

SUMMARY NOTE



This Summary Note is issued in accordance with the provisions of Commission Regulation (EU) No. 2017/1129 of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the “**Prospectus Regulation**”) and the delegated acts issued thereunder.

Dated 22 November 2019

in respect of an issue of up to €25,000,000 Unsecured Bonds
of a nominal value of €100 per Bond issued at par by

AX Group p.l.c.

in any one or a combination of the following series:

3.25% 2026 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series I Bonds**”)

ISIN:- MT0002361203

3.75% 2029 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series II Bonds**”)

ISIN:- MT0002361211

Sponsor



Manager & Registrar



Legal Counsel



THIS SUMMARY NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THIS SUMMARY NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY NOTE.

THIS SUMMARY NOTE IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE THEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THIS SUMMARY NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

Approved by the Directors

Angelo Xuereb

Michael Warrington

signing in their own capacity as directors of the Issuer and on behalf of each of Claire Zammit Xuereb, Denise Micallef Xuereb, Christopher Paris, John Soler and Josef Formosa Gauci as their duly appointed agents

This Summary Note is prepared in accordance with the requirements of the Prospectus Regulation and the delegated acts issued thereunder. This Summary Note contains key information which will enable investors to understand the nature and the risks of the Issuer and the Bonds. Except where the context otherwise requires, the capitalised words and expressions used in this Summary Note shall bear the meanings assigned to them in the Registration Document and the Securities Note, as the case may be.

1. INTRODUCTION AND WARNINGS

This Summary Note contains key information on the Issuer and the Bonds, summarised details of which are set out below:

Issuer	AX Group p.l.c., a public limited liability company registered under the laws of Malta (and, formerly, a private limited liability company incorporated under the name 'Fulcrum Services Limited'), with company registration number C 12271 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta.
Address	AX House, Mosta Road, Lija LJA 9010, Malta.
Telephone number	+356 2331 2345
LEI Number	213800ZQHNATYCTNN592
Website	https://www.axgroup.mt
Nature of the securities	The unsecured bonds 2026, of a nominal value of €100 per bond, redeemable at their nominal value on 20 December 2026, bearing interest at the rate of 3.25% per annum (the " Series I Bonds ") and the unsecured bonds 2029, of a nominal value of €100 per bond, redeemable at their nominal value on 20 December 2029, bearing interest at the rate of 3.75% per annum (the " Series II Bonds ").
ISIN	Series I Bonds – MT0002361203 and Series II Bonds – MT0002361211.
Details of the competent authority approving the prospectus	The Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta).
Address, telephone number and official website of the competent authority approving the prospectus	The Listing Authority, Malta Financial Services Authority, Triq I-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010. The telephone number of the competent authority is +356 2144 1155. The official website of the competent authority is https://www.mfsa.mt/
Prospectus approval date	22 November 2019.

Prospective investors are hereby warned that:

- i. This summary should be read as an introduction to the Prospectus. It is being provided to convey the key characteristics and risks associated with the Issuer and the Bonds being offered pursuant 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;
- ii. Any decision of the investor to invest in the securities should be based on consideration of the Prospectus as a whole by the investor;
- iii. An investor may lose all or part of the capital invested in subscribing for Bonds;
- iv. Where a claim relating to the information contained in the 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 the legal proceedings are initiated; and
- v. Civil liability attaches only to those persons who have tabled the summary including any translation thereof 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.

2. KEY INFORMATION ON THE ISSUER

2.1. WHO IS THE ISSUER OF THE SECURITIES?

2.1.1. Domicile and legal form, its LEI and country of incorporation

The Issuer is AX Group p.l.c., a public limited liability company registered in terms of the Companies Act (Cap. 386 of the laws of Malta), having company registration number C 12271 and its registered office at AX House, Mosta Road, Lija LJA 9010, Malta. The Issuer was incorporated and is domiciled in Malta. Its LEI number is 213800ZQHNATYCTNN592.

2.1.2. Principal activities of the Issuer

The AX Group has a diversified business portfolio with activities including hospitality, health care, property development and construction (including restoration). The Issuer acts as the ultimate holding company of the AX Group and does not itself carry on any trading activities other than for the purpose of funding the Group as and when the demands of its business so requires, and accordingly is economically dependent on the Subsidiaries.

2.1.3. Major shareholders of the Issuer

The Issuer is owned by Angelo Xuereb (494652 (M)) as to 55% of its shareholding, and by Richard Xuereb (295275 (M)), DX Holdings Limited (C 81361) and The Lotus Co Ltd (C 81360), each as to 15% of its shareholding.

Subject to approval from the relevant authorities to undertake the development of the Verdala Site, the Issuer, in furtherance of its strategic objectives, is intent on issuing a further €50,000,000 in bonds having a nominal value of €100 per bond (the “**Tranche II Bonds**”), the majority of the aggregate proceeds of which are earmarked by the Group to be used by the Issuer for the purposes of financing the development of the Verdala Site.

Simultaneously with the issuance of the Tranche II Bonds, and therefore also subject to and following the issuance of a final full development permit for the development of the Verdala Site, the existing shareholders of the Issuer are minded, as at the date of the Prospectus, to launch an offer to the public for a proportion of their shareholding, pursuant to an application for admissibility to listing on the Official List of the Malta Stock Exchange of the entire issued share capital of the Issuer. Such offer is currently intended to amount to 25% of the entire issued share capital of the Issuer as at the date of such offer (the “**Share Offer**”), in the following proportions: Angelo Xuereb, as to 4%; Richard Xuereb, as to 15%; DX Holdings Limited, as to 3%; and The Lotus Co Ltd, as to 3%.

As at the date hereof, the above shareholders' intention is for a significant part of the proceeds of the Share Offer to be reinvested in the Issuer by way of subscription for the majority of the Tranche II Bonds. The remaining Tranche II Bonds will be offered to the general public. Following completion of the proposed Share Offer, Angelo Xuereb would retain 51% of the issued share capital of, and will continue to exercise control over, the Issuer.

2.1.4. Key managing directors of the Issuer

As at the date of the Prospectus, the Board of Directors of the Issuer is composed of the following persons: Angelo Xuereb (Executive Director and Chairman); Michael Warrington (Executive Director and Chief Executive Officer); Claire Zammit Xuereb (Executive Director); Denise Micallef Xuereb (Executive Director); Christopher Paris (Independent Non-Executive Director); John Soler (Independent Non-Executive Director); and Josef Formosa Gauci (Independent Non-Executive Director).

2.1.5. Statutory auditors of the Issuer

Nexia BT, of The Penthouse, Suite 2, Capital Business Centre, Entrance C, Triq Taz-Zwejt, San Gwann SGN 3000, Malta, have audited the annual statutory consolidated financial statements of the Issuer for the financial years ended 31 October 2016, 2017 and 2018. 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).

2.2. WHAT IS THE KEY FINANCIAL INFORMATION REGARDING THE ISSUER?

The key financial information regarding the Issuer on a consolidated basis is set out below:

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)					
INCOME STATEMENT					
	31 Oct'18	31 Oct'17	31 Oct'16	Interim	Interim
	€'000	(restated)	€'000	(30 Apr'19)	(30 Apr'18)
	€'000	€'000	€'000	€'000	€'000
Revenue (including other operating income)	56,775	46,157	38,061	22,059	21,024
EBITDA	20,943	15,364	12,664	3,797	3,510
Net profit (loss)	30,954	11,711	4,031	(1,846)	(1,596)

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)					
BALANCE SHEET					
	31 Oct'18	31 Oct'17	31 Oct'16	Interim	
	€'000	(restated)	€'000	(30 Apr'19)	€'000
	€'000	€'000	€'000	€'000	€'000
Total assets	323,534	284,976	271,530	314,363	
Total equity	212,749	172,486	164,679	206,924	
Net financial debt	49,216	60,504	63,575	53,741	

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)**CASH FLOW STATEMENT**

	31 Oct'18	31 Oct'17 (restated)	31 Oct'16	Interim (30 Apr'19)	Interim (30 Apr'18)
	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	15,164	17,515	17,564	3,894	977
Net cash from investing activities	(4,890)	(12,084)	(16,853)	(5,015)	(2,302)
Net cash from financing activities	(10,190)	(4,815)	2,708	(4,900)	(3,659)

2.3. WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE ISSUER?

The most material risk factors specific to the Issuer which may negatively impact the operations and financial position of the Issuer should the circumstances mentioned therein materialise, are set out below:

Most material risks relating to the Group's hospitality business**2.3.1. The Group is subject to certain risks common to the hospitality industry, elements of which are beyond its control**

The Group's hospitality operations are subject to a number of external factors that could adversely affect the Group's business, many of which are common to the hospitality industry and beyond the Group's control, the impact of one or more of which may cause a reduction in the income generated from the Group's hospitality division, which would have a material adverse effect on the Group's business, financial condition and results of operations.

2.3.2. Risks associated with the food and beverage industry

Adverse changes in any or more of risk factors that affect the food and beverage industry, to which the Group's hospitality business is also subject, could reduce income generated at the Group's catering establishments or activities, impose limits on pricing or cause the Group to incur additional expenditure in modifying its concepts or establishments, any or all of which outcomes could adversely affect the Group's business and the results of its operations.

Most material risks relating to the Group's property development business**2.3.3. Risks specific to property development**

Property development projects are subject to a number of specific risks, including: the risk of cost overruns; the risk of insufficiency of resources to complete development projects as planned; the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged; delays or refusals in obtaining the required governmental permits and authorisations; and high levels of activity in the sector which could place a strain on the availability of human and other capital resources required to undertake and complete the development projects. Any of such factors could have a material adverse effect on the Group's business, financial condition and results of operations.

2.3.4. Risks arising from reliance on third-party contractors and sub-contractors

For the timely completion of its property development projects, the Group places a certain reliance on counterparties who may fail to perform or may default on their obligations towards the Group due to reasons which are beyond the Group's control. The resulting development delays in completion could have an adverse effect on the Group's competitive positioning in the property development market.

2.3.5. Risks associated with ability to obtain necessary planning and development permits

Securing planning consents by the competent planning and environment authorities in a timely manner is of key importance to the Group's property development business. There can be no certainty that any given application will result in planning consent being granted, or that if granted, will not be on unduly onerous terms, which may materially affect the Group's business.

In particular, as at the date of this Summary Note, the application in respect of the development permit of the Verdala Site is currently at outline application stage. If the application were to be rejected by the Planning Authority, or if the permit were to be granted only in part or otherwise subject to onerous conditions, the Group's operations, financial position and financial performance may be adversely affected.

Media publicity, opposition to the Group's proposed developments, and, or appeals lodged against the Group's applications for planning and development permits may also cause, or oblige, the Group to adjust development plans on any pending or future projects, which adjustments may result in a combination of increased development costs and, or reduced revenues estimated to be generated from its development projects.

2.3.6. Risks associated with property valuations and net realisable value

The valuation of property is intrinsically subjective and based on a number of assumptions at a given point in time which ultimately may cause eventual actual market 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.

2.3.7. The Group may not realise the benefits it expects from property investments

The Group has made, and expects to continue making, significant investments in the acquisition, development and improvement of its existing and new properties. The Group is susceptible to experiencing cost over-runs relating to unanticipated delays and liabilities associated with property under development. If these risks were to materialise, the Group may not realise the benefits it expects from property investments and its business, financial condition and results of operations may be adversely affected.

Most material risk relating to the Group's construction business

2.3.8. Risks specific to the construction industry including, in particular, the risk of injury or fatality and exposure to liability and reputational damage

Construction projects are generally subject to a number of specific risks inherent in the property development industry. If these risks were to materialise, they could have a material adverse impact on the Group's revenue generation, cash flows and financial performance. Furthermore, any failure in health and safety performance may result in penalties for non-compliance with the relevant regulatory requirements and, or in a major or significant health and safety incident, which may be costly in terms of potential liabilities, as well as the generation of adverse publicity having a negative impact on the Group's reputation.

Most material risk relating to the Group's healthcare business

2.3.9. Risks associated with the healthcare industry

Through the management and operation of the Hilltop Gardens Care Home & Residences, the Simblija Care Home, and the Revive Physiotherapy and Hydrotherapy Centre, the Group is subject to general risks inherent in the provision of accommodation and care for elderly persons, one or more of which may adversely affect the business, results of operations and financial condition of the Group.

Most material risk relating to the Group's financing and investment business

2.3.10. The Group may not be able to secure sufficient project financing

The Group may not be able to obtain the capital it requires for the continued operation of its business and investments on commercially reasonable terms, or at all. In addition, the Group may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets. Failure to obtain the capital required to complete current or future development and improvement projects on commercially reasonable terms may limit the Group's growth and adversely affect its business, financial condition, results of operations and prospects.

3. KEY INFORMATION ON THE SECURITIES

3.1. WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

The Bonds are being issued in an aggregate amount of up to €25,000,000, comprised of any one or a combination of Series I Bonds (the unsecured bonds 2026, of a nominal value of €100 per bond, redeemable at their nominal value on 20 December 2026, bearing interest at the rate of 3.25% per annum); and, or Series II Bonds (the unsecured bonds 2029, of a nominal value of €100 per bond, redeemable at their nominal value on 20 December 2029, bearing interest at the rate of 3.75% per annum).

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. There are no special rights attached to the Bonds other than the right of the Bondholders to: (i) attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; (ii) payment of capital and interest in accordance with the ranking of the Bonds; and (iii) such other rights attached to the Bonds emanating from the Securities Note. The ISIN of the Bonds is: Series I Bonds – MT0002361203 and Series II Bonds – MT0002361211.

Unless previously purchased and cancelled, the Bonds will be redeemed at their nominal value (together with interest accrued to the date fixed for redemption) as follows: (i) the Series I Bonds, on 20 December 2026; and (ii) the Series II Bonds, on 20 December 2029.

The Bonds shall bear interest: (i) with respect to the Series I Bonds, from and including 20 December 2019 at the rate of 3.25% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020); and (ii) with respect to the Series II Bonds, from and including 20 December 2019 at the rate of 3.75% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020).

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of the Issuer present and future, if any. Furthermore, subject to the negative pledge covenant, 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. As at the date of this Summary Note, the Issuer does not have any subordinated indebtedness.

The Bonds are freely transferable.

3.2. WHERE WILL THE SECURITIES BE TRADED?

Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List.

3.3. WHAT ARE THE KEY RISKS THAT ARE SPECIFIC TO THE SECURITIES?

The most material risk factors specific to the securities are set out below:

3.3.1. Status of the Bonds

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. This means that any secured or privileged

debts of the Issuer shall rank at all times ahead of the obligations of the Issuer under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds in the case of insolvency or an equivalent situation, whether in full or in part.

Furthermore, subject to the negative pledge covenant being given by the Issuer, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Issuer, as the case may be, for so long as such security interests remain in effect, which registration may further impede the ability of the Bondholders to recover their investment upon enforcement of such security interests, whether in full or in part.

3.3.2. Future public offers

Reference should be made to section 2.1.3 above. No prediction can be made about the effect which any future public offerings of the Issuer's securities (including but not limited to the effects arising out of a change in the cash flow requirements of the Issuer or other commitments of the Issuer *vis-à-vis* the new security holders), or any takeover or merger activity involving the Issuer (including but not limited to a de-listing, in full or in part, of the Bonds), will have on the market price of the Bonds prevailing from time to time.

3.3.3. Suitability

An investment in Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision.

3.3.4. Fixed interest rate

The Bonds shall carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds.

3.3.5. Amendments to the Terms and Conditions of the Bonds

In the event that the Issuer wishes to amend any of the Terms and Conditions 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.

4. KEY INFORMATION ON THE OFFER OF SECURITIES TO THE PUBLIC AND THE ADMISSION TO TRADING ON A REGULATED MARKET

4.1. UNDER WHICH CONDITIONS AND TIMETABLE CAN I INVEST IN THIS SECURITY?

Application for the Bonds

The Bonds are open for subscription by all categories of investors, which may be broadly split as follows: (i) Preferred Applicants (as described in the Prospectus but broadly referring to: holders, as at the Cut-Off Date (that is the 14 November 2019 with last trading date being 12 November 2019), of debt securities issued by AX Investments p.l.c.; and employees and directors of any company forming part of the AX Group as at 14 November 2019), up to the total aggregate amount of the Bonds; and (ii) the Authorised Financial Intermediaries which shall be entitled to subscribe for the Bonds through an Intermediaries' Offer, for their own account or on account of their underlying clients, up to the balance, if any, of the Bonds not subscribed for by the Preferred Applicants. In each case, subscription amounts shall be in multiples of €100, subject to a minimum initial subscription of €2,000 with respect to Series I Bonds and €10,000 with respect to Series II Bonds (such minimum amounts for each respective Series shall also apply in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, for each underlying application (and in multiples of €100 thereafter).

Preferred Applicants may subscribe for Series I Bonds by completing Application Form 'Series I', and for Series II Bonds by completing Application Form 'Series II'. Such Application Forms may be submitted to any Authorised Financial Intermediary by latest 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer. In the eventuality that the Intermediaries' Offer takes place, other investors may subscribe for Series I Bonds and, or Series II Bonds through any Authorised Financial Intermediary. Authorised Financial Intermediaries need to submit completed subscription agreements, indicating the number of Bonds they are interested to subscribe for in the respective Series of Bonds, by latest 14:00 hours on 18 December 2019.

The allotment of Bonds in favour of successful Applicants 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, 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.

The expenses pertaining to the Bond Issue are estimated not to exceed €500,000 and shall be deducted entirely from the proceeds of the Bond Issue. Accordingly, such expenses shall be borne exclusively by the Company.

Allocation policy

The Issuer shall allocate the Bonds on the basis of the following policy:

- i. A maximum amount of up to €25,000,000 in Bonds shall be first allocated to the Preferred Applicants, in accordance with an allocation policy as determined by the Issuer (acting through the Registrar). It is the intention of the Issuer to split the Bonds into €15,000,000 Series I Bonds and €10,000,000 Series II Bonds. Preferred Applicants may indicate the amount of Series I and, or Series II Bonds they wish to apply for. In the event that Applications from Preferred Applicants in any one of the Series exceed the respective intended threshold indicated above, but there remain unallocated Bonds in the other Series, the Issuer (acting through the Registrar) shall, to the extent possible, allocate such remaining Bonds to those Applicants that have indicated on the respective Application Form (by ticking the appropriate box in Panel D) their willingness to have the excess utilised for the subscription for Bonds of the other Series of Bonds.

If following application of the mechanism specified in the preceding paragraph, Applications from Preferred Applicants exceed the amount available for subscription, the Issuer (acting through the Registrar) shall scale down Applications in accordance with its allocation policy and the subscription monies of any unsatisfied Applications, or part thereof, shall be returned by direct credit transfer to the account number indicated on the respective Application Form within five (5) Business Days from the announcement of the basis of acceptance.

- ii. Any balance of the Bonds not subscribed for by Preferred Applicants shall be made available for subscription by Authorised Financial Intermediaries who have submitted a subscription agreement through an Intermediaries' Offer. Authorised Financial Intermediaries may apply for their own account or on account of their underlying customers. In the event that the subscription amounts represented by the subscription agreements received exceed the amount available for subscription in terms of this point (ii), the Issuer (acting through the Registrar) shall scale down each subscription agreement in accordance with its allocation policy and the subscription monies of any unsatisfied subscription agreements, or part thereof, shall be returned by direct credit transfer to the respective Authorised Financial Intermediary to the account number indicated on the respective subscription agreement, by latest 20 December 2019.

Notwithstanding the Issuer's intention to split the Bonds in the amount of €15,000,000 Series I Bonds and €10,000,000 Series II Bonds, the Issuer reserves the right to allocate the Bonds in any one or a combination of Series I Bonds and Series II Bonds, which allocation will be determined at the sole discretion of the Board of Directors of the Issuer. The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 20 December 2019.

Expected timetable

1	Application Forms mailed to AXI Bondholders	26 November 2019
2	Application Forms available to AX Group Employees	29 November 2019
3	Closing of Offer Period (at 14:00 hours)	12 December 2019
4	Intermediaries' Offer*	18 December 2019
5	Commencement of interest on the Bonds	20 December 2019
6	Announcement of basis of acceptance	20 December 2019
7	Refund of unallocated monies (if any)	6 January 2020
8	Dispatch of allotment advices	6 January 2020
9	Expected date of admission of the Bonds to listing	6 January 2020
10	Expected date of commencement of trading in the Bonds	7 January 2020

The Issuer reserves the right to close the Offer Period before 12 December 2019, in which case the events set out in 6 to 10 above will be brought forward, although the number of working days between the respective events will not be altered.

* In the event that the total value of Applications received from Preferred Applicants exceeds €25,000,000, the Intermediaries' Offer will not take place.

4.2. WHY IS THIS PROSPECTUS BEING PRODUCED?

The aggregate proceeds from the Bond Issue, which net of expenses are expected to amount to approximately €24,500,000, will be used by the Issuer for the following purposes (paragraphs 4.2.1 – 4.2.4 together hereinafter referred to as the **"Intended Uses"**):

- 4.2.1. the amount of *circa* €7,000,000 will be used to part finance the acquisition of land situated in 'Tas-Sienja', Marsa earmarked for development into a mixed residential, office and commercial complex;
- 4.2.2. the amount of up to €9,000,000 will be used to part finance the Group's acquisition and development of '41, Merchant Street' situated in Valletta;
- 4.2.3. the amount of up to €4,500,000, together with any amounts not utilised in accordance with paragraph 4.2.1 and, or paragraph 4.2.2 above, will be used for the part refinancing of existing banking facilities of the Group; and
- 4.2.4. the amount of up to €4,000,000, together with any residual amounts not utilised in accordance with paragraphs 4.2.1 to 4.2.3 above, if any, will be used for general corporate funding purposes of the Group.

In the unlikely event that the acquisition of the lands situated in 'Tas-Sienja', Marsa and '41, Merchant Street', Valletta were not to materialise, the Issuer undertakes to utilise the funds earmarked for the said purposes for either or both of the following uses (the **"Alternative Uses"**, each an **"Alternative Use"**), as may be determined by the Issuer:

- 4.2.5. the part refinancing of existing banking facilities of the Group granted by Bank of Valletta p.l.c. (C 2833) to each of Central Leisure Developments Limited (C 25774) and Palazzo Merkanti Leisure Limited (C 76080); and, or
- 4.2.6. the part financing of key developments which the Group is presently committed to.

For the purposes of paragraphs 4.2.1 to 4.2.6 above, a loan agreement has been entered into on 8 November 2019 by and between the Issuer (as lender) and AX Holdings Limited (as borrower). AX Holdings Limited (as lender) shall in turn be entering into loan agreements with selected Subsidiaries for such Subsidiaries to deploy the proceeds from the Bond Issue in the manner indicated in this section 4.2.

In the event that the Series I Bonds and, or the Series II Bonds are not fully subscribed, the Issuer will proceed with the listing of the amount of Series I Bonds and, or Series II Bonds (as applicable) actually subscribed for. Accordingly, the Issuer shall apply the net proceeds from the Bond Issue in the manner and order of priority set out above (where necessary applying the re-allocation of proceeds to the Alternative Uses), and any residual amounts required by the Issuer for the purposes of the Intended Uses which shall not have been raised through the Bond Issue, shall be financed from the Group's general cash flow.

The Bond Issue is not subject to any underwriting agreement on a firm commitment basis.

REGISTRATION DOCUMENT



This document is a Registration Document 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 Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended, and in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder (the “**Prospectus Regulation**”).

Dated 22 November 2019

by

AX Group p.l.c.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA WITH COMPANY REGISTRATION NUMBER C 12271

Sponsor



Manager & Registrar



Legal Counsel



THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE LISTING AUTHORITY HAS APPROVED THIS REGISTRATION DOCUMENT AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT HOWEVER BE CONSIDERED AS AN ENDORSEMENT OF THE COMPANY THAT IS THE SUBJECT OF THIS REGISTRATION DOCUMENT. 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 INSTRUMENTS.

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 HOWSOEVER ARISING FROM, OR IN RELIANCE UPON, THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE SECURITIES.

A PROSPECTIVE INVESTOR SHOULD ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENT. 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.

Approved by the Directors

Angelo Xuereb

Michael Warrington

signing in their own capacity as directors of the Issuer and on behalf of each of Claire Zammit Xuereb, Denise Micallef Xuereb, Christopher Paris, John Soler and Josef Formosa Gauci as their duly appointed agents

IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION ON AX GROUP P.L.C. (THE “COMPANY”) AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES OF THE LISTING AUTHORITY, THE COMPANIES ACT (CAP. 386 OF THE LAWS OF MALTA) AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY 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 COMPANY 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 COMPANY 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 HOWSOEVER 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 COMPANY: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

THE PROSPECTUS AND THE OFFERING, SALE OR DELIVERY OF ANY SECURITIES MAY NOT BE TAKEN AS AN IMPLICATION: (I) THAT THE INFORMATION CONTAINED IN THE PROSPECTUS IS ACCURATE AND COMPLETE SUBSEQUENT TO ITS DATE OF ISSUE; OR (II) THAT THERE HAS BEEN NO MATERIAL ADVERSE CHANGE IN THE FINANCIAL POSITION OF THE COMPANY SINCE SUCH DATE; OR (III) THAT ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS IS ACCURATE AT ANY TIME SUBSEQUENT TO THE DATE ON WHICH IT IS SUPPLIED OR, IF DIFFERENT, THE DATE INDICATED IN THE DOCUMENT CONTAINING THE SAME.

THIS PROSPECTUS IS VALID FOR A PERIOD OF TWELVE MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

IT IS THE RESPONSIBILITY OF ANY PERSON IN POSSESSION OF THIS DOCUMENT AND ANY PERSON WISHING TO APPLY FOR ANY SECURITIES ISSUED BY THE COMPANY TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ALL APPLICABLE LAWS AND REGULATIONS OF ANY RELEVANT JURISDICTION. PROSPECTIVE INVESTORS FOR ANY SECURITIES THAT MAY BE ISSUED BY THE COMPANY 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.

SAVE FOR THE OFFERING IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE COMPANY THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES DESCRIBED IN THE SECURITIES NOTE 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. ACCORDINGLY, NO SECURITIES MAY BE OFFERED OR SOLD, DIRECTLY OR INDIRECTLY, AND NEITHER THIS PROSPECTUS NOR ANY ADVERTISEMENT OR OTHER OFFERING MATERIAL MAY BE DISTRIBUTED OR PUBLISHED IN ANY JURISDICTION, EXCEPT UNDER CIRCUMSTANCES THAT WILL RESULT IN COMPLIANCE WITH ANY APPLICABLE LAWS AND REGULATIONS. PERSONS INTO WHOSE POSSESSION THIS PROSPECTUS OR ANY SECURITIES MAY COME MUST INFORM THEMSELVES ABOUT, AND OBSERVE, ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

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

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 COMPANY NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING “ADVISORS” IN SECTION 3.2 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THE PROSPECTUS 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 CONTENTS OF THE COMPANY’S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY’S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS UNLESS SUCH CONTENTS ARE INCORPORATED BY REFERENCE INTO 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 SECURITIES.

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

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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	the Company and any company or entity in which the Company has a controlling interest;
AX Holdings Limited	AX Holdings Limited, a private limited liability 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;
Bond Issue	the issue of the Bonds;
Bonds	collectively, the Series I Bonds and the Series II Bonds;
Bondholder/s	a holder of Bonds;
Company	AX Group p.l.c., a public limited liability company registered under the laws of Malta (and, formerly, a private limited liability company incorporated under the name 'Fulcrum Services Limited'), with company registration number C 12271 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Directors or Board	the directors of the Company whose names are set out in section 3.1 of this Registration Document under the heading " <i>Directors of the Company</i> ";
Euro or €	the lawful currency of the Republic of Malta;
Group Hospitality Properties	the following properties owned and operated by the respective operating subsidiaries of the Group: <ul style="list-style-type: none">a. AX The Victoria Hotel, Sliema;b. AX The Palace Hotel, Sliema;c. Palazzo Capua, Sliema;d. AX Sunny Coast Resort and Spa, Qawra;e. AX Seashells Resort at Suncrest, Qawra;f. Luzzu Complex, Qawra;g. The Saint John - Boutique Accommodation, Valletta; andh. The AX Rosselli, Valletta;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules of the Listing Authority;
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;
Manager and Registrar	Bank of Valletta p.l.c., a public limited liability company registered in Malta, with company number C 2833, having its registered office at 58, Zachary Street, Valletta, VLT 1130, Malta;
Memorandum and Articles of Association	the memorandum and articles of association of the Company in force at the time of publication of the Prospectus. The terms " Memorandum ", " Articles " and " Articles of Association " shall be construed accordingly;
MFSA	the 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;
Registration Document	this document in its entirety;

Securities Note	the securities note issued by the Company dated 22 November 2019, forming part of the Prospectus;
Series I Bonds	the unsecured bonds 2026, of a nominal value of €100 per bond, redeemable at their nominal value on the relevant Redemption Date, bearing interest at the rate of 3.25% per annum;
Series II Bonds	the unsecured bonds 2029, of a nominal value of €100 per bond, redeemable at their nominal value on the relevant Redemption Date, bearing interest at the rate of 3.75% per annum;
Sponsor	MeDirect Bank (Malta) plc a company registered under the laws of Malta with company registration number C 34125 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly;
Subsidiaries	each of the companies forming part of the organisational structure chart in section 4.1 of the Registration Document headed " <i>Organisational Structure of the Group</i> " in which the Company has a controlling interest; and
Summary Note	the summary note issued by the Company dated 22 November 2019, forming part of the Prospectus.

Unless it appears otherwise from the context:

- words importing the singular shall include the plural and *vice versa*;
- words importing the masculine gender shall include the feminine gender and *vice versa*;
- the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

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 COMPANY. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE COMPANY IS NOT IN A POSITION TO EXPRESS A VIEW ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER THREE MAIN CATEGORIES, ACCORDING TO WHETHER THE RISK FACTORS RELATE TO: (I) THE COMPANY *PER SE*; (II) THE GROUP; OR (III) THE BUSINESS SEGMENTS WITHIN WHICH THE GROUP OPERATES. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR WHICH THE DIRECTORS HAVE ASSESSED TO BE THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AS AT THE DATE OF THIS REGISTRATION DOCUMENT. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT THE RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE COMPANY, OR THE GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS EFFECT ON THE COMPANY'S AND, OR GROUP'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND, OR TRADING PROSPECTS, AS WELL AS THE ABILITY OF THE COMPANY 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 AS AT THE DATE OF THIS REGISTRATION DOCUMENT, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT THE COMPANY OR GROUP FACES OR COULD FACE. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE COMPANY'S DIRECTORS ARE NOT CURRENTLY AWARE OF, MAY WELL RESULT IN A MATERIAL ADVERSE IMPACT ON THE COMPANY'S AND, OR GROUP'S FINANCIAL RESULTS, FINANCIAL CONDITION, OPERATIONAL PERFORMANCE, BUSINESS AND, OR TRADING PROSPECTS.

THE PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN AND, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH SECURITIES ISSUED BY THE COMPANY:

- IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;**
- IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE COMPANY, THE DIRECTORS, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE COMPANY (PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT); AND**
- CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "FORWARD LOOKING STATEMENTS".**

The Prospectus contains forward-looking statements. These include, among others, statements concerning the Company's strategies and plans relating to the attainment of its objectives, funding 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, including the Company's results of operations, financial performance and conditions, cash flows, liquidity and the sectors and industries in which the Group operates. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "forecasts", "projects", "plan", "estimate", "anticipate", "believe", or similar phrases. By their nature, these forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. Important factors that could cause actual results to differ materially from the expectations of the Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus. Accordingly, the Company 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.

2.1. RISKS RELATING TO THE COMPANY

As further described in section 5.2 ('Principal Activities and Markets of the Company') of this Registration Document, the Company is the ultimate holding company of the AX Group, and is economically dependent on the financial position and performance of the companies forming part of the AX Group.

In this respect, therefore, the operating results of the AX Group have a direct effect on the Company's financial position and as such the risks intrinsic in the business and operations of the AX Group will have a direct effect on the financial performance and position of the Company and the ability of the Company to meet its obligations under the securities issued by it. In the event that any one or more of the Subsidiaries under-performs in any one financial year, such underperformance may adversely affect the financial and operational results of the Group, and in turn, the Company, and impact negatively the value of the securities issued by the Company from time to time and, or the ability of the Company to meet its obligations towards holder of its securities.

2.2. RISKS RELATING TO THE GROUP AND ITS BUSINESS

The AX Group has a diversified business portfolio with activities including hospitality, health care, property development and construction (including restoration). The AX Group's operations and the results thereof are subject to a number of factors that could adversely affect the Group's business, many of which are common to the hospitality, healthcare, construction and property development industries and beyond the Group's control.

2.2.1. HOSPITALITY

2.2.1.1. *The Group is subject to certain risks common to the hospitality industry, elements of which are beyond its control*

The Group's hospitality 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 hospitality industry and beyond the Group's control, including the following:

- changes in travel patterns or seasonal variations;
- any cutbacks and stoppages on Malta-bound routes, or increases in taxes, surcharges and other expenses associated therewith;
- 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;
- the termination, non-renewal and, or the renewal on less favourable terms of material contracts, including franchise agreements and agreements entered into with tour operators;
- the ability to attract positive peer reviews and achieve and maintain industry awards and rankings;
- increases in wages and the cost of employment, labour shortage and other instability in the labour market;
- socio-demographical changes (ageing markets, family life-cycles and changing structures), and economical changes (recessions, increase in oil prices and exchange rates);
- increased competition from providers of alternative accommodation, including accommodation made available by private individuals or via online peer-to-peer platforms, which individuals or platforms may offer alternative accommodation at competitive rates.

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 income generated from the Group's hospitality division, which would have a material adverse effect on the Group's business, financial condition and results of operations.

2.2.1.2. *Risks specific to the boutique accommodation industry*

In recent years, the AX Group has expanded its hospitality business into the so-called 'boutique accommodation' business. As the date of this Registration Document the Group operates two boutique accommodation properties, each of which targets the

high-end and low-volume market. Although the risk factors generally associated with the hospitality industry also apply to the boutique hospitality sector, this part of the AX Group's business is susceptible to risks specific to this sub-sector, including, but not limited to:

- heightened demands and expectations of high-end clientele;
- increased competition from the number and variety of boutique hotels in Malta and Gozo;
- the limited number of rooms and the ability to maintain optimal occupancy levels and viable rates; and
- changing consumer trends and preferences.

If any of these risks were to materialise, the boutique hotel business of the Group may experience a material downturn in revenue, impairment in its goodwill and reputation and, or loss of customers to competitors, as a result of which the results of the Group's operations, its financial performance and conditions may be adversely affected.

2.2.1.3. Risks associated with currency fluctuations and the reference currency of the Group's principal tourist markets

Fluctuations in international currencies may make Malta as a vacation destination less attractive than others which could have an effect on the operating performance of the Group. An important tourist market for the Group's hotels is the UK, representing an average of 29% of the Group's hotel average number of guests annually, equivalent to an average of 23.5% of the revenue generated by the Group's hotels. This target market is adversely affected when the Sterling is weak but positively affected when Sterling is strong. In particular, in recent years the Sterling's position against the Euro and other major currencies has weakened, owing to a number of economic and political factors, including Brexit. A prolonged and continued weakened position, or a further weakening of the Sterling, may negatively impact the ability of the Group's hotels to attract tourists from this strategically important target tourist market. Such risk is similarly applicable in the case of other currencies susceptible to significant fluctuation, such as the Russian Rouble.

2.2.1.4. Risks associated with fixed costs attributable to the operations of the AX Hospitality Properties

The fixed costs associated with managing and operating hotels can be significant, and include, among others, the fixed costs associated with licencing, permits, utilities, insurance, repairs, maintenance, cleaning, security, administration, employment, as well as other fixed costs associated with fixed or minimum volume commitments. The Group may be unable to reduce or adjust these fixed costs, in a timely manner.

If the Group's cash flows are not sufficient to meet its fixed cost commitments or variations thereof, the financial position and performance of the Group may be adversely affected and the Group may be exposed to additional costs, charges, and expenses, including by way of damages or penalties arising out of a breach of its contractual obligations, termination of its contractual arrangements, and, or replacement costs. In addition, where the Group is locked into long-term contracts, it may lose out on suitable cost-effective alternatives.

2.2.1.5. Risks associated with the food and beverage industry

The Group's hospitality business is also subject to a number of risk factors that affect the food and beverage industry in general, including:

- general economic conditions of the market and changes in consumer confidence, disposable income and discretionary spending patterns;
- competition with respect to price, service, location, food quality and consistency;
- changes in demographic trends, traffic patterns and the type, number and location of competing catering establishments;
- health concerns and potential litigation in relation to health issues; and
- changes in the regulatory framework setting out the requirements and obligations applicable to, *inter alia*, catering operators and employers in general.

Adverse changes in any one or more of these factors could reduce income generated at the Group's catering establishments or activities, impose limits on pricing or cause the Group to incur additional expenditure in modifying its concepts or establishments, any or all of which outcomes could adversely affect the Group's business and the results of its operations.

The Group's catering operations are also dependent on its ability to avoid (and where not possible, mitigate) any degradation in product quality and, or service levels for customers, which could undermine confidence in the services provided by the Group and cause a loss of customers or make it more difficult to attract new ones. The business of the Group could be adversely affected by such delays, errors, failures or faults.

2.2.1.6. Risks associated with dependence on its I.T. systems and other technology arrangements

As the Group's hospitality division utilises, and is increasingly dependent on, the efficient and uninterrupted operations of its computer systems, software and telecommunications networks, access to the internet, as well as the systems and services of other third parties (collectively the "I.T. Systems"), its activities may become subject to a failure, disruption or other interruption in its I.T. Systems. Such event may arise as a result of a various factors that may be out of the control of the Group, as a result of (without limitation) natural disasters, electricity outages and, or technical malfunctions which could be malicious, due to negligence or force majeure (including, but not limited to, the risks of cyber-attacks such as malware attacks, ransomware, phishing, hacking, or

any other form or type of cyber-attack, data theft or other unauthorised use of data, errors). In addition, service level agreements and disaster recovery plans intended to ensure continuity and stability of these systems may not necessarily prove sufficient to avoid any type of disruption to the Group's business. If such failure, disruption or other interruption, even temporary, were to occur, the activities of the Group could be interrupted for the period of time for which such event subsists, which lack of access could adversely affect the Group's online reservation systems and its ability to deal with its stakeholders in a timely, proper and effective manner. Disruptions of this nature could adversely affect the Group's relations with suppliers, customers and other stakeholders, the results of its operations and its financial condition. In particular, the Group's hospitality division has expanded its e-commerce and e-marketing capabilities, with the result that this business segment is increasingly reliant on the proper functioning of its I.T. Systems.

2.2.2. PROPERTY DEVELOPMENT

One of the main pillars of the AX Group's business is property development, targeted at the local commercial and residential market. Property development projects are subject to a number of specific risks:

- i. the risk of cost overruns;
- ii. the risk of insufficiency of resources to complete development projects as planned;
- iii. the risk of rental or sales transactions not being effected at the prices, and within the timeframes envisaged, which may lead to difficulty in obtaining payment from third parties as well as risks of ultimate unfeasibility of development projects;
- iv. general industry trends, including the cyclical nature of the real estate market, change in market conditions including an oversupply of similar properties, a reduction in demand for real estate, changes in local preferences and tastes, increased competition in any of the markets or sectors in which the Group is undertaking real estate development;
- v. delays or refusals in obtaining all necessary zoning, land use, building, occupancy and other required governmental permits and authorisations, together with legal complexities and uncertainties regarding the rights of the Group to obtain legal title over certain properties, and inconsistencies and inaccuracies in the land registrations system;
- vi. covenants, conditions, restrictions and easements relating to the properties or their use;
- vii. laws, rules and regulations, including in relation to financing, environmental usage, zoning ordinances, tax, fiscal policies, insurance and trade restrictions which may impact the development sector; although the local property development market has experienced high levels of activity in recent years, there can be no assurance that similar levels of growth or activity will be maintained, particularly in light of increased scrutiny and regulatory intervention; and, or
- viii. high levels of activity in the sector may place a strain on the availability of human and other capital resources required to undertake and complete the development projects that the Group is committed to, or may wish to undertake, from time to time.

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.

2.2.2.1. Risks arising from reliance on third-party contractors and sub-contractors

For completion of certain property development projects, the Group places a degree of reliance on counterparties such as contractors and subcontractors engaged in the demolition, excavation, and, or finishing of developments. Such counterparties (which may include both third parties as well as related parties) may default on their obligations to the Group due to, among other reasons, their insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control. Such default could have a material adverse impact on the development projects of the Group, including the ability of the Group to complete projects within stipulated deadlines or specifications, failure of which may result in the imposition of contractual or regulatory fines or penalties, loss of revenue and reduced profitability of the Group. In addition, the Group's ability to source third-party contractors or sub-contractors having the sector-specific expertise or resources necessary to bid for, undertake and successfully complete development projects could have an adverse effect on the Group's competitive positioning in the property development market.

2.2.2.2. Risks associated with ability to obtain necessary planning and development permits

Securing planning consents by the competent planning and environment authorities in a timely manner is of key importance to the Group's property development business. There can be no certainty that any given application will result in planning consent being granted, or that if granted, will not be on unduly onerous terms, which may materially and adversely affect the Group's business. Additionally, time delays to the expected timescale for the granting of planning consent may result in a reduction in the number of units that are available for sale or rent within a proposed timeframe.

In particular, as at the date of this Registration Document, the application in respect of the development permit for the mixed-use development at the site of the former 'Verdala Grand Hotel' is currently at outline application stage. There can be no assurance as to the outcome of this application or any subsequent full development application. If the application were to be rejected by the Planning Authority, or if the permit were to be granted only in part or otherwise subject conditions, including onerous conditions such as limitations on the permitted use of the site, the development footprint and the number of floors and, or rooms, the Group's operations, financial position and financial performance may be adversely affected.

Media publicity, opposition to the Group's proposed developments, and, or appeals lodged against the Group's applications for planning and development permits may also cause, or oblige, the Group to adjust development plans on any pending or future projects, which adjustments may result in a combination of increased development costs and, or reduced revenues estimated to be generated from its development projects. In other instances, such adjustments may be so extensive as to render the development

project unfeasible, as a result of which the Group may have to abandon its development project altogether, in which case it may be unable to recover any or all of the development costs, charges and other expenses incurred by prior to such abandonment.

If any delays or refusals in obtaining the necessary planning permissions (including the issuance of full development permits) were to materialise, this could have a material adverse effect on the business, financial condition and profitability of the Group. Where long-term development projects are still at an outline development permit stage, the Group may also be susceptible to the imposition of conditions in the full development permit relating to the internal layout and configuration of the property under development, which conditions may adversely affect the revenue generating capacity of the property in question.

Furthermore, local and national planning policies are subject to change, which could consequently impact the Group's development strategy.

2.2.2.3. The Group may be exposed to environmental liabilities attaching to 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 property 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.

2.2.2.4. Risks associated with property valuations and net realisable value

The valuation of property is intrinsically subjective and based on a number of assumptions at a given point in time. In particular, the valuations referred to in this Registration Document are prepared by independent qualified architects 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 architects have 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 eventual actual market values.

2.2.2.5. 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 properties or land, 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 or land 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 or land, which the Group may have been seeking to acquire. In addition, an important aspect of the Group's ongoing strategy is the acquisition of a number of strategic sites in close proximity and the subsequent consolidation thereof. There can be no assurance that the Group will be able to acquire land or property available for acquisition on commercially favourable terms at any given time. If any of these risks were to materialise, the Group's business, financial condition and results of operations could be adversely affected.

2.2.2.6. Liquidity risk

Properties such as those in which the Group has invested, and may in the future invest in, are relatively illiquid and planning regulations may further reduce the number and types of potential purchasers should the Group decide to sell certain properties. Such illiquidity could have a material adverse effect on the Group's ability to vary its portfolio of properties or to dispose of or liquidate the same, whether in full or in part, in a timely fashion and on commercially acceptable terms. In turn, this illiquidity could have a material adverse effect on the Group's financial condition, the results of operations and its prospects.

In particular, its property portfolio is comprised of a mix of property investments held on a long-term basis, and others held for disposal in the ordinary course of business. The Group may be unable to divest of its property investments on favourable terms and conditions, including but not limited to price, which inability may result in the inability of the Group to achieve its desired return on investments. The risks associated with its property investments held on a long-term basis are inherently greater.

2.2.2.7. Risks associated with rental income of the Group's property

The revenue generated from the Group's property investment activities is dependent in the main part on tenants fulfilling their obligations under their lease agreements. There can be no assurance that the tenants will not fail to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Group's control, which failure may have a material adverse effect on the financial condition of the Group, the results of its operations and its prospects.

In addition, the Group is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements. Failure to maintain a good relationship with existing tenants, or to renew lease agreements, or enter into new lease agreements, on similar or more favourable terms, could have a material adverse effect on the Group's business, the results of its operations and its prospects.

2.2.2.8. Risks of costs associated with proposed property investments that are aborted

The Group may at times incur significant costs in connection with the assessment of potential property investment opportunities. These may involve costs associated with property surveys, valuation reports, title and environmental investigations. If a proposed 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 its financial condition and performance.

2.2.2.9. The Group may not realise the benefits it expects from property investments

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 are important to the Group's business. The Group is susceptible to experiencing cost overruns relating to unanticipated delays in developing property, unanticipated liabilities associated with property under development and by affecting 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.

2.2.3. CONSTRUCTION

2.2.3.1. Risk specific to the construction industry, including, in particular, the risk of injury or fatality and exposure to liability and reputational damage

Construction projects are generally subject to a number of specific risks common to those faced by the property development industry, including the risk of cost overruns, the risk of insufficiency of resources to complete, the risk of increase in material and labour cost, higher interest costs, and the erosion of revenue generation. If these risks were to materialise, they could have a material adverse impact on the Company's revenue generation, cash flows and financial performance.

One of the most significant risks in the construction industry is related to the health and safety of employees and third parties, including the risk of serious injury or even fatality. The Group is required to adopt, maintain and constantly review and update a rigorous health and safety policies and practices. The health and safety track record is thus critical to the success and reputation of its construction operations. Any failure in health and safety performance may result in penalties for non-compliance with the relevant regulatory requirements, and a failure which results in a major or significant health and safety incident, such as injury to, or fatality of, members of the construction workforce or bystanders, may be costly in terms of potential liabilities arising as a result, as well as the generation of adverse publicity having a negative impact on the Group's reputation. There can be no assurance that the Group's health and safety policies and practices will prove effective in ensuring the health and safety on its property development sites, which non-effectiveness may expose the Group to liability for damages, as well as to the risk of adverse publicity. These risks may adversely impact the Group's financial condition, results of its operations and its prospects.

2.2.3.2. Risks associated with restoration projects and works

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 historical 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, or in the volumes, and at the cost, envisaged by the Group. In addition, the Group may be exposed to claims for liability for damage to historical structures, the imposition of fines or other penalties for such damage, or the continued eligibility of the Group to participate in competitive tenders for restorations works.

2.2.4. HEALTHCARE

2.2.4.1. Risks associated with the healthcare industry

The AX Group manages and operates the Hilltop Gardens Care Home & Residences, the Simblija Care Home, and the Revive Physiotherapy and Hydrotherapy Centre. The Group is, therefore, subject to general risks inherent in the provision of accommodation and care for elderly persons, as follows:

- healthcare provision has significant political and social importance in Malta, especially due to the ageing population;
- policies, regulations and laws relating to the healthcare industry are constantly evolving and relatively untested by the local Courts;
- healthcare operations may be affected by changing consumer preferences, fluctuations in occupancy levels, increases in labour costs and other operating costs, competition from other healthcare operators (whether public or private), the oversupply of other similar properties and general economic conditions;
- breaches of law or license conditions could lead to, among other things, penalties, loss of operating licenses and damage to reputation;
- if the care homes are not able to recruit and retain medical and nursing staff, their cost structure and profitability, but also their reputation and offering on the local market, will suffer;
- healthcare operators are exposed to the risk of actual or threatened medical indemnity or similar claims and litigation, including for medical negligence or malpractice;
- the care homes are susceptible to the outbreak of pandemic which could present 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.

2.2.4.2. Risks associated with the lease of units at the Hilltop Gardens Retirement Village

The Group leases apartments at the Hilltop Gardens Retirement Village on leases for definite periods ranging from one month to 50 years. Whilst the short-term lease agreement could expose the Group to the risk of frequent fluctuations in occupancy levels, the long-term lease agreements could, on the other hand, expose the Group to the risk of being locked-in to terms, including rental fees, which may not be commercially favourable to the Group in the future.

2.2.4.3. Risks associated with the intensive elderly care provided at the Simblija Care Home

The Group offers specialist and intensive nursing care to the more dependent elderly residents at the Simblija Care Home. In providing such services, the Group is susceptible to the risk of claims in respect of fatalities or injuries, which besides the cost associated directly with any claim may, in turn, also expose the Group to adverse media attention and the risk of damage to reputation.

2.2.5. RISKS RELATING TO THE GROUP'S FINANCING AND INVESTMENT STRATEGIES

2.2.5.1. The Group may not be able to secure sufficient project financing

The Group may not be able to obtain the capital it requires for the continued operation of its business and investments, including for the 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.

In addition, the Group may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets, including market risk (such as the risk associated with fluctuations in fair values of investments), credit risk (the risk of loss by the Company due to its debtors not respecting their commitments), foreign exchange rate risk, and interest rate risk (such as the risk of potential changes in the value of financial assets and liabilities in response to changes in the level of market interest rates and their impact on cash flows). Any downturn or weakness in the capital markets or banking environment 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 adversely affect its business, financial condition, results of operations and prospects.

2.2.5.2. The Group's indebtedness could adversely affect its financial position

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 Company's bank debt impose and are likely to impose significant operating restrictions and financial covenants on the Company. These restrictions and covenants could limit the Company'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 Hospitality Properties' 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 Company's 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 payment of amounts owed to holder of its securities.

2.2.5.3. Risks relating to the Group's passive equity investment strategy

The Group has a history of making equity or other passive investments, including investments in associated companies and joint ventures. When undertaking investments of this nature, the Group is likely not to be involved in the day-to-day management and operations of such investments and is subject to the management decisions taken by the directors and, or management team operating the investment in question.

The success of investments of this nature is generally dependent on a number of factors, many of which are outside the Group's control, including but not limited to effective and proper management by parties not forming part of the Group's executive or management team. There is no assurance that these risks or other unforeseen factors will not offset the intended benefits of the investments, in whole or in part. In addition, through its investments, the Group will expose itself to those risk factors associated with the industry and markets in which such investment is made. For instance, the Group's investment in Valletta Cruise Port p.l.c., exposes the Group to the risks associated with the operations of a cruise and ferry terminal, which risks may be different to those risks generally associated with the existing business activities of the Group. Similarly, the Group's investment in Imselliet Solar Ltd may expose the Group to risks associated with the solar farm and energy production industry. The risk to which the Group is exposed will also vary with the nature of its investment, such as the extent to which the Group has a minority or majority interest in such investment, and the rights, duties, and obligations attributable to such investment.

2.2.6. OTHER RISKS GENERALLY APPLICABLE TO THE BUSINESS OF THE AX GROUP

2.2.6.1. Dependence on the Maltese market and exposure to economic conditions

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, including fluctuations in consumer demand, financial market volatility, inflation, the property market, interest rates, exchange rates, direct and indirect taxation, wage rates, utility costs, government spending and budget priorities and other general market, economic and social factors. 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.

Even though the Group's business activities are concentrated in, and aimed at, the Maltese market, the Group's customers and suppliers are spread across different international markets, and are consequently susceptible to adverse economic developments and trends overseas. In particular, weak economic conditions or tightening of the credit markets may affect the solvency of its suppliers or customers, which could lead to disruptions in its business operations, accelerated payments to suppliers, increased bad debts or a reduction in its revenue, which may impact the Group's ability to recoup the debts owed to it, and in turn to fulfil its own obligations. Any future expansion of the Group's operations into other markets would render it susceptible to adverse economic developments and trends affecting such other markets.

2.2.6.2. Consumer trends and competition

The business of the Group is subject to rapidly evolving consumer demands, tastes, preferences and trends. Consequently, the success of the Group's business operations is dependent upon the priority and preference of customers, whether local or foreign, and its ability to swiftly anticipate, identify and capitalise upon these priorities and preferences. If the Group is unable to do so, the Group could experience a reduction in its turnover, which reduction could have a material adverse effect on the Group's operational results, financial condition and its prospects.

In addition, the business of the Group is also susceptible to strong and increasing local and global competition, influenced by a variety of determining factors including price, variety and quality of goods and services, availability, reliability, after-sales service and logistical arrangements, and the fluctuations in demand and supply in respect of both competing or substitute goods and services. Furthermore, the Group's current and potential competitors, particularly international operators, may have greater name recognition, larger customer bases and greater financial and other resources than the Group. A decline in the relative competitive strength of the Group could adversely affect the Group's results of its operations, financial condition, and its prospects.

In particular, the Group may be compelled by the strength of its competitors that are able to supply goods and services at lower prices, to reduce its own prices. The ability of the Group to maintain or increase its profitability will in turn be dependent on its ability to offset such decreases in the prices and margins of its goods and services.

2.2.6.3. Relations with suppliers

The success and profitability of the Group's business and operations depends in part on the ability of the Group to identify and engage the most cost and time efficient and effective suppliers, and its ability to swiftly anticipate and react to changes in relationships with suppliers and in the availability and cost of its supplies. In turn, its operations are also dependent on frequent and timely deliveries by its suppliers. There can be no assurance that the Group will be able to acquire suitable products, in sufficient quantities, and, or on terms acceptable to it in the future.

In this respect, the Group has built longstanding relationships with certain suppliers, on whom it relies and who help assure the quantity, quality, price and existence of some of the goods and products sold and the services provided. Any deterioration or change, for whatsoever reason (including any leading supplier or agent declining or becoming unable to sell products to the Group), in the Group's relationships with its suppliers (including supplying on less favourable terms) could have a material adverse effect on the results of the operations of the Group, its financial condition and its prospects. Furthermore, other factors such as interruptions in supply caused by adverse weather conditions, changes in governmental regulation or policy, recalls of products and other similar factors not within control of the Group or its suppliers, could adversely affect the availability, quality and costs of the goods and services provided by the Group, and consequently could have a material adverse effect on the financial condition of the Group, its results and prospects.

2.2.6.4. 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, and upon its ability to attract, develop and retain key personnel to manage and grow the business. The Group's inability to attract, develop and retain key personnel could have an adverse effect on its relationships with partners and customers and the operational results, financial position, and, or the prospects of the business of the Group. In addition, 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.

2.2.6.5. Concentration of shareholding

AX Group p.l.c., which is owned by Angelo Xuereb as to 55% of its shareholding, holds all shares in AX Holdings Limited, save for one share, the holder of which is Angelo Xuereb himself. AX Holdings Limited is the intermediate holding company of the AX Group. This means that Angelo Xuereb exercises effective control over the Company. Accordingly, Angelo Xuereb is considered important to the continued success of the Group and the Company, and the unexpected loss of Angelo Xuereb or a dilution in his shareholding, control or influence over the Group and, or the Company and its business could have an adverse effect on the Group and the Company. There can be no assurance that such person will not, at any time, dispose of any interest, direct or indirect, in the Group and, or the Company.

2.2.6.6. 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.

2.2.6.7. Exposure to claims and litigation

Since the Group operates in a variety of industries which involves the continuous provision of goods and services to customers and such operation necessarily requires continuous interaction with customers, suppliers, employees, regulatory authorities, and other stakeholders, the Group is exposed to the risk of litigation from such stakeholders. Adverse publicity from such allegations may adversely affect the turnover generated by the Group regardless of whether such allegations are true or whether the Group is ultimately held liable.

All litigation is expensive, time consuming and may divert management's attention away from the operation of the business of the Group. In addition, the Group cannot be certain that its insurance coverage will be sufficient to cover one or more substantial claims. Furthermore, it is possible that if complaints, claims or legal proceedings such as the aforementioned were to be brought against a direct competitor of the Group, the latter could also be affected due to the adverse publicity brought against, and concerns raised in respect of the industry in general.

Save for the litigious matters disclosed in Section 17.3 under the heading "Legal and Arbitration Proceedings", the Group is not involved in any governmental, legal or arbitration proceedings, so far as the Directors are aware, which may have, or have had during the 12 months preceding the date of this Registration Document, a significant effect on the Group's financial condition or operational performance, no assurance can be given that disputes which could have such effect would not arise in the future. Exposure to litigation or fines imposed by regulatory authorities may affect the Group's reputation even though the monetary consequences may not be significant.

2.2.6.8. Risks connected with the collection, processing and storage of personal data

Whenever personal data is collected, processed and stored by the Group, the activity conducted is subject to the rules governing the processing of personal data in terms of the Data Protection Act (Cap. 586 of the laws of Malta) and subsidiary legislation issued thereunder (the "DPA") and Regulation (EU) No. 2016/679 of the European Parliament and of the Council of 27 April 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data (the "GDPR").

The Group is subject to a number of obligations concerning the processing of personal data, including but not limited to ensuring that: (i) personal data is processed fairly, lawfully and in a transparent manner; (ii) personal data is always processed in accordance with good practice; (iii) personal data is only collected for specific, explicitly stated and legitimate purposes and not further processed in a manner that is incompatible with those purposes; (iv) all reasonable measures are taken to complete, correct, restrict, block or erase personal data to the extent that such data is incomplete or incorrect, having regard to the purposes for which they are processed; (v) personal data collected is adequate, limited and relevant to what is necessary in relation to the purposes for which they are processed (vi) personal data is not kept for a period longer than is necessary; and (vii) personal data is processed in manner that ensures appropriate security of the personal data. Additionally, prior to processing personal data, the Group must ensure that the personal data undergoing processing is justified under at least one of the lawful bases stipulated within the GDPR. Where consent is deemed to be the appropriate legal basis, the Group must ensure that the person to whom the personal data relates has unambiguously, freely, specifically and informatively given his consent for such processing.

The Group has adapted its internal procedures to comply with the DPA and the GDPR. However, the Company remains exposed to the risk that personal data collected could be damaged or lost, disclosed or otherwise unlawfully processed for purposes other than as permitted in the DPA and the GDPR. The possible damage, loss, unauthorised processing or disclosure of personal data could have a negative impact on the activity of the Group, in reputational terms too, and could lead to the imposition of fines.

In addition, any changes to the applicable laws and, or regulations, even at an EU level, could have a negative impact on the Group's activities, including the need to incur costs for adapting to the new regulations.

3 IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE COMPANY

3.1. DIRECTORS OF THE COMPANY

As at the date of this Registration Document, the Board of Directors of the Company is constituted by the following persons:

Name	Designation
Angelo Xuereb 494652 (M)	Executive Director and Chairman
Michael Warrington 180462 (M)	Executive Director and Chief Executive Officer
Claire Zammit Xuereb 225777 (M)	Executive Director
Denise Micallef Xuereb 127186 (M)	Executive Director
Christopher Paris 86454 (M)	Independent Non-Executive Director
John Soler 951349 (M)	Independent Non-Executive Director
Josef Formosa Gauci 68368 (M)	Independent Non-Executive Director

Dr Edmond Zammit Laferla, holder of identity card number 294476 (M) of 103, Strait Steet, Valletta VLT 1436, Malta, is the company secretary of the Company.

THE DIRECTORS OF THE COMPANY 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 COMPANY (WHO HAVE ALL TAKEN REASONABLE CARE TO ENSURE 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" hereunder have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.2. ADVISORS

Legal Advisors

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

Financial Advisors

Name: KPMG
Address: 92, Marina Street,
Pietà PTA 9044 - MALTA

Sponsor

Name: MeDirect Bank (Malta) plc, through its corporate finance division, 'Charts'
Address: The Centre, Tigne Point,
Sliema TPO 0001 - MALTA

Manager and Registrar

Name: Bank of Valletta p.l.c.
Address: BOV Centre, Cannon Road, Zone 4
Central Business District, Santa Venera CBD 4060 - MALTA

3.3. AUDITORS

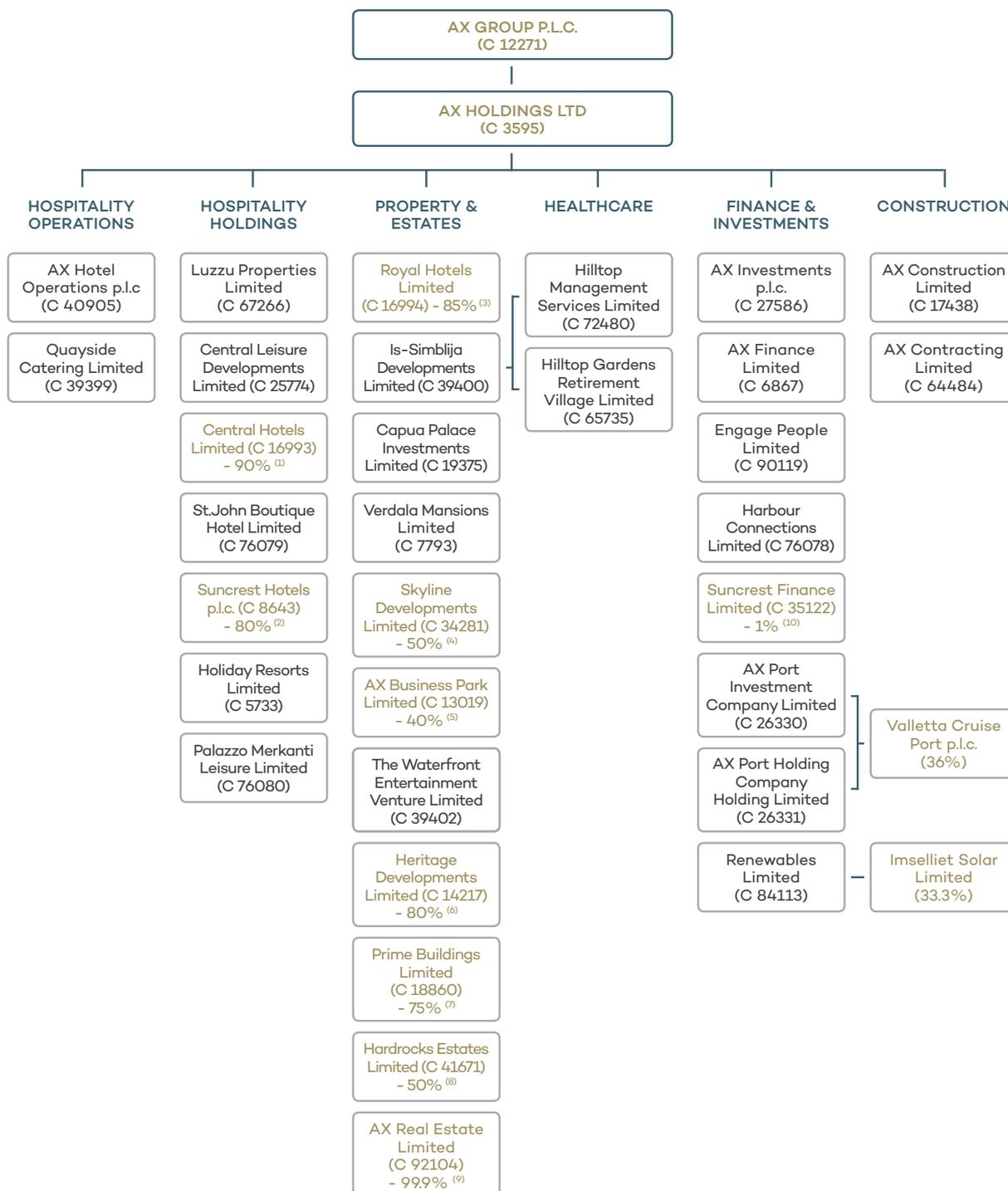
Name: Nexia BT
Address: The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq Taz-Zwejt, San Gwann SGN 3000 - MALTA

The annual statutory consolidated financial statements of the Company for the financial years ended 31 October 2016, 2017 and 2018 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). The Accountancy Board registration number of Nexia BT is AB/26/84/61.

4 INFORMATION ABOUT THE COMPANY

4.1. ORGANISATIONAL STRUCTURE OF THE GROUP

The organisational structure of the AX Group as at the date of this Registration Document is illustrated in the diagram hereunder:



Explanatory note:

- (1) 10% held by Suncrest Hotels p.l.c. (C 8643)
- (2) 20% held by AX Investments p.l.c. (C 27586)
- (3) 15% held by Suncrest Hotels p.l.c. (C 8643)
- (4) 50% held by AX Finance Limited (C 6867)
- (5) 40% held by Holiday Resorts Limited (C 5733); 20% held by AX Investments p.l.c. (C 27586)
- (6) 20% held by Verdala Mansions Limited (C 7793)
- (7) 20% held by Richard Xuereb; 5% held by Angelo Xuereb
- (8) 23% held by Paul Xuereb; 27% held by PXC Investments Limited (C 89889)
- (9) 0.1% held by AX Finance Limited (C 6867)
- (10) 99% held by Suncrest Hotels p.l.c. (C 8643)

AX Group p.l.c., which is owned by Angelo Xuereb as to 55% of its shareholding, and by Richard Xuereb, DX Holdings Limited (C 81361) and The Lotus Co Ltd (C 81360), each as to 15% of its shareholding, holds all shares in AX Holdings Limited, save for one share, the holder of which is Angelo Xuereb himself. AX Holdings Limited is the intermediate holding company of the AX Group, having business interests which extend across the entire range of industry sectors in which the Group is involved. All Subsidiaries are registered in Malta and they are indirectly 100% owned and controlled by the Company and in turn, save as otherwise indicated in the explanatory footnote to the organisational structure chart above, are directly or indirectly 100% owned and controlled by AX Holdings Limited.

The AX Group comprises 35 entities which are principally organised into the following four operating divisions:

I. AX Hospitality

With a portfolio of seven properties, six of which are hospitality operating in the four and five star segment and a total bed count in excess of 800 guest rooms and suites, AX Group's hospitality division is the largest operating division of the AX Group. The operations of the AX Hospitality chain are carried out by AX Hotel Operations p.l.c. (C 40905), a company managed by a dedicated and highly skilled professional management team headed by Group Hospitality Director Claire Zammit Xuereb, one of the Executive Directors of the Company.

II. AX Care

The key operating entities within the healthcare division are Hilltop Gardens Retirement Village Limited (C 65735) and Hilltop Management Services Limited (C 72480). Together, the two companies are engaged in the operations of: Malta's first unique retirement village, the Hilltop Gardens and Retirement Village; the Simblija Care Home, a licensed residential care home which caters for medium to high dependency patients as well as residents requiring respite care; and a state of the art physiotherapy and hydrotherapy centre, the Revive Physiotherapy and Aquatic Centre. The division is headed by Charmaine Attard, the General Manager of Hilltop Gardens.

III. AX Construction

The main operating entity within AX Group's construction division, which is headed by the Group Construction & Development Director Denise Micallef Xuereb, is AX Construction Limited (C 17438). AX Construction Limited undertakes construction projects with an emphasis on civil engineering works, turnkey assignments and restoration works, focusing mostly on third party projects, however also rendering services to companies forming part of the AX Group.

IV. AX Development

The property development division, also headed by the Group Construction & Development Director Denise Micallef Xuereb, is comprised of 11 companies, set up as property-owning special purpose vehicles, each of which operates under the umbrella of AX Holdings Limited. It is responsible for optimising the AX Group's property portfolio through the evaluation of investment opportunities for its existing properties and the identification of additional properties for acquisition and subsequent development and operation. The division has been involved in a number of landmark projects that span from residential complexes, hotels, restaurants office blocks to large scale mixed developments.

4.2. HISTORICAL DEVELOPMENT OF THE COMPANY

Full Legal and Commercial Name of the Company	AX Group p.l.c.
Registered Address	AX House, Mosta Road, Lija LJA 9010, Malta
Place of Registration and Domicile	Malta
Registration Number	C 12271
Legal entity identifier ('LEI')	213800ZQHNATYCTNN592
Date of Registration	18 January 1991
Legal Form	The Company was formed as a private limited liability company under the name 'Fulcrum Services Limited', and was subsequently, on 8 November 2019, converted into a public limited company and thereafter renamed AX Group p.l.c. The Company is lawfully existing and registered as a public limited liability company in terms of the Act.
Telephone Number	+356 2331 2345
Email	info@axgroup.mt
Website	https://www.axgroup.mt

The Directors are not aware of any material change in the Company's borrowing and funding structure since the end of the latest financial year ending 31 October 2018.

Going forward, the Directors expect the Company's working capital and funding requirements to be met by a combination of the following sources of finance: (i) retained earnings; (ii) existing external bank credit and loan facilities and, or further facilities if required or desirable; and (iii) the proceeds from the Tranche I Bonds together with the planned Tranche II Bonds (the latter as further described in Section 15 of this Registration Document).

5 BUSINESS OVERVIEW

5.1. PRINCIPAL OBJECTS OF THE COMPANY

The principal objects of the Company are set out in Article 4 of its Memorandum and Articles of Association and include, but are not limited to, investment in other companies or securities issued thereby, the acquisition, holding and disposition of immovable or movable property, whether for commercial or other purposes, and lending or advancement of funds as may be required for the financing or re-financing of the funding requirements of the AX Group.

In pursuance of the said principal objects, the Company will enter into loan agreements with the Subsidiaries for the purpose of financing their investment needs from time to time, including as set out in section 4.2 of the Securities Note, entitled “Reasons for the Bond Issue and Use of Proceeds”.

5.2. PRINCIPAL ACTIVITIES AND MARKETS OF THE COMPANY

The Company acts as the ultimate holding company of the AX Group and does not itself carry on any trading activities other than for the purpose of funding the Group as and when the demands of its business so requires, and accordingly is economically dependent on the Subsidiaries.

5.3. OVERVIEW OF THE BUSINESS OF THE AX GROUP

Since its inception in 1977, AX Holdings Limited has, through its Subsidiaries, been actively involved in hotel operations, healthcare, construction and property development in Malta.

Prior to the interposition of the Company as the ultimate holding company of the AX Group, AX Holdings Limited served as the parent company through which interests in various subsidiary companies focused on the Group's key business segments were held.

The AX Group is, as indicated above, organised into five primary business divisions. The four operating divisions of the AX Group comprise ‘Hospitality’, ‘Healthcare’, ‘Property Development’ and ‘Construction’, whilst the ‘Finance and Investment’ division provides finance to AX Holdings Limited and its subsidiaries and also manages certain strategic assets.

The AX Group is a property-based organisation and most of its investments are in real estate assets. The Group has a substantial property portfolio, which it plans to expand and develop at the appropriate time. Certain non-core property assets may also be disposed of at the appropriate time. The Group holds financial assets only for the purpose of furthering its objective of developing its property assets with a view to utilising same in a manner which meets its business objectives over the short to medium, whilst also targeting long term asset appreciation through efficient management of such asset base.

The following is a more detailed breakdown of the AX Group's involvement in its main sectors of operation:

HOSPITALITY

Sliema Properties

Developed in 1996, **AX The Victoria Hotel** is a 142-room classical Victorian-style hotel located in the heart of Sliema. The hotel is marketed as a classical five star experience in a four star accommodation. The hotel features elegant rooms, outdoor and indoor pools, a steam and sauna room, spa facilities, a health and fitness centre and multi-purpose conference halls.

Adjacent to AX The Victoria Hotel, is one of the oldest and finest buildings in Sliema - the 200-year old Neoclassic palace, **Palazzo Capua**, also known as ‘Capua Palace’. Following its refurbishment in 2005 by the AX Group, the palace, which had fallen into disuse and abandonment, was restored to its former architectural splendour and now forms part of a larger project incorporating accommodation and conference facilities in a rich architectural setting, fully supported and operated by AX The Victoria. Palazzo Capua houses five exquisitely luxurious guest suites, four of which are on two floors, and is also an exclusive meetings venue. Its main hall offers outstanding facilities for receptions and banquets, and provides a distinct and prestigious settings for business and social functions.

AX The Palace Hotel is a luxurious 144-room five star city hotel located in a prime location in Sliema, offering a strong appeal to business travellers owing to its extensive conference and events facilities. The hotel, which opened its doors for business in 2009, marks AX Group's first investment in the five star hotel segment. AX The Palace offers a wide range of facilities to its guests, including five restaurants, an outdoor infinity pool on the rooftop terrace, a generous sized freshwater indoor pool, a steam and sauna room, spa and health and fitness centre. The proximity between AX The Palace Hotel and the AX Victoria Hotel allows both hotels to centralise their management function and share many of the fixed cost elements to maximise efficiency, and ultimately operating profits.

Qawra Properties

The **Seashells Resort at Suncrest** is a four star hotel conveniently located on the Qawra waterfront, featuring 452 rooms designed in a contemporary style, the Carisma Spa and Wellness International Centre, a large outdoor swimming pool and lido, and various food and beverage outlets. The hotel has recently undergone an extensive refurbishment in 2015, at a total cost of *circa* €7 million, as a

result of which all rooms were completely refurbished.

The **Sunny Coast Resort and Spa** is a 92-room four star aparthotel situated in Qawra that offers serviced self-catering apartments, with resort facilities on the Qawra Coast. The property has operated in the vacation ownership market since 1983 and was the AX Group's first venture in the hospitality sector. The property features three restaurants, indoor and outdoor pools, spa and leisure facilities, and a fitness centre.

In November 2014, AX Group acquired the **Luzzu Complex** in Qawra. The property occupies a gross floor area of *circa* 2,235 square metres and comprises a seaside restaurant, a beach club and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.

Through the progressive acquisition of the above properties, the AX Group owns a stretch of prime hospitality real estate enjoying fantastic seaviews measuring 4,000 square metres, along the Qawra coastline. Through the combination of its hospitality establishments in Qawra, the AX Group appeals to a diverse mix of guests, ranging from family and young travellers (such as Seashells Resort at Suncrest and its Sunny Coast Resort and Spa) to the traveller seeking an adults-only environment (the Luzzu complex).

Valletta Properties

During the year 2016, the Group acquired two properties in Merchant Street, Valletta, one of which has been converted into a 19-room boutique hotel, known as **The Saint John – Boutique Accommodation**, which commenced operations in August 2017, and the other being the 25-room **AX Rosselli** boutique hotel, one of the most prestigious old palazzos in Valletta, which received its first guests in May 2019.

Once a former merchant's residence and shop, The Saint John - Boutique Accommodation was refashioned into a modern hospitable setting while preserving the building's rich historical fabric. Each of the 19 rooms exudes an urban industrial feel with exposed brick and natural materials, combining on-trend style with luxury and the latest in-room technology. The boutique hotel features two private meeting rooms accommodating 16 in-theatre style or eight as a board room, both well-equipped with high-specification audio-visual and wifi standards, and a hot-desking service, ideal for the frequent business traveler who needs to make use of desk space in an office-like setting during his stay. The Saint John is also home to the popular establishment of Cheeky Monkey Gastropub, the second Cheeky Monkey branded property operated by the AX Group.

AX Rosselli, on the other hand, is a five-star hotel in the capital, housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests, including a digital online check-in process. Aside from a three-level restaurant with varied cuisine genres offering customers refined culinary experiences on each level, hotel butler service is on hand to provide a tailor-made experience for guests staying at the AX Rosselli.

Verdala Hotel Complex

The AX Group continues to actively seek approval from the relevant authorities to undertake the development of the former 'Verdala Hotel Complex', located in Rabat (the "**Verdala Site**"). The proposed plans presently include the development of a 40-suite boutique hotel, which in conjunction with the 19 units it owns on an adjacent site at Virtu Heights, would comprise a 59-suite upscale hotel property. In addition, the Group plans to construct a residential complex comprising of *circa* 100 luxury serviced apartments on an area measuring *circa* 4000 square metres.

The hospitality division is the principal contributor to the AX Group's turnover and, and together with the properties it operates, represents a significant part of its asset base.

HEALTHCARE

In 2014, the AX Group commenced development of **Hilltop Gardens Retirement Village and Simblija Care Home**, and officially opened the premises in December 2015. Located in the area known as "Tas-Simblija", limits of Naxxar, and occupying an area of *circa* 17,000 square metres, the Simblija Care Home and Hilltop Gardens Retirement Village is marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour onsite medical care when required.

a) Hilltop Gardens Retirement Village

The first luxury retirement village to be developed in Malta, the Hilltop Gardens Retirement Village, consists of private residences in the form of one or two bedroom self-catering apartments and penthouses, finished to high standards, landscaped gardens and extensive facilities. The complex includes 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 may also request certain services be provided at a charge, including cleaning, repairs and maintenance of apartments and preparation and delivery of meals. The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years.

b) Simblija Care Home

The other key component within the Hilltop Gardens Retirement Village is the Simblija Care Home, a top 155-bed care home which provides intensive nursing care to the more dependent elderly residents. The Simblija Care Home has its own fully equipped state-of-

the-art hydrotherapy pool, dedicated services and amenities for short term respite care and convalescence as well as post-operative recovery, and a specialised dementia ward offering specialist support, and assistive technology specifically selected and installed, for residents with dementia.

Since inception, the Simblija Care Home has seen a steady increase in occupancy and currently operates on an occupancy level of approximately 95% on a per room basis (or 60% on a per bed basis).

Notwithstanding their location within the same grounds, the residential complex and nursing home are 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.

CONSTRUCTION

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 AX Group has over the years been involved in a number of construction projects in Malta, including the development of the Group Hospitality Properties; the Group's head office; Verdala Mansions in Rabat; Capua Hospital in Sliema; the superstructure of the Parliament building in Valletta; the Simblija Care Home and Hilltop Gardens Retirement Village and various other projects which were executed for the Group companies and third party clients.

In FY2017, the Group was primarily involved in the conversion and completion of "is-Suq tal-Belt" and The Saint John - Boutique Accommodation in Valletta and, in FY2018, the continuation of the development of the AX Rosselli Boutique Hotel in Merchant Street, Valletta, the construction of the Hotel 1926 in Qui-Si-Sana, Sliema (previously the Plevna Hotel), the extension and finishes of the KPMG offices, as well as the construction and development of residential blocks and villas. In FY2019, the main construction projects consist of the restoration and construction works at the Old Farsons Brewhouse, the development of a residential block behind Falcon House, Sliema, which on completion will comprise eight apartments and a penthouse, and the construction of the multi-use complex situated in Mosta.

In recent years, the construction division has been actively involved in prestigious restoration projects such as Fort St Angelo, the Valletta and Vittoriosa bastions, Scamps Palace Building (the building which used to house Casino di Venezia), Wignacourt Tower in St Paul's Bay, Auberge d'Italie, San Salvatore Bastions, Farsons Brewery and the Old University Building in Valletta.

Until FY2017, the AX Group was involved in construction waste management at a site in Mgarr, Malta, which consisted of the management and disposal of excavation, construction and demolition waste. The level of activity in construction waste management increased substantially in FY2016, which reflected the increase in construction activity in Malta; however such activity was terminated in FY2017, during which the Group only generated income of €0.2 million. The site at Imgarr is currently being developed into the Imselliet Solar Farm. The solar farm is expected to go live in December 2019, producing up to 5.4 MW of electricity to be supplied to the Government of Malta in accordance with the terms of the supply agreement entered into with the same. The electricity produced will plug into and supply the public power grid over a period of 20 years. The Imselliet Solar Farm is the result of a joint venture with third parties, in which the Group's investment, held through Renewables Limited (C 84113), amounts to 33.3% of the issued share capital of Imselliet Solar Limited (C 84337). The Group's investment in the solar farm project is fully self-financed and is testament to the AX Group's constraint drive for diversification and innovation.

PROPERTY DEVELOPMENT

Property development was a natural diversification from the construction business. The 'Property Development' division acquires investment properties, identifies business and commercial uses for these properties through the AX Group sub-divisions, and undertakes such projects to operate or dispose of them, as considered appropriate, at an opportune time. Some of these investments are held on a long-term basis and operated, while others are developed and sold in the normal course of business.

The AX Group has developed a number of landmark projects that span from residential complexes, hotels, restaurants, offices blocks to large scale property development projects such as the development of Falcon House in Sliema and Verdala Site in Rabat. 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.

5.4. BUSINESS DEVELOPMENT STRATEGY

Ethos of the AX Group

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the Group's ethos of ensuring a proper balance between effective organisational practices and procedures, together with the investment in its human capital resources driven by a core executive management team made up of market leaders in their respective areas.

Organisational practices and procedures

The AX Group implements a combination of organisational checks and balances designed, on the one hand, to identify, evaluate and ultimately mitigate risk and, on the other hand, to explore and exploit business opportunities.

These policies, procedures, controls and systems are reviewed from time to time in order to reflect new operational and market realities, ensuring that the AX Group evolves in tandem with the latest developments in a timely manner, seeking to pre-empt challenges and maximise potential. Business plans, financing arrangements, marketing tools and other key aspects of the day-to-day business and operations of the AX Group are prepared and evaluated by the competent members of the Executive Committee and subject to the scrutiny of the said team.

The progressive introduction of this organisational structure has seen the AX Group develop a more objective and evidence-based approach to business opportunity and risk, based on the principle of informed-decision making practices. In addition, all contractual arrangements to be entered into by the AX Group with its business partners and other third parties are vetted by the dedicated in-house legal team of the AX Group.

Growth and diversification strategy

The AX Group continues to focus its energies in strengthening its business and operating structures particularly in its core hospitality operations. Furthermore, the hospitality division of the Group has diversified its markets and business delivery, and marketing strategies have been developed and implemented for each of its hotels depending on the location and nature of the property. On recognition of the importance of e-commerce for the hospitality industry, the Group has invested in internet marketing to improve its information systems and it now has a dedicated team of key personnel who focus on this channel; together they manage more than 24 websites owned by the Group as well as 70 other social media channels. The Group will continue to invest in the latest technologies and techniques to keep abreast with developments in this dynamic sector and optimise its business.

The Group is optimistic that the hotel industry in Malta will continue to perform positively in the coming years and believes that the Group Hospitality Properties have the right management and resources to successfully grow the business units and potentially take on others. AX Hotel Operations p.l.c. continues to actively seek new hotel properties to operate and will be seeking opportunities to take on engagements to manage third party owned properties, subject to the right conditions being agreed to and the property matching the AX Hotels brand standards.

An important aspect of the Group's ongoing strategy is the acquisition of a number of sites in strategic locations and in close proximity to one other, and their subsequent consolidation in order to form larger sites to enable the Group to undertake large developments. This can be said for the property the Group owns in Qawra, where the first property acquired was the AX Sunny Coast Resort and Spa site, followed by the sites of AX Seashells Resort at Suncrest and the Luzzu complex site and recently another property adjacent to the AX Sunny Coast Resort and Spa. This strategy has allowed the consolidation of a large tract of prime land along the Qawra shore.

This same process was repeated in Sliema on the sites where AX The Victoria Hotel, AX The Palace Hotel and Palazzo Capua were built, which are all contiguous to each other, and the Hilltop Gardens Retirement Village, where the current property footprint of over 17,000 square metres was achieved through acquisitions of several properties over a period of time. The recent acquisitions and development of two boutique properties in the heart of Valletta is also in furtherance of this same objective.

This strategy of operating hotels in clusters yields various value-adding advantages such as the allocation of single management teams per location, providing efficiency through the reduction of overlap in areas such as marketing, maintenance, accounting and procurement.

The construction division of the Group has grown rapidly following a restructuring of the business and has, during the past two years, seen its turnover improve at a rate in excess of 25% CAGR. This growth is supported by the strong performance at a national level of the construction and development sectors as well as specific measures taken in order to respond to the continuing challenges involved in operating in the construction industry. Due to the unveiling of a large number of prestigious national projects having a strong restoration element over recent years, the AX Group invested in the skills and expertise required to take on sensitive restoration projects and has been successful in contributing significantly to the restoration of our built heritage. The construction division has also introduced contracting and project management strategies which aim to capitalise on the quality, efficiency and experience which are ingrained in the AX Group's culture. This investment in skills and organisational measures has also been augmented by a significant continuing investment in plant, equipment, tools and systems to improve productivity and efficiency and to further strengthen its management and operating teams in anticipation of larger and more demanding projects.

The AX Group owns a number of properties for which it has pending development applications. It continues to actively seek approval from the relevant authorities to undertake the development of the former 'Grand Hotel Verdala' site, located on the Rabat promontory. Other properties include the Marsa business park, which measures *circa* 13,000 square metres and a significant parcel of land in Mosta to be offered for sale to third parties as properties ready for development.

The AX Group is also currently developing another site in Mosta, which site shall house the AX Group's new state-of-the-art head office as well as a number of residential units.

Human resource management

The AX Group believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives. In today's business climate the recruitment and training of employees is crucial and the retention of key talent has been at the core of the Group's philosophy since inception.

In furtherance of the aforesaid objectives, the AX Group has launched the 'AX Academy' specialising in training and development of

its personnel, and set up its own recruitment agency focused on long-term human resources planning and finding the appropriate candidates to further strengthen its leadership and operating teams in anticipation of an increase in volume of business across the divisions of the Group.

The Executive Committee reviews the performance of all operating entities within the AX Group as well as its investments on a periodic basis. The Executive Committee foresees that the AX Group will be strongly focused on executing the Verdala Site project in the near term, but also envisages that it has the required resources and capacity to undertake a number of other investments during the coming years such as the extensions to Hilltop Gardens Retirement Village and the AX Seashells Resort at Suncrest, the development of offices and residential units in Mosta and offices in Floriana, and the redevelopment of the AX Sunny Coast Resort and Spa.

5.5. INVESTMENTS

Material investments made by the Group in the last three years

The major investments made by the AX Group over the last three years are the following:

- a. In FY2016, the Group increased its shareholding in Valletta Cruise Port p.l.c. (C 26469), the company which developed and is responsible for the operations of the cruise and ferry terminal at the Valletta Waterfront, from 24% to 36% for a total consideration of €3.9 million. The aggregate value of the said investment as at 31 October 2018 amounts to €10.7 million (FY2017: €9.7 million).
- b. In FY2016, the Group acquired a property in Merchant Street, Valletta, now converted into a 19-room boutique hotel at a total cost (property acquisition and development) of €5.1 million. The Saint John - Boutique Accommodation opened its doors for business in August 2017.
- c. In FY2017, the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million. The property has been developed into the 25-room AX Rosselli, which opened its doors for guests in May 2019. The total development cost of the AX Rosselli amounts to *circa* €7 million.
- d. Between FY2016 and FY2018, the Group executed a renovation programme of the AX Victoria Hotel, a €2.1 million investment, which included the refurbishment of the rooms and common areas of the property and the implementation of energy saving measures throughout the hotel.
- e. In January 2019, the Group completed a refurbishment (including replacement of all fittings, furnishings and unfixed installations) of all the rooms of the AX Palace Hotel and the TemptAsian restaurant at a cost of *circa* €1.9 million.

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, as a major thrust of its business. Indeed, the majority of the proceeds from the Bond Issue are to be used by the Company for the purpose of part financing the acquisition of land situated in Marsa, which land is earmarked for development into a mixed office, residential and commercial complex (the “**Marsa Project**”) and the Group’s acquisition and development of ‘Palazzo Merkanti’ situated in Merchant Street, Valletta (the “**Valletta Project**”), as further detailed hereunder:

Marsa Project

The Group currently owns a portion of land measuring approximately 620 square metres, including its overlying airspace and underlying subsoil, which it acquired on the 11 April 2019 pursuant to a sale agreement entered into by and between third party vendors and AX Business Park Limited (C 13019) (previously, Marine World Limited), in its capacity as purchaser, for a consideration of €600,000. This land forms part of a larger portion of land known as “Tad-Dwiemes”, bordering on the South with Triq Diċembru 13, and bordering on the West and North with other property of the Company.

Subject to obtaining the necessary development permit, the Group plans to consolidate the aforementioned land with an adjacent area in Marsa known as “Tas-Sienja”.

In furtherance of this, a promise of sale agreement dated 24 October 2017 was entered into by and between Salv. Bezzina & Sons Ltd (C 350), as vendor and AX Business Park Limited, as purchaser, pursuant to which the vendor bound itself to sell and transfer to the purchaser, which accepted and bound itself to purchase and acquire:

- i. land with buildings situated thereon and including its subterrain and airspace, measuring approximately 7,587 square metres, comprising the following properties:
 - a store in Marsa, Marsa Road, without official number, with its own subterrain and airspace, bounded on the North with third party property and on the East and West with property of the vendor. This property is subject to an annual and perpetual groundrent of €232.94, payable on the 7 December of each year, otherwise free and unencumbered with all its rights and appurtenances;
 - five adjacent stores in Marsa, including their subterrain and airspace, built on part of the land known as “Tas-Sienja”, altogether bounded on the North with two third party properties, on the East with property of vendor described below, on the South East with property of the Company, and on the West with third party property. The site where the five stores are built is subject to an annual and perpetual groundrent of €1,514.09, otherwise free and unencumbered with all its rights and appurtenances;
 - four adjacent stores, together with their adjacent and annexed yard, including their subterrain and airspace, built on part of the land known as “Tas-Sienja”, altogether bounded on the West with a new unnamed road in Marsa, from the North with third party property and on the South East with property of the Company. This property is subject to an annual and perpetual groundrent of €1,171.21 (part of a larger groundrent), otherwise free and unencumbered with all

its rights and appurtenances, and

- ii. all and, or any rights, interests and pretensions which the vendor has over the property, whether compensation rights or property rights, consisting of a portion of land, forming part of the lands known as “Tas-Sienja” in the limits of Marsa, measuring approximately 417.14 square metres (which land is subject to President’s Declaration No. 539 issued under the Land Acquisition Ordinance and published in the Government Gazette dated 24 July 1973), said land being bounded on the South West with Triq Diċembru 13, onto which it abuts and on the North East with property of the vendor,

for a consideration of *circa* €7,000,000, as subject to the groundrents described above, all of which are perpetual, non-revisable and redeemable by their simple capitalisation at five per cent (5%).

The promise of sale agreement is subject to AX Business Park Limited, in its capacity as purchaser, obtaining and receiving an outline development permit by the Planning Authority for the development of the site, within the term of the promise of sale agreement (the “**Condition**”). The promise of sale agreement shall remain valid and effective for a period equivalent to the earlier of: (a) 23 October 2020; or (b) six months from when the outline development permit is issued and received.

As at the date of this Registration Document, the Group does not envisage that this site will be developed in the foreseeable future. At present the Group expects such development to take place after the maturity date of the Tranche I Bonds. So far, the Board has merely commissioned studies regarding the optimal use of the Marsa site, and will only proceed to re-activate an application for a development permit previously submitted on 21 February 2018 for the development of the portion of land in Marsa known as “Tas-Sienja” (already owned by the Group), which was suspended on 8 May 2018 given the potential arising, shortly prior to such date, of an opportunity to acquire the aforementioned adjacent piece of land, upon conclusion and evaluation of the necessary studies.

The ongoing negotiations between the purchaser and vendor are expected to be concluded shortly after the issuance of the Bonds, and therefore in advance of the aforementioned development permit being issued by the Planning Authority, in which case, the Group would waive the Condition.

Valletta Project – 41, Merchant Street

A promise of sale agreement dated 4 July 2019 was entered into by and between a third party vendor and AX Holdings Limited (C 3595), in its capacity as the purchaser, pursuant to which the vendor bound itself to sell and transfer to the purchaser, which accepted and bound itself to purchase, the ‘Palazzo’, bearing official number 41 in Merchant Street, corner with Saint Lucy Street, Valletta for a consideration of €5,500,000. The promise of sale agreement shall remain valid and effective up to the 15 January 2020 (the “**41, Merchant Street**”). Following the conclusion of the deed of sale for the acquisition of the 41, Merchant Street, and subject to obtaining the necessary development permits, the Group is intent on converting the property into a self-catering accommodation which shall comprise nine luxury apartments, scheduled to start operating in 2021.

Other key developments which the Group is committed to

In addition to the Marsa Project and the Valletta Project, the key developments to which the Group is committed to in the foreseeable future include:

Expected Year of Commencement and Completion	Development	Status	Investment
2019 - 2020	Development of luxury units on Falcon House land, Sliema - The Group is currently developing a block of residential units at the Falcon House site in Sliema (adjacent to the existing Falcon House Complex) which shall comprise eight luxury apartments and a penthouse.	Relevant planning permits have been obtained and the land in question is currently being developed.	€1.5 million
2019 - 2020	Development of offices and residential units at Tal-Qares, Mosta (Targa Gap Complex) – A plot of land in Targa Gap, Mosta is currently being developed by the Group into a mixed use development. The development will comprise the Group’s new head office, residential units held for sale or lease to third parties, a showroom and four levels of underground parking. Development is planned to be completed in FY20.	Relevant planning permits have been obtained and the land in question is currently being developed.	€7.5 million

2021 - 2022	Development of office space in Floriana – The Group entered into a promise of sale agreement for the acquisition of three properties in Floriana which the Group is planning to consolidate and convert into office space for lease to third parties. The acquisition is planned to be completed in FY20, and the development is planned to commence in FY21.	The Group is in the process of submitting the relevant planning permit application.	€3.8 million
2020 - 2023	Verdala Site, Rabat – The Group plans to develop a 40-suite boutique hotel and 19 serviced apartments to be managed as one operation by AX Hotel Operations p.l.c. The hotel and serviced apartments are projected to commence operations in FY23. The Group also plans to develop 100 luxury apartments on the same site, earmarked for sale to third parties. Development of the said apartments is projected to be completed during FY23.	Outline application stage	€37 million
2021 – 2023	The extension of the Hilltop Gardens Retirement Village – The Group plans on adding 71 units for lease or rental at the Hilltop Gardens Retirement Village.	Permit application submitted – pending approval	<i>circa</i> €6 million
2023 – 2024	The redevelopment of the AX Sunny Coast Resort and Spa, Qawra – The Group plans to demolish and rebuild the Sunny Coast Resort & Spa in Qawra.	Permit application submitted – pending approval	<i>circa</i> €18 million
2025 - 2026	The extension of AX Seashells Resort at Suncrest, Qawra – The Group plans to extend the AX Seashells Resort at Suncrest by an additional two floors, adding a total of 200 rooms. The entire hotel and lido area is also planned to be refurbished and redecorated.	Permit application submitted – pending approval	<i>circa</i> €13 million

6 CAPITAL RESOURCES

The financial performance of the AX Group over the last five years has been characterised by a systematic reduction in the Group's indebtedness. Strong profitability has enabled the AX Group to repay a number of bank loans and facilities well ahead of their maturity dates. It is the Board's vision that the AX Group will retain a low gearing and that interest cover will remain at least three times its debt servicing requirement.

The Group's operations are financed through equity and reserves, bank loans and overdrafts, shareholders and other loans and debt securities in issue.

Cash and cash equivalents included in the statements of cash flows in the consolidated financial statements of the Group comprise the following amounts:

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)				
CASH AND CASH EQUIVALENTS				
As at	30-Apr-2019	31-Oct-2018	31-Oct-2017	31-Oct-2016
	Unaudited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000
Cash	272	6,852	7,353	5,876
Bank overdraft	-	(559)	(1,144)	(283)
Total cash and cash equivalents	272	6,293	6,209	5,593

As at 31 October 2018, the Group had aggregate bank facilities amounting to €15.8 million (31 October 2017: €21.1 million), of which €15.2 million (31 October 2017: €19.9 million) related to bank loans with the remaining €0.6 million (31 October 2017: €1.2 million) representing a bank overdraft. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over various immovable properties and by pledges over various insurance policies. Such facilities bear interest at interest rates ranging from 1.75% to 3.0% p.a. over Bank of Valletta's Base Rate (resulting in interest rates ranging from 3.9% to 5.15% per annum as at 30 April 2019). As at the end of the said financial year, the Group also had a shareholder's loan of €0.2 million. This latter loan is unsecured, interest-free and has no fixed date of repayment.

During the first six months of FY2019, the Group's bank borrowings decreased to €14.5 million as a result of bank loan repayments made in line with the agreed terms, as well as, the non-utilisation of the bank overdraft facilities.

In 2014, AX Investments p.l.c. issued €40 million bonds bearing interest at 6% per annum which are redeemable at par in 2024. These bonds are guaranteed by AX Holdings Limited. The carrying amount of these bonds as at 30 April 2019 amounted to €39.5 million.

Below is a summary of the Group's bank and other borrowings.

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)				
BORROWINGS				
As at	30-Apr-2019	31-Oct-2018	31-Oct-2017	31-Oct-2016
	Unaudited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000
Bank borrowings				
Central Leisure Developments Ltd	5,426	5,860	6,794	8,300
Capua Palace Inv. Ltd	784	886	1,081	1,268
Suncrest Hotels p.l.c.	4,477	4,533	5,365	6,195
Luzzu Properties Ltd	-	-	429	2,760
AX Holdings Ltd	-	-	2,112	2,924
Palazzo Merkanti Leisure Ltd	3,839	3,947	4,157	-
Bank overdrafts	-	559	1,144	283
Bank borrowings	14,526	15,785	21,082	21,730
Bonds				
6% Bonds 2024	39,487	39,456	39,394	39,540
	39,487	39,456	39,394	39,540
Other borrowings				
Malta Enterprise	-	-	6,529	6,311
Shareholder's loan	-	237	1,204	1,517
	-	237	7,733	7,828
Total borrowings and bonds	54,013	55,478	68,209	69,098

As indicated in section 5.5 of this Registration Document "Investments", the AX Group has a number of commitments namely in relation to:

- i. the completion of the development of: (i) the Targa Gap complex in Mosta; and (ii) the new residential block in Sliema adjacent to the existing Falcon House complex; and
- ii. the acquisition of (i) a plot of land in Marsa; (ii) a palazzo in Valletta; (iii) three collective properties in Floriana; and (iv) an apartment and garage forming part of the existing Falcon House complex in Sliema, all of which are currently the subject of promise of sale agreements;

The above-mentioned commitments, which in total amount to *circa* €24.3 million, are expected to be concluded, between FYs 2019 and 2020. With the exception of the Marsa Project and the Valletta Project, which are planned to be financed through the proceeds from the Bond Issue (refer to section 4.2 of the Securities Note, entitled “Reasons for the Bond Issue and Use of Proceeds”), the rest of the investments are being financed or are expected to be financed through a mix of the Group’s own funds and bank facilities. The only bank facility currently in place in this regard relates to the loan provided by BNF Bank plc, to finance the construction and finishing of the Targa Gap Complex in Mosta, for a maximum amount of €4.7 million at an interest rate of 4.25% per annum over the 3-month Euribor (no amount was drawn down as at 30 April 2019).

7 REGULATORY ENVIRONMENT

INTRODUCTION

The AX Group’s activities are subject to an array of rules and regulations and subject to the oversight of various regulatory and other authorities. In particular, some of its activities are undertaken pursuant to authorisations, registrations, certifications, and, or licences granted by the relevant authorities, including any variations to the terms and conditions thereof that may be imposed from time to time.

LICENCES, PERMITS AND OTHER AUTHORISATIONS

The principal authorisations held by the AX Group may be categorised according to its different business divisions, as follows:

- i. **AX Care:** the licence issued by the Social Care Standards Authority under articles 15 and 17 (1) of the Social Care Standards Authority Act (Cap. 582 of the laws of Malta) to operate the Simblija Care Home as a ‘Home for the Aged’ for a maximum of 153 residents;
- ii. **AX Hospitality:** the authorisations held by the various companies operating under the umbrella of the AX Hospitality division to operate and manage its hospitality operations granted by the Malta Tourism Authority under the applicable provisions of the Malta Travel and Tourism Act (Cap. 409 of the laws of Malta), including the authorisations held in order to operate its catering establishments and to sell alcoholic beverages on its premises. In addition, the operations of the AX Hospitality division are subject to the terms and conditions of the certifications granted by the Malta Occupational Health and Safety Authority, the Malta Resources Authority and the Malta Regulatory for Energy & Water Services, in particular respect of food handling activities of its catering establishments and its swimming pools and spa facilities;
- iii. **AX Construction:** the authorisations held by the various companies operating under the umbrella of the AX Construction division granted by, among others, the Planning Authority, the Environment and Resources Authority and the Building Regulation Office in respect of the construction activities undertaken by its construction division; and
- iv. **AX Development:** the various planning development permits held by various companies forming part of the AX Group issued by the Planning Authority and, or the Environment and Resources Authority respectively, in respect of the various development projects undertaken by its AX Development division.

RULES AND REGULATIONS

Given its diverse business lines, the AX Group is consequently subject to a variety of rules and regulations, including but not limited to the following primary legislative acts, as well as the applicable subsidiary legislation and rules that may be issued from time to time thereunder:

- Occupational Health and Safety Authority Act (Cap. 424 of the laws of Malta)
- Building Regulation Act (Cap. 513 of the laws of Malta)
- Food Safety Act (Cap. 449 of the laws of Malta)
- Malta Travel and Tourism Act (Cap. 409 of the laws of Malta)
- Environment Protection Act (Cap. 549 of the laws of Malta)
- Development Planning Act (Cap. 552 of the laws of Malta)
- Public Health Act (Cap. 465 of the laws of Malta)
- Social Care Standards Authority Act (Cap. 582 of the laws of Malta)

LEGAL AND REGULATORY COMPLIANCE

The AX Group is committed to legal and regulatory compliance and devotes significant attention to promoting and ensuring acquiescence with the legal and regulatory framework affecting its various operations.

The AX Group compliance function is handled by its in-house legal team, who engages third parties legal experts where necessary through ongoing and, or ad-hoc arrangements in order to provide sector specific legal and advice and the necessary support and assistance, with the objective of properly mitigating the business and legal risks of undertaking its activities, whether licensed or unlicensed.

In addition, the companies forming part of the AX Group may enter into contractual arrangements governed by foreign law and subject to the jurisdiction of foreign courts or arbitral tribunals. In this respect, the AX Group engages with foreign expert counsel, where necessary, in order to enable an understanding of the jurisdiction-specific legal and regulatory requirements and to appropriately address the risks associated therewith.

8 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

The 'Property, Plant and Equipment' of the Group as at the end of the financial year ended 31 October 2016, 2017 and 2018 are summarised below:

Financial Period	Land and Buildings	Improvements to premises	Plant and Machinery	Motor Vehicles	Furniture, fixtures and other equipment	Total
	€	€	€	€	€	€
31 October 2016	196,178,580	270,658	8,381,422	81,050	13,879,193	218,790,903
31 October 2017	200,113,824	35,975	9,499,515	56,726	14,233,643	223,939,683
31 October 2018	212,285,599	20,996	9,201,378	125,632	13,411,034	235,044,639

'Investment property' of the AX Group, which is property held to earn rentals or for capital appreciation or both, was reported at a fair value of €24,394,809 for the financial year ended 31 October 2016, €30,968,940 for the financial year ended 31 October 2017, and €58,722,176 for the financial year ended 31 October 2018.

The main assets held by the AX Group as at 31 October 2018 are the following:

Asset	Value (€)	Title
AX House, Lija	4,414,000	AX Holdings Limited (C 3595)
AX The Palace Hotel, Sliema	43,890,000	Central Leisure Developments Limited (C 25774)
AX The Victoria Hotel, Sliema	20,940,000	Central Hotels Limited (C 16993)
AX Sunny Coast Resort and Spa, Qawra	19,109,000	Holiday Resorts Limited (C 5733)
AX Seashells Resort at Suncrest, Qawra	76,556,000	Suncrest Hotels p.l.c. (C 8643)
Luzzu Complex, Qawra	3,208,000	Luzzu Properties Limited (C 67266)
The Saint John - Boutique Accommodation, Valletta	4,895,000	St John's Boutique Hotel Limited (C 76079)
Grand Hotel Verdala, Rabat	28,600,000	Royal Hotels Limited (C 16994)
Virtu Heights Apartments, Rabat	3,600,000	Heritage Developments Limited (C 14217)
Simblija Care Home and Hilltop Gardens Retirement Village, Mosta	45,987,000	Simblija Developments Limited (C 39400)
Palazzo Capua, Sliema	8,699,000	AX Investments p.l.c. (C 27586)
The AX Rosselli, Valletta	6,402,000	Palazzo Merkanti Leisure Limited (C 76080)
Villa Vistana, Mosta	3,800,000	AX Holdings Limited (C 3595)
Tad-Dwiemes, Marsa	11,120,000	AX Business Park Limited (C 13019)
Hard Rocks Warehouses, l/o Burmarrad	5,160,000	Prime Buildings Limited (C 18860)
Targa Gap Complex, Mosta	4,098,000	Skyline Developments Ltd (C 34281)
Vilhena 310, Verdala Mansions, Rabat	2,421,000	Vilhena Property Investment Limited (C 30359) ¹
Agricultural land, Mtarfa		
Apartment, Mgarr, Gozo		
Other assets	869,000	Various

¹ Vilhena Property Investment Limited (C 30359) no longer forms part of the Group as at the date of the Registration Document.

9 OPERATING AND FINANCIAL REVIEW

9.1. HISTORICAL PERIOD

The consolidated financial statements for the financial years ended 31 October 2016, 2017 and 2018 and the audit reports thereon are set out in the audited financial statements of AX Group p.l.c. (formerly Fulcrum Services Limited) for the respective financial years, all of which are incorporated by reference in this Registration Document. Set out below are condensed extracts from the said consolidated financial statements for such years.

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)			
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME			
For the year ended 31 October	2018	2017	2016
	€'000	(restated) €'000	€'000
Revenue (including other operating income)	56,775	46,157	38,061
Net operating expenses	(35,832)	(30,793)	(25,397)
EBITDA	20,943	15,364	12,664
Share of results of associates	3	513	696
Revaluation of investment property	26,589	6,211	900
Depreciation	(5,348)	(5,238)	(4,825)
Net finance costs (including investment income)	(3,006)	(3,449)	(3,486)
Profit before tax	39,181	13,401	5,949
Taxation	(8,227)	(1,690)	(1,918)
Profit for the year	30,954	11,711	4,031
Profit attributable to:			
Owners of the Group	30,885	11,678	4,079
Non-controlling interest	69	33	(48)
	30,954	11,711	4,031
Other comprehensive income			
Gains on property revaluation	13,137	-	53,622
Taxation	(1,384)	-	(5,418)
Other comprehensive income net of taxation	11,753	-	48,204
Total comprehensive income	42,707	11,711	52,235

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

As at 31 October	2018	2017 (restated)	2016
	€'000	€'000	€'000
ASSETS			
Non-current assets	301,266	262,394	251,772
Current assets	22,268	22,582	19,758
Total assets	323,534	284,976	271,530
EQUITY AND LIABILITIES			
Equity			
Equity attributable to Group	211,246	171,053	163,278
Non-controlling interest	1,503	1,433	1,401
Total equity	212,749	172,486	164,679
Liabilities			
Non-current liabilities	89,563	83,191	82,440
Current liabilities	21,222	29,299	24,411
Total liabilities	110,785	112,490	106,851
Total equity and liabilities	323,534	284,976	271,530

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended 31 October	2018	2017 (restated)	2016
	€'000	€'000	€'000
Net cash from operating activities	15,164	17,515	17,564
Net cash used in investing activities	(4,890)	(12,084)	(16,853)
Net cash from financing activities	(10,190)	(4,815)	2,708
Net movement in cash and cash equivalents	84	616	3,419
Cash and cash equivalents at beginning of year	6,209	5,593	2,174
Cash and cash equivalents and end of year	6,293	6,209	5,593

Revenue is primarily generated from the Group's hospitality division, which contributed 68.7% of total revenue in financial year ("FY") 2018 (FY2017: 76.9%; FY2016: 84.3%). The construction and healthcare divisions are the second and third largest contributors to the Group's revenue. Each of these two divisions contributed 14.3% and 8.7% of total revenue in FY2018 respectively (FY2017: 11.3% and 7.5% respectively; FY2016: 8.8% and 2.9% respectively).

During the three financial years ("FYs") 2016 to 2018, the Group registered a significant increase in its level of business activity, with total revenue reaching €56.8 million in FY2018 representing a compound annual growth rate ("CAGR") of 22.1% over FY2016 level. This growth has been principally driven by growth in the Group's top two divisions.

Revenue from the hospitality division increased from €32.1 million in FY2016 to €39.0 million in FY2018. This was primarily driven by the growth experienced by the local tourism sector, but was also underpinned by a number of other initiatives undertaken by the Group. In particular, the Seashells Resort at Suncrest underwent a major refurbishment in 2015 which was crucial to boost the hotel's average room rate from €57 in FY2016 to €71 in FY2018. As a result, the said hotel's revenue increased by €3.3 million between FY2016 and FY2018. Furthermore, by FY2017 the Group had entirely renovated the Victoria Hotel following which its occupancy increased to 90% in FY2018 (FY2017: 80%; FY2016: 78%). The AX The Palace Hotel and the Sunny Coast Resort and Spa also registered an increase in revenue during the period under consideration, albeit lower than that achieved by the aforementioned hotels. The increase was mainly driven by an increase in room rates.

The commencement of operations of The Saint John - Boutique Accommodation in FY2017, which generally command higher room rates than the other Group hotels, has also contributed to the growth in the overall revenue of the hospitality division in FYs 2017 and 2018.

During the three FYs 2016 to 2018, the Group has also registered a substantial increase in its construction operation. Revenue from this division increased from €3.4 million in FY2016 to €8.1 million in FY2018. This growth was principally underpinned by the conversion and completion of is-Suq tal-Belt project, the construction of the Hotel 1926 in Sliema (previously the Plevna Hotel), a

number of restoration projects, as well as, an increase in turnkey project engagements (including third party residences) driven by the higher level of activity experienced by the local construction industry over the recent years.

In FY2016, the Group also ventured into a new sector through the launch of the Simblija Care Home and Hilltop Gardens Retirement Village. Revenues from the said operations increased from €1.1 million in FY2016 to €4.9 million in FY2018. This provided the Group with an opportunity to diversify and reduce reliance on its hospitality division.

Furthermore, between FYs 2016 and 2018, the Group generated additional revenue of €2.2 million primarily from the sale of property, namely the sale of a warehouse in Burmarrad and two plots of land in Mosta. The Group also received dividends in the region of €1.0 million from its investment in Valletta Cruise Port p.l.c. in each of the said three financial years.

Over the three FYs 2016 to 2018, the Group's cost base increased in line with the Group's overall level of business activity. The Group's net operating expenses increased from €25.4 million in FY2016 to €35.8 million in FY2018, which is equivalent to 66.7% and 63.1% of total revenue respectively.

As a result of the above-mentioned factors, the Group's EBITDA increased from €12.7 million in FY2016 to €20.9 million in FY2018 (representing a CAGR of 28.6%) with EBITDA margin improving from 33.3% in each of the FYs 2016 and 2017 to 36.9% in FY2018. The hospitality division remained the main contributor to the reported EBITDA levels in each of the FYs 2016 and 2017 though, EBITDA in the said years was in part impacted by operating losses experienced by the Simblija Care Home and the Hilltop Gardens Retirement Village, being the first two years of operation. During FY2018, the healthcare division registered an operating profit of €0.2 million contributing to the Group's improved EBITDA margin in the said financial year.

Depreciation and net finance costs, have remained largely stable over the FYs 2016 to 2018 with net finance costs representing mainly interest on the Group's bank loans and overdrafts facilities, as well as, interest on the AX Investments p.l.c. €40.0 million bond issue.

In addition to the above-mentioned factors, the Group's profitability during each of the FYs 2016 to 2018 has been boosted by upward revaluations on property. The following properties were revalued and a gain was recorded in the Group's books accordingly:

- €0.9 million in FY2016 relating to five of the warehouses at Hardrocks Industrial Park;
- €6.2 million in FY2017 relating to warehouses 6-9 at Hardrocks Industrial Park, Targa Gap Complex in Mosta, and Villa Vistana; and
- €26.6 million in FY2018 relating to the Verdala Site in Rabat, a plot of land in Marsa (area known as Tad-Dwiemes) and the Virtu Apartments in Rabat.

On the basis of the key factors set out above, the Group's net profitability has increased from €4.0 million in FY2016 to €31.0 million in FY2018, representing a CAGR of 177.1%.

Refer to section 9.2 below for further information on the valuation techniques underpinning the valuation of immovable property recognised in the audited financial statements of the Group during the financial year ended 31 October 2018.

The Group's total assets as at 31 October 2018 stood at €323.5 million (FY2016: €271.5 million) comprising mainly of the property used by the Group in the operations of its various divisions and investment property², which as at 31 October 2018 had a carrying amount of €235.0 million and €58.7 million respectively. In aggregate, property plant and equipment and investment property represent 90.8% of total assets. Over the FYs 2016 to 2018, the Group's total assets increased by 19.2% largely reflective of revaluation exercises carried out during the said period on selected properties of the Group. The Group's other assets include an investment in Valletta Cruise Port p.l.c. (which ownership increased from 24% to 36% in FY2016 for a further consideration of €3.9 million), trade and other receivables, and inventories.

Total liabilities amounted to €110.8 million as at 31 October 2018, representing an increase of 3.6% over the balance as at 31 October 2016 (FY2016: €106.9 million). As at 31 October 2018, borrowings (namely bank loans and overdraft facilities) and debt securities in issue represented the greater proportion of liabilities for a total value of €55.5 million (FY2016: €69.0 million), equivalent to 50.1% of total liabilities. Other liabilities included mainly trade and other payables, and current and deferred tax liabilities which as at 31 October 2018 amounted to €26.2 million (FY2016: €14.8 million) and €28.5 million (FY2016: €19.3 million) respectively (in aggregate representing 49.4% of total liabilities as at 31 October 2018).

The Group's total equity as at 31 October 2018 amounted to €212.7 million (of which €1.5 million was attributable to non-controlling interests). This represented an increase of 29.1% when compared to the total equity as at 31 October 2016 (FY2016: €164.7 million of which €1.4 million was attributable to non-controlling interest). The growth in net assets over the three FYs 2016 to 2018 principally emanated from an increase in retained earnings, which increased by 41.9% to €23.7 million as at 31 October 2018 (FY2016: €16.7 million) and an increase in revaluation reserve, which reflects the impact of the revaluation exercises carried out by the Group during the said period. Revaluation gains on property (net of deferred tax) of €11.8 million (in relation to The AX The Palace Hotel and the Simblija Care Home & Hilltop Gardens Retirement Village) and €48.2 million (in relation to Seashells Resort by Suncrest and Palazzo Capua) were recognised through the statement of Other Comprehensive Income during FYs 2018 and 2016 respectively.

2 €24 million of investment property held by the Group as at 31 October 2018 relates to property owned by Vilhena Property Investment Limited, which no longer forms part of the Group as at the date of the Registration Document.

Cash and cash equivalents amounting to €6.3 million as at 31 October 2018 (FY2017: €6.2 million), were made up of cash at bank and in hand of €6.9 million (FY2017: €7.4 million) and bank overdraft of €0.6 million (FY2017: €1.2 million). The Group generated sufficient cash from its operations during the three FYs 2016 to 2018 to remain in a positive net cash position at the end of each financial year after taking into consideration investing cash outflows and net financing cash flows.

9.2. VALUATION METHODS UNDERPINNING THE IMMOVABLE PROPERTY VALUATIONS RECOGNISED IN THE AUDITED FINANCIAL STATEMENTS DURING THE FINANCIAL YEAR ENDED 31 OCTOBER 2018

The fair values of immovable property were determined by external, independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of the property being valued.

As required by IFRS 13 *Fair Value Measurement*, when measuring the fair value of an asset or liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation technique as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair value measurement of all the immovable properties has been categorised as a Level 3 fair value on the basis of the inputs to the valuation technique used.

INVESTMENT PROPERTY

Valuation technique

Residual method: This technique involves estimating the potential value on completion of proposed development and deducting the estimated development costs, including developer's profit and financing costs. The potential value on completion is determined using the income capitalisation method (for hotel and commercial components) and the market comparison method (for residential components).

Inputs relating to development potential and development costs are based on current plans prepared or commissioned by management, while inputs relating to revenue realisation and capitalisation rates are based on observed comparable rates adjusted for differences in location, size, quality, uncertainty, market sentiment, and other risks.

The fair value of investment property determined by external, independent property valuers on the basis of the residual method amounted to €39.6 million.

Significant unobservable inputs

Commercial net floor area on completion	23,357 sqm
Residential net floor area on completion	21,250 sqm
Number of hotel rooms on completion	40 rooms
Number of lock-up garages on completion	123 garages
Development and related costs	70% - 83% of total potential value
Achieved hotel room rate	€203 per room night
Annual hotel occupancy	75%
Gross hotel operating profit margin	45%
Selling price of residential apartments	€3,250 - €4,000 per sqm
Selling price of lock-up garages	€30,000 - €45,000 per garage
Annual net rental rate of commercial floor area	€130 - €145 per sqm
Capitalisation rate	5% - 7.5%

Inter-relationship between key unobservable inputs and fair value measurement

The estimated fair value would increase (decrease) if:

- commercial net floor area on completion were higher (lower);
- planned residential net floor area on completion were higher (lower);
- number of hotel rooms on completion were higher (lower);
- number of lock-up garages on completion were higher (lower);
- development and related costs were lower (higher);
- achieved hotel room rate were higher (lower);
- annual hotel occupancy were higher (lower);
- gross hotel operating profit margin were higher (lower);
- selling price of residential apartments were higher (lower);
- annual rental rate of commercial floor area were higher (lower); or
- capitalisation rate were lower (higher).

Hotel room rates may impact annual hotel occupancy, with lower hotel room rates resulting in higher annual hotel occupancy, and *vice versa*. Increases in construction costs that enhance the property's features may result in an increase in the selling price of residential apartments and the annual net rental rate of commercial floor area, and *vice versa*.

PROPERTY, PLANT AND EQUIPMENT

Valuation technique

Significant unobservable inputs

Inter-relationship between key unobservable inputs and fair value measurement

Market comparative method: This technique applies an estimated selling price per sqm to sellable floor area. The selling price is based on comparable market rates adjusted for location, size and quality. For units leased out for a long-term period, market rates are inflated to the end of the remaining lease period and the future value discounted to present value using a risk-adjusted discount rate.

The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the market comparative method amounted to €23.9 million.

Replacement cost method: This technique considers the estimated cost to replace the asset in its current state.

These costs are based on the valuer's experience and knowledge of current market conditions.

The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the replacement cost amounted to €16.23 million.

Income capitalisation method:

This technique involves capitalising the income generated from the property (FY2018 EBITDA, contracted rates for leased commercial outlets, contracted rental income, as applicable) using a capitalisation rate which reflects the property's location, size, quality, income uncertainty, market sentiment, finance costs and other risks.

The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the income capitalisation method amounted to €60.45 million.

Selling price	€3,150 - €3,940 per sqm
Future annual increase in the freehold value of leased units	3.5%
Discount rate on future value of leased units	8.5%

The estimated fair value would increase (decrease) if:

- selling price were higher (lower); or
- future annual increase in the freehold value of leased units were higher (lower);
- the discount rate on future value of leased units were lower (higher).

A higher selling price reflecting a higher market positioning may result in an increase in the future annual increase in the freehold value of leased units and, or a decrease in the discount rate on future value of leased units.

Construction costs by gross internal area	€385 per sqm
Finishing and landscaping costs by gross floor area	€165 - €330 per sqm
Furnishing costs of care home	€18,000 per room

The estimated fair value would increase (decrease) if:

- constructions costs were higher (lower); or
- finishing and landscaping costs were higher (lower); or
- furnishing costs of care home were higher (lower).

Capitalisation rate:	
Hospitality:	9.33%
Commerical property:	4 % - 5.75%

The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).

9.3. INTERIM PERIOD

Condensed extracts from the interim consolidated unaudited financial results of AX Group p.l.c. for the six months ended 30 April 2019, including comparatives as applicable, are set out below:

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)		
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME		
For the six month period ended	30 April 2018	30 April 2019
	€'000	€'000
Revenue (incl. other operating income)	21,024	22,059
Net operating expenses	(17,514)	(18,262)
EBITDA	3,510	3,797
Share of results of associates	(661)	(966)
Depreciation	(2,581)	(2,774)
Net finance costs	(1,554)	(1,449)
Loss before tax	(1,286)	(1,392)
Taxation	(310)	(454)
Loss for the period	(1,596)	(1,846)
Loss attributable to:		
Owners of the Group	(1,573)	(1,817)
Non-controlling interest	(23)	(29)
	(1,596)	(1,846)

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)		
CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL POSITION		
As at	30 April 2018	30 April 2019
	€'000	€'000
ASSETS		
Non-current assets	301,266	303,031
Current assets	22,268	11,332
Total assets	323,534	314,363
EQUITY AND LIABILITIES		
Equity		
Equity attributable to Group	211,246	205,450
Non-controlling interest	1,503	1,474
Total equity	212,749	206,924
Liabilities		
Non-current liabilities	89,563	88,832
Current liabilities	21,222	18,607
Total liabilities	110,785	107,439
Total equity and liabilities	323,534	314,363

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)
CONDENSED CONSOLIDATED UNAUDITED STATEMENTS OF CASH FLOWS

For the six month period ended	30 April 2018	30 April 2019
	€'000	€'000
Net cash from operating activities	977	3,894
Net cash used in investing activities	(2,302)	(5,015)
Net cash from financing activities	(3,659)	(4,900)
Net movement in cash and cash equivalents	(4,984)	(6,021)
Cash and cash equivalents at beginning of period	6,209	6,293
Cash and cash equivalents and end of period	1,225	272

The Group's financial performance for the first six months of the financial year is reflective of the fact that this period coincides with the off-peak and shoulder months for its hospitality division, which remains the major contributor to the Group's overall financial performance.

During the first six months of FY2019 ("H1 2019"), the Group generated revenue of €22.1 million, representing an increase of 5.2% over the same period in FY2018 ("H1 2018"). This growth was primarily driven by a higher dividend received from the Group's associate entity, Valletta Cruise Port p.l.c. The healthcare division also contributed to the growth in the Group's revenue during the period. Revenue generated from the said operation increased from €2.4 million in H1 2018 to €2.7 million in H1 2019.

This growth reflects the impact of substantial improvements in the occupancy of both the Simblija Care Home and the Hilltop Gardens Retirement Village, wherein occupancy (on a per bed basis) reached 60% at The Simblija Care Home and full occupancy at the Hilltop Gardens Retirement Village.

The aforementioned growth in revenue was partly offset by a decline in the performance of the Group's hotel operations. Whilst the first six months of the financial year represents the off-peak and shoulder months for the hospitality division, EBITDA from the Group's hotels experienced a decline during H1 2019 when compared to H1 2018 (from €3.3 million in H1 2018 to €2.4 million in H1 2019) as a result of increased competition and higher operating costs in the hospitality sector. During the same period, the Group's costs, in particular labour costs in the hospitality division, increased to sustain the levels of operation, as well as, to cater for the new AX Rosselli boutique hotel which welcomed its first customers in May of this year.

As a result, the Group's EBITDA for the six-month period ended 30 April 2019 amounted to €3.8 million, representing an increase of 8.2% when compared to the same period last year. Net loss after deducting share of loss from associate, depreciation charges, finance costs and taxation amounted to €1.8 million during the six-month period ended 30 April 2019.

The Group's net assets decreased from €212.8 million (of which €1.5 million was attributable to non-controlling interest) as at 31 October 2018 to €206.9 million (of which €1.5 million was attributable to non-controlling interest) as at 30 April 2019, which decline was largely due to a substantial decrease in cash and cash equivalents and trade and other receivables. This reflects the seasonality of the Group's hospitality division, whereby the interim reporting date coincides with the debtor balances collection of the off-peak and shoulder months. This decline was partially offset by an increase in Property, Plant and Equipment and Investment Property. During the first six months of FY2019, the Group invested €5.4 million in its Property, Plant and Equipment, mainly in relation to the completion of the renovation of the Rosselli Boutique Hotel, the completion of the case goods refurbishment of AX The Palace Hotel and the acquisition of a restaurant in Qawra adjacent to the Sunny Coast Resort and Spa. During the same period, the Group invested a further €2.5 million in Investment Property, primarily in relation to the acquisition of a plot of land in Marsa, buy back of three residential apartments at Tal-Virtu in Rabat and the ongoing development of the Targa Gap complex in Mosta. The increase in Investment Property was partly offset by a decrease of €2.4 million upon the carve out of Vilhena Property Investment Limited (fully owned by AX Group p.l.c. as at 31 October 2018) from the rest of the AX Group.

Total liabilities as at 30 April 2019 amounted to €107.4 million, which represented a marginal decrease over the respective balance as at 31 October 2018 primarily underpinned by a reduction in bank borrowings, in line with the repayment schedules agreed to with its bankers, and a decrease in trade and other payables (also reflecting the seasonality in the Group's hotels operations).

10 TREND INFORMATION AND FINANCIAL PERFORMANCE

There has been no material adverse change in the prospects of the Company since the date of publication of its latest audited financial statements.

At the time of publication of this Registration Document, the Company considers that its future performance is intimately related to that of the entire AX Group, particularly since members of the AX Group will constitute its only trading partners as borrowers. The Company, 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.

11 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

11.1 THE BOARD OF DIRECTORS OF THE COMPANY

The Board of Directors of the Company consists of seven Directors who are entrusted with the overall direction, administration and management of the AX Group. The Board currently consists of four executive Directors and three non-executive Directors.

The business address of the Directors is the same as that of the Company.

Meetings of the Board of Directors are held at the registered office of the Group - AX House, Mosta Road, Lija LJA 9010, Malta.

11.1.1 Executive Directors

The executive Directors of the Company form part of the Company's executive team, entrusted with the day-to-day management of the AX Group, and constitute a majority of the Board. The individuals occupying such office are also directors or officers of other companies within the AX Group. The executive Directors are supported in this role by several consultants and key management, and benefit from the know-how gained by members and officers of the AX Group.

The executive Directors of the Company are Angelo Xuereb (Chairman), Michael Warrington, Claire Zammit Xuereb and Denise Micallef Xuereb.

11.1.2 Non-Executive Directors

The non-executive Directors' main functions are to monitor the operations and performance of the executive Directors, as well as to review any proposals tabled by the executive Directors, bringing to the Board the added value of independent judgment.

The non-executive Directors are Christopher Paris, John Soler and Josef Formosa Gauci.

11.1.3 Nature of Relationships

Claire Zammit Xuereb and Denise Micallef Xuereb are next of kin to Angelo Xuereb.

11.1.4 Curriculum vitae of Directors of the Company

Angelo Xuereb is the founder of the AX Group of companies. Mr Xuereb has been the Chairman of the Board of the Company since its formation. He is also Chairman of AX Holdings Limited, the intermediate holding company of the Group. 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 former council member of the Federation of Industry, the Building Industry Consultative Council (B.I.C.C.) and Malta Developers' Association (MDA), and the President of the Federation of Building Contractors. Mr Xuereb has also served as mayor of the Naxxar local council for two terms, and is Honorary President of several clubs and societies, and was awarded the Ambassador of knowledge life learning Accademia in Slovenia in 2016. Mr Xuereb has been awarded Employer of the year, Entrepreneur of the year and later contested for the World Entrepreneur of the year in Monaco.

Michael Warrington is the Chief Executive Officer of the AX Group. Mr Warrington 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. He 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 holds various board positions with public listed companies in Malta and overseas, as well as a number of private entities and family owned companies.

Claire Zammit Xuereb is Group Hospitality Director. After successfully reading for a Bachelor of Science (Hons) in International Hospitality Management from the University of Wales and a degree in Hospitality and Tourism Management from Centre International de Glion, Ms Zammit Xuereb worked abroad to broaden her experiences in the tourism network. Ms Zammit Xuereb is the Business and Marketing Strategist as well as product developer for the Group's seven hotels. She also oversees all the hospitality establishments within the hotels together with the Tal-Kaptan restaurants in Qawra, Luzzu in Qawra and Cheeky Monkey in Valletta. Ms Zammit Xuereb held various positions within the Malta Hotels and Restaurants Association (MHRA) council, and has also been appointed as Chairperson of the Institute of Tourism Studies (ITS) in 2010 which she held for a number of years. She also formed part of the board of the Malta Community Chest Fund.

Denise Micallef Xuereb is the Group Construction and Development Director. After completing her Bachelor's Degree in Management from the University of Malta, Ms Micallef Xuereb joined the Group during the construction and finishing of The AX Palace Hotel. She then proceeded to pursue her studies further by embarking on a Masters of Science in Project and Programme Management at the Ecole Supérieure de Commerce in Paris. Ms Micallef Xuereb has since been managing the construction and restoration arm of the AX

Group and has fronted a number of landmark projects such as the new Parliament Building, the Hilltop Gardens Retirement Village, the restoration of various land-front fortifications and the rehabilitation of Valletta's old market, "is-Suq tal-Belt", and the new visitor Centre at St. Paul's Catacombs.

Christopher Paris' involvement in construction dates back some forty years. His first appointment was with MaltConsult international in the capacity of Architectural Design leader engaged on a number of International prestigious projects. In 2001 he joined VISET p.l.c. where he was entrusted with the responsibility for the development of the cruise port project, taking up the role and responsibility of General Manger after the completion of the development project. In 2009 he joined the Grand Harbour Rehabilitation Corporation as Chief Executive Officer to oversee a number of projects related to the rehabilitation of Valletta, one of which was the City Gate Project. He served for four years as Deputy Chairman of Malta Industrial Parks. In 2015 he was appointed as director of AX Holdings Limited.

John Soler has more than 40 years' experience in retail banking after holding several senior positions with Bank of Valletta p.l.c. ("BOV") 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 BOV's lending portfolio, including consumer lending, business lending and mortgages. At BOV, Mr Soler was also responsible for card business and trade finance. He is currently a freelance Management Consultant. Apart from sitting on the board of directors of AX Holdings Limited, he presently also sits on the Board of FCM Bank Ltd and Valletta Cruise Port p.l.c., a listed entity, and Orion Finance p.l.c. and KA Finance p.l.c.

Josef Formosa Gauci was educated at De La Salle College Malta and Stonyhurst College in the UK and graduated in economics from Nottingham University in 1989. He is a member of the Institute of Chartered Accountants in England and Wales and a fellow of the Malta Institute of Accountants. Mr Formosa Gauci worked with PricewaterhouseCoopers in London and in Malta and was subsequently General Manager of the Galaxy Hotel and of Trident Developments Ltd. Between 2008 and 2014 he was appointed Chief Executive Officer of the Malta Tourism Authority. He has also served as President of the Malta Hotels and Restaurants Association (MHRA) and was a member of the Malta Council for Economic and Social Development (MCESD). At present, he is a freelance director consultant. In 2017 he was appointed as director of AX Holdings Limited.

11.1.5. Potential Conflicts of Interest

As at the date of this Registration Document, each of Angelo Xuereb, Claire Zammit Xuereb, Denise Micallef Xuereb and Michael Warrington are officers of a number of members of the AX Group, and each of Christopher Paris, John Soler and Josef Formosa Gauci are officers of AX Holdings Limited, 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 and Denise Micallef Xuereb are siblings and the direct descendants of Angelo Xuereb.

Other than those disclosed above, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company.

11.1.6. Loans to Directors

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

11.2. MANAGEMENT AND SENIOR MANAGEMENT OF THE COMPANY

11.2.1. Executive Committee of the AX Group

In the day-to-day operations of the AX Group, the executive Directors are supported by members of the Company's executive committee (the "**Executive Committee**"), responsible for the determination of policy and strategic guidance and management.

The Executive Committee reports directly to the Chief Executive Officer of the AX Group and is comprised of the respective general managers of the various divisions of the AX Group, together with the heads of key internal functions and departments. At the date of this Registration Document, the Executive Committee is comprised of the following individuals:

Name	Designation
Michael Warrington 180462 (M)	Chief Executive Officer
Albert Bonello 346380 (M)	Chief Financial Officer
David Wain 233878 (M)	Chief Legal Officer
Claire Zammit Xuereb 225777 (M)	Group Hospitality Director

Denise Micallef Xuereb 127186 (M)	Group Construction and Development Director
Charmaine Attard 25572 (M)	General Manager, Hilltop Gardens
Joseph Vella 562577 (M)	General Manager, Qawra Properties
Kevin Callus 16580 (M)	General Manager, Sliema Properties
Lawrence Degabriele 301575 (M)	Head of I.T.
Caroline Schembri 545462 (M)	Administration Manager

In turn, 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 Committee of the AX Group. The Executive Committee is responsible for the appointment of all executive officers and other key members of management within AX Holdings and its subsidiaries.

The *curriculum vitae* for each of **Claire Zammit Xuereb**, **Denise Micallef Xuereb** and **Michael Warrington** may be found in section 11.1.4 above.

Albert Bonello's career commenced in the banking industry during which he obtained the Malta Institute of Accountants/ACCA degree. He joined the AX Group in 2007. His first role was that of a Financial Controller where his primary responsibilities lied with accounting and finance function. In 2016 he was appointed Group's Chief Financial Officer.

David Wain is in-house counsel for the AX Group, providing the directors and management with strategic and operational legal advice, and dealing with all legal and compliance aspects of the AX Group's function. He furthermore contributes to the development of Group policies, procedures and controls and represents the Group in arbitration proceedings and cases before the Maltese courts. Dr Wain graduated with a Doctor of Laws degree in 2002, and was admitted to the Bar in 2003. He has also completed a Masters degree in Business Administration with the University of Leicester in the United Kingdom.

Chairmaine Attard has 30 years of experience in the healthcare industry. She is a certified nurse with a Bachelor and a Master of Science in Nursing, and has worked for both private and public hospitals in Malta. Ms Attard is also in the possession of a certificate in management and has held managerial roles since 2002. She is presently the General Manager for the Hilltop Gardens overseeing the smooth running of both Simblija Care Home and the Hilltop Gardens Retirement Village. Ms Attard is also an assistant lecturer at the University of Malta.

Joseph Vella joined the Group back in 2009 as General Manager for the Qawra properties, specifically, AX Seashells Resort at Suncrest, AX Sunny Coast Resort and Spa, the Luzzu Complex and several other retail outlets such as Tal-Kaptan and It-Tokk restaurants and Cheeky Monkey in Qawra. Mr Vella has over 25 years of experience in the hospitality and catering industry. Prior to joining AX Group, Mr Vella owned a restaurant and held the position of Operations Manager with a local four star hotel.

Kevin Callus joined the Group back in 2001 working in the front office department following his successful completion of a Higher Diploma in Hospitality Management from the Institute of Tourism Studies in Malta. Mr Callus exhibited good leadership qualities especially during his time as Events Manager for the Sliema properties, specifically AX The Victoria Hotel, AX The Palace and Palazzo Capua and was gradually given more responsibility whereby in 2009 he was promoted to Hotel Manager, and eventually was given the position of General Manager in 2012 for each of the aforesaid Sliema properties, which he holds to date.

Lawrence Degabriele is an experienced IT professional having 15 years' experience in senior IT Administration roles in major ICT Companies and ISO certified operations. His professional strengths include technical management, information analysis and computer hardware/software systems. Mr Degabriele, originally joined the AX Group and occupied the role of IT Manager at the AX Seashells Resort, Suncrest, in 2008 and today he has overall responsibility for the management and development of the AX Group's Corporate IT infrastructure.

Caroline Schembri joined the group in 1987 after gaining experience in the electronics and hospitality industries. Her long-standing service with AX Group has made her a point of reference in the Group's head office. Naturally, Ms Schembri has gained a wealth of experience over the years, and her duties have been wide and varied. Today Ms Schembri is the Administration Manager for the Group's head office and the Chairman's Personal Assistant.

11.2.2. Potential Conflicts of Interest

As at the date of this Registration document, each of Claire Zammit Xuereb, Denise Micallef 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 and Denise Micallef Xuereb are siblings and the direct descendants of Angelo Xuereb.

Other than those disclosed above, the members of management referred to in this section 11 are not aware of any potential conflicts of interest which could relate to their roles within the Company.

11.3. DECLARATION

None of the Directors, members of the board committees or members of management referred to in this section have, in the previous five years:

- i. been the subject of any convictions in relation to fraudulent offences;
- ii. been associated with bankruptcies, receiverships or liquidations in respect of entities in respect of which they were members of administrative, management or supervisory bodies, partners with unlimited liability (in the case of a limited partnership with a share capital), founders or members of senior management;
- iii. been the subject of any official public incrimination and, or sanctions by statutory or regulatory authorities (including designated professional bodies); or
- iv. been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of the Company.

12 REMUNERATION AND BENEFITS

In terms of Article 84.1 of the Articles of Association of the Company, the aggregate emoluments of all Directors in any one financial year, and any increases thereto, shall be such amount as may from time to time be determined by the Company in a general meeting, and any notice convening the General Meeting during which an increase in the maximum limit of such aggregate emoluments shall be proposed, shall contain a reference to such fact.

The maximum aggregate annual directors' emoluments currently approved by the shareholders amount to €122,000. The amount of €965,478 represents the remuneration paid to executive management in relation to the last full financial year.

13 BOARD PRACTICES

13.1. BOARD COMMITTEES

The Directors have constituted the following board committees, the terms of reference of which shall be determined by the Board from time to time with the purpose of fulfilling the below mentioned purposes:

13.1.1. Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its oversight responsibilities over the financial reporting processes, financial policies and internal control structure. The Audit Committee oversees the conduct of the internal and external audit and acts to facilitate communication between the Board, management and the internal and external auditors. The external auditors are invited to attend the Audit Committee meetings. The Audit Committee reports directly to the Board.

The terms of reference of the Audit Committee include support to the Board in its responsibilities in dealing with issues of risk, control and governance, and associated assurance of the Company. The Board has set formal terms of establishment and the terms of reference of the Audit Committee which set out 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.

Briefly, the Audit 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 external auditors; and
- c. preserving the Company's assets by assessing the Company's risk environment and determining how to deal with those risks.

In addition, the Audit Committee has the role and function of 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, on a commercial basis and ultimately in the best interests of the Company.

Furthermore, the Audit Committee has the role of assessing any potential conflicts of interest between the duties of the Directors and their respective private interests or duties unrelated to the Company.

The Audit Committee is made up entirely of independent non-executive Directors. Audit Committee members are appointed for a period of three years, unless terminated earlier by the Board. The Audit Committee is composed of John Soler (independent non-executive Director), Josef Formosa Gauci (independent non-executive Director) and Christopher Paris (independent non-executive Director). The Chairman of the Audit Committee, appointed by the Board, is entrusted with reporting to the Board on the workings and findings of the Audit Committee. John Soler occupies the post of Chairman of the Audit Committee. Josef Formosa Gauci is considered by the Board to be competent in accounting and, or auditing in terms of the Listing Rules.

13.1.2. Remuneration and Nomination Committee

In view of its size, the Company has taken the view that whilst it considers the role and function of each of the remuneration and the nomination committee as important, it would be more efficient for these committees to be merged into one committee (the “**RemNom Committee**”) that would serve a dual role.

In its function as remuneration committee, the RemNom Committee is charged with the oversight of the remuneration policies implemented by the Group with respect to its senior management. Its objectives are those of deciding a remuneration policy aimed to attract, retain and motivate directors, whether executive or non-executive, as well as senior management with the right qualities and skills for the benefit of the Company. It is responsible for making proposals to the Board on the individual remuneration packages of directors, senior management and members of the Executive Committee.

In its function as nominations committee, the RemNom Committee is charged with enhancing the quality of nominees to the Board and ensuring the integrity of the nominating process, and with proposing the remuneration package of Directors and senior executives of the Company and its Subsidiaries. The Committee’s responsibilities include making recommendations to the Board annually with respect to the composition, size and needs of the Board, recommend criteria for Board membership, including the minimum qualifications for a nominee and the qualities and skills that the committee believes are necessary or desirable for a Board member to possess.

The RemNom Committee is composed of Christopher Paris (Chairperson) (independent non-executive Director), Josef Formosa Gauci (independent non-executive Director) and John Soler (independent non-executive Director).

13.2. SERVICE CONTRACTS

None of the Directors, members of the board committees or members of management referred to in section 11 of this Registration Document are party to service contracts with the Company or any of the Subsidiaries providing for benefits upon termination of employment.

13.3. COMPLIANCE WITH CORPORATE GOVERNANCE

Prior to the present Prospectus, the Company was not regulated by the Listing Rules and accordingly was not required to comply with the Code of Principles of Good Corporate Governance forming part of the Listing Rules (the “**Code**”). As a consequence of the Bond Issue, in accordance with the terms of the Listing Rules, the Company is required to comply with the provisions of the Code. The Company declares its full support of the Code and undertakes to fully comply with the Code to the extent that this is considered complementary to the size, nature and operations of the Company.

The Company supports the Code and is confident that the application thereof shall result in positive effects accruing to the Company.

Going forward, in view of the reporting structure adopted by the Code, the Company shall, on an annual basis in its annual report, explain the level of the Company’s compliance with the principles of the Code, in line with the “comply or explain” philosophy of the Code, explaining the reasons for non-compliance, if any.

As at the date of this Prospectus, the Board considers the Company to be in compliance with the Code save for the following exception:

Principle 7 “*Evaluation of the Board’s Performance*”: under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role, as the Board’s performance is evaluated on an ongoing basis by, and is subject to the constant scrutiny of, the Board itself, the Company’s shareholders, the market and the rules by which the Company is regulated as a listed company.

14 EMPLOYEES

The AX Group’s operations are predominantly service oriented businesses. As at 31 July 2019, the AX Group employed 935 employees involved in the operations and management of the “Hospitality”, “Care”, “Construction” and “Development” divisions of the Group, as follows:

Financial Year	Employees – nature of employment	AX Holdings	AX Hospitality	AX Care	AX Construction & AX Development
2016	Direct	21	327	60	79
	Sub-contracted	-	154	8	-
	Temporary	-	-	-	-
2017	Direct	28	304	97	85
	Sub-contracted	-	146	20	-
	Temporary	1	-	-	-

2018	Direct	33	308	105	106
	Sub-contracted	1	318	51	2
	Temporary	1	-	-	-
2019 (as at end of August)	Direct	39	333	143	212
	Sub-contracted	-	285	25	7
	Temporary	1	-	-	-

15 MAJOR SHAREHOLDERS

As at the date of this Registration Document, Angelo Xuereb holds 55% of the issued share capital of the Company (the **“Majority Shareholder”**). The shares held by the Majority Shareholder are of the same class and carry the same voting rights as the rest of the shares issued by the Company.

Subject to approval from the relevant authorities to undertake the development of the Verdala Site, the Company, in furtherance of its strategic objectives, is intent on issuing €50,000,000 bonds having a nominal value of €100 per bond (the **“Tranche II Bonds”**), the majority of the aggregate proceeds of which are earmarked by the AX Group to be used by the Company for the purposes of financing the development of the Verdala Site.

Simultaneously with the issuance of the Tranche II Bonds, and therefore also subject to and following the issuance of a final, full development permit for the development of the Verdala Site, the existing shareholders of the Company are minded, as at the date of this Registration Document, to launch an offer to the public for a proportion of their shareholding, pursuant to an application for admissibility to listing on the Official List of the Malta Stock Exchange of the entire issued share capital of the Company. Such offer is currently intended to amount to 25% of the entire issued share capital of the Company as at the date of such offer (the **“Share Offer”**), in the following proportions:

Selling Shareholder	Percentage of the Share Offer
Angelo Xuereb 494652 (M)	4%
Richard Xuereb 295275 (M)	15%
DX Holdings Limited (C 81361)	3%
The Lotus Co Ltd (C 81360)	3%

As at the date hereof, the above shareholders’ intention is for a significant part of the proceeds of the Share Offer to be reinvested in the Company by way of subscription for the majority of the Tranche II Bonds. The remaining Tranche II Bonds will be offered to the general public.

Following completion of the proposed Share Offer, the Majority Shareholder would retain 51% of the issued share capital of, and will continue to exercise control over, the Company. As set out in this Registration Document, and in line with sound corporate governance procedures and relevant regulatory requirements, measures have been instituted to ensure that the control exercised by the Majority Shareholder is not abused. These measures include:

- the composition of the Board, which includes a balanced mix of executive and experienced, independent non-executive directors; and
- the adoption of the governance rules set out in section 13 above.

In so far as is known to the Company, no person has an interest, whether directly or indirectly, in the Company’s capital or voting rights.

There are no arrangements the operation of which may, at some future date, result in a change in control of the Company.

16 RELATED PARTY TRANSACTIONS

On 4 April 2019, the Company transferred its shareholding in Vilhena Property Investment Limited (a private limited liability company registered under the laws of Malta, having company registration number C 30359) to a related company, Fulcrum Holdings Limited (a private limited liability company registered under the laws of Malta, having company registration number C 90768), which does not

form part of the AX Group but is owned by the same ultimate shareholders of the Company.

The Company did not enter into any other related party transactions since the beginning of the financial period to which the earliest audited financial statements referred to in this Registration Document relate (i.e. 1 November 2015).

17 FINANCIAL INFORMATION

17.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information of AX Group p.l.c. (formerly Fulcrum Services Limited) for the three financial years ended 31 October 2016, 2017 and 2018, as audited by Nexia BT, and the audit report in respect of each financial year are set out in the consolidated audited financial statements of the Company for each respective financial year.

Pursuant to Regulation (EC) No. 1606/2002 on the application of international accounting standards, the financial statements for the financial years ended 31 December 2016, 2017 and 2018 were prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board and endorsed by the European Union.

This Registration Document also includes the Company's unaudited interim consolidated statements of comprehensive income and consolidated statements of cash flows for the six-month period ended 30 April 2019 and the comparable period ended 30 April 2018. This Registration Document also includes the unaudited consolidated statement of financial position of the Company as at 30 April 2019, and the comparable audited statement financial position as at 31 October 2018.

There were no significant changes to the financial or trading position of the Company or the Group of which the Company is the parent company since the end of the financial period to which the latest interim financial statements relate (i.e. 30 April 2019).

17.2 DIVIDEND POLICY

It is the Directors' intention to pay out an annual dividend of up to 40% of the Group's distributable profits earned during the year, subject to a minimum of €5 million. The Directors may recommend that such dividend be distributed by way of a cash dividend or a bonus issue, or a combination of the two.

The extent of any dividend distribution will depend upon, amongst other factors, the profit for the year, the Directors' view on the prevailing market outlook, financial projections and forecasts, any debt servicing and repayment requirements, financial covenants and other restrictions contained in its facilities and other credit arrangements, the cash flows for the Company, working capital requirements, capital investment commitments and other investment opportunities and the requirements of the Act.

17.3 LEGAL AND ARBITRATION PROCEEDINGS

Save as stated hereunder, there have been no governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened or of which the Company is aware) during the period covering 12 months prior to the date of the Prospectus which may have, or have had in the recent past, significant effects on the Group's financial position or profitability.

Commissioner of Lands vs Suncrest Hotels plc (905/99) and Commissioner of Lands vs Angelo Xuereb noe (906/99)

These proceedings relate to claims instituted by the Commissioner of Lands for damages for the alleged illegal occupation of land forming part of the Suncrest Hotel Lido and the Sunny Coast Lido respectively. The parties are currently discussing the possibility of reaching an out of court settlement with respect to the claims instituted *vis-à-vis* the Sunny Coast Lido, as a result of which the proceedings *vis-à-vis* Suncrest Hotel Lido have been deferred *sine die*.

17.4 SIGNIFICANT CHANGE IN THE COMPANY'S FINANCIAL OR TRADING POSITION

There has been no significant change in the financial or trading position of the Group since 31 October 2018.

18 ADDITIONAL INFORMATION

18.1. SHARE CAPITAL

18.1.1. Authorised and Issued Share Capital

As at the date of this Registration Document, the authorised share capital of the Company is €300,000,000 divided into 300,000,000 ordinary shares of a nominal value of €1.00 each. The issued share capital of the Company is €1,164,687 divided into 1,164,687 ordinary shares of a nominal value of €1.00 each share which has been subscribed for, allotted and taken up as follows:

Name and address of shareholder	Number of ordinary shares held
Angelo Xuereb 494652 (M) Villa Vistana, Vjal Millbrae, Mosta MST 9080, Malta	640,578 ordinary shares of €1.00 each
Richard Xuereb 295275 (M) Verdala Mansions, Hompesh 42, Triq Inguanez, Rabat RBT 2418, Malta	174,703 ordinary shares of €1.00 each
DX Holdings Limited (C 81361) AX House, Mosta Road, Lija LJA 9010, Malta	174,703 ordinary shares of €1.00 each
The Lotus Co Ltd (C 81360) AX House, Mosta Road, Lija LJA 9010, Malta	174,703 ordinary shares of €1.00 each

18.1.2. History of Share Capital

The Company was registered as a private limited liability company on 18 January 1991 with an authorised share capital of LM500,000 (€1,164,686.50) divided into 1,000 ordinary shares of a nominal value of LM1 (€2.33) each share and 499,000 redeemable preference shares of a nominal value of LM1 (€2.33) each share. The initial issued share capital of the Company was LM500,000 (€1,164,686.50) divided into 1,000 ordinary shares of a nominal value of LM1 (approximately €2.33) each share and 499,000 redeemable preference shares of a nominal value of LM1 (approximately €2.33) each share, subscribed for, allotted and taken up as follows:

Name and address of shareholder	Number of ordinary shares held
Angelo Xuereb 494652 (M) Villa Vistana, Vjal Millbrae, Mosta MST 9080, Malta	550 ordinary shares of LM1 (€2.33) each 499,000 redeemable preference shares of LM1 (€2.33) each
Angelo Xuereb 494652 (M) Villa Vistana, Vjal Millbrae, Mosta MST 9080, Malta	150 ordinary shares of LM1 (€2.33) each
on behalf of his daughter Denise Micallef Xuereb 127186(M)	
Claire Xuereb 225777 (M) Villa Vistana, Targa Gap, Mosta, Malta	150 ordinary shares of LM1 (€2.33) each

Richard Xuereb
295275 (M)
Verdala Mansions,
Hompesh 42,
Triq Inguanez,
Rabat RBT 2418, Malta

150 ordinary shares of LM1 (€2.33) each

On the 27 March 2019, the Company redeemed the above mentioned 499,000 preference shares held by Angelo Xuereb and full payment was effected on such redemption.

No further changes were made to the share capital of the Company until the date of this Registration Document.

18.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

The Memorandum and Articles of Association of the Company are registered with the Malta Business Registry. A full list of the objects for which the Company is established is set out in clause 4 of the Memorandum of Association. These objects include:

- a. to invest the capital and other moneys of the Company in the purchase or subscription of any stocks, shares, debentures, bonds or other securities;
- b. to acquire, hold and dispose of, by any title valid at law, immovable or movable property, whether for commercial or other purposes;
- c. to purchase, take on lease, exchange, or otherwise acquire immovable or movable property by any title including emphyteusis and sub-emphyteusis for the purposes of its business;
- d. to contract loans, advances or banking facilities, or otherwise raise money for the purpose of its business up to any extent and in such manner as may be necessary;
- e. to draw, make, accept, endorse, discount, execute and issue promissory notes, bills of exchange and other negotiable or transferable instruments; and
- f. to issue debt securities, commercial paper or other instruments creating or acknowledging indebtedness and the sale or offer thereof to the public.

18.3. VOTING RIGHTS AND RESTRICTIONS

All shares currently in issue are entitled to vote in any meeting of shareholders. There are currently no restrictions on voting.

18.4. CHANGE IN CONTROL OF THE COMPANY

There are no provisions in the Memorandum and Articles of Association of the Company that would have the effect of delaying, deferring or preventing a change in control of the Company.

19 MATERIAL CONTRACTS

Neither the Company nor any of the other companies forming part of the AX Group is party to any contract not being a contract entered into in the respective company's ordinary course of business, which could result in any member of the AX Group being under an obligation or entitlement that is material to the AX Group as at the date of the Prospectus.

20 PROPERTY VALUATION REPORT

The Company commissioned Architect Philip Micallef, to issue a property valuation report in relation to the Marsa Project and the Valletta Project. The following are the details of the said valuer:

Name:	Architect Philip Micallef
Business address:	27/1, St. Publius Street, St. Paul's Bay SPB 3428, Malta
Qualifications:	B.E.&A. (Hons), A.&C.E., EPB Assessor

Listing Rule 74.3 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 drawn up in relation to the Marsa Project is dated 2 October 2019 and the valuation report drawn up in relation to the Valletta Project is dated 17 October 2019.

A copy of the reports compiled by Architect Philip Micallef in respect of the sites at Marsa (estimated at *circa* €12,000,000) and at Valletta (estimated at *circa* €5,720,000) is annexed to this Registration Document as Annex 2 and is available for inspection as set out in section 22 below.

21 THIRD PARTY INFORMATION, STATEMENT BY EXPERTS AND DECLARATIONS OF ANY INTEREST

Save for the valuation reports prepared in relation to the Marsa Project and the Valletta Project and contained in Annex 2 to the Registration Document and the financial analysis summary set out as Annex 3 to the Securities Note, the Prospectus does not contain any statement or report attributed to any person as an expert.

The valuation reports and the financial analysis summary have been included in the form and context in which they appear with the authorisation of Architect Philip Micallef of 27/1, St. Publius Street, St. Paul's Bay SPB 3428, Malta and MeDirect Bank (Malta) plc (acting through its corporate finance division, 'Charts') of The Centre, Tigné Street, Sliema TPO 0001, Malta respectively, which have given and have not withdrawn their consent to the inclusion of such reports herein.

The Company confirms that the valuation reports and the financial analysis summary have been accurately reproduced and as far as the Company is aware and is able to ascertain from the information contained therein, no facts have been omitted which render the reproduced information inaccurate or misleading.

22 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 Company:

- a. The Memorandum and Articles of Association of the Company;
- b. Property valuation reports issued by Architect Philip Micallef; and
- c. The financial analysis summary.

These documents are also available for inspection in electronic form on the Company's website at <https://www.axgroup.mt>

ANNEX 1

LIST OF DIRECTORSHIPS OF THE COMPANY'S DIRECTORS AND SENIOR MANAGEMENT

Name	Current Directorships	Past Directorships	
Directors			
Angelo Xuereb	AX Construction Limited Heritage Developments Limited AX Finance Limited Capua Palace Investments Limited Royal Hotels Limited Verdala Mansions Limited Vilhena Property Investment Limited Suncrest Finance Limited The Waterfront Entertainment Venture Ltd Ax Port Holding Company Limited AX Port Investment Company Limited Central Hotels Limited Central Leisure Developments Limited Holiday Resorts Limited Simbija Development Limited Hilltop Management Services Limited AX Holdings Limited Hilltop Gardens Retirement Village Limited Engage People Ltd AX Business Park Limited AX Contracting Limited Fulcrum Services Limited Harbour Connections Limited Luzzu Properties Limited Palazzo Merkanti Leisure Limited Quayside Catering Ltd Renewable Limited Skyline Developments Ltd St. John's Boutique Hotel Limited The Constructors Limited Suncrest Hotels p.l.c. AX Hotel Operations p.l.c. AX Investments p.l.c. Prime Buildings Ltd Hardrock Estates Limited Valletta Cruise Port p.l.c. Imselliet Solar Limited	C17438 C14217 C6867 C19375 C16994 C7793 C30359 C35122 C39402 C26331 C26330 C16993 C25774 C5733 C39400 C72480 C3595 C65735 C90019 C13019 C64484 C12271 C76078 C67266 C76080 C39399 C84113 C34281 C76079 C29132 C8643 C40905 C27586 C18860 C41671 C26469 C84337	n/a

Name	Current Directorships	Past Directorships		
Michael Warrington	AX Finance Limited	C6867	Land Development Holdings Ltd	C52535
	Suncrest Finance Limited	C35122	Sliema Apartments Ltd	C73179
	AX Holdings Limited	C3595	Novum Holdings Ltd	C46625
	Engage People Ltd	C90019	Life Sciences Investments plc	C88168
	Renewables Limited	C84113	S. Mifsud and Sons Ltd	C341
	Skyline Developments Ltd	C34281	English Language Academy	C51609
	AX Hotel Operations p.l.c.	C40905	Malta Properties Co. Ltd	C57272
	AX Investments p.l.c.	C27586	Selmun Properties Ltd	C73679
	Valletta Cruise Port p.l.c.	C26469		
	Capital Service Limited	C12375		
	Citadel Health Agency Limited	C47593		
	Citadel Insurance p.l.c.	C21550		
	MW Investments Limited	C68828		
	MW Properties Limited	C18858		
	Nissan International Insurance Limited	C44660		
	Novum Bank Limited	C46997		
	Together Gaming Solutions p.l.c.	C72231		
	Hellenic Telecom & Telematics Applications Societe Anonyme – Forthnet S.A. (Greece)	AP.M.A.E. 234461/ 06B9594		
	Higher Grounds SICAV plc	SV98		
	Claire Zammit Xuereb	Capua Palace Investments Limited	C19375	n/a
Royal Hotels Limited		C16994		
The Waterfront Entertainment Venture Ltd		C39402		
Central Hotels Limited		C16993		
Central Leisure Developments Limited		C25774		
Holiday Resorts Limited		C5733		
Hilltop Management Services Limited		C72480		
AX Holdings Limited		C3595		
Hilltop Gardens Retirement Village Limited		C65735		
Luzzu Properties Limited		C67266		
Palazzo Merkanti Leisure Limited		C76080		
Quayside Catering Ltd		C39399		
St.John's Boutique Hotel Limited		C76079		
Suncrest Hotels p.l.c.		C8643		
AX Hotel Operations p.l.c.	C40905			
The Lotus Co Ltd	C81360			
Denise Micallef Xuereb	AX Construction Limited	C17438	n/a	
	Heritage Developments Limited	C14217		
	Capua Palace Investments Limited Royal	C19375		
	Hotels Limited	C16994		
	Verdala Mansions Limited	C7793		
	Ax Port Holding Company Limited AX Port	C26331		
	Investment Company Limited	C26330		
	Simbija Development Limited	C39400		
	Hilltop Management Services Limited AX	C72480		
	Holdings Limited	C3595		
	Hilltop Gardens Retirement Village Limited	C65735		
	AX Business Park Limited	C13019		
	AX Contracting Limited	C64484		
	Harbour Connections Limited	C76078		
	Palazzo Merkanti Leisure Limited St.John's	C76080		
	Boutique Hotel Limited	C76079		
Suncrest Hotels p.l.c.	C8643			
AX Hotel Operations p.l.c.	C40905			
Prime Buildings Ltd	C18860			
DX Holdings Limited	C81361			
Christopher Paris	AX Holdings Ltd	C3595	n/a	

Name	Current Directorships	Past Directorships		
John Soler	AX Holdings Ltd	C03695	n/a	
	Valletta Cruise Port p.l.c.	C26469		
	FCM Bank Ltd	C50345		
	Orion Finance p.l.c.	C80722		
	Orion Rental Investments Ltd	C80707		
	KA Finance plc	C91544		
Josef Formosa Gauci	AX Holdings Ltd	C3595	n/a	
	Infinitely Xara Ltd	C77931		
	J.Z.T. Holdings Ltd	C2001		
	Nevada Ltd	C3151		
	Orange Travel Group Ltd	C41701		
	SMS Group Ltd	C30343		
	SMS Properties Ltd	C3750		
	SMS Mondial Ltd	C57618		
	The Medina Restaurant Ltd	C76952		
	Stefanotis Company Ltd	C8784		
	Holiday Malta Company Ltd	01595024 UK		
	Holiday Malta Transport Company Ltd	04990128 UK		
	The Holiday Travel Club Ltd	02500018 UK		
	Holiday Travel Club Transport Ltd	04990127 UK		
	S Mifsud & Sons Ltd	00892154 UK		
Magic Travel Group Ltd	10102214 UK			
Senior Management				
Michael Warrington	AX Finance Limited	C6867	Land Development Holdings Ltd	C52535
	Suncrest Finance Limited	C35122	Sliema Apartments Ltd	C73179
	AX Holdings Limited	C3595	Novum Holdings Ltd	C46625
	Engage People Ltd	C90019	Life Sciences Investments plc	C88168
	Renewables Limited	C84113	S. Mifsud and Sons Ltd	C341
	Skyline Developments Ltd	C34281	English Language Academy	C51609
	AX Hotel Operations p.l.c.	C40905	Malta Properties Co. Ltd	C57272
	AX Investments p.l.c.	C27586	Selmun Properties Ltd	C73679
	Valletta Cruise Port p.l.c.	C26469		
	Capital Service Limited	C12375		
	Citadel Health Agency Limited	C47593		
	Citadel Insurance p.l.c.	C21550		
	MW Investments Limited	C68828		
	MW Properties Limited	C18858		
	Nissan International Insurance Limited	C44660		
	Novum Bank Limited	C46997		
	Together Gaming Solutions p.l.c.	C72231		
	Hellenic Telecom & Telematics	AP.M.A.E.		
Applications Societe Anonyme – Forthnet S.A. (Greece)	234461/ 06B9594			
Higher Grounds SICAV plc	SV98			
Albert Bonello	n/a		n/a	
David Wain	n/a		n/a	

Name	Current Directorships	Past Directorships	
Claire Zammit Xuereb	Capua Palace Investments Limited	C19375	n/a
	Royal Hotels Limited	C16994	
	The Waterfront Entertainment Venture Ltd	C39402	
	Central Hotels Limited	C16993	
	Central Leisure Developments Limited	C25774	
	Holiday Resorts Limited	C5733	
	Hilltop Management Services Limited	C72480	
	AX Holdings Limited	C3595	
	Hilltop Gardens Retirement Village Limited	C65735	
	Luzzu Properties Limited	C67266	
	Palazzo Merkanti Leisure Limited	C76080	
	Quayside Catering Ltd	C39399	
	St.John's Boutique Hotel Limited	C76079	
	Suncrest Hotels p.l.c.	C8643	
	AX Hotel Operations p.l.c.	C40905	
The Lotus Co Ltd	C81360		
Denise Micallef Xuereb	AX Construction Limited	C17438	n/a
	Heritage Developments Limited	C14217	
	Capua Palace Investments Limited	C19375	
	Royal Hotels Limited	C16994	
	Verdala Mansions Limited	C7793	
	Ax Port Holding Company Limited	C26331	
	AX Port Investment Company Limited	C26330	
	Simbija Development Limited	C39400	
	Hilltop Management Services Limited	C72480	
	AX Holdings Limited	C3595	
	Hilltop Gardens Retirement Village Limited	C65735	
	AX Business Park Limited	C13019	
	AX Contracting Limited	C64484	
	Harbour Connections Limited	C76078	
	Palazzo Merkanti Leisure Limited	C76080	
	St.John's Boutique Hotel Limited	C76079	
	Suncrest Hotels p.l.c.	C8643	
AX Hotel Operations p.l.c.	C40905		
Prime Buildings Ltd	C18860		
DX Holdings Limited	C81361		
Charmaine Attard	n/a	n/a	
Joseph Vella	n/a	n/a	
Kevin Callus	n/a	n/a	
Lawrence Degabriele	n/a	n/a	
Caroline Schembri	n/a	n/a	

ANNEX 2

ARCHITECT VALUATION REPORTS

Perit Philip Micallef

B.E.&A. (Hons), A.&C.E., EPB Assessor
27/1, St. Publius Street, St. Paul's Bay SPB 3428

Tel : 00356 2757 3136
Mobile : 00356 9949 2790
E-Mail : philip.micallef@gmail.com

2 October 2019

AX Group p.l.c. (formerly Fulcrum Services Ltd)
AX House,
Mosta Road,
Lija LJA 9010
Malta

RE: Valuation of Site at Triq Diċembru 13, Marsa

1 CLIENT

AX Group p.l.c. (previously Fulcrum Services Ltd).

2 PURPOSE OF THE VALUATION

The purpose of the valuation is for its inclusion within the Prospectus to be published in connection with the proposed public bond issue by AX Group p.l.c. (previously Fulcrum Services Ltd) in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority. The valuer does not accept liability if this report is used for any other purpose except that intended by the addressee of this report. Moreover, neither the whole nor any part of this report, nor any reference thereto, may be included in any publication without the valuer's written approval.

3 NATURE OF VALUER'S INSPECTION

A physical, visual inspection was carried out of the property referred to above on 18 September 2019. Access was provided to all areas of the site and building.

4 SITE DESCRIPTION

The site comprises an area of *circa* 7,587 sq. m. (excluding existing road area) within the development zone. The site is located between Triq Diċembru 13 and Triq It-Tigrija in Marsa in an area known as 'Is-Sienja'. The area is zoned as part of the Marsa Development Park. The recently approved amended Marsa Park Scheme allows for a mixed commercial use with a height limitation of 22.0m. The policy parameters for the area allow for developments including the application of the floor area ration; where building footprints are condensed in favour of taller buildings. Under the traditional scheme, the site can be fully developed with an allowance of 20% open space retained as common green areas. The site has an alternate access to Triq It-Tigrija through an un-named road.

Following the introduction of the revised Marsa Park Scheme issued by the Planning Authority with Ministerial endorsement, the residual site that may be developed (following the deduction of road areas) is *circa* 6,600 sq.m. In accordance to the new scheme, the site will have a frontage of *circa* 100m onto a dedicated service road that runs along Triq Diċembru 13.

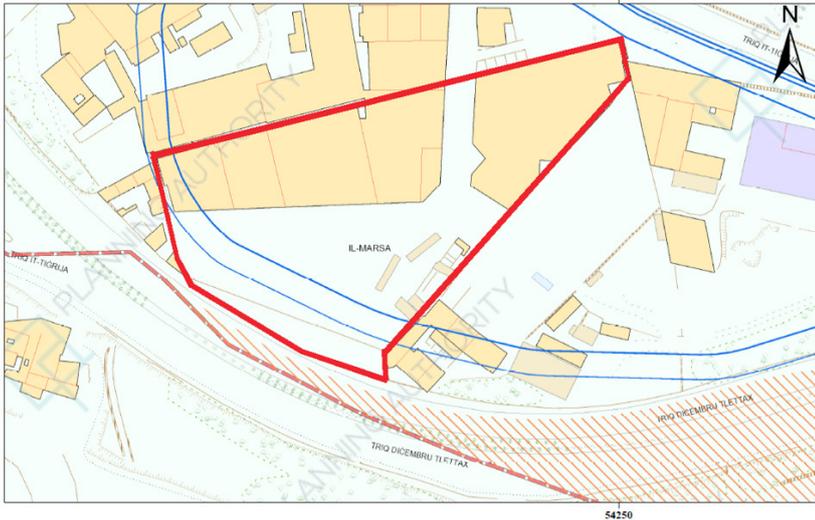


Figure 1 : Siteplan showing indicative extents of site

5 EXISTING USE

The site currently comprises disused land previously used as an open storage area and a series of dilapidated warehouses built over a double height and covering a footprint of *circa* 4,100 sq. m.

6 PLANNED ALTERNATIVE USE

The planned use for the site is to develop a mixed use development in line with prevailing planning policies as outlined in the Marsa Park Development Guidelines (Policy GM15).

7 PLANNED DEVELOPMENT

Based on a traditional approach as outlined in the relative development policies, the allowable development profile would comprise a mixed use development (commercial uses) with the following components:

- 30,000 sq. m. of Class 4A Offices spread over 6 levels (five full floors and one receded floor) with a floor height of 3.50m all above road level;
- 12,000 sq. m. spread over two basement levels to accommodate approximately 540 parking spaces and ancillary storage spaces; and
- 1,300 sq. m. of common landscaped areas at ground floor level.

8 PLANNING CONSIDERATIONS

The structures on site are covered by relative development permits dating back to the pre 1990s. Nonetheless, for the sake of the valuation of the land, these permits are considered superfluous. The site is subject to the Marsa Park Site (Policy GM 15) Guidelines as amended in 2019 and issued by the Planning Authority .

Based on a traditional approach as outlined in the relative development policies, the allowable development profile would comprise a mixed use development (commercial uses) with a total developable area above ground level of *circa* 30,000 sq. m.

9 PLANNING PERMITS FOR THE PROPOSED DEVELOPMENT

On 21 February 2018, an outline development application was submitted to the Planning Authority (PA897/18) comprising an outline application for mixed use activity (commercial base). The application has however been suspended since 8 May 2018 given the potential arising, shortly prior to such date, of acquiring an adjacent piece of land (refer to section below entitled “Sources of Information”), the consolidation of which with the land already held would merit a re-design of the planned development. As at the date hereof, the client has merely commissioned studies regarding the optimal use of the Marsa site (once consolidated as aforesaid), and will proceed to re-activate the outline application through the submission of revised plans once the additional property is acquired and upon conclusion and evaluation of the necessary studies.

It is anticipated that the development on site shall commence within five (5) years following the procurement of all the required full development permits. As at the date of this report, the Group expects such development to take place after the maturity date of the Tranche 1 Bonds, and the expected development period to complete the development and hand over to the prospective tenants is that of five (5) years. The total costs of the development including the cost of financial carrying charges, letting commissions and other ancillary costs is estimated at *circa* €100 million.

10 MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

For the purposes of this valuation it is being assumed that there are no material contraventions of any sort that can have a bearing on the value of the property.

11 TENURE

Parts of the property are subject to the following perpetual leaseholds:

- One store on Marsa road is subject to a perpetual leasehold of €232.94 yearly;
- Five stores on the internal side of the site including the un-named road fronting them (within the owned site) with a surface area of circa 3,951.92 sq. m. are jointly subject to a perpetual yearly ground rent of €1,514.09; and
- Four stores on the internal side of the site including the un-named road fronting them (within the owned site) are jointly subject to a perpetual yearly ground rent of €1,171.21.

12 BASE CALCULATION OF CAPITAL VALUE BASED ON RENTALS USED IN VALUATION

The market value of the land is deducted through a residual method calculation; taking into account the development potential of the site. In calculating the development potential, it is assumed that the Group's plans shall not significantly defer from the plans used in the valuation. The value of the land is taken as the capitalisation of the rental return potential and subsequently deducting all the direct and indirect costs in the formation of the project from the calculated final re-sale value of the development including allowance for profit. It is assumed that the project is to be constructed over a period of five years by which time it is assumed that all the necessary permits would have been obtained and that the Group shall have sufficient resources to implement and complete the project.

The rental rate for the finished project is taken across the board at €135/sq. m. per annum applied for the developed floor space above street level. The established rate takes into account the prestigious location of the site whilst considering the floorspace lost to circulation area in case of subdivision or reduced rate in view of large floor space made available and tax deductions. Furthermore, the aforementioned established rental rate is comparable to the rate applied to other similar medium to high-end developments currently advertised on the open market. In calculating the re-sale value of the development, a capitalisation rate of 5% is taken into consideration as this is considered a typical yield on these kind of projects.

The deductions considered from the capitalised annual rental return at 5% in the formulation of the value of the land include:

- Agency fees
- Construction and finish costs
- Professional fees
- Margin of profit on investment
- Permit fees and associated studies
- Interest on finance
- Interest paid on delay or extended first rents

13 APPROXIMATE AGE OF THE BUILDING

The property is still to be developed.

14 PRESENT CAPITAL VALUE

After taking into account the characteristics and conditions mentioned in the valuation report, as well as prevailing market trends, I estimate the commercial value of the land; being the residual sum remaining after having deducted all the direct and indirect costs in the formation of the project including profit sums, up to Euro 12,000,000 (twelve million euro).

15 THIRD PARTY AND INTRA GROUP LEASE TERMS IN CONNECTION WITH THE PROPERTY

Nil

16 OTHER MATTERS AFFECTING VALUE

The projected road networks around the site still need to be formed including any utilities to service the development; the likes of main sewer, potable water supply and suitable connectivity to the electrical grid. Under the given valuation, it is assumed that such infrastructure will be in place by the time of completion of the project.

17 SOURCES OF INFORMATION

The schedule of accommodation was derived following a plan survey of drawings supplied by the owner of the building. The residual site area following the introduction of the amended scheme for the area was deduced by superimposing a survey of the proposed road alignments from a digital survey provided by the Land Surveying Unit (LSU) at the Planning Authority.

Details of the property including title, rights and burdens were supplied by the owner of the building and extracted from the promise of sale agreement entered into between third party vendors and AX Business Park Limited (formerly Marine World Limited) (C13019) dated 24 October 2017 (the "Promise of Sale Agreement"). No independent research was commissioned for the scope of this valuation exercise.

The adopted going rates which led to the overall valuation of the property are taken off a private database owned by the undersigned valuer which database results from ongoing research and analysis of the property market in the Maltese Islands including data gathered from estate agents for similar properties in similar locations.

18 REGISTERED MORTGAGES, PRIVILEGES, CHARGES, RIGHTS, CONCESSIONS, EASEMENTS AND OTHER BURDENS

The undersigned is not informed of any of the above external factors which can have a bearing on the overall market value of the property.

19 VALUER'S DETAILS

Name: Perit Philip Micallef
Address: 27/1, St. Publius Street, St. Paul's Bay SPB 3428, Malta
Qualification: B. E. &. (Hons), A. & C.E.
Warrant No. 573

20 EFFECTIVE VALUATION DATE

The effective date of the valuation is 2 October 2019, noon.

21 DECLARATIONS BY THE UNDERSIGNED VALUER

- This valuation is based on a residual method under the premise that the site will be developed in a conventional manner in line with prevailing schemes and policies for the area issued by the Planning Authority.
- This valuation is based on an open market value for the site in its existing state but under the premise of the potential development on site. Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- In addition to the assumptions indicated in sections 10, 12 and 16 of this report, this valuation assumes that there exist no material contraventions of any sort that can have a bearing on the value of the property.
- The property is being valued in its entirety including freehold areas and short leasehold sections. Notwithstanding the requirements of Listing Rule 7.4.6., this valuation is not divided in sections specific to freehold and leasehold given that the leasehold is perpetual, low in value and redeemable at 5%, and therefore considered to be non-material to the valuation.
- This valuation takes into consideration all contractual arrangements known to the underlying valuer which can in any way affect the market value of the property.
- The underlying valuer is an independent professional, and this valuation exercise is free of any interests from anyone including the addressee and its directors.
- There are no further matters known to the valuer that are relevant for the purpose of this valuation.
- This valuation is in compliance with standards and guidelines issued by the Royal Institute of Chartered Surveyors (RICS) and is furthermore in accordance with the IVS (international valuation standards).

Regards,



PHILIP MICALLEF A.&C.E.

Perit Philip Micallef

B.E.&A. (Hons), A.&C.E., EPB Assessor
27/1, St. Publius Street, St. Paul's Bay SPB 3428

Tel : 00356 2757 3136
Mobile : 00356 9949 2790
E-Mail : philip.micallef@gmail.com

17 October 2019

AX Group p.l.c. (formerly Fulcrum Services Ltd)
AX House,
Mosta Road,
Lija LJA 9010
Malta

RE: Valuation of Site at 41, Merchant Street, Valletta

1 CLIENT

AX Group p.l.c. (previously Fulcrum Services Ltd).

2 PURPOSE OF THE VALUATION

The purpose of the valuation is for its inclusion within the Prospectus to be published in connection with the proposed public bond issue by AX Group p.l.c. (previously Fulcrum Services Ltd) in accordance with Chapter 7 of the Listing Rules published by the Malta Financial Services Authority. The valuer does not accept liability if this report is used for any other purpose except that intended by the addressee of this report. Moreover, neither the whole nor any part of this report, nor any reference thereto, may be included in any publication without the valuer's written approval.

3 NATURE OF VALUER'S INSPECTION

A physical, visual inspection was carried out of the property referred to above on 19 September 2019. Access was provided to all areas of the site and building.

4 SITE DESCRIPTION

The property is a corner site, having a footprint of *circa* 350 sq. m. The site is not entirely owned over the entire footprint. At ground floor and basement level the ownership footprint is *circa* 170 sq. m., whilst the upper floors are fully owned over the entire footprint. At ground floor level, the remainder of the site comprises third party shops with a frontage and independent access onto Merchant Street and St. Lucy Street.

The property is located within the primary and secondary town centre of Valletta as defined in the Grand Harbour Local Plan, insert map figure 07.

5 EXISTING USE

The site is currently used as a shop at ground floor with interconnecting storage at basement level. The upper floors are currently disused. The property is currently in a poor state of repair with repairs being evidently required to structures at the upper level.

6 PLANNED ALTERNATIVE USE

The planned use for the site is to extend the building floor space within the existing building envelope, restore the fabric of the structure and create a number of self catering residential units within the existing building profile with a mix of one, two and three bedroom units. The amenities of the building shall be upgraded and a lift connecting all floors shall be installed within the building. This proposed use will capitalise on the prestigious and central location of the site as well as the views of the grand harbour from the upper floors.

The redevelopment would be in line with Policy GD06 of the Grand Harbour local plan.

7 PLANNING CONSIDERATIONS

The building is located within higher ground in the Valletta Skyline. The Valletta skyline and road configurations are scheduled (heritage protection) and the entire extents of Valletta are considered under UCA (Urban conservation Area) parameters by the Planning Authority. Any additional structures need to be assessed under their impact on the short range and long distance views of the Valletta skyline.

The building on site is over a hundred years old and has been evidently constructed in a phased manner with several structures being added on to it during different periods of time. It is evident that some sections of the building have been truncated; possibly as a result of war damage resulting from enemy action in the second world war. In the proposed restructuring of the buildings, these areas will be rebuilt.

The property is located within a primary and secondary town centre as identified on Insert Map Figure 7 of the grand Harbour local plan. The area is subject to general policy GDO6 which allows for Class 1 residential uses as well as Hostels (Class 3) on the upper floors. Hence the proposal is in line with planning policies. In addition there is a general presumption in favour of the conservation, restoration and reutilisation of traditional buildings in scheduled areas.

There are no previous development permits on site other than applications for minor works relating to removal of glass roofs and pointing of structures (maintenance)

A planning permit has been submitted (reference TRK /00230281) and is currently in its initial processing stages.

8 PLANNING PERMITS FOR THE PROPOSED DEVELOPMENT

It is anticipated that the development on site shall commence within six (6) months following the procurement of all the required full development permits. The expected development period to complete the development and hand over to the prospective tenants shall be less than two (2) years. The total costs of the development including the cost of financial carrying charges, letting commissions and other ancillary costs is estimated at *circa* €10 million.

9 MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

For the purposes of this valuation it is being assumed that there are no material contraventions of any sort that can have a bearing on the value of the property.

10 TENURE

The property is freehold.

11 BASIS OF VALUATION OF PROPERTY

The market value of the existing property is evaluated through a comparison basis with the sale price for similar properties in similar locations. Basing on data derived off a private database owned by the undersigned including data gathered from estate agents for similar properties in Valletta, a selling rate variance is noted ranging from €4,200 €/sq. m. to €6,000 €/sq. m. for properties in a similar condition; that is tenements that are free and unencumbered and requiring modernisation.

Based on the noted price range, the evaluation of the property is based as follows:

1. A rate of €4,500/sq. m. for floor space dedicate to the basement and common circulation spaces
2. A rate of €5,000/sq. m. for floor space that can be utilised as areas to be dedicated to the development of rental apartments.

Considering the trends for resale of property in Valletta, it is the opinion of the undersigned that the rates quoted are fair and reasonable and commensurate with the type of property in question.

12 APPROXIMATE AGE OF THE BUILDING

The lower levels of the property are over three hundred (300) years old with later additions at the higher levels. The property as proposed is still to be developed.

13 PRESENT CAPITAL VALUE

After taking into account the characteristics and conditions mentioned in this valuation report, prevailing market trends, as well as the value of similar properties in similar locations, I estimate the value of the property in its current state at Euro 5,720,000 (five million, seven hundred and twenty thousand Euro).

14 TERMS RELATING TO TENANTS' LEASES OR SUB-LEASES INCLUDING REPAIRING OBLIGATIONS AND MAINTENANCE

Nil

15 THIRD PARTY AND INTRA GROUP LEASE TERMS IN CONNECTION WITH THE PROPERTY

Nil

16 SOURCES OF INFORMATION

The schedule of accommodation was derived following a plan survey of drawings supplied by the owner of the building.

Details of the property including title, rights and burdens were supplied by the owner of the building and extracted from the promise of sale agreement entered into between a third party vendor and AX Holdings Limited (C 3595) dated 4 July 2019. No independent research was commissioned for the scope of this valuation exercise.

The adopted going rates which led to the overall valuation of the property are taken off a private database owned by the undersigned valuer which database results from ongoing research and analysis of the property market in the Maltese Islands including data gathered from estate agents for similar properties in similar locations.

17 REGISTERED MORTGAGES, PRIVILEGES, CHARGES, RIGHTS, CONCESSIONS, EASEMENTS AND OTHER BURDENS

The undersigned is not informed of any of the above external factors which can have a bearing on the overall market value of the property.

18 VALUER'S DETAILS

Name: Perit Philip Micallef
Address: 27/1, St. Publius Street, St. Paul's Bay SPB 3428, Malta
Qualification: B. E. &. (Hons), A. & C.E.
Warrant No. 573

19 EFFECTIVE VALUATION DATE

The effective date of the valuation is 2 October 2019, noon.

20 DECLARATIONS BY THE UNDERSIGNED VALUER

- This valuation is based on an open market value for the site in its existing state. Market value is the estimated amount for which an asset or liability should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion.
- In addition to the assumption indicated in section 9 of this report, this valuation assumes that there exist no material contraventions of any sort that can have a bearing on the value of the property.
- The property is being valued in its entirety as freehold property.
- This valuation takes into consideration all contractual arrangements known to the underlying valuer which can in any way affect the market value of the property.
- The underlying valuer is an independent professional, and this valuation exercise is free of any interests from anyone including the addressee and its directors.
- There are no further matters known to the valuer that are relevant for the purpose of this valuation.
- This valuation is in compliance with standards and guidelines issued by the Royal Institute of Chartered Surveyors (RICS) and is furthermore in accordance with the IVS (international valuation standards).

Regards,



PHILIP MICALLEF A.&C.E.

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 Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market (the “**Prospectus Regulation**”), as amended, and in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder.

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 Group p.l.c. for which an application has been made for the admission to listing and trading of the Bonds on the Official List of the Malta Stock Exchange. 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 22 November 2019

in respect of an issue of up to €25,000,000 Unsecured Bonds
of a nominal value of €100 per Bond issued at par by

AX Group p.l.c.

in any one or a combination of the following series:

3.25% 2026 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series I Bonds**”)

ISIN:- MT0002361203

3.75% 2029 Unsecured Bonds

of a nominal value of €100 per Bond,
issued at par (the “**Series II Bonds**”)

ISIN:- MT0002361211

Sponsor



Manager & Registrar



Legal Counsel



THIS SECURITIES NOTE HAS BEEN APPROVED BY THE LISTING AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE LISTING AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE BONDS AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE LISTING AUTHORITY HAS AUTHORISED THIS SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. IN PROVIDING THIS AUTHORISATION, THE LISTING AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN THE SAID INSTRUMENTS AND SUCH AUTHORISATION SHOULD NOT BE DEEMED OR BE CONSTRUED AS A REPRESENTATION OR WARRANTY AS TO THE SAFETY OF INVESTING IN SUCH INSTRUMENTS. THE APPROVAL OF THIS SECURITIES NOTE BY THE LISTING AUTHORITY SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS SECURITIES NOTE.

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 HOWSOEVER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THE PROSPECTUS INCLUDING ANY LOSSES INCURRED BY INVESTING IN THE BONDS. A PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN INDEPENDENT ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE BONDS AND SHOULD: (I) ALWAYS SEEK INDEPENDENT FINANCIAL ADVICE BEFORE DECIDING TO INVEST IN ANY LISTED FINANCIAL INSTRUMENTS; AND (II) 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.

Approved by the Directors



Angelo Xuereb



Michael Warrington

signing in their own capacity as directors of the Issuer and on behalf of each of Claire Zammit Xuereb, Denise Micallef Xuereb, Christopher Paris, John Soler and Josef Formosa Gauci as their duly appointed agents

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IMPORTANT INFORMATION

THIS SECURITIES NOTE CONTAINS INFORMATION OF AN ISSUE BY AX GROUP P.L.C. (THE “ISSUER”) OF UP TO €25,000,000 BONDS, COMPRISED OF ONE OR A COMBINATION OF: (I) UNSECURED BONDS 2026 OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.25% PER ANNUM, PAYABLE ANNUALLY ON 20 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE (THE “SERIES I BONDS”); AND, OR (II) UNSECURED BONDS 2029 OF A NOMINAL VALUE OF €100 PER BOND, ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.75% PER ANNUM, PAYABLE ANNUALLY ON 20 DECEMBER OF EACH YEAR UNTIL THE REDEMPTION DATE (THE “SERIES II BONDS”), WHICH COMBINATION SHALL BE DETERMINED IN ACCORDANCE WITH THE ALLOCATION POLICY OF THE ISSUER SET OUT IN SECTION 6.4 OF THIS SECURITIES NOTE. THE NOMINAL VALUE OF THE BONDS WILL BE REPAYABLE IN FULL AT MATURITY ON THE RELEVANT REDEMPTION DATE UNLESS OTHERWISE PREVIOUSLY REPURCHASED FOR CANCELLATION BY THE ISSUER.

THIS SECURITIES NOTE:

- I. CONTAINS INFORMATION ABOUT THE ISSUER AND THE BONDS IN ACCORDANCE WITH THE REQUIREMENTS OF THE LISTING RULES, THE ACT AND THE PROSPECTUS REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE LATEST REGISTRATION DOCUMENT ISSUED BY THE ISSUER FORMING PART OF THE PROSPECTUS; AND
- II. SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE BONDS ARE ISSUED BY THE ISSUER AND ACQUIRED BY A BONDHOLDER, WHICH TERMS SHALL REMAIN BINDING UNTIL THE RESPECTIVE REDEMPTION DATE OF EACH OF SERIES I AND SERIES II OF THE BONDS UNLESS THEY ARE OTHERWISE AMENDED IN ACCORDANCE WITH SECTION 5.12 OF THIS SECURITIES NOTE.

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 OFFER HEREBY MADE 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 ADVISORS ENGAGED BY THE ISSUER FOR THE PURPOSE OF THIS BOND ISSUE ARE ACTING EXCLUSIVELY FOR THE ISSUER.

THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR THE 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 SECURITIES ISSUED BY THE ISSUER TO INFORM THEMSELVES OF, AND TO OBSERVE AND COMPLY WITH, ANY AND 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 COUNTRY OF THEIR NATIONALITY, RESIDENCE OR DOMICILE.

SAVE FOR THE OFFER BEING MADE PURSUANT TO THIS SECURITIES NOTE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE ISSUER THAT WOULD PERMIT A PUBLIC OFFERING OF THE SECURITIES 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.

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: (I) TO THE LISTING AUTHORITY IN SATISFACTION OF THE LISTING RULES; (II) TO THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS; AND (III) HAS BEEN DULY FILED WITH THE REGISTRAR OF COMPANIES AT THE MALTA BUSINESS REGISTRY 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.

THIS PROSPECTUS IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE ISSUER IS NOT OBLIGED TO SUPPLEMENT THE PROSPECTUS IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES.

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, ADVISORS AND AUDITORS OF THE COMPANY" UNDER SECTION 3 OF THE REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE ISSUER IN RELATION TO THIS BOND 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. 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

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

Admission	admission of the Bonds to the Official List and to trading on the main market for listed securities of the MSE becoming effective in accordance with the Listing Rules and the MSE Bye-Laws;
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 the Bonds made by an Applicant/s by completing an Application Form/s and delivering same to any of the Authorised Financial Intermediaries;
Application Form/s	the forms of application of subscription for the Bonds, specimens of which are contained in Annex 2 of this Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex 1 of this Securities Note;
AX Group Employees	employees and directors of any company forming part of the AX Group as at 14 November 2019;
AXI Bondholders	means holders of AXI Bonds as at the Cut-Off Date;
AXI Bonds	means the €40,000,000 6% bonds 2024, issued by AX Investments p.l.c. (a public limited liability company registered in Malta with company registration number C 25786) pursuant to a prospectus dated 3 February 2014 (ISIN:- MT0000081233);
Bond/s	collectively the Series I Bonds and the Series II Bonds;
Bondholder	a holder of Bonds;
Bond Issue	the issue of the Bonds being made pursuant to and in accordance with the terms and conditions of this Securities Note;
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 or Issuer	AX Group p.l.c., a public limited liability company registered under the laws of Malta with company registration number C 12271 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
CSD	the Central Securities Depository of the MSE, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Cut-Off Date	14 November 2019 with last trading date being on 12 November 2019;
Interest Payment Date	with respect to the: i. Series I Bonds , means 20 December of each year between and including each of the years 2020 and the year 2026; and ii. Series II Bonds , means 20 December of each year between and including each of the years 2020 and the year 2029; provided that, in either case, 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;
Intermediaries' Offer	the offer of Bonds to the Authorised Financial Intermediaries, either for their own account or for the account of underlying customers, consisting of a maximum aggregate amount equal to the balance of the Bonds, if any, not subscribed to by Preferred Applicants, pursuant to the terms of the plan of distribution and allotment contained in section 6.2 of this Securities Note;
Intermediaries' Offer Date	18 December 2019 by 14:00 hrs;

Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules of the Listing Authority;
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;
Manager & Registrar	Bank of Valletta p.l.c., a company registered under the Laws of Malta with company registration number C 2833 and having its registered address at 58, Zachary Street, Valletta VLT 1130, Malta;
MSE Bye-Laws	the bye-laws issued by the MSE, as may be amended and/or supplemented from time to time;
Offer Period	the period between 29 November 2019 and 12 December 2019 (or such earlier as may be determined by the Issuer) during which the Bonds will be available for subscription by Preferred Applicants;
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE Bye-Laws;
Preferred Applicants	collectively the AX Group Employees and AXI Bondholders;
Prospectus	collectively the Registration Document, Summary Note and this Securities Note;
Redemption Date	means, with respect to: <ul style="list-style-type: none"> i. the Series I Bonds, the 20 December 2026; and ii. the Series II Bonds, the 20 December 2029; (unless previously purchased for cancellation by the Issuer);
Redemption Value	the nominal value of each Bond (€100 per Bond);
Securities Note	this document in its entirety;
Series I Bonds	the unsecured bonds 2026, of a nominal value of €100 per bond, redeemable at their nominal value on the relevant Redemption Date, bearing interest at the rate of 3.25% per annum and having ISIN MT0002361203;
Series II Bonds	the unsecured bonds 2029, of a nominal value of €100 per bond, redeemable at their nominal value on the relevant Redemption Date, bearing interest at the rate of 3.75% per annum and having ISIN MT0002361211;
Sponsor	MeDirect Bank (Malta) plc a company registered under the laws of Malta with company registration number C 34125 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'. The use of the logo 'Charts' in the Prospectus shall be construed accordingly;
Summary Note	the summary note issued by the Issuer dated 22 November 2019, forming part of the Prospectus; and
Terms and Conditions	the terms and conditions applicable to the Bonds forming part of the Bond Issue contained in section 6 of this Securities Note.

Unless it appears otherwise from the context:

- a. words importing the singular shall include the plural and *vice versa*;
- b. words importing the masculine gender shall include the feminine gender and *vice versa*; and
- c. the word "may" shall be construed as permissive and the word "shall" shall be construed as imperative.

2 RISK FACTORS

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

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, OR INCORPORATED BY REFERENCE THEREIN, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE BONDS. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE ISSUER HAVE ASSESSED TO BE, AT THE DATE OF THIS SECURITIES NOTE, THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE ISSUER HAVE EVALUATED THE COMBINATION OF: (I) THE PROBABILITY THAT A RISK FACTOR OCCURS; AND (II) THE EXPECTED MAGNITUDE OF THE ADVERSE EFFECT ON THE FINANCIAL CONDITION AND PERFORMANCE OF THE ISSUER AND ITS SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

NEITHER THIS SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS OR INCORPORATED BY REFERENCE THEREIN, 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, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS SECURITIES NOTE, OR ANY OTHER PART OF THE PROSPECTUS, OR INFORMATION INCORPORATED BY REFERENCE THEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE PROSPECTUS OR ANY SECURITIES OF THE ISSUER, SHOULD PURCHASE ANY BONDS. ACCORDINGLY, PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THE PROSPECTUS.

This Securities Note contains statements that are, or may be deemed to be, “forward-looking statements”. These forward-looking statements can be identified by the use of forward-looking terminology, such as the terms “believes”, “estimates”, “anticipates”, “expects”, “intends”, “may”, “will” or “should” or, in each case, their negative or other variations or comparable terminology. Forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus, and documents incorporated therein by reference, and include statements regarding the intentions, beliefs or current expectations of the Issuer and, or the Directors concerning, amongst other things, the Issuer’s and, or the Group’s strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects, the markets in which it operates and general market conditions. By their nature, forward-looking statements involve risks and uncertainties because they relate to events and depend on circumstances that may or may not occur in the future. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. The Issuer’s and, or the Group’s actual results of operations, financial condition, liquidity, and the development of its business may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the results of operations, financial condition, and, or liquidity of the Issuer and, or the Group are consistent with the forward-looking statements contained in the Prospectus, those results or developments may not be indicative of results or developments in subsequent periods.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risks set out in this section and in the section entitled ‘Risk Factors’ in the Registration Document, for a review of the factors that could affect the Issuer’s performance. In light of these risks, uncertainties and assumptions, the events described in the forward-looking statements in this document may not occur.

All forward-looking statements contained in this document are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Issuer and its Directors expressly disclaim any obligations to update or revise any forward-looking statement contained herein to reflect any change in expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

2.1 RISKS RELATING TO THE BONDS

Status of the Bonds

- The Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt, if any. This means that any secured or privileged debts of the Issuer shall rank at all times ahead of the obligations of the Issuer under the Bonds, as a result of which the Bondholders may not be able to recover their investment in the Bonds in the case of insolvency or an equivalent situation, whether in full or in part.

Furthermore, subject to the negative pledge covenant (section 5.6 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, as the case may be, for so long as such security interests remain in effect, which registration may further impede the ability of the Bondholders to recover their investment upon enforcement of such security interests, whether in full or in part.

No prior market for the Bonds

- Prior to the Bond Issue and Admission, there has been no public market for the Bonds within or outside Malta. Due to the absence of any prior market for the Bonds, there can be no assurance that the price of the Bonds will correspond to the price at which the Bonds will trade in the market subsequent to the Bond Issue. The market price of the Bonds could be subject to significant fluctuations in response to numerous factors, including the occurrence of any of the risk factors identified in Section 2 of the Registration Document.

Orderly and liquid secondary market

- 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 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 trade in the Bonds at all.

Future public offers

- No prediction can be made about the effect which any future public offerings of the Issuer's securities (including but not limited to the effects arising out of a change in the cash flow requirements of the Issuer or other commitments of the Issuer *vis-à-vis* the new security holders), or any takeover or merger activity involving the Issuer (including but not limited to a de-listing, in full or in part, of the Bonds), will have on the market price of the Bonds prevailing from time to time.

Suitability

- An investment in Bonds may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult an independent investment advisor licensed under the Investment Services Act (Cap. 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Bonds before making an investment decision.

In particular, such advice should be sought with a view to ascertaining that each prospective investor:

- a. has sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in the Prospectus or any applicable supplement;
- b. has sufficient financial resources and liquidity to bear all the risks of an investment in the Bonds, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Bonds meet the investment objectives of the prospective investor;
- c. understands thoroughly the terms of the Bonds and is familiar with the behaviour of any relevant indices and financial markets; and
- d. is able to evaluate possible scenarios for economic, interest rate and other factors that may effect its investment and its ability to bear the applicable risks.

An informed investment decision can only be made by investors after they have read and fully understood the risk factors associated with an investment in the Bonds and the inherent risks associated with the Issuer's business. In the event that an investor does not seek professional advice and, or does not read and fully understand the provisions of this Prospectus, there is a risk that such investor may acquire an investment which is not suitable for his or her risk profile.

Fixed interest rate

- The Bonds shall carry fixed interest rates. Consequently, investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the value of the Bonds. Investors should also be aware that the price of fixed rate bonds should theoretically move adversely to changes in interest rates. When prevailing market interest rates are rising, their prices decline and conversely, if market interest rates are declining, the prices of fixed rate bonds rises. This is called market risk since it arises only if a Bondholder decides to sell the Bonds before maturity on the secondary market.

Currency of reference

- A Bondholder will bear the risk of any adverse fluctuations in exchange rates between the currency of denomination of the Bonds (€) and the Bondholder's currency of reference, if different. Such adverse fluctuations may impair the return of investment of the Bondholder in real terms after taking into account the relevant exchange rate.

Continuing obligations

- After the Bonds are admitted to trading on the Official List of the MSE, the Issuer must remain in compliance with certain requirements. The Listing Authority has the authority to suspend trading of the Bonds if, *inter alia*, it comes to believe that such a suspension is required for the protection of investors or of the integrity or reputation of the market. Furthermore, the Listing Authority may discontinue the listing of the Bonds if, *inter alia*, it is satisfied that, owing to special circumstances, normal regular dealings in the Bonds are no longer possible, or upon the request of the Issuer or the MSE. Any such trading suspensions or listing revocations/discontinuations described above, could have a material adverse effect on the liquidity and value of the Bonds.

Changes in law

- The Terms and Conditions of the Bonds 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.

Amendments to the Terms and Conditions of the Bonds

- In the event that the Issuer wishes to amend any of the Terms and Conditions of the Bonds it shall call a meeting of Bondholders in accordance with the provisions of section 5.12 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.

3 PERSONS RESPONSIBLE

The Directors of the Issuer, whose names appear under the sub-heading “**Directors of the Company**” under the heading “**Identity of Directors, Advisors and Auditors of the Company**” in section 3.1 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 THE PROSPECTUS

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

For the purposes of any subscription for the Bonds through any of the Authorised Financial Intermediaries during the Offer Period, and any subsequent resale, placement or other offering of the Bonds by such Authorised Financial Intermediaries in circumstances where there is no exemption from the requirement to publish a prospectus under the Prospectus Regulation, 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 the Bonds, provided this is limited only:

- i. in respect of the Bonds subscribed for through Authorised Financial Intermediaries during the Offer Period;
- ii. to any resale or placement of the Bonds taking place in Malta; and, or
- iii. to any resale or placement of the Bonds taking place within the period of 60 days from the date of the Prospectus.

It is the sole responsibility of the Authorised Financial Intermediary to ensure its 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 the 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 the 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 the 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 relevant 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 the 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.

Any new information with respect to financial intermediaries unknown at the time of this Securities Note will be made available by the Issuer through a company announcement which will be made available on the Issuer’s website: www.axgroup.mt

4 ESSENTIAL INFORMATION ON THE BOND ISSUE

4.1 EXPECTED TIMETABLE OF THE BOND ISSUE

1	Application Forms mailed to AXI Bondholders	26 November 2019
2	Application Forms available to AX Group Employees	29 November 2019
3	Closing of Offer Period (at 14:00 hours)	12 December 2019
4	Intermediaries’ Offer*	18 December 2019
5	Commencement of interest on the Bonds	20 December 2019
6	Announcement of basis of acceptance	20 December 2019
7	Refund of unallocated monies (if any)	6 January 2020
8	Dispatch of allotment advices	6 January 2020
9	Expected date of admission of the Bonds to listing	6 January 2020
10	Expected date of commencement of trading in the Bonds	7 January 2020

The Issuer reserves the right to close the Offer Period before 12 December 2019, in which case the events set out in 6 to 10 above, will be brought forward, although the number of working days between the respective events will not be altered.

* In the event that the total value of Applications received from Preferred Applicants, exceeds €25,000,000, the Intermediaries' Offer will not take place.

4.2. REASONS FOR THE BOND ISSUE AND USE OF PROCEEDS

The aggregate proceeds from the Bond Issue, which net of expenses are expected to amount to approximately €24,500,000, will be used by the Issuer for the following purposes (paragraphs 4.2.1 - 4.2.4 together hereinafter referred to as the **"Intended Uses"**):

- 4.2.1. the amount of *circa* €7,000,000 will be used to part finance the acquisition of land situated in 'Tas-Sienja', Marsa earmarked for development into a mixed residential, office and commercial complex, as further described in section 5.5 of the Registration Document ('Investments'), currently subject to a promise of sale agreement, and in the respective independent expert valuation report contained in Annex 2 thereof (the **"Marsa Project"**);
- 4.2.2. the amount of up to €9,000,000 will be used to part finance the Group's acquisition and development of '41, Merchant Street' situated in Valletta, currently subject to a promise of sale agreement, as further described in section 5.5 of the Registration Document ('Investments') and in the respective independent expert valuation report contained in Annex 2 thereof (the **"Valletta Project"**);
- 4.2.3. the amount of up to €4,500,000, together with any amounts not utilised in accordance with paragraph 4.2.1 and, or paragraph 4.2.2 above, will be used for the part refinancing of existing banking facilities of the Group. Details of the said outstanding banking facilities are provided in section 5.2 of this Securities Note ('Ranking of the Bonds') below; and
- 4.2.4. the amount of up to €4,000,000, together with any residual amounts not utilised in accordance with paragraphs 4.2.1 to 4.2.3 above, if any, will be used for general corporate funding purposes of the Group.

The promise of sale agreements relative to the acquisition of the land situated in 'Tas-Sienja', Marsa and to the acquisition of '41, Merchant Street', Valletta were entered into on 24 October, 2017 and on 4 July 2019, respectively. Although it is strongly anticipated that the corresponding deeds of sale will be concluded shortly after the issuance of the Bonds, in the unlikely event that either or both of the deeds of sale is / are not concluded, the Issuer undertakes to utilise the funds earmarked for the said purposes for either or both of the following uses (the **"Alternative Uses"**, each an **"Alternative Use"**), as may be determined by the Issuer:

- 4.2.5. the part refinancing of the following existing banking facilities of the Group: the *circa* €8,300,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Central Leisure Developments Limited (C 25774) pursuant to a sanction letter dated 26 October 2016 (as subsequently amended), the amount outstanding of which as at 31 October 2019 is €4,885,000, and the *circa* €4,300,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Palazzo Merkanti Leisure Limited (C 76080), pursuant to a sanction letter dated 4 November 2016 (as subsequently amended), the amount outstanding of which as at 31 October 2019 is €3,729,000. The first mentioned loan facility was granted for the purpose of financing the development of AX The Palace Hotel, Sliema, whilst the other loan facility was granted for the purpose of financing the acquisition of Palazzo Merkanti (subsequently developed and renamed The AX Rosselli). Further details of the aforementioned banking facilities of the Group are provided in section 5.2 of this Securities Note ('Ranking of the Bonds') below. Any amounts loaned in terms of this Alternative Use shall be over and above any amount which may be loaned to Central Leisure Developments Limited and, or Palazzo Merkanti Leisure Limited in terms of paragraph 4.2.3 above; and, or
- 4.2.6. the part financing of key developments which the Group is presently committed to and which are identified in section 5.5 ('Investments') of the Registration Document.

For the purposes of paragraphs 4.2.1 to 4.2.6 above, a loan agreement has been entered into on 8 November 2019 by and between the Issuer (as lender) and AX Holdings Limited (as borrower) (the **"Principal Loan Agreement"**), which agreement is conditional upon the issue and allotment of the Bonds and the Bonds being admitted to the Official List. The Principal Loan Agreement shall be subject to the payment of interest at 4% per annum. The principal amounting to €24,500,000 shall be repayable as follows: (i) the amount representing the proportionate amount of the principal equivalent to the amount of Series I Bonds, as allocated by the Issuer in terms of section 6.4 of this Securities Note ('Allocation Policy'), shall be repayable on 16 November 2026; and (ii) the amount representing the proportionate amount of the principal equivalent to the amount of Series II Bonds, as allocated by the Issuer in terms of the said section 6.4 of this Securities Note, shall be repayable on 16 November 2029.

AX Holdings Limited (as lender) shall in turn be entering into loan agreements with selected Subsidiaries for such Subsidiaries to deploy the proceeds from the Bond Issue in the manner indicated in this section 4.2 (the **"Subsidiary Loan Agreements"**). The terms of the Subsidiary Loan Agreement are set out in a template appended to the Principal Loan Agreement, which shall be applied by AX Holdings Limited and the relevant Subsidiaries for the purpose of constituting the respective loans to be granted to such Subsidiaries. The Principal Loan Agreement sets out the purposes for which the subsidiary loans can be granted, specifically the Intended Uses and, in the unlikely event that either or both of the deeds of sale referred to in paragraphs 4.2.1 and 4.2.2 is/are not concluded, the Alternative Uses. The Subsidiary Loan Agreements will be conditional upon AX Holdings Limited receiving the loan proceeds from the Principal Loan Agreement. The Subsidiary Loan Agreements shall also be subject to the same terms as those to which the Principal Loan Agreement is subject, save that in respect of the repayment term to be applied to such subsidiary loans, AX Holdings Limited reserves the right to determine which of the seven-year repayment term or ten-year repayment term referred to in the preceding paragraph to apply to the particular Subsidiary Loan Agreement, as it may consider necessary for the purpose of fulfilling its repayment obligations under the Principal Loan Agreement.

In the event that the Series I Bonds and, or the Series II Bonds are not fully subscribed, the Issuer will proceed with the listing of the amount of Series I Bonds and, or Series II Bonds, as applicable, actually subscribed for. Accordingly, the Issuer shall apply the net proceeds from the Bond Issue in the manner and order of priority set out above (where necessary applying the re-allocation of proceeds to the Alternative Uses), and any residual amounts required by the Issuer for the purposes of the Intended Uses which shall not have been raised through the Bond Issue, shall be financed from the AX Group's general cash flow.

4.3. 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 €500,000 in the aggregate. There is no particular order of priority with respect to such expenses.

The expenses pertaining to the Bond Issue shall be deducted entirely from the proceeds of the Bond Issue and accordingly shall be borne exclusively by the Company.

4.4. INTEREST OF NATURAL AND LEGAL PERSONS INVOLVED IN THE BOND ISSUE

Save for the possible subscription for the Bonds by Authorised Financial Intermediaries (which includes MeDirect Bank (Malta) plc, being the Sponsor, and Bank of Valletta p.l.c., being the Manager & Registrar), and any fees payable to MeDirect Bank (Malta) plc and Bank of Valletta p.l.c. in connection with the Bond Issue as Sponsor and as Manager & Registrar, respectively, so far as the Issuer is aware, no other person involved in the Bond Issue has an interest, conflicting or otherwise, material to the Bond Issue.

5 INFORMATION CONCERNING THE BONDS

5.1. BOND ISSUE STATISTICS

All terms and conditions of this Securities Note shall apply equally to all Bonds, unless as otherwise expressly specified in this Securities Note as applying exclusively and limitedly to the Series I Bonds or to the Series II Bonds, as the case may be.

ISIN:	with respect to: i. the Series I Bonds:- MT0002361203; ii. the Series II Bonds:- MT0002361211;
Amount:	aggregate amount of up to €25,000,000, comprised of any one or a combination of Series I Bonds and, or Series II Bonds, which combination shall be determined in accordance with the allocation policy of the Issuer set out in section 6.4 of this Securities Note;
Bond Issue Price:	at par (€100 per Bond);
Minimum amount per subscription:	minimum of €2,000 with respect to Series I Bonds and minimum of €10,000 with respect to Series II Bonds, and for both Series I and Series II Bonds, in multiples of €100 thereafter;
Issue Date:	expected on 6 January 2020;
Interest:	in the case of: i. Series I Bonds, interest of 3.25% per annum; ii. Series II Bonds, interest of 3.75% per annum;
Interest Payment Date(s):	means, with respect to the: i. Series I Bonds, 20 December of each year between and including each of the years 2020 and the year 2026; and ii. Series II Bonds, 20 December of each year between and including each of the years 2020 and the year 2029; provided that, in either case, 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;
Redemption Date:	means, with respect to: i. the Series I Bonds, the 20 December 2026; and ii. the Series II Bonds, the 20 December 2029; unless previously purchased for cancellation by the Issuer;
Denomination:	Euro (€);
Status of the Bonds:	the Bonds constitute the general, direct, unconditional and unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves and with other unsecured debt of the Issuer, present and future, if any;
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 CSD;
Admission to Listing and Trading:	the Listing Authority has approved the Bonds for admissibility to listing on the Official List of the Malta Stock Exchange. Application has been made to the Malta Stock Exchange for the Bonds to be listed and traded on its Official List;

Application Forms available:	Application Forms will be mailed to AXI Bondholders on 26 November 2019. AX Group Employees may obtain an Application Form from the Issuer's offices as from 29 November 2019;
Offer Period:	the period between 08:30 hours on 29 November 2019 and 14:00 hours on 12 December 2019 (or such earlier as may be determined by the Issuer) during which the Bonds will be available for subscription by Preferred Applicants;
Intermediaries' Offer:	by 14:00 hours on 18 December 2019. The Intermediaries' Offer will only take place should there still remain Bonds available for subscription following the closure of the Offer Period during which the Bonds are on offer exclusively to Preferred Applicants as aforesaid;
Governing law:	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; and
Underwriting:	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, and shall at all times rank *pari passu*, without any priority or preference among themselves and with other unsecured debt of the Issuer present and future, if any. Furthermore, subject to the negative pledge clause set out in section 5.6 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. As at the date of this Securities Note, the Issuer does not have any subordinated indebtedness.

The following table sets out a summary of the Group's indebtedness, and includes details of security given in respect of guarantees, overdraft facilities, and bank loans as at 25 October 2019. The bank borrowings and facilities listed below are secured by privileges, hypothecs and guarantees, and therefore, to the extent that such borrowings and/or facilities remain outstanding, the indebtedness being created by the Bonds would, specifically in respect of the assets constituting the said security, rank after all these borrowings and/or facilities. 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, in so far as the asset constituting the relevant security is concerned. Existing bank facilities forming part of the Group indebtedness set out in the table below shall be repaid out of part of the net proceeds of the Bond Issue, up to an aggregate amount of €4,500,000.

Table 1: Group Net Indebtedness

Below is a summary of the Group's bank and other borrowings.

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)				
BORROWINGS				
As at	30-Apr-2019	31-Oct-2018	31-Oct-2017	31-Oct-2016
	Unaudited	Audited	Audited	Audited
	€'000	€'000	€'000	€'000
Bank borrowings				
Central Leisure Developments Ltd	5,426	5,860	6,794	8,300
Capua Palace Investments Ltd	784	886	1,081	1,268
Suncrest Hotels p.l.c.	4,477	4,533	5,365	6,195
Luzzu Properties Ltd	-	-	429	2,760
AX Holdings Ltd	-	-	2,112	2,924
Palazzo Merkanti Leisure Ltd	3,839	3,947	4,157	-
Bank overdrafts	-	559	1,144	283
	14,526	15,785	21,082	21,730
Bonds				
6% Bonds 2024	39,487	39,456	39,394	39,540
	39,487	39,456	39,394	39,540
Other borrowings				
Malta Enterprise	-	-	6,529	6,311
Shareholder's loan	-	237	1,204	1,517
	-	237	7,733	7,828
Total borrowings and bonds	54,013	55,478	68,209	69,098

The Issuer will utilise an amount of up to €4,500,000 from the proceeds of the Bond Issue to re-finance in part the following existing banking facilities:

- i. the €7,000,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Suncrest Hotels p.l.c. (C 8643), pursuant to a sanction letter dated 31 December 2013 (as subsequently amended). The loan facility was granted for the the purpose of financing the refurbishment of the guestrooms of the Suncrest Hotel, Qawra and is repayable over a 10-year period ending 2023 in equal monthly instalments at an interest rate of 2.75% over the prevailing bank base rate. This loan facility is secured by a first ranking general hypothec over the present and future assets of Suncrest Hotels p.l.c., as well as a first ranking general hypothec over the Suncrest Hotel. Other security granted in respect of this facility includes a pledge over receivables and insurance. As at the date of this Securities Note, an amount of €4,096,000 was outstanding under this loan facility; and
- ii. the *circa* €950,000 loan facility granted by Bank of Valletta p.l.c. (C 2833) to Capua Palace Investments Ltd (C 19375), pursuant to a sanction letter dated 1 November 2013 (as subsequently amended). The loan facility was granted for the purpose of the financing of amounts due in respect of the acquisition of the Capua Palace, Sliema, and is repayable over a 10-year period ending 2023 in equal monthly instalments at an interest rate of 2% over the prevailing bank base rate. This loan facility is secured by a first ranking special hypothecary guarantee given by Suncrest Hotels p.l.c. and various bank guarantees given by other companies forming part of the Group. As at the date of this Securities Note, an amount of €698,900 was outstanding under this loan facility.

Further details on the Group's bank borrowings are contained in section 6 of the Registration Document entitled 'Capital Resources'.

Table 2: Security

Property secured	Type of security	Amount secured (€)
All the present and future assets of:		
• AX Holdings Limited (C 3595)	GH	11,982,100
• Suncrest Hotels p.l.c. (C 8643)	GH	15,676,546
• Central Leisure Developments Limited (C 25774)	GH	8,566,742
• Capua Palace Investments Limited (C 19375)	GH	951,436
• AX Finance Ltd (C 6867)	GH	5,000,000
• AX Hotel Operations p.l.c. (C 40905)	GH	2,700,000
• Holiday Resorts Limited (C 5733)	GH	1,282,100
• AX Construction Limited (C 17438)	GH	2,500,000
• Verdala Mansions Limited (C 7793)	GH	1,282,100
• Skyline Development Limited (C 34281)	GH	4,700,000
• Palazzo Merkanti Leisure Limited (C 76080)	GH	3,912,403
Hypothec over the following immovable property:		
• AX Seashells Resort at Suncrest, Qawra, (inclusive of Tal-Kaptan restaurant and lido but exclusive of 6th floor)	SH GHG	20,927,982 2,700,000
• Sunny Coast Resort and Spa Complex, Qawra (inclusive of Coral Reef Restaurant, excluding 26 apartments under timeshare agreements)	SH	2,581,000
• AX The Palace Hotel, Sliema	SH GHG	22,044,742 5,980,000
• AX Rosselli, Valletta	SH	3,912,403
• Verdala Mansions, Rabat	GHG	1,680,000
• Tal-Qares site, Mosta	SH	4,700,000

(SH = special hypothec; GH = general hypothetic; GHG = general hypothecary guarantee)

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 repayment 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 above;
- 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 this Prospectus.

5.4. INTEREST

5.4.1. The Bonds shall bear interest:

- i. with respect to the Series I Bonds, from and including 20 December 2019 at the rate of 3.25% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020); and
- ii. with respect to the Series II Bonds, from and including 20 December 2019 at the rate of 3.75% per annum on the nominal value thereof, payable annually in arrears on each Interest Payment Date. The first interest payment will be effected on 20 December 2020 (covering the period 20 December 2019 to 19 December 2020);

Provided that 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.

5.4.2. 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.

5.4.3. 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 360 day year consisting of 12 months of 30 days each, and in the case of an incomplete month, the number of days elapsed.

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 the Redemption Date is: (i) 3.25% with respect to the Series I Bonds; and (ii) 3.75% with respect to the Series II Bonds.

5.6. NEGATIVE PLEDGE

The Issuer undertakes, 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 its present or future assets or revenues to secure any Financial Indebtedness (as defined below) of the Issuer, unless at the same time or prior thereto the Issuer's indebtedness under the Bonds 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;
- **"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, in an aggregate outstanding amount not exceeding 80% of the difference between the value of the Unencumbered Assets of the Issuer and the aggregate principal amount of Bonds outstanding at the time. Provided that the aggregate Security Interests referred to in (B) and (C) hereof do not result in the unencumbered assets of the Issuer being less than 103.75% of the aggregate principal amount of the Bonds still outstanding;
- **"Unencumbered Assets"** means assets which are not subject to a Security Interest.

5.7. PAYMENTS

5.7.1. 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 days of the relevant Redemption Date. The Issuer shall not be responsible for any charges, 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.

5.7.2. 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.

5.7.3. Payment of interest on a Bond will be made to the person in whose name such Bond is registered at the close of business 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 days of the Interest Payment Date. The Issuer shall not be responsible for any charges, loss or delay in transmission.

5.7.4. 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.

5.7.5. No commissions or expenses shall be charged by the Issuer to Bondholders in respect of such payments.

5.8. REDEMPTION AND PURCHASE

5.8.1. 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 the relevant Redemption Date.

5.8.2. Subject to the provisions of this section 5.8, 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.

5.8.3. All Bonds so purchased will be cancelled forthwith and may not be re-issued or re-sold.

5.9. EVENTS OF DEFAULT

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

5.9.1. the Issuer shall fail to pay any interest on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or

5.9.2. the Issuer shall fail to pay the principal amount on any Bond when due and such failure shall continue for 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or

5.9.3. the Issuer 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 60 days after written notice thereof shall have been given to the Issuer by any Bondholder; or

5.9.4. 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; or

5.9.5. the Issuer 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

5.9.6. the Issuer is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or

5.9.7. there shall have been entered against the Issuer 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 an amount equivalent to at least 10% of the equity value of the Company, and 90 days shall have passed since the date of entry of such judgment without its having been satisfied or stayed; or

5.9.8. 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 in excess of an amount equivalent to at least 10% of the equity value of the Company or its equivalent at any time.

5.10. TRANSFERABILITY OF THE BONDS

5.10.1. 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. The minimum subscription amount of €2,000 for Series I Bonds and €10,000 for Series II Bonds shall only apply during the Offer Period and in relation to the Intermediaries' Offer (if it takes place). As such, no minimum holding requirement shall be applicable once the Bonds are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of €100.

5.10.2. 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.

- 5.10.3.** All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.
- 5.10.4.** The costs 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.
- 5.10.5.** The Issuer will not register the transfer or transmission of Bonds for a period of 15 days preceding the due date for any payment of interest on the Bonds.

5.11. 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 or upon such terms as the Issuer may determine at the time of their issue.

5.12. MEETINGS OF BONDHOLDERS

- 5.12.1.** 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.
- 5.12.2.** 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 30 days preceding the date scheduled for the meeting, not less than 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.
- 5.12.3.** 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 5.12 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Issuer.
- 5.12.4.** The amendment or waiver of any of the Terms and Conditions of the Bonds, may only be made with the approval of Bondholders at a meeting called and held for that purpose in accordance with the terms hereof.
- 5.12.5.** 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 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 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 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 days, and not later than 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.
- 5.12.6.** 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.
- 5.12.7.** 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.
- 5.12.8.** The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Issuer.
- 5.12.9.** The proposal placed before a meeting of Bondholders shall only be considered approved if at least 75% 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.
- 5.12.10.** 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.

5.13. AUTHORISATIONS

The Board of Directors of the Issuer authorised the Bond Issue pursuant to a Board of Directors' resolution passed on 8 November 2019.

The Listing Authority admitted the Bonds as eligible to listing on the Official List of the MSE pursuant to the Listing Rules by virtue of a letter dated 22 November 2019.

5.14. NOTICES

Notices will be mailed to Bondholders at their registered addresses and shall be deemed to have been served at the expiration of 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 TERMS AND CONDITIONS OF THE BOND ISSUE

6.1. GENERAL TERMS AND CONDITIONS OF THE BONDS

THESE GENERAL TERMS AND CONDITIONS SHALL APPLY TO ALL APPLICATIONS FOR BONDS MADE PURSUANT TO THE BOND ISSUE UNDER THIS SECURITIES NOTE, REGARDLESS OF WHETHER AN APPLICATION IS MADE FOR SERIES I BONDS, SERIES II BONDS, OR BOTH:

- 6.1.1.** The allotment of Bonds in favour of successful Applicants 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, 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.
- 6.1.2.** The contract created by the Issuer's acceptance of an Application shall be subject to all the general terms and conditions set out in this section 6.1 and in the remainder of this Securities Note, the Memorandum and Articles of the Issuer and in the respective Application Form. It is the responsibility of investors wishing to apply for Bonds to inform themselves 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.
- 6.1.3.** Subject to all other terms and conditions set out in the Prospectus (including, in particular, the allocation policy set out in section 6.4 of this Securities Note), 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 the instructions or is not accompanied by the required documents. Only original Application Forms will be accepted and photocopies/facsimile copies will not be accepted.
- 6.1.4.** In the case of joint Applications, reference to the Applicant in these general terms and conditions set out in this section 6.1 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 (Joint) Applicants" in the Application Form or joint holders in the register of Bondholders, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Bond/s (as applicable) so held.
- 6.1.5.** In the case of corporate Applicants or Applicants having separate legal personality, the Application Form must be signed by a person/s authorised to sign and bind such Applicant. It shall not be incumbent on the Company or Registrar to verify whether the person or persons purporting to bind such an Applicant is or are in fact authorised. Applications by corporate Applicants have to include a valid legal entity identifier (LEI) which must be unexpired. Applications without such information or without a valid LEI will not be accepted.
- 6.1.6.** In respect of a Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Bondholders. 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: (a) receive interest on the Bond/s; and (b) to vote at meetings of the Bondholders, but shall not, during the continuance of the Bond/s, have: (i) the right to dispose of the Bond/s so held without the consent of the bare owner; and (ii) shall not be entitled to the repayment of principal on the Bond/s so held (which shall be due to the bare owner).
- 6.1.7.** Applications in the name and for the benefit of minors shall be allowed provided that the Applicant already holds an MSE account and that the Application Form is signed by both parents or the legal guardian/s.
- 6.1.8.** Any Bonds allocated pursuant to such an Application shall be registered in the name of the minor as a Bondholder, with interest and redemption monies payable (as applicable) to the parents / legal guardian/s signing the Application Form until such time as the minor attains the age of 18 years, following which all dividends or interest and redemption monies (as applicable) shall be paid directly to the registered holder, provided that the MSE has been duly notified in writing of the fact that the minor has attained the age of 18 years.

- 6.1.9.** All Applications for the Bonds must be submitted on the appropriate Application Form within the time limits established therein, including the minimum application subscriptions in an initial application amount of €2,000 for Series I Bonds and €10,000 for Series II Bonds, and Applications in excess of the said minimum must be in multiples of €100 in Bonds;
- 6.1.10.** All Application Forms are to be lodged with any of the Authorised Financial Intermediaries. All Application Forms must be accompanied by the full price due for the Bonds applied for, in Euro, and payments may be made in cash or by cheque payable to the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the Authorised Financial Intermediary and/or the Company acting through the Registrar reserve the right to invalidate the relative Application Form.
- 6.1.11.** 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 Business Days from the date of announcement of basis of acceptance.
- 6.1.12.** For the purposes of the Prevention of Money Laundering and Funding of Terrorism Regulations 2008 (Legal Notice 180 of 2008, as amended), 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 3.6 of the MSE Bye-Laws, irrespective of whether the said appointed Authorised Financial Intermediaries are Malta Stock Exchange Members or not. Such information shall be held and controlled by the Malta Stock Exchange in terms of the Data Protection Act (Cap. 586 of the Laws of Malta) and/or Regulation (EU) No. 2016/679 (the "GDPR"), as amended, for the purposes and within the terms of the MSE's data protection and privacy policy as published from time to time.
- 6.1.13.** It shall be incumbent upon the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to the subscription of the Bonds by an Applicant are complied with, including without limitation the obligation to comply with all applicable requirements set out in Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments ("**MIFID II**"), and Regulation (EU) No. 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments and amending Regulation (EU) No. 648/2012 ("**MIFIR**"), in each case as amended, as well as applicable MFSA Rules for investment services providers.
- 6.1.14.** By not later than 20 December 2019, the Issuer shall announce the results of the Bond Issue through a company announcement.
- 6.1.15.** No person receiving or downloading a copy of the Prospectus (or part thereof) or an Application Form in any territory other than Malta, may treat the same as constituting an invitation or offer to him/ her, nor should he/she in any event deal with the Application Form unless, in the relevant territory, such an invitation or offer could lawfully be made to him/her or the Application Form could lawfully be used or dealt with without contravention of any legal or regulatory requirements.
- 6.1.16.** Subscription for Bonds by persons resident in, or who are citizens of, or who are domiciled in, or who have a registered address in, a jurisdiction other than Malta, may be affected by the law of the relevant jurisdiction. Those persons should consult their professional advisers (including tax and legal advisers) as to whether they require any governmental or other consents, or need to observe any other formalities, to enable them to subscribe for the Bonds. It is the responsibility of any person (including, without limitation, nominees, custodians, depositaries and trustees) outside Malta wishing to participate in the Bond Issue, to satisfy himself/herself/itself as to full observance of the applicable laws of any relevant jurisdiction, including, but not limited to, obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any transfer or other taxes (of any nature whatsoever) due in such territories. The Issuer shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.
- 6.1.17.** Having considered the circumstances, the Company has formed the view (due to the onerous requirements involved in the registration of this Prospectus in any territory other than Malta and/or compliance with the relevant legal or regulatory requirements) not to send Application Forms to AXI Bondholders, having their address as included in the register of bondholders, outside Malta, except where, *inter alia*, in the absolute discretion of the Company, it is satisfied that such action would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.
- 6.1.18.** 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.
- 6.1.19.** Certificates will not be delivered to Bondholders in respect of the Bonds in virtue of the fact that the entitlement to the 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.
- 6.1.20.** The CSD will issue, upon a request by a Bondholder, a statement of holdings to such Bondholder evidencing his/her/its entitlement to the Bonds held in the register kept by the CSD.

6.1.21. Applicants may opt to subscribe for the online e-portfolio of the MSE. The Bondholder's statement of holdings evidencing entitlement to the Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facilities on <https://eportfolio.borzamalta.com.mt/>. Further details on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.

6.1.22. By completing and delivering any Application Form, the Applicant:

- i. accepts to be irrevocably contractually committed to acquire the number of Bonds allocated to such Applicant at the Bond Issue Price and, to the fullest extent permitted by law, accepts to be deemed to have agreed not to exercise any rights to rescind or terminate, or otherwise withdraw from, such commitment, such irrevocable offer to purchase, and pay the consideration for, the number of Bonds specified in the Application Form submitted by the Applicant (or any smaller number of Bonds for which the Application is accepted) at the Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions, the Application Form and the Memorandum and Articles of Association of the Company;
- ii. 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;
- iii. warrants that the information submitted by the Applicant in the Application Form is true and correct in all respects. All Applications need to include a valid MSE account number in the name of the Applicant/s. Failure to include an MSE account number will result in the Application being cancelled by the Issuer (acting through the Registrar) and subscription monies will be returned to the Applicant in accordance with section 6.1.11 above. 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;
- iv. acknowledges the processing of any personal data for the purposes specified in the privacy notice published by the Issuer, which is available on the Issuer's website on: www.axgroup.mt. The Applicant hereby acknowledges that the processing of personal data may validly take place, even without the Applicant's consent, in the circumstances set out in the GDPR and the Data Protection Act (Cap. 586 of the laws of Malta) and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that the he/she has been provided with and has read the privacy notice;
- v. authorises the Issuer (or its services providers, including the CSD and, or the Registrar), and the MSE and the relevant Authorised Financial Intermediary, as applicable, to process the personal data that the Applicant provides in the Application Form, for all purposes necessary and subsequent to the Securities applied for, as the case may be, in accordance with the GDPR and the Data Protection Act (Cap. 586 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 in relation to the Bonds applied for, as the case may be. Any such requests must be made in writing and sent to the Issuer at the address indicated in the Prospectus and sent to the CSD at the MSE. The requests must further be signed by the Applicant to whom the personal data relates;
- vi. confirms that in making such Application no reliance was placed on any information or representation in relation to the Issuer or the Bond Issue 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;
- vii. agrees that any refund of unallocated Application monies, without interest, will be paid by direct credit, at the Applicant's own risk, to the bank account as indicated in the Application Form. The Company shall not be responsible for any loss or delay in transmission or any charges in connection therewith;
- viii. warrants that the remittance will be honoured on first presentation and agrees that, if such remittance is not so honoured: (i) the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Bonds, unless and until a payment is made in cleared funds for such Bonds and such payment is accepted by the respective Authorised Financial Intermediary or by the Issuer acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the Authorised Financial Intermediary or the Issuer acting through the Registrar is indemnified for 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 at any time prior to unconditional acceptance by the Issuer acting through the Registrar of such late payment in respect of the Bonds); or (ii) the Company may, without prejudice to other rights, treat the agreement to allocate such Bonds as void and may allocate such Bonds to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Bonds (other than return of such late payment);
- ix. agrees that the registration advice and other documents and any monies returnable to the Applicant may be retained pending clearance of his/her remittance 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;
- x. agrees to provide the Issuer (acting through the Registrar), as the case may be, with any information which it/they may request in connection with the Application;
- xi. agrees that all Applications, acceptances of Applications and contracts resulting therefrom will be governed, and construed, in accordance with Maltese law, and to submit to the jurisdiction of the Maltese courts, and agrees that nothing shall limit the right of the Company to bring any action, suit or proceedings arising out of or in connection with any such Applications, acceptance of Applications and contracts resulting therefrom in any manner permitted by law in any court of competent jurisdiction;
- xii. warrants that, where an Applicant signs and submits an Application Form on behalf of another person or on behalf of a corporation or corporate entity or association of persons, the Applicant is duly authorised to do so and such person,

corporation, corporate entity, or association of persons will also be bound accordingly and will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in the Terms and Conditions and undertake to submit your power of attorney or a copy thereto duly certified by a lawyer or notary public if so required by the Company or the Registrar;

- xiii. warrants that where the Applicant is under the age of 18 years, or where an Application is being lodged in the name and for the benefit of a minor, the Applicant is the parent/s or legal guardian/s of the minor;
- xiv. 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 Bonds, and/or his/her Application;
- xv. warrants that all applicable exchange control or other such regulations (including those relating to external transactions) have been duly and fully complied with;
- xvi. 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;
- xvii. agrees that the advisors to the Issuer listed in section 3.2 of the Registration Document under the heading "Advisors" will owe the Applicant no duties or responsibilities (fiduciary or otherwise) concerning the Bonds or the suitability thereof to the Applicant;
- xviii. 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) as set out in the Application Form;
- xix. 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 and conditions of the Bonds.

6.2. PLAN OF DISTRIBUTION AND ALLOTMENT

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

- i. Preferred Applicants up to the total aggregate amount of the Bonds; and
- ii. the Authorised Financial Intermediaries shall be entitled to subscribe for the Bonds through an Intermediaries' Offer, for their own account or on account of their underlying clients, up to the balance, if any, of the Bonds not subscribed for by the Preferred Applicants as described in further detail in section 6.5 of this Securities Note.

In each case, subscription amounts shall be in multiples of €100, subject to a minimum initial subscription of €2,000 with respect to Series I Bonds and €10,000 with respect to Series II Bonds (such minimum amounts for each respective Series shall also apply in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, for each underlying application (and in multiples of €100 thereafter)).

It is expected that an allotment advice will be dispatched to Applicants within five Business Days of the announcement of basis of acceptance. The registration advice and other documents and any monies returnable to Applicants may be retained pending clearance of the remittance 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.

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

6.3. PRICING

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

6.4. ALLOCATION POLICY

The Issuer shall allocate the Bonds on the basis of the following allocation policy and order of priority:

- i. A maximum amount of up to €25,000,000 in Bonds shall be first allocated to the Preferred Applicants, in accordance with an allocation policy as determined by the Issuer (acting through the Registrar).

It is the intention of the Issuer to split the Bonds into €15,000,000 Series I Bonds and €10,000,000 Series II Bonds. Preferred Applicants may indicate the amount of Series I and, or Series II Bonds they wish to apply for. In the event that Applications from Preferred Applicants in any one of the Series exceed the respective intended threshold indicated above, but there remain unallocated Bonds in the other Series, the Issuer (acting through the Registrar) shall, to the extent possible, allocate such remaining Bonds to those Applicants that have indicated on the respective Application Form (by ticking the appropriate box in Panel D) their willingness to have the excess utilised for the subscription for Bonds of the other Series of Bonds.

If following application of the mechanism specified in the preceding paragraph, Applications from Preferred Applicants exceed the amount available for subscription, the Issuer (acting through the Registrar) shall scale down Applications in accordance with its allocation policy and the subscription of any unsatisfied Applications, or part thereof, shall be returned by direct credit transfer to the account number indicated on the respective Application Form within five Business Days from the announcement of the basis of acceptance.

- ii. Any balance of the Bonds not subscribed for by Preferred Applicants shall be made available for subscription by Authorised Financial Intermediaries through an Intermediaries' Offer, whether for their own account or on account of their underlying customers, who have submitted a subscription agreement as detailed in section 6.5 hereunder.

In the event that the subscription agreements received exceed the amount available for subscription in terms of this point (ii), the Issuer (acting through the Registrar) shall scale down each subscription agreement in accordance with its allocation policy and the subscription monies of any unsatisfied subscription agreements, or part thereof, shall be returned by direct credit transfer to the respective Authorised Financial Intermediary to the account number indicated on the respective subscription agreement by latest 20 December 2019.

Notwithstanding the Issuer's intention to split the Bonds in the amount of €15,000,000 Series I Bonds and €10,000,000 Series II Bonds, the Issuer reserves the right to allocate the Bonds in any one or a combination of Series I Bonds and Series II Bonds, which allocation will be determined at the sole discretion of the Board of Directors of the Issuer. The Issuer shall announce the result of the Bond Issue through a company announcement by not later than 20 December 2019.

6.5. INTERMEDIARIES' OFFER

The Issuer may enter into conditional subscription agreements with Authorised Financial Intermediaries for the subscription of the resultant balance of Bonds not subscribed to by Preferred Applicants, if any.

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, on its own account or on account of its underlying clients, the number of Bonds indicated therein subject to being admitted to trading on the Official List of the Malta Stock Exchange. 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 €2,000 with respect to Series I Bonds and €10,000 with respect to Series II Bonds. The minimum subscription amounts for each respective Series shall also apply for each underlying application (and in multiples of €100 thereafter).

6.6. APPLICATIONS FOR BONDS

Preferred Applicants may subscribe for Series I Bonds by completing Application Form 'Series I' and for Series II Bonds by completing Application Form 'Series II', specimens of which can be found in Annex 2 to this Securities Note. Such Application Forms may be submitted to any Authorised Financial Intermediary by latest 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer.

In the eventuality that the Intermediaries' Offer takes place, other investors may subscribe for Series I Bonds and, or Series II Bonds through any Authorised Financial Intermediary. Authorised Financial Intermediaries need to submit completed subscription agreements as further described in section 6.5 above, indicating the number of Bonds they are interested to subscribe for in the respective Series of Bonds by latest 14:00 hours on 18 December 2019.

All applications shall be subject to the General Terms and Conditions of the Bonds as set out in section 6.1 above, the terms of which shall form an integral part hereof.

6.7. ADMISSION TO TRADING

- 6.7.1.** The Listing Authority has authorised the Bonds as admissible to Listing pursuant to the Listing Rules by virtue of a letter dated 22 November 2019.
- 6.7.2.** 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 Malta Stock Exchange.
- 6.7.3.** The Bonds are expected to be admitted to the Official List of the MSE with effect from 6 January 2020 and trading is expected to commence on 7 January 2020.

7 TAXATION

7.1. 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 respectively, 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.

7.2. INFORMATION TO INVESTORS IN THE BONDS

7.2.1. 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 to receive the interest gross of any withholding tax 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% (10% in the case of certain types of collective investment schemes) of the gross amount of the interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta). 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 is not obliged to declare the interest so received in his income tax return (to the extent that the interest is paid net of tax). No person shall be charged to further tax in respect of such income. Furthermore, such tax should not be available as a credit against the recipient’s tax liability or for a refund, as the case may be, for the relevant year of assessment in Malta. The Issuer will render an account to the Maltese Commissioner for Revenue of all amounts so deducted, including the identity of the recipient.

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 Maltese income tax return and be subject to tax on such interest at the standard rates applicable to such Bondholder at that time. Additionally, in this latter case the Issuer will advise the Maltese Commissioner for Revenue on an annual basis in respect of all interest paid gross and of the identity of all such recipients. 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, including but not limited to the condition that the Bondholder is not owned and controlled by, whether directly or indirectly, nor acts on behalf of an individual/s who are ordinarily resident and domiciled in Malta, 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.

7.2.2. Maltese taxation on capital gains on transfer of the Bonds

As the Bonds do 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”, to the extent that the Bonds are held as capital assets by the Bondholder, no tax on capital gains is chargeable in respect of transfer of the Bonds.

7.2.3. Duty on documents and transfers

In terms of the Duty on Documents and Transfers Act (Cap. 364 of the laws of Malta), duty is chargeable *inter alia* on the transfer *inter vivos* or transmission *causa mortis* of marketable securities. A marketable security is defined as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds do not constitute marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof is not chargeable to duty.

7.3. EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Issuer and/or its agent are required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Bondholders) to the Commissioner for Revenue. The Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions.

Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU, 2015/2376, 2016/881 and 2016/2258) provides for the implementation of the Common Reporting Standard (“**CRS**”) into Maltese legislation. The CRS has been proposed by the OECD as a new global standard for the automatic exchange of financial account information between tax authorities in participating jurisdictions. CRS has been transposed into Maltese legislation by virtue of the Cooperation with Other Jurisdictions on Tax Matters Regulations, Subsidiary Legislation 123.127 (“**CRS Legislation**”). Malta based financial institutions

("FIs") (defined as such for the purposes of CRS) are obliged to identify and report to the Maltese tax authorities financial accounts held by a Reportable Person, as defined under the CRS Legislation, and certain entities with one or more Controlling Persons, as defined under the CRS Legislation, which is classified as a Reportable Person. Financial information relating to Bonds and the holders of the Bonds may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

In particular with respect to CRS, the following information will be reported by the FIs to the Maltese competent authority in respect of each reportable account maintained by the FIs:

- i. The name, address, jurisdiction of tax residence, tax identification number (TIN) and date and place of birth;
- ii. The account number (or functional equivalent in the absence of an account number);
- iii. The account balance or value as of the end of the relevant calendar year or other appropriate reporting period or, if the account was closed during such year or period, the closure of the account;
- iv. The total gross amount paid or credited to the account holder with respect to the account during the calendar year or other appropriate reporting period with respect to which the FI is the obligor or debtor, including the aggregate amount of any redemption payments made to the account holder during the calendar year or other appropriate reporting period.

The Maltese tax authorities shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority on annual basis, any relevant information that may fall to be classified as reportable, and *vice versa*.

The Maltese tax authorities shall by automatic exchange framework for reciprocal information exchange, communicate to the other competent authority, any relevant information that may fall to be classified as reportable, and *vice versa*.

Foreign Tax Compliance Act ("FATCA") has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, Subsidiary Legislation 123.156 ("FATCA Legislation"). Under the FATCA Legislation, FIs in Malta (defined as such for the purposes of FATCA) are obliged to identify and report financial accounts held by Specified U.S. persons, as defined under the FATCA Legislation, and certain non U.S. entities which are controlled by U.S. Controlling Persons, as defined under the FATCA Legislation, to the Maltese tax authorities. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the Order on an automatic basis. Non-compliance may result in a punitive 30% withholding tax on distributions captured by FATCA. Financial account information in respect of holders of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations.

In particular, FIs reserve the right to store, use, process, disclose and report any required information including all current and historical data related to the past and/or present account(s) held by Reportable Persons, including, but not limited to, the name, address, date of birth, place of birth and US TIN, the details of any account transactions, the nature, balances and compositions of the assets held in the account, to the Maltese competent authority.

FIs reserve the right to request any information and/or documentation required, in respect of any financial account, in order to comply with the obligations imposed under FATCA and CRS and any referring legislation. In the case of failure to provide satisfactory documentation and/or information, FIs may take such action as it thinks fit, including without limitation, the closure of the financial account.

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 THE BONDS AS WELL AS DISTRIBUTION OF INTEREST PAYMENTS MADE BY THE ISSUER. THE ABOVE IS A SUMMARY OF THE ANTICIPATED TAX TREATMENT APPLICABLE TO THE BONDS. 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.

8 INDEPENDENT CREDIT RATING

The Issuer has not sought, nor does it intend to seek the credit rating of an independent agency and there has been no assessment of the Bonds by any independent rating agency.

9 ADDITIONAL INFORMATION

Save for the financial analysis summary set out as Annex 3, this Securities Note does not contain any statement or report attributed to any person as an expert. The financial analysis summary has been included in the form and context in which it appears with the authorisation of the Sponsor (MeDirect Bank (Malta) plc a company registered under the laws of Malta with company registration number C 34125 and having its registered office at The Centre, Tigné Point, Sliema TPO 0001, Malta, licensed by the MFSA and a member of the MSE. The role of sponsor is conducted by the corporate finance division of MeDirect Bank (Malta) plc, which operates under the brand name 'Charts'), which has given and has not withdrawn its consent to the inclusion of such report herein. The Sponsor does not have any material interest in the Issuer. The Issuer confirms that the financial analysis summary has been accurately reproduced in the Securities Note 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.

ANNEX 1

AUTHORISED FINANCIAL INTERMEDIARIES

Name	Address	Telephone
APS Bank p.l.c.	APS Centre, Tower Road, Birkirkara BKR 4012	25603000
Bank of Valletta p.l.c.	BOV Centre, Cannon Road, Zone 4, Central Business District, Santa Venera CBD 4060	22751732
Calamatta Cuschieri Investment Services Ltd	Ewropa Business Centre, Triq Dun Karm, Birkirkara BKR 9034	25688688
Curmi & Partners Ltd	Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102	21347331
Financial Planning Services Ltd	4, Marina Court, G Cali Street, Ta' Xbiex XBX 1421	21344244
FINCO Treasury Management Ltd	The Bastions Office No. 2, Emvin Cremona Street, Floriana FRN 1281	21220002
Hogg Capital Investments Ltd	Nu Bis Centre, Mosta Road, Lija LJA 9012	21322872
Jesmond Mizzi Financial Advisors Ltd	67/3, South Street, Valletta VLT 1105	23265696
Lombard Bank Malta p.l.c.	67, Republic Street, Valletta VLT 1117	25581806
MeDirect Bank (Malta) p.l.c.	The Centre, Tigné Point, Sliema TPO 0001	25574400
Michael Grech Financial Investment Services Limited	The Brokerage, Level O A, St Marta Street, Victoria VCT 2550, Gozo	21554492
MZ Investment Services Ltd	61, St Rita Street, Rabat RBT 1523	21453739
Rizzo, Farrugia & Co (Stockbrokers) Ltd	Airways House, Fourth Floor, High Street, Sliema SLM 1551	22583000
Zenith Finance Ltd	220, Immaculate Conception Street, Msida MSD 1838	21332200

ANNEX 2

SPECIMEN APPLICATION FORMS



AX GROUP P.L.C.
€25,000,000*

3.25% UNSECURED BONDS 2026 APPLICATION FORM SERIES I - PREFERRED APPLICANTS

**in any one or a combination of the 3.25% unsecured bonds 2026 and/or 3.75% unsecured bonds 2029*

This Application Form is not transferable and entitles you to subscribe for AX Group p.l.c. 3.25% Unsecured Bonds 2026 as a Preferred Applicant (collectively AXI Bondholders and AX Group Employees) as at 14 November 2019. Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

A APPLICANT (see notes 2 to 7)			
		I.D. CARD / PASSPORT NO.	MSE A/C NO. (mandatory)
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
LEI (Legal Entity Identifier) (If Applicant is NOT an individual)		PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/>	MOBILE NO. (mandatory for e-portfolio)
B ADDITIONAL (JOINT) APPLICANTS (see note 3) (please use Addendum to Application Form if space is not sufficient)			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
C DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) (see notes 4 & 7) (to be completed ONLY if applicable)			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
D I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8):			
AMOUNT IN FIGURES €		AMOUNT IN WORDS	
<p>AX Group p.l.c. 3.25% Unsecured Bonds 2026 (the "Bonds") (minimum subscription of €2,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 22 November 2019 (the "Prospectus"), payable in full upon application under the General Terms and Conditions of the Bonds as set out in the Prospectus.</p> <p><input type="checkbox"/> I hereby elect to have any unallocated amounts with respect to my Application to subscribe for the Series I Bonds to be considered for allocation for the Series II Bonds (which election shall apply only where there remains unallocated Bonds for the Series II Bonds, and which allocation shall, in any case, be subject to the allocation policy of the Issuer).</p>			
E RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION (see notes 9 & 10) (to be completed ONLY if the Applicant is a resident of Malta)			
<input type="checkbox"/> I/We elect to receive interest NET of FWT		<input type="checkbox"/> I/We elect to receive interest GROSS (i.e. without FWT)	
F NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see notes 2 & 10) (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		
<input type="checkbox"/> NOT resident in Malta but resident in the European Union		<input type="checkbox"/> NOT resident in Malta and NOT resident in the European Union	
G INTEREST, REFUND AND REDEMPTION MANDATE (see notes 11 & 12) (completion of this panel is MANDATORY)			
BANK	IBAN		
<p>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 of the Bonds as contained therein which I/we fully accept.</p> <p>I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.</p>			
Signature/s of Applicant/s <small>(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 Bonds that are subject to usufruct)</small>			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 22 November 2019 regulating the Bond Issue

1. This Application is governed by the General Terms and Conditions of the Bonds contained in Section 6.1 of the Securities Note dated 22 November 2019 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. For applicants who are non-residents in Malta for tax purposes, the relative box in Panel F must be completed.
3. The MSE account number pertaining to AXI Bondholders, has been preprinted in Panel A and reflects the MSE account number on the bond register of the €40 million AX Investments p.l.c. 6% Bonds 2024 held at the CSD as at 14 November 2019 (trading session of the 12 November 2019). If an MSE account pertains to more than one person (including husband and wife), the full details of all individuals must be given in Panels A and B but the person whose name appears in Panel A shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). **Applications by more than two persons are to use the Addendum to the Application Form.**
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account on the MSE. 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 Company has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel C must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **AX GROUP EMPLOYEES ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL A, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. PREFERRED APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, 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 AFFECTED.**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel C.
8. Applications must be for a minimum subscription of €2,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
9. Only Applicants who hold a valid 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 will be obliged to declare interest so received in the tax return. The Company will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. 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.
In terms of Section 7.2 of the Securities Note, unless the Company 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 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).
10. 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 Director General Inland Revenue, Malta, 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 Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
The contents of Notes 9 and 10 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Offer Period will open at 08:30 hours on 29 November 2019 and will close at 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer. Completed Application Forms are to be delivered to any Authorised Financial Intermediary 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 Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in panel G.
13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Company or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - b. the Company may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Company.

Any such requests must be made in writing and addressed to the Company. 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 Bonds 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.

3.75% UNSECURED BONDS 2029
APPLICATION FORM SERIES II - PREFERRED APPLICANTS
**in any one or a combination of the 3.25% unsecured bonds 2026 and/or 3.75% unsecured bonds 2029*

This Application Form is not transferable and entitles you to subscribe for AX Group p.l.c. 3.75% Unsecured Bonds 2029 as a Preferred Applicant (collectively AXI Bondholders and AX Group Employees) as at 14 November 2019. Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

A APPLICANT (see notes 2 to 7)		I.D. CARD / PASSPORT NO.	MSE A/C NO. (mandatory)

DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY
LEI (Legal Entity Identifier) (if Applicant is NOT an individual)		PLEASE REGISTER ME FOR E-PORTFOLIO <input type="checkbox"/>	MOBILE NO. (mandatory for e-portfolio)

B ADDITIONAL (JOINT) APPLICANTS (see note 3) *(please use Addendum to Application Form if space is not sufficient)*

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH

C DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) (see notes 4 & 7) *(to be completed ONLY if applicable)*

TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME	I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH

D I/WE APPLY TO PURCHASE AND ACQUIRE (see note 8):

AMOUNT IN FIGURES €	AMOUNT IN WORDS

AX Group p.l.c. 3.75% Unsecured Bonds 2029 (the "Bonds") (minimum subscription of €10,000 and in multiples of €100 thereafter) at the Bond Issue Price (at par), as defined in the Prospectus dated 22 November 2019 (the "Prospectus"), payable in full upon application under the General Terms and Conditions of the Bonds as set out in the Prospectus.

I hereby elect to have any unallocated amounts with respect to my Application to subscribe for the Series II Bonds to be considered for allocation for the Series I Bonds (which election shall apply only where there remains unallocated Bonds for the Series I Bonds, and which allocation shall, in any case, be subject to the allocation policy of the Issuer).

E RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION (see notes 9 & 10) *(to be completed ONLY if the Applicant is a resident of Malta)*

I/We elect to receive interest NET of FWT I/We elect to receive interest GROSS (i.e. without FWT)

F NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see notes 2 & 10) *(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

NOT resident in Malta but resident in the European Union NOT resident in Malta and NOT resident in the European Union

G INTEREST, REFUND AND REDEMPTION MANDATE (see notes 11 & 12) *(completion of this panel is MANDATORY)*

BANK	IBAN

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 of the Bonds as contained therein which I/we fully accept.

I/We hereby authorise the Company to forward the details to the Malta Stock Exchange for the purposes of registering the Bonds in my/our MSE account, to register for the e-portfolio (where applicable) and to enable the reporting of all necessary transaction and personal information provided in this Application Form in compliance with Article 26 of MiFIR (Markets in Financial Instruments Regulation) to the Malta Financial Services Authority as competent authority ("Transaction Reporting"). Furthermore, I/we understand and acknowledge that the Company may require additional information for Transaction Reporting purposes and agree that such information will be provided.

Signature/s of Applicant/s _____ Date _____
(Parent/s or legal guardian/s are/s 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 Bonds that are subject to usufruct)

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 22 November 2019 regulating the Bond Issue

1. This Application is governed by the General Terms and Conditions of the Bonds contained in Section 6.1 of the Securities Note dated 22 November 2019 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. For applicants who are non-residents in Malta for tax purposes, the relative box in Panel F must be completed.
3. The MSE account number pertaining to AXI Bondholders, has been preprinted in Panel A and reflects the MSE account number on the bond register of the €40 million AX Investments p.l.c. 6% Bonds 2024 held at the CSD as at 14 November 2019 (trading session of the 12 November 2019). If an MSE account pertains to more than one person (including husband and wife), the full details of all individuals must be given in Panels A and B but the person whose name appears in Panel A shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below). **Applications by more than two persons are to use the Addendum to the Application Form.**
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility (by marking the relative box in Panel A), will receive by mail at their registered address a handle code to activate the new e-portfolio login. Registration for the e-Portfolio facility requires a mobile number to be provided on the Application Form. The Bondholder's statement of holdings evidencing entitlement to Bonds held in the register kept by the CSD and registration advices evidencing movements in such register will be available through the said e-portfolio facility on <https://eportfolio.borzamalta.com.mt/>. Further detail on the e-portfolio may be found on <https://eportfolio.borzamalta.com.mt/Help>.
4. Applications in the name and for the benefit of minors shall be allowed provided that the applicant already holds an account on the MSE. 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 Company has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Panel C must be inserted with full details of the parents/legal guardians.
5. In the case of a body corporate, a valid Legal Entity Identifier ("LEI") needs to be inserted in Panel A. **Failure to include a valid LEI code, will result in the Application being cancelled by the Registrar.** Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.
6. **AX GROUP EMPLOYEES ARE TO INSERT AN MSE ACCOUNT NUMBER IN THE SPACE PROVIDED IN PANEL A, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. PREFERRED APPLICANTS ARE TO NOTE THAT ANY SECURITIES ALLOTTED TO THEM WILL BE RECORDED BY THE MALTA STOCK EXCHANGE IN THE MSE ACCOUNT QUOTED ON THIS APPLICATION FORM EVEN IF THE DETAILS OF SUCH MSE ACCOUNT NUMBER, AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE, 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 AFFECTED.**
7. Where a decision to invest is taken by a third party authorised to transact on behalf of the Applicant (a "decision maker") such as an individual that holds a power of attorney to trade on the Applicant's account or applications under a discretionary account, details of the decision maker need to be included in Panel C.
8. Applications must be for a minimum subscription of €10,000 and thereafter in multiples of €100 and must be accompanied by the relevant subscription amount in Euro.
9. Only Applicants who hold a valid 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 will be obliged to declare interest so received in the tax return. The Company will render an account to the Maltese Commissioner for Revenue of all interest paid, all amounts of tax deducted by the payor in respect of the interest paid and of the identity of all such recipients. 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.
In terms of Section 7.2 of the Securities Note, unless the Company 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 15%) of the gross amount of interest, pursuant to article 33 of the Income Tax Act (Cap. 123 of the laws of Malta).
10. 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 Director General Inland Revenue, Malta, 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 Council Directive 2014/107/EU, of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of information in the field of taxation.
The contents of Notes 9 and 10 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
11. Interest and redemption proceeds will be credited to the account indicated in Panel G or as otherwise amended by the Bondholder/s during the term of the Bond.
12. The Offer Period will open at 08:30 hours on 29 November 2019 and will close at 14:00 hours on 12 December 2019 or such earlier date as may be determined by the Issuer. Completed Application Forms are to be delivered to any Authorised Financial Intermediary 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 Company disclaims all responsibility for any such remittances not being received by the date of closing of the subscription lists. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Bonds than those applied for, the monies equivalent to the number of Bonds not being accepted will be returned by direct credit into the IBAN specified in panel G.
13. By completing and delivering an Application Form you (as the Applicant(s)) acknowledge that:
 - a. the Company or its duly appointed agents including the CSD and the Registrar, may process the personal data that you provide in the Application Form in accordance with the Data Protection Act (Cap. 586 of the laws of Malta) and the General Data Protection Regulation (GDPR)(EU) 2016/679 as amended from time to time;
 - b. the Company may process such personal data for all purposes necessary for and related to the Bonds applied for; and
 - c. you, as the Applicant, have the right to request access to and rectification of the personal data relating to you, as processed by the Company.

Any such requests must be made in writing and addressed to the Company. 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 Bonds 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 3

FINANCIAL ANALYSIS SUMMARY

Financial Analysis Summary

22 November 2019

Issuer

AX Group p.l.c. (formerly Fulcrum Services Limited)



A division of MeDirect Bank (Malta) plc

The Directors
AX Group p.l.c. (formerly Fulcrum Services Limited)
Ax House, Mosta Road
Lija LJA 9010
Malta

22 November 2019

Dear Sirs

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 (the “**Analysis**”) 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 Group p.l.c. (the “**Company**” or “**AX Group**” or “**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 2016 to 31 October 2018 has been extracted from audited consolidated financial statements of the Company for the three years in question.
- b. The projected data for the years ending 31 October 2019 and 31 October 2020 has been provided by management.
- c. Our commentary on the results of the Company and on its financial position is based on the explanations provided by management.
- d. The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- e. Relevant financial data in respect of such companies included in Part 3 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 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.

A handwritten signature in blue ink, appearing to read "Evan Mohnani".

Evan Mohnani
Head – Corporate Finance

CHARTS - a division of MeDirect Bank (Malta) plc
The Centre, Tigné Point, Sliema TPO 0001 - Tel: 2557 4400

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PART 1 – INFORMATION ABOUT THE COMPANY

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 investing in other companies; acquiring, holding and disposing of immovable or movable property; and 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, operates a care home & retirement village and is also involved in construction & property development. The Group 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.

In FY2014, the AX Group commenced development of the Simblija Care Home & Hilltop Gardens Retirement Village and by end of 2015 construction was largely complete with finishes at an advanced stage. The property was officially opened on 10 December 2015 and is being marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The Simblija Care Home & Hilltop Gardens Retirement Village also includes a nursing home which provides intensive nursing care to dependent elderly residents. The expenditure on development and plant & equipment in relation to the aforesaid project amounted to *circa* €25 million. Hilltop Gardens Retirement Village achieved a 100% take up in 2018.

In FY2016, the Group increased its shareholding in Valletta Cruise Port p.l.c. from 24% to 36% for a total consideration of €3.9 million. The aggregate value of the said investment as at 31 October 2018 amounts to €10.7 million (FY2017: €9.7 million). During FY2016, the Group also acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel at a total cost (property acquisition and development) of €5.1 million. The Saint John Boutique Hotel commenced operations in August 2017.

In November 2016 (FY2017), the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million, which was developed into the 5-star Rosselli Boutique Hotel for a total cost amounting to *circa* €7.0 million. The hotel commenced operations in May 2019 and comprises 25 luxury rooms, meeting room facilities, a lounge area & restaurant and a roof-top pool.

3 DIRECTORS AND SENIOR MANAGEMENT

3.1 BOARD OF DIRECTORS

AX Group p.l.c. is managed by a Board consisting of seven directors who are entrusted with the overall direction, administration and management of the AX Group.

Angelo Xuereb	Executive Director and Chairman
Michael Warrington	Executive Director and Chief Executive Officer
Claire Zammit Xuereb	Executive Director
Denise Micallef Xuereb	Executive Director
Chris Paris	Non-Executive Director
John Soler	Non-Executive Director
Josef Formosa Gauci	Non-Executive Director

3.2. SENIOR MANAGEMENT

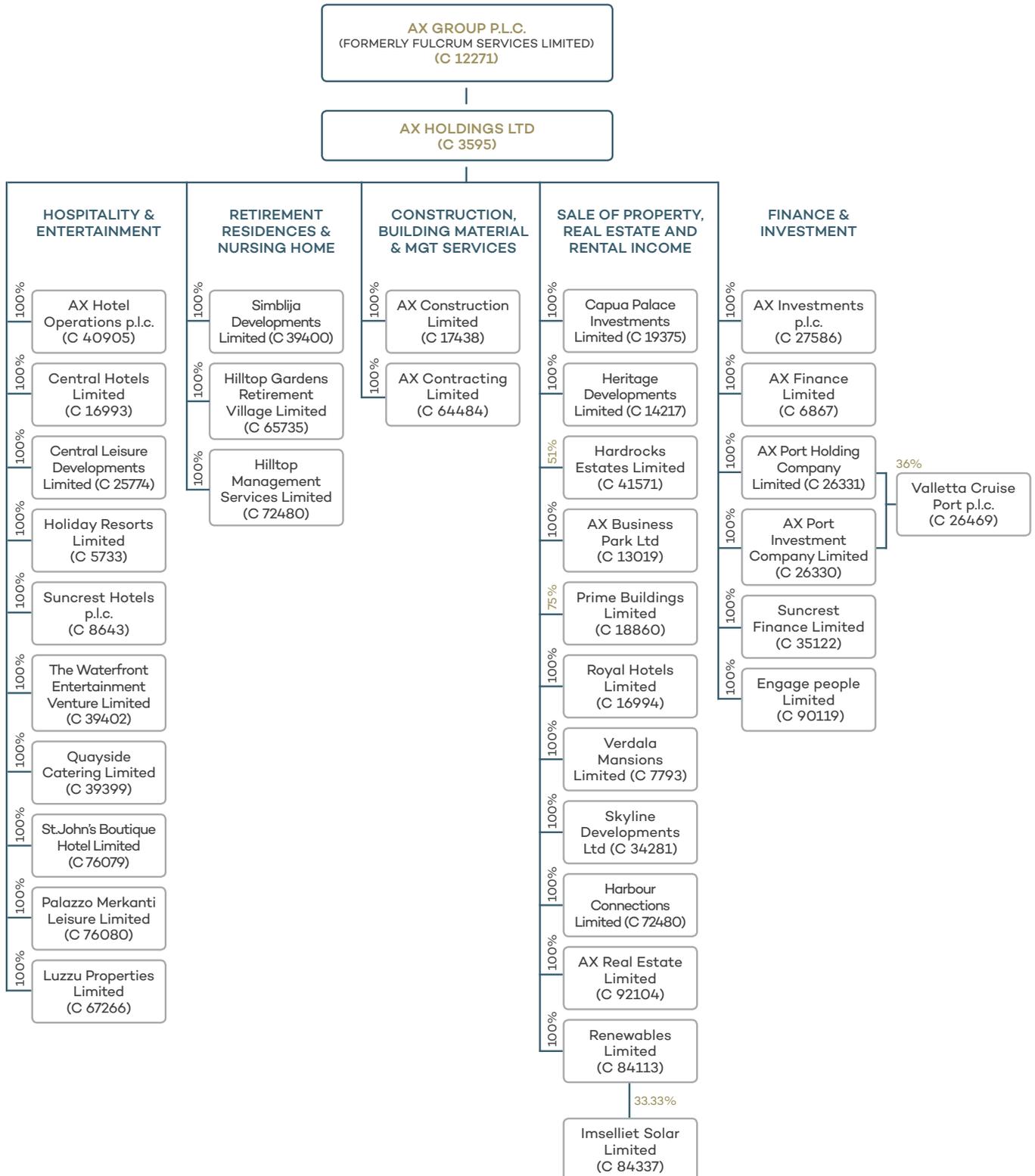
In the day-to-day operations of the AX Group, the executive Directors are supported by members of the Company's Executive Committee, responsible for the determination of policy and strategic guidance and management. The Executive Committee is composed of the following individuals:

Michael Warrington	Chief Executive Officer
Albert Bonello	Chief Financial Officer
David Wain	Chief Legal Officer
Claire Zammit Xuereb	Group Hospitality Director
Denise Micallef Xuereb	Group Construction and Development Director
Charmaine Attard	General Manager, Hilltop Gardens
Joseph Vella	General Manager, Qawra Properties
Kevin Callus	General Manager, Sliema Properties
Lawrence Degabriele	Head of I.T.
Caroline Schembri	Administration Manager

The weekly average number of employees directly engaged with the companies forming part of the AX Group during FY2018 amounted to 666 persons (FY2017: 707).

4 GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Group:



The Group operates in the following industry sectors, which are each described in further detail elsewhere in this report:

- Hospitality & entertainment
- Retirement residences & nursing home
- Construction, building materials & management services
- Sale of property, real estate & rental income

5 MAJOR ASSETS OWNED BY THE GROUP

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.

AX GROUP P.L.C. GROUP ASSETS	FY2016	FY2017	FY2018	Revaluation FY16 - FY18
	€'000	€'000	€'000	€'000
The Palace Hotel	36,555	35,800	43,890	8,839
Victoria Hotel	20,754	21,274	20,940	
Seashells Resort at Suncrest	79,219	77,865	76,556	53,621
Sunny Coast Resort & Spa	19,015	19,104	19,109	
Palazzo Capua	8,863	8,793	8,699	750
Grand Hotel Verdala	11,423	11,423	28,600	16,985
Simblija Care Home & Hilltop Gardens Retirement Village	42,812	42,501	45,987	4,298
Villa Vistana	3,500	3,800	3,800	300
Tad-Dwiemes, Marsa	3,402	3,402	11,120	7,718
Hard Rocks Warehouses	2,650	5,683	5,160	2,710
Luzzu Complex	2,903	2,977	3,208	
Saint John's Boutique Hotel	2,990	4,571	4,895	
Palazzo Merkanti	-	5,024	6,402	
Targa Gap Complex, Mosta	-	3,674	4,098	3,649
Other assets	8,604	8,163	9,599	2,337
	242,690	254,054	292,062	101,207

Source: Consolidated audited financial statements of AX Group p.l.c.

6 GROUP OPERATIONAL DEVELOPMENT

The AX Group is principally involved in hotel operations, construction & property development, and related services, and the management of a retirement home. A divisional analysis of the Group's business is provided below.

6.1 KEY FINANCIAL INFORMATION – THE GROUP

AX GROUP DIVISIONAL ANALYSIS	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	38,030	45,851	55,807	52,030	66,149
Hospitality & entertainment	32,131	35,508	38,936	37,841	39,723
Construction, building materials & management services	3,447	5,503	8,146	7,011	9,173
Sale of property, real estate & rental income	493	588	2,740	510	9,424
Retirement residences & nursing home	1,008	3,359	4,763	5,560	6,611
Dividend receivable	951	893	1,222	1,108	1,218
Gross Operating Profit (€'000)	13,886	16,593	19,935	17,882	27,681
Hospitality & entertainment	14,087	15,759	16,901	15,812	17,404
Construction, building materials & management services	463	481	740	701	960
Sale of property, real estate & rental income	418	513	2,058	432	7,603
Retirement residences & nursing home	(1,083)	(160)	236	937	1,714
Gross Operating Profit Margin (%)	37%	36%	36%	34%	42%
Hospitality & entertainment	44%	44%	43%	42%	44%
Construction, building materials & management services	13%	9%	9%	10%	10%
Sale of property, real estate & rental income	85%	87%	75%	85%	81%
Retirement residences & nursing home	-107%	-5%	5%	17%	26%

Source: Management Information

6.2 MARKET OVERVIEW

6.2.1 Economic Update¹

Malta's economy grew by 6.7% in 2018, making it the fifth year in a row in which real GDP has grown by over 5%. The structural shift towards a fast growing, internationally-oriented services sector is the main factor behind Malta's recent economic success. Domestic demand was the main growth driver in 2018, replacing net exports. In particular, strong employment growth boosted household disposable income, resulting in record-high private consumption. In the first quarter of 2019, domestic demand was underpinned by public consumption and investment, while private consumption growth eased slightly. At the same time, net exports declined as a result of strong import growth. Consumer confidence remained above its historical average, but overall sentiment began to deteriorate in March, particularly in the services sector.

While growth momentum is expected to remain solid, GDP growth is forecast to moderate in 2019 and 2020 to 5.3% and 4.8%, respectively. This is the result of private consumption growth gradually moderating, mirroring the pace of job creation. Public expenditure is expected to increase faster than private consumption, as the government makes use of the fiscal space it has accumulated over recent years. Investment is expected to remain robust over the forecast horizon, supported by planned infrastructure and health projects. Looking at the external sector, import growth is set to pick up in parallel with investment growth, narrowing the large current account surplus. After reaching 1.7% in 2018, inflation was subdued in the first months of 2019 before accelerating in April, driven by rising food prices. Prices are expected to further increase during the peak tourism season and then slightly decelerate, pushing headline inflation to 1.8% in 2019 and 1.9% in 2020.

¹ European Economic Forecast – Summer 2019 (European Commission Institutional Paper 108 July '19), pages 20 - 21

6.2.2. Tourism Market²

Inbound tourist trips from January to December 2018 reached nearly 2.6 million, an increase of 14.3% over the same period in 2017. Total nights spent by inbound tourists went up by 12.5%, reaching nearly 18.6 million nights. Total tourism expenditure was estimated at €2.1 billion, 8.0% higher than that recorded for 2017. Total expenditure per capita stood at €809, a decrease of 5.5% when compared to 2017. In 2018, total guests reached almost 2.0 million, an increase of 8.4% over the same period in 2017. Within the collective accommodation establishments³, the 5-star lost 4,542 guests (-1.1%), whilst the 4-star and 3-star hotels gained 80,814 guests (+10.2%), and 47,716 (+9.3%) respectively for the year 2018 when compared to a year earlier.

Inbound tourist trips for the initial six months of 2019 amounted to 1.2 million, an increase of 3.9% over the same period in 2018. Total nights spent by inbound tourists went up by 2.4%, reaching nearly 7.9 million nights, 44% of which were in private accommodation⁴. Total guests (residents and non-residents) residing in collective accommodation establishments in the first six months of 2019 amounted to 947,485, a decrease of 0.8% over the prior comparable period. Further analysis shows that 5-star and 3-star hotels registered y-o-y declines of 8.6% and 11.4% respectively, while 4-star hotels reported an increase of 6.8% when compared to the same period in 2018. Furthermore, the average length of stay continued to shorten, albeit by 1.5%. Tourists staying in hotels have spent an average of 5.5 days in Malta, which is significantly less than the 8.4 days average spent in private accommodation.

During the second quarter of 2019, 5-star hotels reported a decline in both room rates and non-accommodation revenue, whilst occupancy levels declined by 3.3%. Total revenue per available room (RevPAR) decreased by 7.3% when compared to the same quarter in 2018. In contrast, the 4-star sector maintained comparable trends to those registered in the first 3 months of the year. Occupancy levels were at par, whilst average daily rates decreased by 4.9%. As to 3-star hotels, this segment reported a 4.2% improvement in occupancy levels, and average daily rates and non-accommodation income also increased by 5.9% and 7.5% respectively. These trends contributed to an increase in revenue of 10.9% per available room.

The overall outlook for the tourism industry in 2019 is positive with the airport projecting 7.2 million passengers to pass through the terminal by the end of the calendar year, which translates to an increase of 5.8% over 2018. However, bed overcapacity may be a threat to profitability in view of the significant growth in non-collective accommodation (such as AirBnB) experienced in recent years and, to a lesser extent, hotel properties. Competition is expected to increase further in the short to medium term from ongoing development projects earmarked for the hospitality sector and others which are still at planning stage. An increase in competition is also anticipated from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

6.2.3. Food & Beverage Service Sector

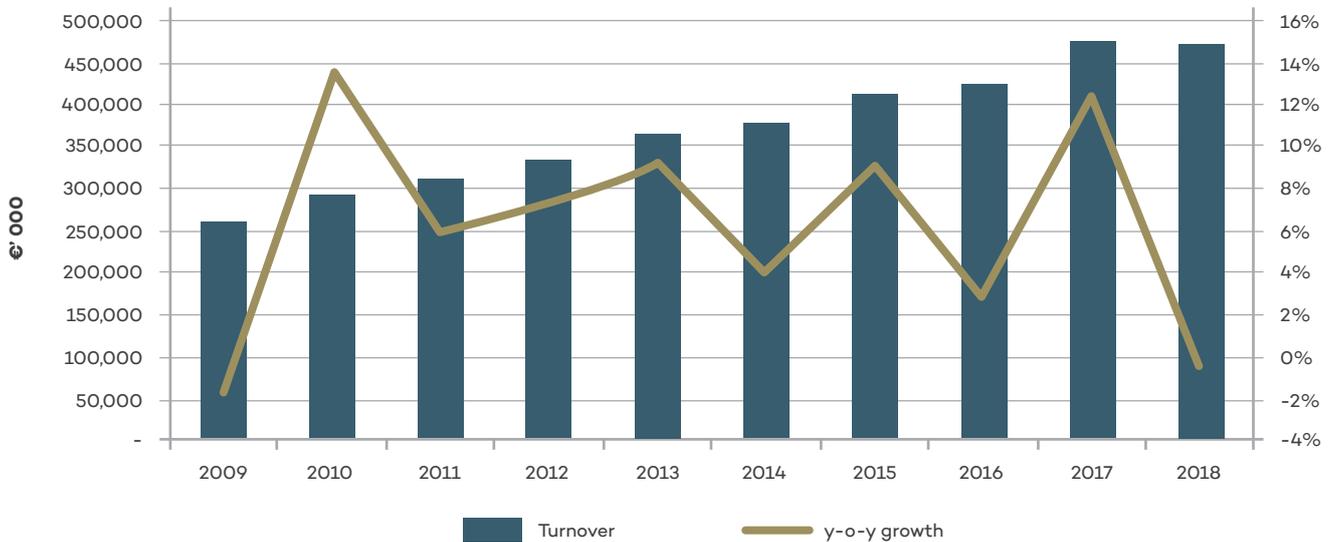
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2018, the total income from this sector in Malta amounted to €472.6 million, a decrease of 0.3% over the previous year (2017: €474.0 million). Between 2009 and 2017, market output had progressively increased year-on-year, and as such the year-on-year decrease in 2018 marks the first decline in the past 10 years. Albeit, it is worth noting that the 2018 marginal decline follows a 12.5% increase in 2017 over 2016. The chart below illustrates the output from the food & beverage service sector in Malta for the past 10 years (2009 to 2018). Since 2009, the food & beverage service sector grew at a compound annual growth rate of 7.0%.

² https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_017.pdf;
https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_032.pdf; https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_127.pdf; https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2019/News2019_135.pdf; MHRA Q2 2019 (Hotel Survey by Deloitte).

³ Collective accommodation establishments comprise hotels, apart-hotels, guest houses, hostels and tourist villages.

⁴ Private accommodation comprises holiday furnished premises, host families, use of private residence, and staying with relatives or friends.

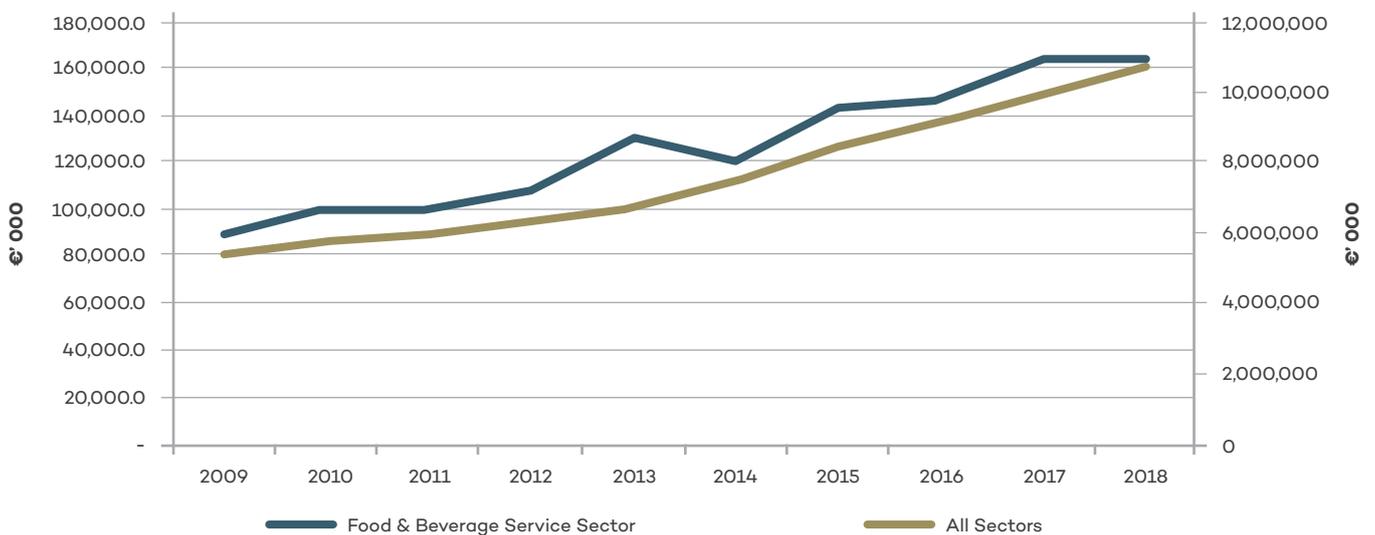
Food & Beverage Service Sector in Malta



Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €89.5 million in 2009 to €163.8 million in 2018. The chart also highlights the sector's correlation to Malta's economic performance, since over the reported period the food & beverage service sector has maintained the same percentage of gross value added generated by the whole economy of circa 1.7%.

Gross Added Value

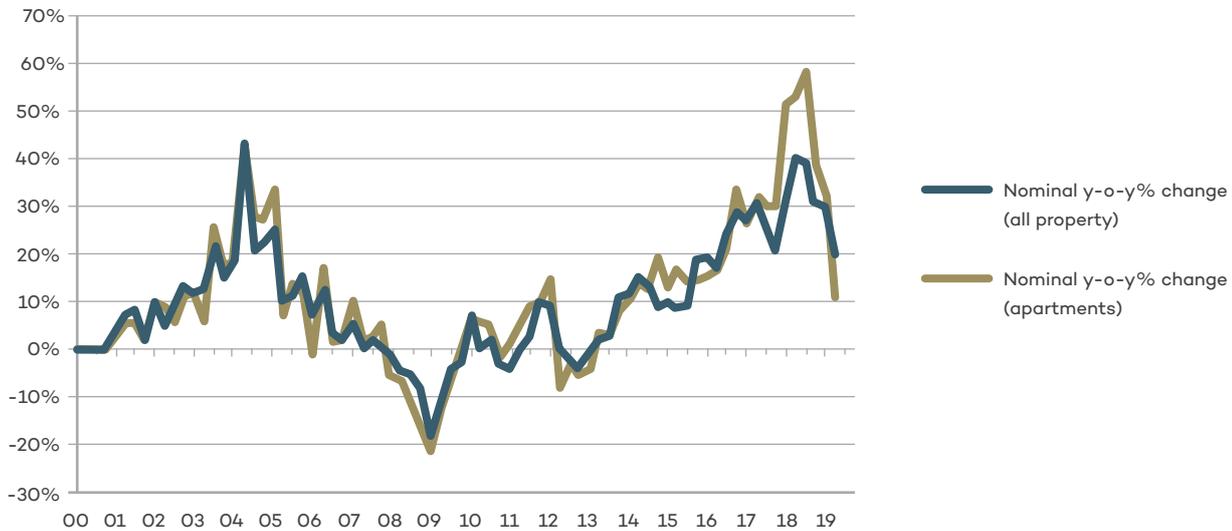


Source: National Statistics Office Malta (NACE 56.1 & NACE 56.3 data)

6.2.4. Property Market & Construction Sector

Property prices during the last six years (Q2 2013 to Q2 2019) increased by 78%, primarily on account of a strong economy and a robust labour market. Furthermore, as illustrated in the chart below⁵, the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018. In the subsequent 3 quarters - Q3 2018 to Q1 2019 - property prices continued to increase albeit at a slower pace. In Q2 2019, property prices declined marginally by 0.23% when compared to Q1 2019 and apartments in particular registered a quarterly decrease of 3.9% during the same period.

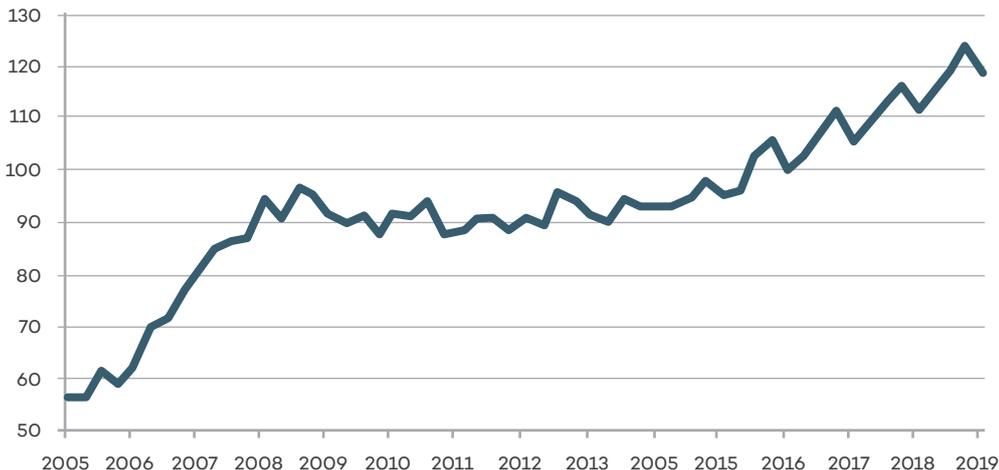
5 <https://www.centralbankmalta.org/real-economy-indicators> (property prices index based on advertised prices (base 2000 = 100)).

CHART I: Change in Property Prices

Source: Central Bank of Malta

The above data mainly provides trend information as advertised property prices may not accurately reflect the prices at which sales actually take place.

Eurostat's House Price Index for Malta⁶ – which is based on transactions covering terraced houses, apartments and maisonettes – also indicates that residential property prices increased. The latest data available refers to Q1 2019 and shows that said prices increased by 6.5% compared with the same quarter of 2018 (vide Charts II below).

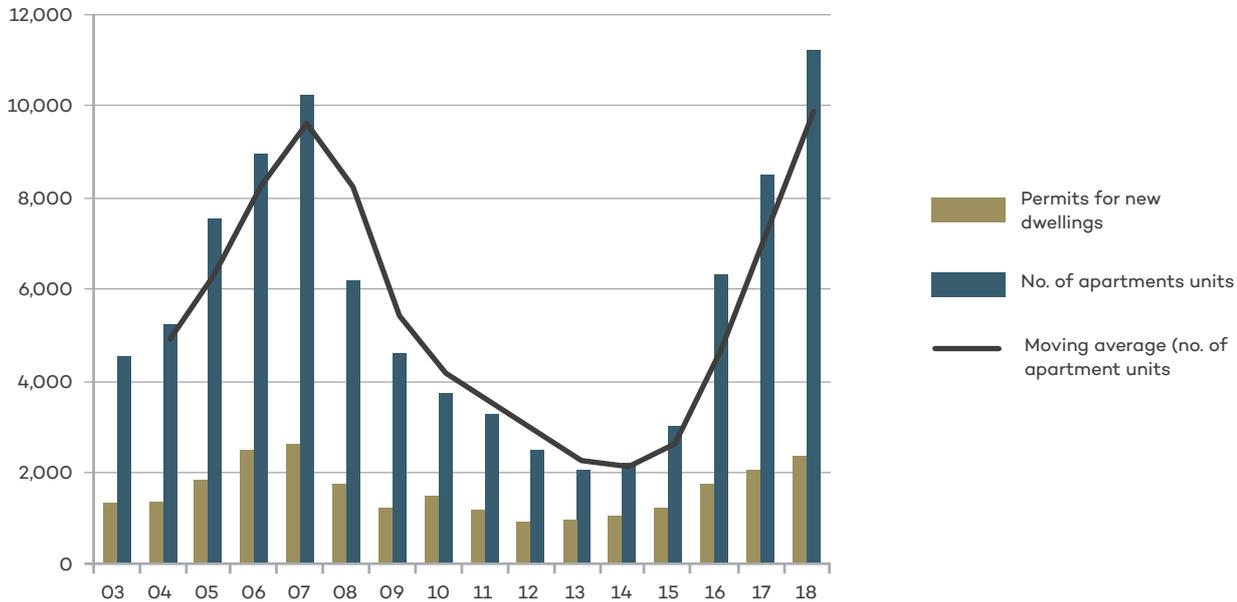
CHART II: Malta House Price Index

Source: Eurostat

With regard to development permits⁷, in 2018, Planning Authority issued 2,363 permits (2017: 2,079 permits) for the development of 12,885 units (2017: 9,822). The increase in permits during the year was mostly driven by the largest residential category, namely apartments, which accounted for 87% of total permits granted (2017: 87%). The aggregate number of units in the last 3 years (FY16 to FY18) amounted to 30,215 units, which is comparable to the 3-year period FY05 to FY07, whereby 30,833 units were at the time sanctioned for development.

⁶ <https://ec.europa.eu/eurostat/tgm/table.do?tab=table&init=1&plugin=1&language=en&pcode=tipsho40;>

⁷ <https://www.centralbankmalta.org/real-economy-indicators> (development permits for dwellings, by type).

CHART III: Development Permits for Dwellings

Source: Planning Authority

COMMERCIAL PROPERTY

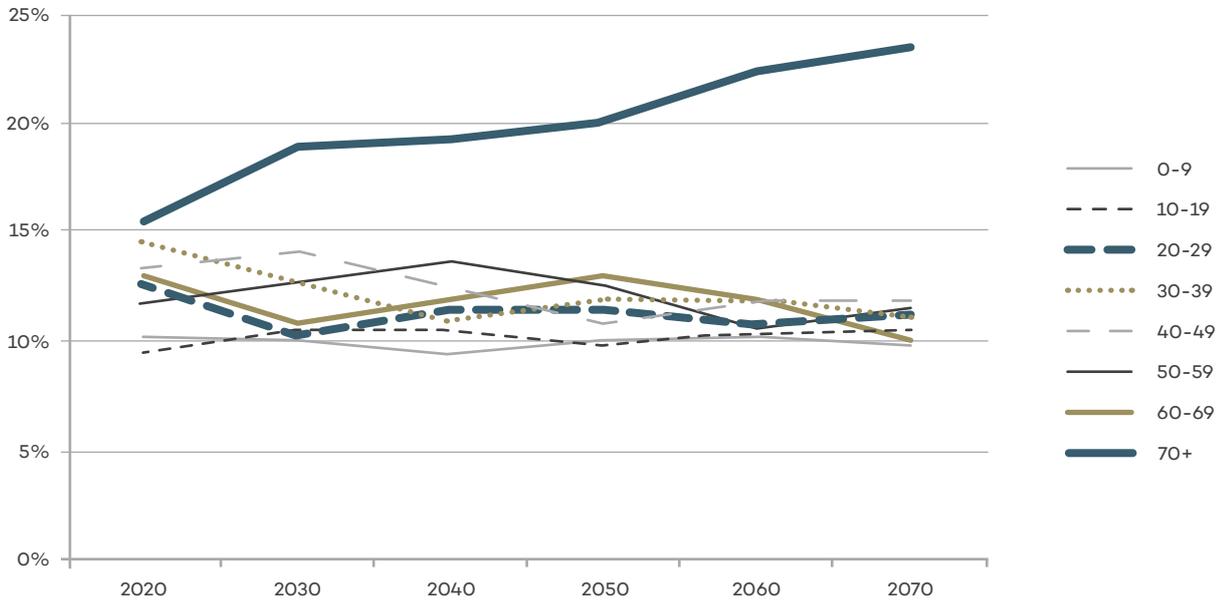
National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Notwithstanding the lack of such data, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business related services, notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime has continued to generate a positive trend in the commercial property sector, in particular office space. In addition, Malta's highly skilled and competitive labour costs have also been vital in sustaining this success. This view is also corroborated when assessing the lack of availability of large office and commercial space, as well as, the number of projects presently being developed, and others set to commence in the near future.

6.2.5. Long-Term Care Trend Analysis

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO⁸, the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. 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.

8 https://nso.gov.mt/en/publicatons/Publications_by_Unit/Documents/C5_Population%20and%20Migration%20Statistics/Demographic_Review_2014.pdf.

Projected percentage distribution of total population



Source: Demographic Review 2014, National Statistics Office, Malta

6.3. HOSPITALITY & ENTERTAINMENT

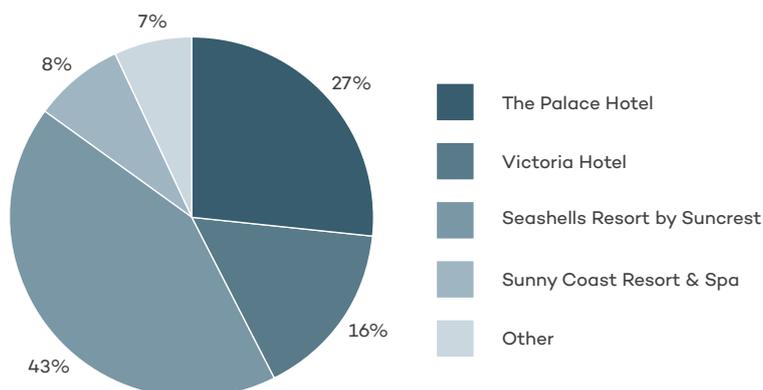
6.3.1. Financial Information – Sector Analysis

HOSPITALITY & ENTERTAINMENT	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	32,131	35,508	38,936	37,841	39,723
The Palace Hotel	9,749	10,129	10,355	9,510	10,022
Victoria Hotel	4,927	5,469	6,239	6,305	6,501
Seashells Resort by Suncrest	13,354	15,299	16,658	16,701	17,157
Sunny Coast Resort & Spa	2,663	2,882	2,985	2,924	2,929
Saint John's Boutique Hotel	-	249	1,178	1,444	1,488
Rosselli Boutique Hotel	-	-	-	751	1,626
Tal-Kaptan Restaurants	1,438	1,480	1,521	206	-
Gross Operating Profit (€'000)	14,087	15,759	16,901	15,812	17,404
The Palace Hotel	4,280	4,580	4,558	3,929	4,632
Victoria Hotel	2,415	2,629	3,075	3,143	3,256
Seashells Resort by Suncrest	5,936	7,085	7,415	6,940	7,146
Sunny Coast Resort & Spa	1,337	1,463	1,574	1,609	1,597
Saint John's Boutique Hotel	-	(100)	180	320	322
Rosselli Boutique Hotel	-	-	-	(98)	451
Tal-Kaptan Restaurants	120	102	99	(31)	-
Gross Operating Profit Margin (%)	44%	44%	43%	42%	44%
The Palace Hotel	44%	45%	44%	41%	46%
Victoria Hotel	49%	48%	49%	50%	50%
Seashells Resort by Suncrest	44%	46%	45%	42%	42%
Sunny Coast Resort & Spa	50%	51%	53%	55%	55%
Saint John's Boutique Hotel	-	-40%	15%	22%	22%
Tal-Kaptan Restaurants	8%	7%	6%	-15%	0%

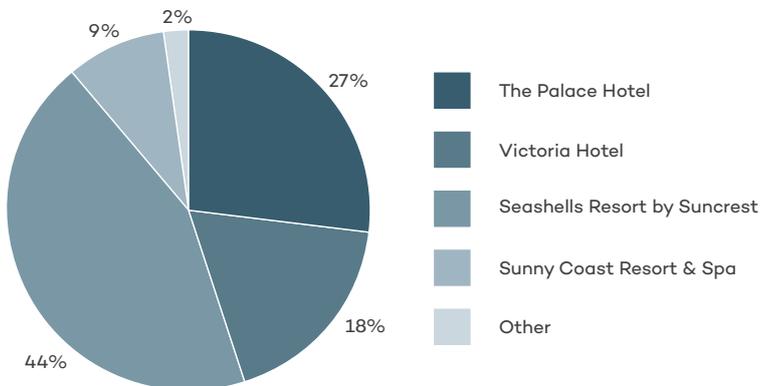
Source: Management Information

6.3.2. Aggregate Hotel Revenue and Operating Profit

% Total Revenue by Hotel – FY2018



% Total Operating Profit by Hotel - FY2018



As illustrated above, the principal contributor to the Group's hotel sector in terms of both revenue and gross operating profit is the Seashells Resort by Suncrest, and the second best performer is The Palace Hotel. In aggregate, both hotels generated in FY2018 (being the latest audited financial year) 70% of total revenue and 71% of gross operating profit.

6.3.3. The Palace Hotel

The Palace Hotel is a 144-room five-star city hotel located in Sliema, Malta and offers extensive conference and events facilities. 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. In January 2019, the hotel closed for a 3-week period in order to complete a soft refurbishment of all the rooms and the TemptAsian restaurant. Works were carried out at a cost of *circa* €1.9 million. The carrying amount of the Hotel as at 31 October 2018 is €43.9 million (FY2017: €35.8 million).

OPERATIONAL PERFORMANCE

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

THE PALACE HOTEL	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	9,749	10,129	10,355	9,510	10,022
Gross operating profit (€'000)	4,280	4,580	4,558	3,929	4,632
Gross operating profit margin (%)	44	45	44	41	46
Occupancy level (%)	90	91	92	83	84
Average room rate (€)	126	129	136	135	142
Revenue per available room (RevPAR) (€)	179	186	197	181	191
Benchmark performance					
Occupancy level (%)	75	76	74	n/a	n/a
Average room rate (€)	143	157	162	n/a	n/a
Revenue per available room (RevPAR) (€)	163	182	180	n/a	n/a
Revenue Generating Index	1.10	1.02	1.09	n/a	n/a

Source: Management Information

In **FY2016**, y-o-y revenue increased by €0.9 million (+10%) to €9.7 million and gross operating profit increased by €0.7 million (+18%) to €4.3 million. Gross operating profit margin improved from 41% in FY2015 to 44% FY2016.

FY2017 was another good year for the hotel as revenue increased by €0.4 million y-o-y (+4%) to €10.1 million, primarily due to an increase in average room rate from €126 in FY2016 to €129. Gross operating profit margin remained stable when compared to the prior year at 45% (FY2016: 44%) which enabled the hotel to register an increase of €0.3 million y-o-y (+7%) in gross operating profit to €4.6 million.

In **FY2018**, the hotel generated revenue amounting to €10.4 million, a marginal increase of €0.3 million (+2%) over the comparable year, whilst gross operating profit was stable at €4.6 million (FY2017: €4.6 million).

In comparison to the Hotel's competitive set, The Palace registered higher occupancy levels of *circa* 90% in each of FY2016, FY2017 and FY2018 compared to *circa* 75% for its competitive set. On the other hand, the average room rate of The Palace was consistently lower when compared to its competitive set. As a result, the Hotel's RevPAR was comparable to its competitive set in FY2017, but 9% higher in FY2018 at €197 (FY2018's RevPAR of competitive set amounted to €180).

During **FY2019**, the hotel underwent a soft refurbishment of its rooms which adversely impacted occupancy level and RevPAR. As such, revenue for the year is forecasted to decrease by €0.9 million from €10.4 million in FY2018 to €9.5 million, while gross operating profit is expected to decline by €0.7 million y-o-y to €3.9 million (FY2018: €4.6 million).

Going forward, the above-mentioned capital expenditure should enable the hotel to maintain its competitiveness in its market. Accordingly, management expects the hotel's average room rate to increase from €135 in FY2019 to €142 in **FY2020** with occupancy expected to reach 84% (FY2019: 83%). Revenue and gross operating profit are projected to increase by €0.5 million and €0.6 million respectively over the prior year to €10.0 million and €4.6 million respectively.

Management's strategy is to continue to increase the Hotel's average room rate without adversely impacting RevPAR, and increase food & beverage revenue mainly through marketing its outlets to non-guests. The forward strategy is to further improve the Hotel's offerings and service, and to enhance average room rate mainly through an increased focus on conference & events business.

6.3.4. Victoria Hotel

The Victoria Hotel was developed by the AX Group in 1996. It is a four-star hotel consisting of 142 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 2018 is €20.9 million (FY2017: €21.3 million).

OPERATIONAL PERFORMANCE

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

VICTORIA HOTEL	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	4,927	5,469	6,239	6,305	6,501
Gross operating profit (€'000)	2,415	2,629	3,075	3,143	3,256
Gross operating profit margin (%)	49	48	49	50	50
Occupancy level (%)	78	80	90	89	89
Average room rate (€)	88	95	96	97	100
Revenue per available room (RevPAR) (€)	95	105	120	122	125
Benchmark performance					
Occupancy level (%)	83	81	82	n/a	n/a
Average room rate (€)	83	85	93	n/a	n/a
Revenue per available room (RevPAR) (€)	94	92	98	n/a	n/a
Revenue Generating Index	1.01	1.14	1.23	n/a	n/a

Source: Management Information

Between FY2015 and FY2017, the Hotel executed a renovation programme which included the refurbishment of the rooms and common areas of the property, and the implementation of energy saving measures in all rooms. As a result of this capital expenditure, the Hotel is now in a better position to compete with other hotels, enhance RevPAR and generate higher year-on-year gross operating profits.

Revenue for **FY2016** amounted to €4.9 million, a marginal increase of €0.2 million when compared to the prior year. Gross operating profit increased by €0.4 million (+18%) from €2.0 million in FY2015 to €2.4 million in FY2016, thereby improving the gross operating profit margin by 6 percentage points to 49%.

In **FY2017**, revenue increased by 11% compared to FY2016, to €5.5 million, an increase of €0.6 million from the prior year. Gross operating profit also increased by €0.2 million (+9%) in FY2017 to €2.6 million for the year compared to €2.4 million in FY2016, however losing a percentage point on gross operating profit margin which was 48% in FY2017 compared to 49% in the prior year.

During **FY2018**, revenue increased by 14% compared to FY2017, to €6.2 million, an increase of €0.7 million when compared to FY2017. Gross operating profit also increased by €0.5 million (+17%) in FY2018 to €3.1 million (FY2017: €2.6 million).

Management expects the hotel's performance to be relatively stable in FY2019 and FY2020 when compared to FY2018. As such, revenue is projected to increase from €6.2 million in FY2018 to €6.3 million and €6.5 million in FY2019 and FY2020 respectively and gross operating profit margin is expected to be maintained at the 50% level.

As for benchmark performance, the Hotel performed broadly in line with competition in FY2016, mainly as a consequence of ongoing refurbishment works. In FY2017, the Hotel achieved a lower occupancy (80%) when compared to the competitive set (81%), but average room rate was higher (€95) as compared to the benchmark rate of €85. Also, the Hotel's RevPAR was higher than that of its competitive set, at €105 compared to the competitive set of €92. During FY2018, the Victoria Hotel outperformed its competitive set's KPIs with an occupancy level of 90% (competitive set: 82%), average room rate of €96 (competitive set: €93) and RevPAR of €120 (competitive set: €98).

6.3.5. Seashells Resort at Suncrest

Seashells Resort at Suncrest is a four-star hotel located in Qawra Malta that also offers all-inclusive packages. 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. All external and internal areas of the Seashells Resort at Suncrest (such as the pool area and lobby) were renovated and the final phase of this programme was executed between 1 November 2014 and 31 March 2015 at a total cost of circa €7 million.

Furthermore, in November 2014, the Group acquired the Luzzu Complex in Qawra for a consideration of €3 million. The property occupies a gross floor area of circa 2,235m² and includes a restaurant at ground level, conference facilities at a lower level and a lido. As a consequence of this acquisition, F&B revenue has increased considerably and moreover, the Hotel's offerings have increased to cater for conferences and business events. During FY2017, the Group finalised the refurbishment of the Luzzu Conference Centre and Poseidon Conference Hall at an aggregate cost of circa €1.25 million. In the near term, the Group intends to internally connect the Luzzu Complex, Suncrest Hotel and the Sunny Coast Resort & Spa. The Hotel was developed by the AX Group in 1988 and its carrying value as at 31 October 2018 is €76.6 million (FY2017: €77.9 million).

OPERATIONAL PERFORMANCE

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

SEASHELLS RESORT AT SUNCREST	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	13,354	15,299	16,658	16,701	17,157
Gross operating profit (€'000)	5,936	7,085	7,415	6,940	7,146
Gross operating profit margin (%)	44	46	45	42	42
Occupancy level (%)	82	84	84	77	77
Average room rate (€)	57	66	71	73	74
Revenue per available room (RevPAR) (€)	81	93	101	101	104
Benchmark performance					
Occupancy level (%)	83	83	82	n/a	n/a
Average room rate (€)	64	70	79	n/a	n/a
Revenue per available room (RevPAR) (€)	81	85	95	n/a	n/a
Revenue Generating Index	1.00	1.09	1.06	n/a	n/a

Source: Management Information

As from **FY2016**, the hotel refrained from the practice of closing between December and March, and commenced operating for a full year. This resulted in a marked improvement in achieved revenue, which increased by €4.2 million from €9.1 million in FY2015 to €13.4 million in FY2016. The gross operating profit margin remained stable at 44%, thus resulting in an increase in gross operating profit of €2.0 million from €3.9 million in FY2015 to €5.9 million.

In **FY2017**, the hotel continued to perform positively, with an increase in revenue of €1.9 million (+15%), whilst increasing gross operating margin by two percentage points from FY2016, to 46% (FY2016: 44%). This resulted in a gross operating profit of €7.1 million in FY2017, an increase of €1.2 million (+19%) compared to FY2016 gross operating profit of €5.9 million.

During **FY2018**, revenue increased by €1.4 million (+9%), but gross operating margin declined marginally by one percentage point (y-o-y) to 45%. Gross operating profit for FY2018 amounted to €7.4 million, an increase of €0.3 million (+5%) when compared to FY2017's gross operating profit of €7.1 million.

In the projected financial years **FY2019** and **FY2020**, the hotel's average room rate is expected to improve marginally from €71 in FY2018 to €73 and €74 respectively, but occupancy is projected to decrease from 84% in FY2018 to 77% primarily due to an increase in market pressures. Notwithstanding, RevPAR should be maintained above €100 (FY2020: €104).

The hotel has matched performance compared to its competitive set in FY2016 due to the achievement of a higher RevPAR when compared to prior years. In FY2017, the Hotel has managed to match occupancy and average room rate compared to its competitive set and achieved a higher RevPAR at €93 compared to its competitive set of €85. During FY2018, achieved occupancy of 84% was two percentage points higher than its competitive set, but average room rate was comparably lower by €8 to €71. In terms of RevPAR, the hotel has performed marginally better than its competitive set in each of the reviewed financial years.

In the near term, management will continue to focus on improving RevPAR, mainly by increasing average room rate without lowering occupancy level. This is being achieved through the replacement of bookings made by groups (which typically secure discounted rates) with direct and OTA (online travel agency) bookings.

6.3.6. 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 92 rooms offered on a self-catering basis. The Hotel features five 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 2018 is €19.1 million (FY2017: €19.1 million).

OPERATIONAL PERFORMANCE

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

SUNNY COAST RESORT & SPA	FY2016	FY2017	FY2018	FY2019	FY2020
	Actual	Actual	Actual	Forecast	Projection
Turnover (€'000)	2,663	2,882	2,985	2,924	2,929
Gross operating profit (€'000)	1,337	1,463	1,574	1,609	1,597
Gross operating profit margin (%)	50	51	53	55	55
Occupancy level (%)	78	76	78	80	78
Average room rate (€)	80	90	90	86	88
Revenue per available room (RevPAR) (€)	82	89	89	87	87
Benchmark performance					
Occupancy level (%)	83	83	82	n/a	n/a
Average room rate (€)	64	70	79	n/a	n/a
Revenue per available room (RevPAR) (€)	81	85	95	n/a	n/a
Revenue Generating Index	1.01	1.05	0.94	n/a	n/a

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 2 years (term of contract was for 30 years). Such apartments are offered to other hotel visitors when not occupied by timeshare owners. In fact, in FY2018 timeshare revenue accounted for only 22% of total accommodation income (FY2017: 25%). In view of the maturing timeshare contracts, the Group is actively considering various options to fully utilise the property when timeshare is fully 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, five restaurants and the spa. Operational performance in **FY2016** was broadly similar to results achieved in the prior year – revenue was up by €0.3 million (y-o-y) to €2.7 million, whilst gross operating profit increased by €0.1 million (y-o-y) to €1.3 million. During **FY2017**, gross operating profit increased further by €0.2 million (y-o-y) to €1.5 million (+9%). Gross operating profit margin also improved by one percentage point to 51% in FY2017 compared to 50% in FY2016. During **FY2018**, revenue increased by a further €0.1 million (+4%), to €3.0 million, whilst gross operating profit also increased by €0.1 million (+8%), to €1.6 million. An improvement of 2 percentage points in gross operating profit margin was achieved during FY2018, from 51% in FY2017 to 53% in FY2018. The hotel is forecasting broadly similar performance for **FY2019** and **FY2020** when compared to FY2018.

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.

Occupancy at the hotel remains significantly lower than the level achieved by its competitive set, reflecting the fact that the hotel has a percentage of apartments dedicated to timeshare residents. However, the low occupancy is compensated for by relatively high average room rates. In FY2018, the rate achieved by the hotel was 14% higher than the average room rate of its competitive set at €90, however its RevPAR was lower than that of its competitive set at €89 (competitive set: €95). Overall, the hotel has performed well in the last three financial years, operating broadly in line with the market. Management's strategy for the forthcoming year is to maintain this positive trend.

6.3.7 Saint John's Boutique Hotel

During FY2016, the Group acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel (known as Saint John's Boutique Hotel) at a total cost (property acquisition and development) of €5.1 million. The property also features two private meeting rooms accommodating 16 in-theatre style or 8 as a board room. The Saint John's boutique hotel initiated operations in August 2017. Its carrying amount as at 31 October 2018 is €4.9 million (FY2017: €4.6 million).

OPERATIONAL PERFORMANCE

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

SAINT JOHN'S BOUTIQUE HOTEL	FY2017	FY2018	FY2019	FY2020
	Actual	Actual	Forecast	Projection
Turnover (€'000)	249	1,178	1,444	1,488
Gross operating profit (€'000)	(100)	180	320	322
Gross operating profit margin (%)	(40)	15	22	22
Occupancy level (%)	67	75	78	80
Average room rate (€)	157	157	159	163
Revenue per available room (RevPAR) (€)	144	170	208	215

Source: Management Information

In **FY2017**, Saint John's Boutique Hotel ("SJBH") was operational for 3 months, during which it generated revenue of €0.25 million and incurred a gross operating loss of €0.1 million. The occupancy level was at 67% and achieved average room rate amounted to €157, with a resulting RevPAR of €144.

During **FY2018**, SJBH was operational for a full 12 months and generated turnover of €1.2 million on an occupancy level of 75%. Gross operating profit amounted to €0.2 million and the gross operating profit margin for the financial year equated to 15%. No available benchmarks are yet available for boutique hotels.

The Group is forecasting to generate revenue of €1.4 million in **FY2019** and to operate at a gross operating profit margin of 22%. As such, the Hotel is expected to report a gross operating profit for the year of €0.3 million. Occupancy level in FY2019 is projected to reach 78%, whilst RevPAR is estimated at €208 as the Hotel is budgeting to achieve an average room rate of €159. Performance in **FY2020** is expected to be broadly similar to the forecast results for FY2019.

6.3.8. *Rosselli Boutique Hotel*

In November 2016 (FY2017), the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million. This property was developed into the 5-star Rosselli Boutique Hotel at a cost of *circa* €7.0 million and operations commenced in May 2019. The hotel includes 25 luxury rooms, meeting room facilities, a lounge area & restaurant and a roof-top splash pool.

Given the proximity of the Saint John Boutique Hotel to the Rosselli Boutique Hotel, the management team of the former hotel also manages the Rosselli Boutique Hotel, thus taking full advantage of synergies, economies of scale and cost efficiencies. The Rosselli Boutique Hotel targets affluent and business travellers and is marketed through luxury travel websites and upmarket travel agents.

OPERATIONAL PERFORMANCE

The following table sets out the projections for FY2019 and FY2020 for the Rosselli Boutique Hotel:

ROSSELLI BOUTIQUE HOTEL	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	751	1,626
Gross operating profit (€'000)	(98)	451
Gross operating profit margin (%)	(13)	28
Occupancy level (%)	72	70
Average room rate (€)	167	187
Revenue per available room (RevPAR) (€)	194	178

Source: Management Information

Management expects to generate revenues of €0.8 million from the Rosselli Boutique Hotel as well as the property's catering operations during the initial 5-month period from 1 June 2019 to 31 October 2019. The catering offerings are expected to contribute *circa* 50% of annual revenue of the subject hotel. The occupancy level is expected to reach 72% with an average room rate of €167. RevPAR is projected to amount to €194, which takes into consideration the relatively high F&B component within the hotel's total revenue.

FY2020 will be the first full operational year for the hotel and management expects to generate €1.6 million in revenue (FY2019: €0.8 million) and €0.5 million in gross operating profit (FY2018: gross operating loss of €98,000). Average room rate is expected to increase from €167 in FY2019 to €187 in FY2020, while occupancy level is projected to decrease marginally by 2 percentage points to 70%.

6.3.9. *Tal-Kaptan Restaurants*

As at 31 October 2018, the AX Group operated 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, whilst the other restaurant operated at the Valletta Waterfront since 2007. In FY2018, the Tal-Kaptan restaurants generated revenue of €1.5 million, an increase of 3% compared to FY2017, however gross operating profit remained constant at €0.1 million.

During FY2019, management ceased operations of the Valletta Waterfront restaurant, which coincided with the expiration of the property lease. In consequence, Tal-Kaptan, Qawra has been merged with the Seashells Resort at Suncrest, but will continue to offer guests a casual dining experience, specialising in pizza and pasta dishes.

6.4. CONSTRUCTION, BUILDING MATERIALS & MANAGEMENT SERVICES

6.4.1. Financial Information – Sector Analysis

CONSTRUCTION, BUILDING MATERIALS & MANAGEMENT SERVICES	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	3,447	5,503	8,146	7,011	9,173
Construction works	1,964	4,755	7,327	6,761	8,673
Construction waste management	1,225	202	-	-	-
Restoration projects	258	546	819	250	500
Gross operating profit (€'000)	463	481	740	701	960
Gross operating profit margin (%)	13	9	9	10	10

Source: Management Information

6.4.1. Overview of Sector Activity

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 six hotels; the Group's head office; Verdala Mansions in Rabat, Malta; Capua Hospital in Sliema; Parliament building super-structure in Valletta; is-Suq tal-Belt; the Simblija Care Home & Hilltop Gardens Retirement Village and various other projects which were executed for Group companies and third party clients. Any related party revenue generated from construction and restoration works on the aforementioned projects are eliminated upon consolidation and as such are not included in the consolidated financial information provided in the above table.

In FY2017, the Group was primarily involved in the conversion and completion of "is-Suq tal-Belt" and Saint John's Boutique Hotel in Valletta and in FY2018, the continuation of the development of the Rosselli Boutique Hotel in Merchant Street, Valletta, the construction of the Hotel 1926 in Qui-Si-Sana, Sliema (previously, the Plevna Hotel), the extension and finishes of the KPMG offices, as well as the construction and development of residential blocks and villas. In FY2019, the main projects consist of the restoration and construction works at the Old Farsons Brewery, restoration works at the Old University Building in Valletta, the development of a residential block behind Falcon House, Sliema, which on completion will comprise 8 apartments and 1 penthouse, and the construction of the multi-use complex situated in Mosta (known as TG Complex).

In FY2017, the Group generated €4.8 million (FY2016: €2.0 million) from construction works, an increase of €2.8 million (+142%). Further growth in construction activity was registered in FY2018, wherein the Group generated revenue amounting to €7.3 million (FY2017: €4.8 million). The y-o-y increase of €2.5 million (+54%) was principally due to income generated from the completion of "is-Suq tal-Belt" project as well as various turnkey project engagements (including third party private residences), which is broadly in line with the higher level of activity in the local construction industry.

Management forecasts construction revenue for FY2019 to amount to €6.8 million, a decrease of €0.5 million when compared to the prior year (FY2018: €7.3 million). This expected reduction is partly due to an increase in internal projects which are not reflected on a Group basis (since intra-group transactions are eliminated on consolidation). In FY2020, revenue from the construction division is projected to increase by €1.9 million or 28% to €8.7 million (FY2019: €6.8 million), primarily on account of ongoing contracted projects which were initiated in FY2019, projects which are currently being negotiated and other projects assumed to be awarded during the year.

The AX Group was involved in a number of restoration projects during FY2018 which amounted to €0.8 million, an increase of €0.3 million from a year earlier (FY2017: €0.5 million). This business activity slowed down during FY2019 and expected revenue for the year is estimated at €0.3 million. With regard to FY2020, management is projecting to generate *circa* €0.5 million from restoration projects.

Projects awarded to date include: Fort St Angelo, parts of the Valletta & Vittoriosa bastions, Scamps Palace Building (site housing Casino di Venezia), Valletta Waterfront, St Paul's Catacombs, Lascaris War Rooms in Valletta, Birgu bastions, Wignacourt Tower in St Paul's Bay, Auberge d'Italie, Bastions San Salvatore, Farsons Brewery and the Old University Building in Valletta.

Up to FY2017, the AX Group was involved in construction waste management at a site in Mgarr, which consisted of the management and disposal of excavation, construction and demolition waste. The level of activity in waste management increased substantially in FY2016, which reflected the increase in construction activity in Malta. As such, the Group generated €1.2 million in FY2016 from this business activity, an increase of €0.3 million when compared to FY2015. This activity was terminated in FY2017, during which the Group only generated income of €0.2 million.

The site in Mgarr is currently being developed into the Imselliet Solar Farm. The solar farm is expected to go live in December 2019, and should produce up to 5.4MW of electricity to be supplied to the public power grid over a period of 20 years. The Group's investment in the Imselliet Solar Farm equates to 33.33% of Imselliet Solar Limited (held through Renewables Limited).

6.5. PROPERTY, REAL ESTATE & RENTAL INCOME

6.5.1. Financial Information – Sector Analysis

PROPERTY, REAL ESTATE & RENTAL INCOME	FY2016 Actual	FY2017 Actual	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Turnover (€'000)	493	588	2,740	510	9,424
Sale of property & real estate	-	50	2,198	-	8,840
Rental income	493	538	542	510	584
Gross operating profit (€'000)	418	513	2,058	432	7,603
Gross operating profit margin (%)	85	87	75	85	81

Source: Management Information

6.5.2. Overview of Sector Activity

Property development was a natural diversification from the construction business. This business segment acquires investment properties, identifies business and commercial uses for these properties through the AX Group sub-divisions, and undertakes such projects to operate or dispose of them, as considered appropriate, at an opportune time. Some of these investments are held on a long-term basis and operated, while others are developed and sold in the normal course of business.

The AX Group has developed a number of landmark projects that span from residential complexes, hotels, restaurants and office blocks, to large scale property development projects such as the development of Falcon House in Sliema and Verdala site in Rabat. 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 execute such projects.

During FY2016 and FY2017, the AX Group was not engaged in any major property development for resale. The last 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 (which were all 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, nine properties are held for own use or rental purposes and one warehouse was available for sale. During FY2018, the warehouse available for sale was sold as well another two plots in Mosta, for an aggregate price of €2.2 million. No property sales are envisaged for FY2019. In the subsequent year (FY2020), AX Group is projecting to generate €8.8 million principally from the sale of 8 residential units at Falcon House, 2 apartments at TG Complex Mosta and 11 out of 22 plots in Mosta (known as Tad-Dib) which are presently subject to promise of sale agreements.

Rental income represents proceeds derived from the leasing of Group properties to third parties, and mainly comprises: Villa Vistana and five warehouses (described hereinabove). As from FY2016, the Group is generating income from renting a convenience shop and child care centre situated at Simblija Care Home & Hilltop Gardens Retirement Village. In FY2020, rental income is projected to increase from €510,000 in FY2019 to €584,000 mainly on account of lease income receivable from the Imselliet quarry in Mgarr.

7 SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE

7.1. GENERAL

The AX Group developed the Simblija Care Home & Hilltop Gardens Retirement Village (“**Care & Retirement Home**”) during the financial years 2014 and 2015, and officially opened the premises in December 2015. Located in the area known as “Tas-Simblija”, limits of Naxxar, the property occupies an area of circa 17,000m², and includes a mix of one and two bedroom apartments & penthouses, landscaped gardens and extensive facilities. The carrying value of this property as at 31 October 2018 amounted to €46.0 million (FY2017: €42.5 million).

The Care & Retirement Home is being marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The facilities at the complex include a restaurant, spa, hair salon, swimming pool, common room and a chapel, amongst others. The Care & Retirement Home offers 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 enables residents to live within a community, and enjoy the surrounding gardens and amenities.

The Care & Retirement Home also includes a nursing home which provides intensive nursing care to dependent elderly residents. The nursing home has its own fully equipped hydrotherapy pool, dedicated services and amenities for short term respite care and convalescence as well as post-operation recovery. Furthermore, the home offers specialised support to residents suffering from dementia.

7.2. FINANCIAL INFORMATION

The expenditure on developing the Care & Retirement Village and acquisition of plant & equipment was of €25 million. The village consists of 133 self-catering residential units including common areas, amenities and landscaping and a 155-bed nursing home.

The residential units are to date fully occupied on leases for definite periods ranging from one month to 50 years, the majority of which are for periods up to 10 years. Additional revenue is generated from the sale of consumables, maintenance fees and the provision of services. Furthermore, management offers tenants assistance in re-selling their units to third parties.

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

The following table illustrates the actual results for the initial financial year ended 31 October 2016, full financial years ended 31 October 2017 and 31 October 2018, and the projections for FY2019 and FY2020.

SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE	FY2016 Actual €'000	FY2017 Actual €'000	FY2018 Actual €'000	FY2019 Forecast €'000	FY2020 Projection €'000
Residences & other income	261	1,395	2,076	2,407	2,548
Nursing home	747	1,964	2,687	3,153	4,063
Total Revenue	1,008	3,359	4,763	5,560	6,611
Direct costs	(1,514)	(2,184)	(3,087)	(3,334)	(3,578)
Other costs	(576)	(1,335)	(1,440)	(1,289)	(1,319)
EBITDA	(1,083)	(160)	236	937	1,714

Source: Management Information

In **FY2016**, the Care & Retirement Home generated total revenue of €1.0 million but incurred an operating loss of €1.1 million. During **FY2017**, 109 units of the self-catering residences (out of 133 units) were either rented or leased. Lease periods during FY2017 ranged from 1 year up to 50 years, with the average lease term being 22 years, whilst rentals were for periods up to one year. The Care & Retirement Home generated €3.4 million in revenue, however still incurred an operating loss of €0.2 million.

During **FY2018**, lease periods were shortened to a range not exceeding 10 years (previously 50 years), whilst rentals were kept for periods of up to one year. In the reviewed year, all 133 units of the self-catering residences were either rented or leased. Revenue generated from residences & other income amounted to €2.1 million, an increase of €0.7 million from a year earlier. Occupancy in the nursing home continued to improve in FY2018, whereby revenue increased by €0.7 million y-o-y to €2.7 million. Overall, the Care & Retirement Home generated €4.8 million in revenue (FY2017: €3.4 million), an increase of €1.4 million or 41%. Furthermore, the Home converted a negative EBITDA of €0.2 million in FY2017 to a positive EBITDA of €0.2 million in FY2018.

It is projected that in **FY2019** and **FY2020**, the Care & Retirement Home will continue to increase occupancy in the nursing home, and as a result, management is estimating revenue to increase to €3.2 million in FY2019 (+19%, y-o-y) and €4.1 million in FY2020 (+28%, y-o-y). Rental income is projected to grow from €2.1 million in FY2018 to €2.5 million by FY2020. Overall, management is projecting the Care & Retirement Home to improve EBITDA from €0.2 million in FY2018 to €0.9 million and €1.7 million in FY2019 and FY2020 respectively, reflecting management's endeavour to keep direct and other costs at an optimal level in order to improve EBITDA margin.

8 BUSINESS DEVELOPMENT STRATEGY

8.1. ETHOS OF THE AX GROUP

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the Group's ethos of ensuring a proper balance between effective organisational practices and procedures, together with the investment in its human capital resources driven by a core executive management team made up of market leaders in their respective areas.

8.2. ORGANISATIONAL PRACTICES AND PROCEDURES

The AX Group implements a combination of organisational checks and balances designed, on the one hand, to identify, evaluate and ultimately mitigate risk and, on the other hand, to explore and exploit business opportunities.

These policies, procedures, controls and systems are reviewed from time to time in order to reflect new operational and market realities, ensuring that the AX Group evolves in tandem with the latest developments in a timely manner, seeking to pre-empt challenges and maximise potential. Business plans, financing arrangements, marketing tools and other key aspects of the day-to-day business and operations of the AX Group are prepared and evaluated by the competent members of the Executive Committee and subject to the scrutiny of the said team.

The progressive introduction of this organisational structure has seen the AX Group develop a more objective and evidence-based approach to business opportunity and risk, based on the principle of informed-decision making practices. In addition, all contractual arrangements to be entered into by the AX Group with its business partners and other third parties are vetted by the dedicated in-house legal team of the AX Group.

8.3. GROWTH AND DIVERSIFICATION STRATEGY

The AX Group continues to focus its energies in strengthening its business and operating structures, particularly in its core hospitality operations. Furthermore, the hospitality division of the Group has diversified its markets and business delivery, and marketing strategies have been developed and implemented for each of its hotels depending on the location and nature of the property.

On recognition of the importance of e-commerce for the hospitality industry, the Group has invested in internet marketing to improve its information systems and now has a dedicated team of key personnel who focus on this channel; together they manage more than 24 websites owned by the Group as well as 70 other social media channels. The Group will continue to invest in the latest technologies and techniques to keep abreast with developments in this dynamic sector and optimise its business.

The Group is optimistic that the hotel industry in Malta will continue to perform positively in the coming years and believes that the Group's hospitality properties have the right management and resources to successfully grow the business units and potentially take on others. AX Hotel Operations p.l.c. continues to actively seek new hotel properties to operate and will be seeking opportunities to take on engagements to manage third party owned properties, subject to the right conditions being agreed to and the property matching the AX Hotels brand standards.

An important aspect of the Group's ongoing strategy is the acquisition of a number of sites in strategic locations and in close proximity to one other, and their subsequent consolidation in order to form larger sites to enable the Group to undertake large developments. This can be said for the property the Group owns in Qawra, where the first property acquired was the AX Sunny Coast Resort and Spa site, followed by the sites of AX Seashells Resort at Suncrest and the Luzzu complex site and recently another property adjacent to the AX Sunny Coast Resort and Spa. This strategy has allowed the consolidation of a large tract of prime land along the Qawra shore.

This same process was repeated in Sliema on the sites where AX The Victoria Hotel, AX The Palace Hotel and Palazzo Capua were built, which are all contiguous to each other, and the Hilltop Gardens Retirement Village, where the current property footprint of over 17,000m² was achieved through acquisitions of several properties over a period of time. The recent acquisitions and development of two boutique properties in the heart of Valletta is also in furtherance of this same objective.

This strategy of operating hotels in clusters yields various value-adding advantages such as the allocation of single management teams per location, providing efficiency through the reduction of overlap in areas such as marketing, maintenance, accounting and procurement.

The construction division of the Group has grown rapidly following a restructuring of the business and has, during the past two years, seen its turnover improve at a rate in excess of 25% compound annual growth rate (CAGR). This growth is supported by the strong performance at a national level of the construction and development sectors as well as specific measures taken in order to respond to the continuing challenges involved in operating in the construction industry.

Due to the unveiling of a large number of prestigious national projects having a strong restoration element over recent years, the AX Group invested in the skills and expertise required to take on sensitive restoration projects and has been successful in contributing significantly to the restoration of our built heritage. The construction division has also introduced contracting and project management strategies which aim to capitalise on the quality, efficiency and experience which are ingrained in the AX Group's culture. This investment in skills and organisational measures has also been augmented by a significant continuing investment in plant, equipment, tools and systems to improve productivity and efficiency and to further strengthen its management and operating teams in anticipation of larger and more demanding projects.

The AX Group owns a number of properties for which it has pending development applications. It continues to actively seek approval from the relevant authorities to undertake the development of the former 'Grand Hotel Verdala' site, located on the Rabat promontory. Other properties include the Marsa business park, which measures *circa* 6,000m² and a significant parcel of land in Mosta to be offered for sale to third parties as properties ready for development.

The AX Group is also currently developing another site in Mosta, which site shall house the AX Group's new state-of-the-art head office as well as a number of residential units.

8.4. HUMAN RESOURCE MANAGEMENT

The AX Group believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives. In today's business climate the recruitment and training of employees is crucial and the retention of key talent has been at the core of the Group's philosophy since inception.

In furtherance of the aforesaid objectives, the AX Group has launched the 'AX Academy' specialising in training and development of its personnel, and set up its own recruitment agency focused on long-term human resources planning and finding the appropriate candidates to further strengthen its leadership and operating teams in anticipation of an increase in volume of business across the divisions of the Group.

The Executive Committee reviews the performance of all operating entities within the AX Group as well as its investments on a periodic basis. The Executive Committee foresees that the AX Group will be strongly focused on executing the Verdala Site project in the near term, but also envisages that it has the required resources and capacity to undertake a number of other investments during the coming years such as the extensions to Hilltop Gardens Retirement Village and the AX Seashells Resort at Suncrest, the development of offices and residential units in Mosta and offices in Floriana, and the redevelopment of the AX Sunny Coast Resort and Spa.

9 FUTURE INVESTMENTS

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, as a major thrust of its business. Indeed, the majority of the proceeds from the Bond Issue (in terms of a prospectus dated 22 November 2019) are to be used by the Company for the purpose of part financing the acquisition of land situated in Marsa, which land is earmarked for development into a mixed office, residential and commercial complex (the "**Marsa Project**") and the Group's acquisition and development of '41, Merchant Street' situated in Merchant Street, Valletta ("**Valletta Project**"), as further described below.

9.1. MARSJA PROJECT

On 11 April 2019, the Group acquired a site measuring approximately 620m², including its overlying airspace and underlying subsoil, pursuant to a sale agreement entered into by and between third party vendors and AX Business Park Limited (C13019), as purchaser, for a consideration of €600,000. This land is adjacent to a plot measuring *circa* 5,500m² owned by AX Group and known as "Tad-Dwiemes".

Subject to obtaining the necessary development permit, the Group plans to consolidate the aforementioned land with an adjacent area in Marsa known as "Tas-Sienja".

In furtherance of this, a promise of sale agreement dated 24 October 2017 was entered into by and between Salv. Bezzina & Sons Ltd (C350), as vendor and AX Business Park Limited (C13019), as purchaser, pursuant to which the vendor bound itself to sell and transfer to the purchaser, which accepted and bound itself to purchase and acquire 2 parcels of land with buildings situated thereon measuring in aggregate approximately 7,600m² (developable area being *circa* 6,600m²) for a consideration of €7 million. The promise of sale agreement shall remain valid and effective up to 23 October 2020.

The Group does not envisage that this site will be developed in the foreseeable future and, in any case, the development of the land situated in Marsa is only expected to take place after the maturity date of the Bonds. At the date of this report, the Board has

merely commissioned studies regarding the optimal use of the Marsa site and will only proceed to re-activate an application for a development permit previously submitted on 21 February 2018 for the development of the portion of land in Marsa known as “Tas-Sienja” (already owned by the Group), which was suspended on 8 May 2018 given the potential arising, shortly prior to such date, of an opportunity to acquire the aforementioned adjacent piece of land, upon conclusion and evaluation of the necessary studies.

9.2. VALLETTA PROJECT

A promise of sale agreement dated 4 July 2019 was entered into by and between Confident Limited (C78162), in its capacity as the vendor (the “**Vendor**”) and AX Holdings Limited (C3595), in its capacity as the purchaser (the “**Purchaser**”), pursuant to which the Vendor bound itself to sell and transfer to the Purchaser, which accepted and bound itself to purchase, the ‘Palazzo’, bearing official number forty-one (41) in Merchant Street, corner with Saint Lucy Street, Valletta for a consideration of €5,500,000. The promise of sale agreement shall remain valid and effective up to 15 January 2020 (the “**41, Merchant Street**”). Following the conclusion of the deed of sale for the acquisition of the 41, Merchant Street, and subject to obtaining the necessary development permits, the Group is intent on converting the property into a self-catering accommodation which shall comprise nine luxury apartments, scheduled to start operating in 2021.

9.3. OTHER PROJECTS

In addition to the Marsa Project and the Valletta Project, the key developments to which the Group is committed to in the foreseeable future include the following:

Expected Year of Commencement and Completion	Development	Status	Investment
2019 - 2020	Development of luxury units on Falcon House land, Sliema - The Group is currently developing a block of residential units at the Falcon House site in Sliema (adjacent to the existing Falcon House Complex) which shall comprise eight luxury apartments and a penthouse.	Relevant planning permits have been obtained and the land in question is currently being developed.	€1.5 million
2019 - 2020	Development of offices and residential units at Tal-Qares, Mosta (Targa Gap Complex) – A plot of land in Targa Gap, Mosta is currently being developed by the Group into a mixed use development. The development will comprise the Group’s new head office, residential units held for sale or lease to third parties, a showroom and four levels of underground parking. Development is planned to be completed in FY20.	Relevant planning permits have been obtained and the land in question is currently being developed.	€7.5 million
2021 - 2022	Development of office space in Floriana – The Group entered into a promise of sale agreement for the acquisition of three properties in Floriana which the Group is planning to consolidate and convert into office space for lease to third parties. The acquisition is planned to be completed in FY20, and the development is planned to commence in FY21.	The Group is in the process of submitting the relevant planning permit application.	€3.8 million
2020 - 2023	Verdala Site, Rabat - The Group plans to develop a 40-suite boutique hotel and 19-serviced apartments to be managed as one operation by AX Hotel Operations p.l.c. The hotel and serviced apartments are projected to commence operations in FY23. The Group also plans to develop 100 luxury apartments on the same site, earmarked for sale to third parties. Development of the said apartments is projected to be completed during FY23.	Outline application stage	€37 million

2021 – 2023	The extension of the Hilltop Gardens Retirement Village - The Group plans on adding 71 units for lease or rental at the Hilltop Gardens Retirement Village.	Permit application submitted – pending approval	<i>circa</i> €6 million
2023 – 2024	The redevelopment of the AX Sunny Coast Resort and Spa, Qawra – The Group plans to demolish and rebuild the Sunny Coast Resort & Spa in Qawra.	Permit application submitted – pending approval	<i>circa</i> €18 million
2025 – 2026	The extension of AX Seashells Resort at Suncrest, Qawra – The Group plans to extend the AX Seashells Resort at Suncrest by an additional two floors, adding a total of 200 rooms. The entire hotel and lido area is also planned to be refurbished and redecorated.	Permit application submitted – pending approval	<i>circa</i> €13 million

PART 2 – GROUP PERFORMANCE REVIEW

10. FINANCIAL INFORMATION RELATING TO AX GROUP PLC

The following financial information is extracted from the audited consolidated financial statements of AX Group p.l.c. for the three years ended 31 October 2016 to 31 October 2018. The financial information for the years ending 31 October 2019 and 31 October 2020 have been provided by Group management.

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

PRIOR YEAR ADJUSTMENT

A prior year adjustment was passed to properly account for share of profits resulting from investments in associates which was overstated in previous years. The following balance sheet items were affected by such adjustment.

	€'000
Investments in associates	
At 01.11.2016, as previously stated	8,586
Prior year adjustment	(1,603)
At 01.11.2016, as restated	6,983
Share of profits, as previously stated	1,087
Prior year adjustment	(574)
	513
At 31.10.2017, as restated	7,495
Retained earnings	
At 01.11.2016, as previously stated	16,673
Prior year adjustment	(1,603)
At 01.11.2016, as restated	15,070
Profit for the year, as previously stated	12,252
Prior year adjustment	(574)
Profit for the year, as restated	11,678
Dividends paid	(2,300)
Revaluation of investment property, net of tax	(5,561)
At 31.10.2017, as restated	18,887

AX GROUP P.L.C.
CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 OCTOBER	2016 Actual €'000	2017 Restated €'000	2018 Actual €'000	2019 Forecast €'000	2020 Projection €'000
Revenue	38,060	46,157	56,776	52,389	66,482
Net operating expenses	(25,397)	(30,793)	(35,832)	(36,362)	(41,033)
EBITDA	12,663	15,364	20,944	16,027	25,449
Depreciation	(4,825)	(5,238)	(5,348)	(5,895)	(5,875)
Investment property revaluation	900	6,211	26,589	-	-
Share of results of associated undertaking	696	513	3	383	359
Investment income	8	11	1	-	-
Net finance costs	(3,494)	(3,459)	(3,007)	(3,164)	(3,965)
Profit before tax	5,949	13,401	39,182	7,351	15,968
Taxation	(1,918)	(1,690)	(8,228)	4,929	(3,297)
Profit after tax	4,030	11,711	30,954	12,280	12,671
Other comprehensive income					
Gains on property revaluation	53,622	-	13,136	-	-
Taxation	(5,418)	-	(1,384)	-	-
	48,204	-	11,752	-	-
Total comprehensive income	52,234	11,711	42,706	12,280	12,671

AX GROUP P.L.C.
CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 OCTOBER	2016 Actual €'000	2017 Restated €'000	2018 Actual €'000	2019 Forecast €'000	2020 Projection €'000
Net cash from operating activities	17,564	17,516	15,164	8,849	14,288
Net cash from investing activities	(16,853)	(12,084)	(4,890)	(10,130)	(24,280)
Net cash from financing activities	2,708	(4,816)	(10,190)	(3,031)	61,916
Net movement in cash and cash equivalents	3,419	616	84	(4,312)	51,924
Cash and cash equivalents at beginning of year	2,174	5,593	6,209	6,293	1,981
Cash and cash equivalents at end of year	5,593	6,209	6,293	1,981	53,905

AX GROUP P.L.C.
STATEMENT OF FINANCIAL POSITION

	31 Oct'16 Actual €'000	31 Oct'17 Restated €'000	31 Oct'18 Actual €'000	31 Oct'19 Forecast €'000	31 Oct'20 Projection €'000
ASSETS					
Non-current assets					
Property, plant & equipment	218,791	223,930	235,045	243,673	250,863
Investment property	24,395	30,969	58,722	31,526	42,742
Investments in associates	8,586	7,495	7,499	7,882	8,241
Deferred tax asset & other non-current assets	-	-	-	7,208	7,172
	251,772	262,394	301,266	290,289	309,018
Current assets					
Inventories	2,721	2,971	2,370	25,260	27,596
Trade & other receivables	11,162	12,258	13,046	11,406	11,968
Cash at bank and in hand	5,876	7,353	6,852	1,981	53,905
	19,759	22,582	22,268	38,647	93,469
Total assets	271,531	284,976	323,534	328,936	402,487
EQUITY					
Share capital	1,165	1,165	1,165	1,165	1,165
Reserves	145,440	151,901	186,358	185,058	185,059
Retained earnings	16,673	17,987	23,724	33,280	42,139
Non-controlling interest	1,401	1,434	1,503	1,515	1,577
	164,679	172,487	212,750	221,018	229,940
LIABILITIES					
Non-current liabilities					
Borrowings & debt securities	60,429	57,357	53,149	52,964	121,092
Trade & other payables	3,281	6,578	11,591	12,745	11,983
Deferred tax liabilities	18,731	19,256	24,823	24,695	24,695
	82,441	83,191	89,563	90,404	157,770
Current liabilities					
Borrowings	9,022	10,500	2,919	2,346	-
Trade & other payables	15,389	18,798	18,302	15,168	14,777
	24,411	29,298	21,221	17,514	14,777
Total liabilities	106,852	112,489	110,784	107,918	172,547
Total equity and liabilities	271,531	284,976	323,534	328,936	402,487

KEY ACCOUNTING RATIOS	FY2016 Actual	FY2017 Restated	FY2018 Actual	FY2019 Forecast	FY2020 Projection
Operating profit margin (EBITDA/revenue)	33%	33%	37%	31%	38%
Interest cover (times) (EBITDA/net finance cost)	3.62	4.44	6.97	5.07	6.42
Net debt to EBITDA (years) (Net debt/EBITDA)	5.02	3.94	2.35	3.33	2.64
Net profit margin (Profit after tax/revenue)	11%	25%	55%	23%	19%
Earnings per share (€) (Profit after tax/number of shares)	3.46	10.06	26.58	10.54	10.88
Return on equity (Profit after tax/shareholders' equity)	2%	7%	15%	6%	6%
Return on capital employed (EBITDA/total assets less current liabilities)	5%	6%	7%	5%	7%
Return on assets (Profit after tax/total assets)	1%	4%	10%	4%	3%

Source: Charts | A Division of MeDirect Bank plc

INCOME STATEMENT

During **FY2016**, revenue of the Group increased by €6.0 million (+19%) from €32.1 million in FY2015 to €38.1 million. The aforementioned increase in revenue was mainly generated from the hospitality sector as to €5.8 million (principally from Seashells Resort by Suncrest and The Palace Hotel) and the care & retirement home generated €0.9 million in its first year of operation. Revenue from construction and real estate decreased by €1.5 million when compared to FY2015, and dividends receivable from Valletta Cruise Port p.l.c. increased from €0.4 million in FY2015 to €1.0 million in FY2016.

EBITDA increased by €2.8 million (+28%), from €9.9 million in FY2015 to €12.7 million in FY2016, substantially generated from Seashells Resort by Suncrest and The Palace Hotel. After accounting for depreciation of €4.8 million (FY2015: €3.2 million), an uplift of €0.9 million (FY2015: nil) in the valuation of the Hardrocks warehouses, investment income & net finance costs of €3.5 million (FY2015: €1.5 million) and share of results of associates of €0.7 million (FY2015: 0.4 million), the Group registered a profit before tax of €5.9 million, a y-o-y increase of €0.3 million when compared to FY2015 (profit before tax: €5.6 million). In FY2016, the property valuations (net of deferred tax) of Seashells Resort by Suncrest and Palazzo Capua were revised upwards by an aggregate amount of €48.2 million, and as a consequence, the comprehensive income for FY2016 amounted to €52.2 million (FY2015: €9.7 million).

In **FY2017**, revenue of the Group increased by €8.1 million (+21%), from €38.1 million in FY2016 to €46.2 million in FY2017. The year-on-year increase was spread primarily across the hospitality sector, construction sector as well as the care & retirement home (which is in its second year of operation). Revenue from sale of property, real estate and rental income increased by €0.1 million, whilst dividends receivable from Valletta Cruise Port p.l.c. decreased by €0.06 million to €0.89 million in FY2017.

During FY2017, EBITDA increased by €2.7 million (+21%) from €12.7 million in FY2016 to €15.4 million, a significant portion of which was generated from the operations of Seashells Resort by Suncrest. After accounting for depreciation of €5.2 million (FY2016: €4.8 million), investment income and net finance costs of €3.5 million (FY2016: €3.5 million), an uplift of €6.1 million (FY2016: €0.9 million), and share of results of associates of €0.5 million (FY2016: €0.7 million), the Group registered a profit before tax of €13.4 million, compared to €5.9 million in FY2016 (+125%).

Profit after tax amounted to €11.7 million in FY2017 as compared to €4.0 million in FY2016, an increase of €7.7 million (+191%). Total comprehensive income in FY2017 was unchanged at €11.7 million (FY2016: €52.2 million).

During **FY2018**, total revenue generated by the Group increased by €10.6 million (+23%), from €46.2 million in FY2017 to €56.8 million in FY2018. The year-on-year increase was spread primarily across all sectors with the hospitality sector registering the highest increase in terms of value (+€3.4 million, y-o-y). The construction sector and sale of property, real estate and rental income registered positive increases of €2.6 million and €2.2 million, respectively. Revenue from the retirement home increased by €1.4 million, whilst dividends receivable from Valletta Cruise Port p.l.c. increased by €0.3 million to €1.2 million in FY2018.

During FY2018, EBITDA increased by €5.5 million (+36%) from €15.4 million in FY2017 to €20.9 million, a fair amount of which was generated from the sale of property as well as the aggregate increases in revenue in the sub-divisions of the hospitality & entertainment sector. After accounting for depreciation of €5.3 million (FY2017: €5.2 million), investment income and net finance costs of €3.0 million (FY2017: €3.5 million), and an investment property revaluation uplift of €26.6 million (FY2017: €5.8 million), the Group registered a profit before tax of €39.2 million, compared to €13.4 million in FY2017 (+192%). The afore-mentioned revaluation of €26.6 million related to uplifts in the fair value of the Verdala site in Rabat, a plot of land in Marsa (known as Tad-Dwiemes) and the Virtu Apartments in Rabat.

Profit after tax amounted to €30.9 million in FY2018 as compared to €11.7 million in FY2017, an increase of €19.2 million (+164%). Total comprehensive income in FY2018 increased to €42.7 million (FY2017: €11.7 million) due to gains on property revaluation net of tax of €11.8 million (FY2017: nil) in relation to The Palace Hotel and Simblija Care Home & Hilltop Gardens Retirement Village.

In **FY2019**, revenue is forecasted to decrease by €4.4 million from €56.8 million in FY2018 to €52.4 million. Revenue generated by the hospitality & entertainment division is expected to decline by €1.1 million (y-o-y) due to the temporary closure of The Palace Hotel for a refurbishment exercise, which will not be compensated by an increase in RevPAR. As a result of rising competition in the local tourism market, particularly from non-hotel self-catering accommodation properties, management's ability to increase room rates is somewhat limited.

The construction and property divisions are also expected to register a y-o-y decline, from an aggregate of €10.9 million in FY2018 to €7.5 million, in view of the fact that no property sales are forecasted for FY2019. In contrast, revenue from the retirement home is forecasted to increase by €0.8 million (+17%, y-o-y) to €5.6 million in FY2019.

EBITDA in FY2019 is estimated at €16.0 million, a decrease of €4.9 million (-23%) when compared to FY2018. The Group is forecasted to register a profit before tax in FY2019 of €7.4 million, a decrease of €31.8 million from a year earlier. This decrease is mainly attributable to the fact that management has prudently assumed no investment property valuation gains will be accounted for in FY2019, compared to a gain of €26.6 million in FY2018. In FY2019 Sunny Coast Resort & Spa in Qawra and The Victoria Hotel in Sliema will be revalued in line with the ongoing property revaluation programme of the Group. After accounting for a tax credit of €4.9 million (as a result of the recognition of a deferred tax asset from an investment tax credit on the retirement home), total comprehensive income in FY2019 is projected to amount to €12.3 million (FY2018: €42.7 million).

Revenue in **FY2020** is projected to increase substantially by €14.1 million (+27%, y-o-y) to €66.5 million, primarily on account of expected disposal of various properties amounting to €8.8 million. The remaining balance is projected to be generated from the other divisions of the Group. The surge in revenue is expected to result in a €9.4 million increase in EBITDA, from €16.0 million in FY2019 to €25.4 million. Similarly, profit before tax is projected to increase y-o-y by €8.6 million as no property fair value uplifts are being assumed. Overall, total comprehensive income in FY2020 is projected at €12.7 million, compared to €12.3 million being forecasted for FY2019.

STATEMENT OF FINANCIAL POSITION

Non-current assets of the Group principally comprise property, plant & equipment (mainly hotel properties and the Simblija Care Home & Hilltop Gardens Retirement Village), investment property (mainly Verdala site and a plot of land in Marsa) and a 36% shareholding in Valletta Cruise Port p.l.c. (investment in associates). In FY2018, non-current assets increased by €38.9 million to €301.3 million (FY2017: €262.4 million) primarily on account of uplifts in fair value of assets. Current assets as at 31 December 2018 amounted to €22.3 million compared to €22.6 million in FY2017. Current assets mainly include trade & other receivables and cash & bank balances.

During the projected years (FY2019 and FY2020), property, plant & equipment is expected to increase by €15.8 million (from €235.0 million in FY2018 to €250.9 million in FY2019), primarily in relation to the completion of the Rosselli Hotel and development works at TG Complex in Mosta, as well as ongoing capital expenditure at the Group's properties.

With regard to investment property, in FY2019, the portion of the Verdala site earmarked for the development of residential units and which will be available on the market for sale will be transferred to inventories. As such, inventories (current asset) are set to increase from €2.4 million in FY2018 to €25.3 million in FY2019 and investment property (non-current asset) will decrease by a corresponding amount.

Total liabilities represent trade and other payables (FY2018: €29.9 million as compared to FY2017: €25.4 million), deferred taxation (FY2018: €24.8 million as compared to FY2017: €19.3 million) and borrowings as provided hereinafter.

AX GROUP P.L.C.
GROUP BORROWINGS

	31 Oct'16 Actual €'000	31 Oct'17 Restated €'000	31 Oct'18 Actual €'000	31 Oct'19 Forecast €'000	31 Oct'20 Projection €'000
Bank borrowings					
Bank loans	21,681	19,937	15,226	15,266	6,461
Bank overdrafts	283	1,144	559	-	-
	21,964	21,081	15,785	15,266	6,461
Bonds					
6% Bonds 2024	39,540	39,394	39,456	39,516	39,631
3.25% Bonds 2026/3.75% Bonds 2029					74,470
	39,540	39,394	39,456	39,516	114,101
Other borrowings					
Malta Enterprise	6,311	6,634	-	-	-
Other loans	119	211	590	-	-
Shareholder's loan <i>(unsecured, interest free and no fixed date repayment)</i>	1,517	537	237	528	530
	7,947	7,382	827	528	530
Total borrowings and bonds	69,451	67,857	56,068	55,310	121,092

KEY ACCOUNTING RATIOS

	31 Oct'16 Actual	31 Oct'17 Restated	31 Oct'18 Actual	31 Oct'19 Forecast	31 Oct'20 Projection
Net assets per share (€) <i>(Net asset value/number of shares)</i>	141	148	183	190	197
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.81	0.77	1.05	2.21	6.33
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	28%	26%	19%	19%	23%

Source: Charts | A Division of MeDirect Bank plc

During FY2020, the Group will be raising €25 million from 2 bond issues, in terms of the Prospectus dated 22 November 2019, the proceeds thereof shall be utilised to acquire the properties referred to in sections 9.1 and 9.2 of this report (the "Marsa Project" and the "Valletta Project"). In addition, an amount of €4.5 million shall be used to re-finance bank loan facilities and a further €4 million shall be utilised for general corporate funding purposes.

Subject to approval from the relevant authorities to undertake the development of the Verdala site, the Company is intent on issuing €50 million in bonds, the majority of the aggregate proceeds of which are earmarked for the purposes of financing the development of the Verdala site. Simultaneously with the issuance of the said €50 million bonds, the existing shareholders are minded to launch an offer to the public of 25% of their shareholding in the Company. As at the date hereof, the Company's shareholders intend to reinvest part of the proceeds from the share offer in the Company by way of subscription for the majority of the €50 million bonds. The remaining balance of bonds will be offered to the general public.

CASH FLOW STATEMENT

Net cash flows from operating activities principally relate to the operations of the AX Group, which are analysed in further detail in section 6.0 of this report under the heading "Group Operational Development". In FY2019, net cash from operating activities is expected to decrease from €15.2 million in FY2018 to €8.8 million, primarily due to an expected decline in revenue (explained in further detail elsewhere in this report), the reversal of interest expensed in FY2018 in relation to previous years and not repeated in FY2019 and adverse movement in working capital changes. In FY2020, operating cash inflows are projected to increase y-o-y by €5.4 million to €14.3 million, mainly from the disposal of various properties.

Net cash from investing activities principally relate to the acquisition and disposal of properties and annual capital expenditure on the Group properties. In this regard, between FY2016 and FY2018, the AX Group utilised a net amount of €33.8 million. During FY2019 and FY2020, the Group is projecting to utilise in aggregate €34.4 million (being net of proceeds from disposals), mainly to complete outstanding projects, to acquire the Marsa and Valletta properties (described in section 6 above) and for the purposes of ongoing capital expenditure.

Financing activities principally comprise movement on bank and other borrowings, issuance of debt securities and payment of dividends. In FY2018, the Group utilised €7.7 million of loan facilities and paid dividends to shareholders of €2.5 million (total of €10.2 million). In FY2019, net cash outflows from financing activities are expected to amount to €3.0 million, mainly comprising dividend payments. In the subsequent year (FY2020), the Group is projecting to raise *circa* €75 million from bond issues and during same year plans to repay €8.8 million of bank loans and distribute €3.8 million by way of dividends to shareholders.

DEBT SECURITIES ISSUED BY GROUP COMPANIES

AX Investments p.l.c. is a member of the AX Group and has the following outstanding debt securities:

- €40 million AX Investments p.l.c. 6% Unsecured € Bonds 2024 (ISIN MT0000081233)

PART 3 – COMPARABLES

The table below compares the Company and its bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

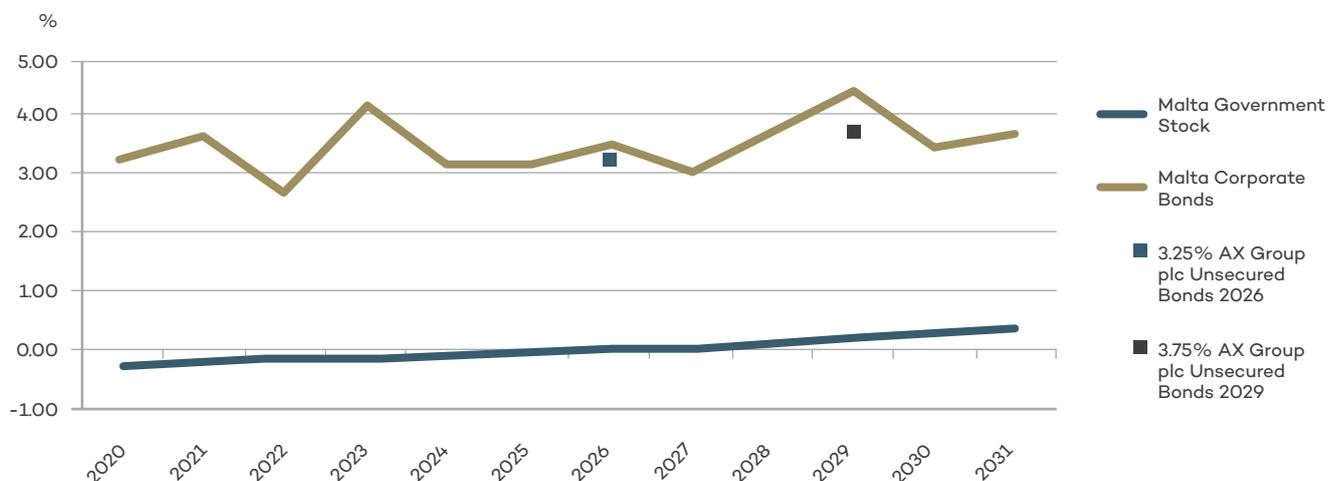
COMPARATIVE ANALYSIS	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.50% Pendergardens Dev. plc Secured € 2020 Series I	14,711,300	3.26	1.23	80,052	25,712	48.95
6.00% Pendergardens Dev. plc Secured € 2022 Series II	26,921,200	2.34	1.23	80,052	25,712	48.95
3.65% GAP Group plc Secured 2022	40,000,000	2.72	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	4.22	0.76	27,159	6,916	62.72
6.00% AX Investments Plc Unsecured € 2024	40,000,000	2.52	6.97	325,243	214,590	18.66
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.24	5.33	83,223	44,177	43.99
5.00% Hal Mann Vella Group plc Secured Bonds € 2024	30,000,000	3.64	2.29	112,006	43,514	51.65
4.25% Best Deal Properties Holding plc Secured 2024	16,000,000	3.40	4.02	25,986	3,432	82.64
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.84	1.41	120,794	38,318	52.41
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.84	1.55	154,742	52,242	61.72
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.50	2.09	5,499	-19,741	-
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	2.74	1,784,681	908,883	40.11
4.00% International Hotel Invest. plc Secured € 2026	55,000,000	3.58	3.27	1,617,853	877,620	36.63
4.00% International Hotel Invest. plc Unsecured € 2026	40,000,000	3.60	3.27	1,617,853	877,620	36.63
4.00% MIDI plc Secured € 2026	50,000,000	3.50	9.80	220,613	97,440	31.83
3.75% Premier Capital plc € Unsecured Bonds 2026	65,000,000	3.14	12.63	179,451	48,701	54.42
4.35% Hudson Malta plc Unsecured 2026	12,000,000	3.60	13.74	28,166	6,135	60.96
4.35% SD Finance plc € Unsecured Bonds 2027	65,000,000	3.44	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured 2027	40,000,000	3.10	5.68	185,717	103,511	31.82
4.00% Stivala Group Finance plc Secured 2027	45,000,000	3.44	3.73	202,425	115,827	32.23
3.85% Hili Finance Company plc Unsecured 2028	40,000,000	3.71	3.44	455,113	86,390	73.98
3.80% Hili Finance Company plc Unsecured 2029	80,000,000	3.77	3.44	455,113	86,390	73.98
3.25% AX Group Plc Unsecured € 2026*	25,000,000	3.25	6.96	323,534	212,750	18.79
3.75% AX Group Plc Unsecured € 2029*	25,000,000	3.75	6.96	323,534	212,750	18.79

* The Bond Issue is for an aggregate amount of €25M in any one or a combination of the stated bonds.

19 September '19

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, Charts | A division of MeDirect Bank (Malta) plc

Bond Yield to Maturity



Source: Malta Stock Exchange, Central Bank of Malta, Charts | A division of MeDirect Bank (Malta) plc

19 September 2019

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2026 bonds have been priced at a yield of 3.25%, which is *circa* 25 basis points below other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 325 basis points.

The 2029 bonds have been priced at a yield of 3.75%, which is *circa* 68 basis points lower when compared to other corporate bonds maturing in 2029. The premium over FY2029 Malta Government Stock is 352 basis points.

PART 4 – 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; care and retirement home operations; 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 dividing a hotel's total revenue by the total number of available rooms in the period being measured. 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.

Net debt to EBITDA

The net debt to EBITDA ratio is a measurement of leverage, calculated as a company's interest bearing liabilities minus cash or cash equivalents, divided by its EBITDA. This ratio shows how many years it would take for a company to pay back its debt if net debt and EBITDA are held constant.

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 Group's net debt by shareholders' equity plus net debt.
