by a charge for additional services as required.

The following table illustrates the projected revenues that are expected to be generated during the initial four years of operation. Management is projecting that residential units will initially be leased for short term periods (1 to 5 year terms) and the nursing home will have an occupancy rate of 50% in FY2016, increasing annually by 10% up to a maximum of 90%.

Projections - Hilltop Gardens Care Home & Residences (€'000)	FY2016	FY2017	FY2018	FY2019
Residences	597	913	1,458	1,728
Nursing home	1,484	1,826	2,198	2,629
Total Revenue	2,081	2,739	3,656	4,357
Direct costs	(783)	(926)	(976)	(1,099)
Other costs	(554)	(546)	(586)	(627)
EBITDA	744	1,267	2,094	2,631

PART 2

7. Group Performance Review

The projected financial statements detailed below relate to events in the future and are based on assumptions which the AX Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

7.1 Financial Information – The Issuer

The following financial information is extracted from the audited financial statements of AX Investments p.l.c. (the “Issuer”) for the three years ended 31 October 2011, 31 October 2012 and 31 October 2013. The financial information for the year ending 31 October 2014 has been provided by Group management.

Income Statement (€'000)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Rental income	163	163	163	163
Administrative expenses	(160)	(144)	(136)	(131)
Results from operating activities	3	19	27	32
Share of (loss)/profit of associated undertaking	45	(110)	314	-
Net finance costs	83	(35)	180	22
(Loss)/profit before tax	131	(126)	521	54
Taxation	(32)	31	(183)	(356)
(Loss)/profit after tax	99	(95)	338	(302)

Balance Sheet (€'000)	31 Oct'14 Forecast	31 Oct'13 Actual	31 Oct'12 Actual	31 Oct'11 Actual
ASSETS				
Non-current assets	37,356	21,307	22,760	22,097
Current assets	10,661	203	6	48
Total assets	48,017	21,510	22,766	22,145
EQUITY AND LIABILITIES				
Equity	5,856	5,757	5,852	5,514
Liabilities				
Non-current liabilities	40,000	12,648	14,986	15,366
Current liabilities	2,161	3,105	1,928	1,265
Total liabilities	42,161	15,753	16,914	16,631
Total equity and liabilities	48,017	21,510	22,766	22,145

Cash Flow Statement (€'000)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Net cash from operating activities	86	(8)	113	189
Net cash from investing activities	(17,000)	-	(2)	(79)
Net cash from financing activities	28,400	8	(144)	(729)
Net movement in cash and cash equivalents	11,486	-	(33)	(619)
Cash and cash equivalents at beginning of year	4	4	37	656
Cash and cash equivalents at end of year	11,490	4	4	37

Income Statement

The Issuer is a fully owned subsidiary of AX Holdings Limited, the parent company of the AX Group, and is principally engaged to act as a finance and investment company. During the years under review, rental income remained stable at €163,000 and was derived from the lease of Palazzo Capua to third parties.

Share of results of associated undertaking relate to the holding of 19.91% in Suncrest Hotels p.l.c., the owner and operator of Seashells Resort at Suncrest.

Net finance costs reflect the net difference between interest payable on bonds in issue and interest receivable from advances to Group companies.

Balance Sheet

The assets of the Issuer principally include the ownership of Palazzo Capua valued at €8.25 million, the 19.91% shareholding in Suncrest Hotels p.l.c. (FY2013: €2.74 million), and the on-lending of bond proceeds to related parties which amounted to €10.2 million in FY2013. Further to the issuance of the new bond in FY2014, amounts receivable to related parties will increase to *circa* €40 million.

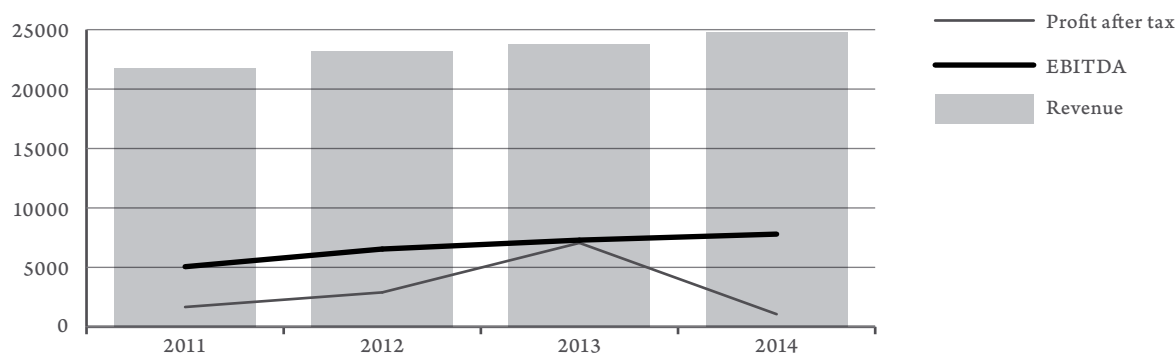
The liabilities of the Issuer mainly comprise debt securities listed on the Official List of the Malta Stock Exchange.

7.2 Income Statement - The Group

The following financial information is extracted from the audited consolidated financial statements of AX Holdings Limited (the "Group") for the three years ended 31 October 2011, 31 October 2012 and 31 October 2013. The financial information for the year ending 31 October 2014 has been provided by Group management.

AX Group Income Statement (€'000)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Revenue	24,766	23,778	23,160	21,706
Net operating costs	(16,969)	(16,486)	(16,618)	(16,650)
EBITDA	7,797	7,292	6,542	5,056
Depreciation	(2,750)	(2,795)	(2,676)	(2,987)
Investment property revaluation	-	7,094	-	3,283
Share of results of associated undertaking	-	199	183	73
Net finance costs	(3,767)	(2,524)	(2,272)	(2,463)
Profit before tax	1,280	9,266	1,777	2,962
Taxation	(218)	(2,210)	1,117	(1,298)
Profit after tax	1,062	7,056	2,894	1,664
Other comprehensive income				
Gains on property revaluation	-	692	28,487	1,787
Taxation	-	(103)	(5,138)	(347)
	-	589	23,349	1,440
Total comprehensive income	1,062	7,645	26,243	3,104

Revenue, EBITDA & Profit after tax



The key accounting ratios are set out below:

	FY2014	FY2013	FY2012	FY2011
Operating profit margin (EBITDA/revenue)	31%	31%	28%	23%
Interest cover (times) (EBITDA/net finance cost)	2.1	2.9	2.9	2.1
Net profit margin (Profit after tax/revenue)	4%	30%	12%	8%
Earnings per share (€) ¹ (Profit after tax/number of shares)	5.26	34.93	14.33	8.24
Return on equity (Profit after tax/shareholders' equity)	1%	8%	4%	3%
Return on capital employed (EBITDA/total assets less current liabilities)	5%	5%	5%	5%
Return on assets (Profit after tax/total assets)	1%	4%	2%	1%

¹Earnings per share calculation set out above has been based on the current number of shares in issue of AX Holdings Limited of 202,000 shares of €2.329373 each.

Source: Charts Investment Management Service Limited

The AX Group's revenue for FY2013 amounted to €23.8 million, reflecting an increase of €2.1 million on the turnover level registered in FY2011. The 9.5% increase in revenue was mainly due to better performance by all hotels operated by the Group.

As to EBITDA, the AX Group registered a significant increase of 44.2% (+€2.2 million) over the three year period from €5.1 million in FY2011 to €7.3 million in FY2013. Similar to revenue, the principal driver was the hospitality sector which added €1.5 million to EBITDA. The better performance was due to enhanced RevPAR at all hotels, coupled with various cost saving measures implemented across the Group properties. In particular, EBITDA at The Palace increased by €0.5 million (+30.1%) and Seashells Resort at Suncrest registered a 45.8% improvement (+€0.6 million) to €1.8 million in FY2013.

The AX Group is forecasting a further increase in both revenue (+4.2%) and EBITDA (+6.9%) for FY2014 to €24.8 million and €7.8 million respectively. In line with the continued positive trend in tourism locally, the Group's hotels are expected to register growth of 5.5% in revenue and 9.4% in EBITDA. The other activities of the Group are projected to remain at current levels of operation. Construction, waste management, restoration works, property sales and rental income are forecasted to generate €4.2 million (FY2013: €4.3 million) and €1.6 million (FY2013: €1.5 million) in revenue and EBITDA respectively.

The improved performance in hotel operations resulted in uplifts in the valuation of the Group's hotel properties. In FY2011, the value of the Victoria Hotel was increased by €2 million, and in FY2012, the book amounts of The Palace and Seashells Resort at Suncrest were increased by €19.4 million and €4.1 million respectively. The value of Palazzo Capua was revised upwards in FY2011 by *circa* €3 million, the Simblija site, which is earmarked for the retirement complex, was revalued by €10.7 million over FY2012 and FY2013, and further to the development of the ex-Fuego Bar (located at Qawra Coast Road, Qawra) into a number of outlets, the property value was increased by €1.4million in FY2012.

7.3 Balance Sheet - The Group

AX Group Balance Sheet (€'000)	31 Oct'14 Forecast	31 Oct'13 Actual	31 Oct'12 Actual	31 Oct'11 Actual
ASSETS				
Non-current assets	144,943	142,758	136,073	108,915
Current assets	34,077	14,247	15,177	14,479
Total assets	179,020	157,005	151,250	123,394
EQUITY AND LIABILITIES				
Equity				
Capital and reserves	87,621	86,559	79,083	52,808
Non-controlling interest	1,468	1,468	1,298	2,138
Total equity	89,089	88,027	80,381	54,946
Liabilities				
Non-current liabilities	79,941	45,882	47,519	40,852
Current liabilities	9,990	23,096	23,350	27,596
Total liabilities	89,931	68,978	70,869	68,448
Total equity and liabilities	179,020	157,005	151,250	123,394

Total assets as at 31 December 2013 amounted to €157 million (FY2012: €151.3 million) and principally comprise: (i) the Group hotels and other properties valued at €138.8 million (FY2012: €130.9 million) as detailed in section 4.1 above; (ii) financial assets amounting to €2.8 million (FY2012: €2.6 million) mainly representing a 24.1% shareholding in Valletta Cruise Port p.l.c.; (iii) hotel inventories, construction materials and property for resale of €3.4 million (FY2012: €3.9 million); and (iv) trade and other receivables amounting to €9.7 million (FY2012: €10.0 million).

In FY2014, total assets are expected to increase by €22.02 million, representing net bond proceeds initially held as cash and bank balances and subsequently utilised for the development of the Hilltop Gardens Care Home & Residences.

Total liabilities represent trade and other payables which amounted to €9.8 million in FY2013 (FY2012: €11.2 million), deferred tax liabilities of €11.7 million (FY2012: €9.4 million) and borrowings as detailed below:

AX Group Borrowings & Bonds (€'000)	31 Oct'14 Forecast	31 Oct'13 Actual	31 Oct'12 Actual	31 Oct'11 Actual
Bank borrowings				
Central Leisure Developments Ltd	10,375	11,474	12,585	13,221
Verdala Mansions Ltd	2,545	4,241	4,021	3,814
Capua Palace Inv. ltd	1,620	1,783	1,923	1,912
AX Holdings Ltd	181	772	540	540
AX Construction Ltd	242	289	-	-
Simblija Developments Ltd	-	407	407	407
AX Investments plc	-	198	-	-
Central Hotels Ltd	-	10	860	1,674
C&D Waste Ltd	518	490	-	-
Quayside Catering Ltd	-	9	62	111
New Bank Loan	7,000	-	-	-
Bank overdrafts	-	2,722	4,388	4,389
	22,481	22,395	24,786	26,068
Bonds				
4% Bonds 2013	-	2,027	2,239	2,565
6.7% Bonds 2014-2016	-	11,587	11,647	11,647
6% Bonds 2024	40,000	-	-	-
	40,000	13,614	13,886	14,212
Other borrowings				
Malta Enterprise	-	5,659	5,441	5,329
Shareholder's loan (unsecured, interest free and no fixed date of repayment)	5,522	5,522	5,870	5,008
	5,522	11,181	11,311	10,337
Total borrowings and bonds	68,003	47,190	49,983	50,617

The key accounting ratios are set out below:

	FY2014	FY2013	FY2012	FY2011
Net assets per share (€) ¹ (Net asset value/number of shares)	441.03	435.78	397.92	272.01
Liquidity ratio (times) (Current assets/current liabilities)	3.41	0.62	0.65	0.52
Gearing ratio (Total debt/shareholders' equity)	76%	54%	62%	92%

¹Net assets per share calculation set out above has been based on the current number of shares in issue of AX Holdings Limited of 202,000 shares of €2.329373 each.

Source: Charts Investment Management Service Limited

Gearing (leverage) of the AX Group has decreased during the three financial years FY2011 – FY2013 from 92% to 54%, which was principally due to uplifts in value of a number of Group properties. During the years under review, borrowings decreased by €3.4 million to €47.2 million in FY2013 and shareholders' equity increased from €54.9 million in FY2011 to €88.0 million in FY2013. In FY2014 borrowings are projected to increase by €20.8 million as a result of the issuance of new bonds, thereby increasing Group gearing to 76%. The said additional funds will be directed towards the development of the retirement complex in Naxxar which will take two years to complete. Operations are expected to commence in FY2016.

7.4 Cash Flow Statement - The Group

AX Group Cash Flow Statement (€'000)	FY2014 Forecast	FY2013 Actual	FY2012 Actual	FY2011 Actual
Net cash from operating activities	3,667	3,376	2,070	1,824
Net cash from investing activities	(18,549)	(941)	(1,199)	(800)
Net cash from financing activities	37,148	(1,445)	(560)	(1,270)
Net movement in cash and cash equivalents	22,266	990	311	(246)
Cash and cash equivalents at beginning of year	(1,602)	(2,592)	(2,903)	(2,657)
Cash and cash equivalents at end of year	20,664	(1,602)	(2,592)	(2,903)

Net cash from operating activities during the three years under review increased by 85% (from €1.8 million in FY2011 to €3.4 million in FY2013), primarily due to the positive performance of the Group's hotel operations. This trend is expected to continue in FY2014 as all hotels are forecasting further growth in EBITDA.

Cash used in investing activities between FY2011 and FY2013 amounted to €2.9 million and mainly represented the acquisition of assets to refurbish and upgrade the Group's hotel properties and for ongoing maintenance purposes. Furthermore, during FY2012 and FY2013 the Group repurchased €0.8 million of its own bonds from the market for cancellation. In FY2014, the Group is expected to redeem the two outstanding bonds totalling €13.6 million and investment in property, plant and equipment is forecasted to amount to €4.9 million.

The principal movement in financing activities related to a net repayment of borrowings which amounted to €3.3 million over the three financial years (FY2011 – FY2013). Net cash from financing activities in FY2014 will include net proceeds from the €40 million bond issue, and net movements in bank borrowings and other loans.

PART 3

8. Comparables

The table below compares the proposed debt issuance of the Group with other bonds of issuers involved in the same industry sectors (namely hospitality and property) and listed on the Malta Stock Exchange. Although there are significant variances between the principal activities of the AX Group and other issuers (including: different category and size of hotels and entertainment establishments; divergent target markets in the hospitality sector and property markets; and generally difference in size of operations and group structures), the comparative analysis provides an indication of the financial performance and strength of the Issuer.

Comparative Analysis	Nominal Value (€'000)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'million)	Net Asset Value (€'million)	Debt/Equity (%)
7% Midi plc 2016/18	31,703	5.59	0.79	232.15	64.08	153.19
6.5% IHG Holdings plc 2017/19	14,000	5.68	1.90	138.82	36.47	188.15
6.6% Eden Finance plc 2017/20	14,133	6.01	2.72	100.34	42.77	92.66
6.2% Tumas Investments plc 2017/20	25,000	5.27	3.00	286.00	93.60	145.11
5.8% IHI plc 2023	10,000	5.33	1.65	1,088.68	600.26	57.64
6% AXI plc 2024	40,000	6.00	2.89	157.01	88.03	53.61

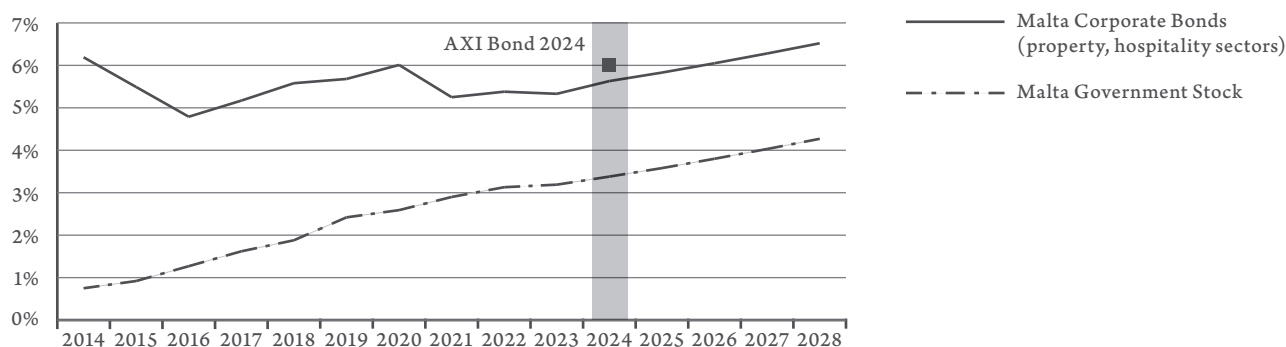
Source: Malta Stock Exchange, Charts Investment Management Service Limited (30 December 2013)

Annual Accounts: Midi plc, Eden Leisure Group Ltd, Tumas Group Company Ltd, International Hotel Investments plc (YE 31/12/2012), Island Hotels Group Holdings plc (YE 31/10/2012), AX Holdings Ltd (YE 31/10/2013)

The interest cover ratio determines the ability of a company to pay interest on its outstanding borrowings. For the financial year ended 31 October 2013, the AX Group's earnings before depreciation, interest and taxes was 2.89 times more than interest expenses for the year. This indicates that the Group is generating significantly higher earnings to service its outstanding debt.

The debt to equity ratio or gearing ratio demonstrates the degree to which the capital employed in a business is funded by external borrowings as compared to shareholders' funds. A company with high leverage tends to be more vulnerable when its business goes through a slowdown. At a debt to equity ratio of 53.61%, the AX Group's capital is broadly funded equally between external debt and shareholders' funds. This ratio is amongst the lowest in the above table, which means that the Group has a proportionately lower level of borrowings when compared to the debt levels of the other companies.

Bond Yield to Maturity



Date: 30 December 2013

The above table illustrates the yield to maturity of the proposed AX bond as compared to other corporate bonds involved in the same industry category and listed on the Malta Stock Exchange. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta. To date, there are no corporate bonds which have a redemption date beyond 2023 and therefore a trend line has been plotted. The premium over Malta Government Stock has been assumed at 225 basis points, which is the average premium for medium term corporate bonds. The AX Bond has been priced at 262 basis points above Malta Government Stock, a premium of 37 basis points over and above the average premium (225 basis points) on Malta Government Stock for Maltese corporate bonds.

PART 4

9. Explanatory Definitions

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment; construction works, building materials and management services; sale of property and real estate; and rental income.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associated undertakings	The AX Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associated undertakings'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are booking hotel rooms each night.
Key Performance Indicators	
Revenue per available room (RevPAR)	RevPAR is calculated by multiplying a hotel's average room rate by its occupancy rate. A hotel uses this indicator as a performance measure with other hotels in the same category or market.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.

Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are capitalised rather than expensed, meaning that the Group allocates the cost of the asset over the number of years for which the asset will be in use, instead of allocating the entire cost to the accounting year in which the asset was purchased. Such assets include investment properties; property, plant & equipment; and investments accounted for using the equity method.
Current assets	Current assets are all assets of the Group, which are realisable within one year from the balance sheet date. Such amounts include accounts receivable, inventory (food, beverages, consumables, construction materials, etc), property for resale, cash and bank balances.
Current liabilities	All liabilities payable by the Group within a period of one year from the balance sheet date, and include accounts payable and short-term debt.
Non-current liabilities	The Group's long-term financial obligations that are not due within the present accounting year. The Group's non-current liabilities include long-term borrowings, bonds and long term lease obligations.
Total equity	Total equity includes share capital, reserves & other equity components, retained earnings and minority interest.
Financial Strength Ratios	
Liquidity ratio	The liquidity ratio (also known as current ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares a company's current assets to its current liabilities.
Interest cover	The interest coverage ratio is calculated by dividing a company's operating profit of one period by the company's interest expense of the same period.
Gearing ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance a company's assets, and is calculated by dividing a company's total debt by shareholders' equity.

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