



AX REAL ESTATE

Summary

Dated 6 December 2021

AX Real Estate p.l.c.

A public limited liability company registered under the laws of Malta with company registration number C 92104 in connection with:

- an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share, or in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share
- an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

Sponsors


RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS


MZ INVESTMENT SERVICES

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

SUMMARY

DATED 6 December 2021

AX REAL ESTATE P.L.C.

THE SUMMARY HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY ONLY APPROVES THIS SUMMARY AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY IMPOSED BY THE PROSPECTUS REGULATION. SUCH APPROVAL SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE COMPANY AND THE SECURITIES THAT ARE THE SUBJECT OF THIS SUMMARY.

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

APPROVED BY THE BOARD OF DIRECTORS



ANGELO XUEREB



MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf each of Christian Farrugia, Joseph Lupi, Denise Micallef Xuereb, Christopher Paris and Stephen Paris.

1. INTRODUCTION AND WARNINGS

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

This Summary contains key information on the Company and the Offer Securities, summarised details of which are set out below:

Full legal and commercial name of the Company:	AX Real Estate p.l.c.
Registered address:	AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta
Registration number:	C 92104
LEI number:	485100D7B8FYJ8Q4CR24
Telephone number:	+356 2331 2345
Company website:	https://axrealestate.mt
Nature of the Offer Securities:	Collectively: i. an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an offer price of €0.60 per share, or in the case of the exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an offer price of €0.60 per share (" Offer Shares "); and ii. an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par by (the " Bonds ").
ISIN of the ordinary 'A' shares:	MT0002570100
ISIN of the Bonds:	MT0002571215
Competent authority approving the Prospectus:	The Malta Financial Services Authority (MFSA), established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the Financial Markets Act (Cap. 345 of the laws of Malta).
Address of the MFSA:	Malta Financial Services Authority, Triq l-Imdina, Zone 1, Central Business District, Birkirkara, Malta, CBD 1010.
Telephone number of the MFSA:	+356 2144 1155

Official website of the MFSA: <http://www.mfsa.mt/>

Prospectus approval date: 6 December 2021

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 Company and the Securities 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 the Securities;
- 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 COMPANY

2.1. WHO IS THE ISSUER OF THE SECURITIES?

2.1.1. DOMICILE AND LEGAL FORM, ITS LEI AND COUNTY OF INCORPORATION

The Company is AX Real Estate 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 92104. The Company was incorporated and is domiciled in Malta. Its LEI number is 485100D7B8FYJ8Q4CR24.

2.1.2. PRINCIPAL ACTIVITIES OF THE COMPANY

The Company acts as the holding company of the Estates Group within the AX Group. The Estates Group is involved in the letting of a diverse portfolio of real estate to Subsidiaries and to independent third parties. The Company itself owns nine warehouses, an office block at Hardrocks Business Park, and an office block at Falcon House, Sliema, which properties are partly leased to related parties, and partly to third parties. The portfolio of properties owned by the Subsidiaries is comprised of the following:

- i. **Suncrest Hotels p.l.c. (C 8643)** owns the AX Seashells Resort at Suncrest, the AX Sunny Coast Resort and Spa and the Luzzu Complex in Qawra;
- ii. **Central Leisure Developments Limited (C 25774)** owns the AX The Victoria Hotel and AX The Palace Hotel in Sliema;
- iii. **St. John's Boutique Hotel Limited (C 76079)** owns the Saint John – boutique accommodation in Valletta;
- iv. **Palazzo Merkanti Leisure Limited (C 76080)** holds the AX Rosselli Hotel in Valletta under title of temporary emphyteusis;
- v. **Simblija Developments Limited (C 39400)** owns the Hilltop Gardens Retirement Village, Simblija Care Home and the Blackstead Garage in Naxxar;
- vi. **Royal Hotels Limited (C 16694)** owns the land over which the Verdala Hotel will be developed;
- vii. **Heritage Developments Limited (C 14217)** is in the process of acquiring all 19 Virtu Heights residential apartments to be developed into the Verdala Hotel Annex; and
- viii. **Skyline Developments Ltd (C 34281)** owns the Targa Gap Complex in Mosta.

Revenue generated by the Company primarily relates to the rental income derived from the Estate Group's property investment activities. As the holding company, the Company is largely economically dependent on the operations and performance of the Subsidiaries.

2.1.3. MAJOR SHAREHOLDERS

As at the date of this Summary, AX Group p.l.c. holds, in aggregate, 99.99% of the issued share capital of the Company, and 99.98% of the ordinary 'A' shares. Following completion of the Share Offer: (a) if the Share Offer is fully subscribed but the Company elects not to exercise the Over-allotment Option, AX Group p.l.c. will hold 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares; (b) if the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment Option, following the application of a conversion mechanism which will result in unlisted ordinary 'B' shares currently held by AX Group p.l.c. being converted into listed ordinary 'A' Shares, AX Group p.l.c. will hold between 83.33% and 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares; and (c) if the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12,000,000 in subscriptions for ordinary 'A' shares and following the application of a conversion mechanism which will result in listed ordinary 'A' shares currently held by AX Group p.l.c. being converted into unlisted ordinary 'B' Shares, AX Group p.l.c. will hold between 88.23% and 92.59% of the issued share capital of the Company, and 75% of the ordinary 'A' Shares. In all of the scenarios set out above, AX Group p.l.c. would therefore continue to exercise control over the Company. In line with sound governance procedures and relevant regulatory requirements, measures have been instituted to ensure that the control exercised by AX Group p.l.c., as major shareholder, is not abused. In so far as is known to the Company, no person other than AX Group p.l.c., and its direct or indirect shareholders, that is Angelo Xuereb (holding a 55% stake in AX Group p.l.c.), and each of Mr Richard Xuereb, Ms Claire Zammit Xuereb (through her shareholding in Lotus Company Ltd (C 81360)) and Ms Denise Micallef Xuereb (through her shareholding in DX Holdings Limited (C 81361), each holding a 15% stake in AX Group p.l.c., has an interest, whether directly or indirectly, in the Company's capital or voting rights.

2.1.4. KEY MANAGING DIRECTORS

As at the date of the Prospectus, the Board of Directors of the Company is composed of the following persons: Christian Farrugia (Independent Non-Executive Director), Joseph Lupi (Independent Non-Executive Director), Denise Micallef Xuereb (Executive Director and Chief Executive Officer), Christopher Paris (Non-Executive Director), Stephen Paris (Independent Non-Executive Director), Michael Warrington (Non-Executive Director) and Angelo Xuereb (Non-Executive Chairman).

2.1.5. STATUTORY AUDITORS

Ernst & Young Malta Limited of Regional Business Centre, Achille Ferris Street, Msida MSD 1751, Malta, have audited the annual statutory financial statements of the Company for the financial year ended 31 October 2020. The annual statutory financial statements of the Company for the year ended 31 October 2019 have been audited by Nexia BT.

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

The Company's historical audited financial statements for years ended 31 October 2019 and 31 October 2020 are available on the Company's website and the registered office of the Company. The audit reports of these two financial periods do not contain any qualification, modification of opinion, disclaimers, or emphasis of matter. The Company's unaudited interim financial information covering periods between 1 November 2019 and 30 April 2020 and between 1 November 2020 and 30 April 2021 are also available on the Company's website and at the registered office of the Company.

Key figures extracted from the said financial reports are being presented below:

Income Statement

Currency: € 000	Financial year ended 31 October 2020 (audited)	Financial year ended 31 October 2019 (5 months) (audited)	Six months ended 30 April 2021 (unaudited)	Six months ended 30 April 2020 (unaudited)
Revenue	243.7	19.4	145.9	125.3
EBITDA*	226.0	18.1	118.0	114.2
Total comprehensive income	157.8	14.1	76.3	83.7

*EBITDA is derived by deducting administrative expenses from revenue for the period.

Statement of financial position

Currency: € 000	Company 31 October 2020 (audited)	Company 31 October 2019 (audited)	Group 30 April 2021 (pro forma)	Company 30 April 2021 (unaudited)
Total Assets	6,464	5,244	234,539	6,788
Total Equity	3,673	15	126,132	3,749
Total Liabilities	2,791	5,229	108,407	3,039

Statement of cash flows

Currency: € 000	Financial year ended 31 October 2020 (audited)	Financial year ended 31 October 2019 (5 months) (audited)	Six months ended 30 April 2021 (unaudited)	Six months ended 30 April 2020 (unaudited)
Net cash from operating activities	-	67.0	206.3	2.0
Net cash used in financing activities	-	(67.0)	-	(2.0)
Net cash used in investing activities	-	-	(206.3)	-

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

The most material risk factors specific to the Company and the Estates Group which may negatively impact the business, results of operations, financial position, growth and, or prospects (as applicable) of the Company and the Estates Group should the circumstances mentioned therein materialise, are set out below:

2.3.1. Risks associated with rental income of the Estates Group's property portfolio

The revenue generated from the Estates 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 be in a position, at all times, to perform their obligations. Moreover, the Estates Group is susceptible to the risk that tenants may terminate, or elect not to renew, their respective lease agreements.

2.3.2. Risks relating to title over immovable property

To the extent that the Estates Group, or its third-party advisers, fail to identify defects in title or erroneously assess the materiality or implication of the findings of the due diligence exercise typically carried out in respect of the good title over land or immovable property being acquired and, or developed, the Estates Group may, notwithstanding that it proceeds with the intended acquisition or development, subsequently be exposed to claims and, or liabilities relating to such issues.

2.3.3 Risks associated with ability to obtain necessary planning and development permits and maintaining ongoing compliance therewith

Securing planning approvals by the competent authorities in a timely manner is of key importance to the Estates Group's property development activities. There can be no certainty that any given planning application will result in planning approvals being granted, or that if granted, will not be on unduly onerous or restrictive terms. Additionally, opposition to the Estates Group's proposed developments may also cause the Estates Group to adjust development plans on any pending or future projects, which adjustments may expose the Estates Group to additional unrecoverable expenses and render the development plan unfeasible.

2.3.4 The Estates Group may not realise the benefits it expects from property investments

The Estates 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. The Estates Group is susceptible to experiencing cost over-runs relating to unanticipated delays in, and liabilities associated with, development of property.

2.3.5 Risks relating to the Estates Group's financing and investment strategies

The Estates Group may not be able to obtain the financing it requires for the continued operation of its business and investments, including for the acquisition, development, expansion or improvement of existing or new properties, on commercially reasonable terms, or at all, and, or on time.

2.3.6 Risks relating to the economic repercussions of COVID-19

The continued or renewed imposition of preventative and containment measures as a result of the COVID-19 pandemic has had, and is expected to continue to have, a negative impact on the expectations relating to the operations run or to be run from the Group Hospitality Properties, which may, in turn, impact the operators' ability to service rental payment obligations in full and on time, create pressures for reductions in rent and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. Moreover, the Estates Group's business, operations, and financial performance, particularly to the extent that these may impact the ability of the Subsidiaries' tenants to service their rental payment obligations in full and on time, remain susceptible to the risk represented by the uncertainty resulting from the pandemic. Even after the COVID-19 outbreak has subsided, the Estates Group may still be susceptible to experience material adverse impacts on its businesses and operations as a result of the impeded market and economic conditions precipitated by the COVID-19 pandemic.

2.3.7 Risks relating to property development activities

Property development projects are subject to a number of specific risks, including but not limited to: the risk of insufficiency of resources to complete development projects in the manner or within the timeframe envisaged; the risk of cost overruns and unexpected increases in project execution costs; the risk of rental or sales transactions not being effected at the prices and within the timeframes envisaged, and risks relating to general industry trends and the local property development market.

2.3.8 Risks associated with the hospitality industry

The Estates Group's property portfolio is linked to a significant extent to the hospitality sector, which is subject to a number of external factors that could adversely affect the Estates Group's business. Many of such factors are common to the hospitality industry and beyond the Group's control, and may impact owners and operators alike. The impact of any of these factors may adversely affect room rates and occupancy levels, and, in turn, tenants' ability to meet their rental payment obligations on time and in full, and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent mechanisms.

2.3.9 Risks associated with the healthcare industry

The Estates Group is subject to general risks inherent in the provision of accommodation for elderly persons, including risks relating to changes in consumer preferences and in occupancy levels, risks relating to the recruitment of adequate medical staff, risks relating to breaches of licence conditions, and risks relating to medical claims. Additionally, the Estates Group's care homes are susceptible to the outbreak of pandemics which could present major operational difficulties.

3. KEY INFORMATION ON THE SECURITIES

3.1. WHAT ARE THE MAIN FEATURES OF THE SECURITIES?

The key features of the Offer Shares are set out below:

ISIN:	MT0002570100;
Description, Amount and Class:	33,333,333 ordinary 'A' shares (or up to 50,000,000 ordinary 'A' shares in the event of exercise of the Over-allotment Option) of a nominal value of €0.125 per share are being offered pursuant to the Share Offer at the Offer Price of €0.60 per Offer Share;
Offer Price	€0.60 per Offer Share save in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, where a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share) shall apply, resulting in a price of €0.54 per Offer Share);
Minimum amount per subscription:	minimum of 5,000 Offer Shares (and in multiples of 100 Offer Shares thereafter), save that in the case of applications for Bonds equal to or in excess of €250,000, the minimum subscription for Offer Shares would not apply;
Currency:	Euro (€);

Form:	The Offer Shares in the Company will be issued in registered form and, until they are admitted to the Official List of the MSE, they will be in fully certificated form. Following their admission to the Official List of the MSE the ordinary 'A' shares will be in registered dematerialised form and be held in book-entry form at the CSD;
Rights attaching to the Offer Shares:	The Offer Shares shall carry the right for the holders thereof to participate in any distribution of dividend declared by the Company and any distribution of capital made whether in the context of a winding up or otherwise, <i>pari passu</i> with all other Shares of the Company; Each Offer Share shall entitle the holder thereof to one vote at meetings of Shareholders;
Transferability:	Save for the restrictions on free transferability applicable to the Locked-In Shareholder in terms of the Lock-In Agreement, the Offer Shares are freely transferable;
Dividend policy:	It is the Directors' intention to implement a stable dividend policy, paying out the majority of the Company's distributable profits earned during the year, provided that a minimum balance of €1 million in cash is retained within the Group at any given time. 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. It is forecasted that an interim dividend (50% of annual dividend) is paid in July and the final dividend (remaining 50% of annual dividend) is paid in January.

The key features of the Bonds are set out below:

ISIN:	MT0002571215
Description, Amount:	Up to €40,000,000 unsecured bonds of a nominal value of €100 per bond are being issued at par pursuant to the Bond Issue;
Bond Issue Price:	At par (€100 per bond);
Interest:	3.5% per annum;
Redemption Date:	28 January 2032;
Status of the Bonds:	The Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves, and save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company;
Minimum amount per subscription:	Minimum of €2,000 in Bonds;
Denomination:	Euro (€);
Form:	The Bonds will be issued in fully registered and dematerialized form and will be represented in uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Company at the CSD;
Rights attaching to the Bonds:	A Bondholder shall have such rights as are attached to the Bonds, including the repayment of capital; the payment of interest; the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus;
Transferability:	The Bonds are freely transferable.

3.2. WHERE WILL THE SECURITIES BE TRADED?

Application has been made to the Malta Stock Exchange for the Securities 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 Offer Securities are set out below:

3.3.1. Suitability

An investment in the Offer Securities may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult a licensed stockbroker or 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 Offer Securities before making an investment decision.

3.3.2. No prior market for the Securities

Due to the absence of any prior market for the Securities, there can be no assurance that the price of the Securities will correspond to the price at which the Securities will trade in the market subsequent to the Combined Offer.

3.3.3. Orderly and liquid market

The existence of an orderly and liquid market for the Securities depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Securities at any given time and the general economic conditions in the market in which the Securities are traded. Should there not be a liquid market in the Securities, there can be no assurance that an investor will be able to trade in Securities.

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

3.3.4. Dividends

Save for a guaranteed minimum net dividend yield of 4% in the first two financial years post-subscription, there is no guarantee that dividends will be paid by the Company. Any dividend on the Shares will be limited by the performance of the Company and, in turn, on the performance of its Subsidiaries, on which it is dependent.

3.3.5. Lock-in arrangement

The Company is unable to predict whether, following the termination of the lock-in restrictions put in place in connection with the Share Offer, a substantial amount of Listed Shares will be sold in the open market by the Locked-in Shareholder. Any sales of substantial amounts of Listed Shares in the public market by the Locked-In Shareholder, or the perception that such sales might occur, could result in a material effect on the market price of the Offer Shares.

The most material risk factor specific to the Bonds is set out below:

3.3.6. Ranking of the Bonds

Any secured or privileged debts of the Company shall rank at all times ahead of the obligations of the Company 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. Furthermore, third party security interests may be registered which will rank in priority to the Bonds against the assets of the Company, as the case may be, for so long as such security interests remain in effect.

4. KEY INFORMATION ON THE OFFER AND SALE 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?

4.1.1. APPLICATION FOR THE SECURITIES

Application Forms for the Offer Securities are available during the Offer Period through a customised IT system available from any of the Authorised Financial Intermediaries. Preferred Applicants will be receiving a personalised letter from the Company, which will grant them preference to subscribe for the Securities.

4.1.2. PLAN OF DISTRIBUTION AND ALLOTMENT, AND ALLOCATION POLICY

The Company shall allocate the Offer Securities issued pursuant to the Combined Offer to Preferred Applicants and the general public. The Company, through the allocation policy adopted, shall give preference to Preferred Applicants.

a. Bonds Allocation

Applicants (including Preferred Applicants) are required to apply for a combination of Offer Shares and Bonds in order to be considered for any allocation of Bonds, unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

Accordingly, the Company shall allocate Bonds to Applicants based on the following priority:

- i. applicants applying for a combination of Offer Shares and Bonds shall be guaranteed an allocation of Bonds of up to a maximum of €6,000 such that Applications for Bonds shall receive full allocation up to the amount of €6,000; and
- ii. following the allocation of Bonds in terms of (i) above, the Company shall allocate remaining Bonds to: a) Applicants with respect to such amount of Bonds applied for as may be in excess of the €6,000 threshold referred to above remaining unallocated following the allocation as specified in (i) above; and b) Applicants applying solely for Bonds subject to a minimum application of €250,000. In either case, the Company, through the allocation policy adopted, shall give preference to the Preferred Applicants.

b. Offer Shares Allocation

Applications for Offer Shares by Preferred Applicants and the general public shall be subject to an allocation policy as determined by the Company. In determining such allocation policy, the Company shall give preference to Preferred Applicants.

4.1.3. EXPECTED TIMETABLE

EVENT	DATE
1 Opening of Offer Period	10 January 2022
2 Closing of Offer Period	21 January 2022
3 Commencement of interest on the Bonds	28 January 2022
4 Announcement of basis of acceptance	28 January 2022
5 Dispatch of allotment advices and refund of unallocated monies (if any)	4 February 2022
6 Expected date of admission of the Securities to listing	4 February 2022
6 Expected date of commencement of trading of the Securities	7 February 2022

The Company reserves the right to close the Offer Period prior to 21 January 2022, in which case, while the events set out in 4 to 7 above will be brought forward, they will keep the same chronological order as set out above.

4.1.4. DILUTION FOLLOWING SHARE OFFER

If the Share Offer is fully subscribed, but the Company elects not to exercise the Over-allotment Option, the Existing Shareholders' shareholding in the Company will be reduced from 100% to 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares. If the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment

Option, the Company shall convert such number of ordinary 'B' shares of a nominal value of €0.125 each into ordinary 'A' shares of a nominal value of €0.125 as is necessary to ensure that for every one ordinary 'A' share of a nominal value of €0.125 subscribed for as part of the over-allotment, three ordinary 'B' shares of a nominal value of €0.125 held by AX Group p.l.c. shall be converted to three ordinary 'A' shares of a nominal value of €0.125 for allocation to AX Group p.l.c. (the "Converted Shares"). In the event of exercise in full of the Over-allotment Option, 50,000,001 Converted Shares of a nominal value of €0.125 would be issued in favour of AX Group p.l.c.; and the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 88.23% and 83.33% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares. If the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12,000,000 in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60), the Company shall convert (on a 1:1 basis) such number of ordinary 'A' shares of a nominal value of €0.125 each currently held by AX Group p.l.c. into ordinary 'B' shares of a nominal value of €0.125 each, as may be necessary for the holding of Listed Shares by AX Group p.l.c. to be diluted to such amount of shares as is equivalent to 75% of the Listed Shares. In the case of under-subscription equivalent to the abovementioned minimum threshold of 20,000,000 ordinary 'A' shares of a nominal value of €0.125, the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 92.59% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

4.1.5. TOTAL ESTIMATED EXPENSES

The expenses payable in respect of the Combined Offer, including professional, publicity, printing, the fees payable to the advisers, listing and other miscellaneous expenses or fees, expected to amount to *circa* €1.3 million (or *circa* €1.5 million in the case of the exercise of the Over-allotment Option), shall be borne exclusively by the Company and accordingly shall be deducted from the proceeds of the Combined Offer.

4.2. WHY IS THIS PROSPECTUS BEING PRODUCED?

4.2.1. THE USE AND ESTIMATED NET AMOUNT OF PROCEEDS

The proceeds of the Combined Offer, which net of estimated bond and equity issue costs of *circa* €1.3 million would amount to €58.7 million, or up to *circa* €68.5 million in the case of the exercise by the Company of the Over-allotment Option (net of estimated bond and equity issue costs of *circa* €1.5 million excluding any discounts applicable on the Offer Shares), will be applied towards the following uses, in the order of priority listed hereunder:

- a. *circa* €25.6 million will be applied to the part-financing of the 'Phase 1' of the Qawra Project, specifically the extension of the Seashells Resort at Suncrest by way of four additional floors. The full development and refurbishment cost of the Qawra Phase 1 Project is expected to reach *circa* €52 million. The remaining balance of *circa* €26.4 million will be funded in part from internal cash resources, and in part by AX Hotel Operations Limited (C 40905);
- b. *circa* €14.4 million will be utilised for the general corporate funding purposes of the Estates Group, which may or may not include the part-funding of the lido at the Seashells Resort at Suncrest referred to in item (a)(ii) above following issuance of the necessary full development permit;
- c. *circa* €10 million will be applied to the part-financing of the development of the Verdala Project. The full development cost of the Verdala Project is expected to amount to €11.5 million. The remaining balance of €1.5 million will be funded from internal cash generation; and
- d. *circa* €8.7 million, or up to *circa* €18.5 million in the case of the exercise by the Company of the Over-allotment Option, or between *circa* €2.0 million and *circa* €8.7 million in the event of under-subscription of the Share Offer (subject to a minimum threshold of €12,000,000), will go towards the repayment in part of an existing intragroup loan entered into by and between the Company (in its capacity as borrower) and AX Group p.l.c. (in its capacity as lender), in connection with, *inter alia*, the settlement of consideration due for the purpose of the Group Reorganisation.

Insofar as the Share Offer is concerned, in the event that following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60): (i) no allotment of Offer Shares will be made; (ii) for the purposes of the Share Offer, the subscription for the Offer Shares shall be deemed not to have been accepted by the Company; and (iii) all proceeds received from Applicants specific to the Share Offer shall be refunded accordingly.

If the Share Offer is under-subscribed and the abovementioned minimum threshold is not met, to the effect that no allotment of Offer Shares is made and all proceeds from the Share Offer are refunded to Applicants, proceeds from the Combined Offer (in effect, limited to the Bond Issue) will be applied exclusively to part-finance the Qawra Phase 1 Project to the extent specified in para (a) above and for general corporate funding purposes as specified in para (b) above. Accordingly, in such case, the Verdala Project will not be part-financed through the proceeds of the Combined Offer, and the cost for its completion will be financed through alternative means. If on the other hand the Share Offer is under-subscribed however the abovementioned minimum threshold is met, the proceeds from the Share Offer will be applied to part-finance the Verdala Project to the extent specified in para (c) above and any remaining balance of proceeds shall be applied to the repayment in part of intragroup loan to the extent specified in para (d) above, with the outstanding balance on such loan to be financed through alternative means.

4.2.2. UNDERWRITING AGREEMENT

The Combined Offer is not subject to any underwriting agreement on a firm commitment basis.

4.2.3. CONFLICTS OF INTEREST

Following the admission of the Securities to listing and trading on the Official List, and assuming the Share Offer is fully subscribed, the Existing Shareholders will, in aggregate amongst themselves, retain an 88.23% interest in the entire issued share capital of the Company, and a 75% interest in the Listed Shares. Of these, the following members of the Board of Directors are expected to retain, in aggregate amongst themselves, 62% of the entire issued share capital of the Company and around 53% of the Listed Shares: Mr Angelo Xuereb and Ms Denise Micallef Xuereb, indirectly through their holding in AX Group p.l.c. Save for the above and save for the subscription for Offer Securities by Authorised Financial Intermediaries (which includes the Sponsors, the Manager and the Registrar) and any fees payable to the Company's advisers in connection with the Combined Offer, insofar as the Company is aware, no other person involved in the Combined Offer has an interest, conflicting or otherwise, material to the Combined Offer.



AX REAL ESTATE

Registration Document

Dated 6 December 2021

AX Real Estate p.l.c.

A public limited liability company registered under the laws of Malta with company registration number C 92104 in connection with:

- an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share, or in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share
- an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

Sponsors


RIZZO FARRUGIA
YOUR INVESTMENT CONSULTANTS


MZ INVESTMENT SERVICES

**CURMI &
PARTNERS**

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Registration Document

dated 6 December 2021

This document is a Registration Document issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation.

This Registration Document is being issued by:

AX REAL ESTATE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA
WITH COMPANY REGISTRATION NUMBER C 92104

APPROVED BY THE BOARD OF DIRECTORS



ANGELO XUEREB



MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf each of Christian Farrugia, Joseph Lupi, Denise Micallef Xuereb, Christopher Paris and Stephen Paris.

THIS REGISTRATION DOCUMENT HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS THE COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS A LISTED FINANCIAL INSTRUMENT. THIS MEANS THAT THE MALTA FINANCIAL SERVICES 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 MALTA FINANCIAL SERVICES AUTHORITY DOES NOT GIVE ANY CERTIFICATION REGARDING THE POTENTIAL RISKS IN INVESTING IN ANY INSTRUMENT ISSUED BY THE COMPANY 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 MALTA FINANCIAL SERVICES 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 ISSUED BY THE COMPANY.

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 ADVISER.

Sponsors



Manager & Registrar



Legal Counsel



IMPORTANT INFORMATION

THIS REGISTRATION DOCUMENT CONTAINS INFORMATION PERTAINING TO AX REAL ESTATE P.L.C. (C 92104) (THE “**COMPANY**”), AND THE BUSINESS OF THE GROUP OF WHICH IT FORMS PART, IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES ISSUED BY THE MALTA FINANCIAL SERVICES AUTHORITY, THE ACT AND THE PROSPECTUS REGULATION.

NO BROKER, DEALER, SALESMAN OR OTHER PERSON HAS BEEN AUTHORISED BY THE COMPANY OR ITS DIRECTORS, OR THE COMPANY’S ADVISERS, 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, ITS DIRECTORS, OR ADVISERS.

THE REGISTRATION DOCUMENT 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.

THIS 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 REGISTRATION DOCUMENT IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO SUPPLEMENT THIS REGISTRATION DOCUMENT 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 OF 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 AND, 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 OF THE COMPANY DESCRIBED IN THE COMBINED 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 OF THE COMPANY 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 OTHER OFFERING

MATERIAL MAY COME, MUST INFORM THEMSELVES ABOUT, AND OBSERVE, IF ANY SUCH RESTRICTIONS ON THE DISTRIBUTION OF THIS PROSPECTUS AND THE OFFERING AND SALE OF SECURITIES.

A COPY OF THIS REGISTRATION DOCUMENT HAS BEEN SUBMITTED TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS RULES, THE MALTA STOCK EXCHANGE IN SATISFACTION OF THE MALTA STOCK EXCHANGE BYE-LAWS AND THE REGISTRAR OF COMPANIES AT 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 ADVISERS TO THE COMPANY NAMED IN THIS REGISTRATION DOCUMENT UNDER THE HEADING 'ADVISERS' IN SECTION 4.1 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 ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE SECURITIES OF THE COMPANY.

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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	collectively, AX Group p.l.c. and its direct or indirect Subsidiaries, including the Estates Group;
AX Group p.l.c.	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 Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta;
Bonds	the unsecured bonds of an aggregate principal amount of up to €40,000,000 of a nominal value of €100 per bond, issued at par and redeemable at their nominal value on the Redemption Date, and bearing interest at the rate of 3.5% per annum and having ISIN MT0002571215, as described in further detail in the Combined Securities Note;
Bond Issue	the issue of the Bonds;
Capital Markets Rules	the capital markets rules issued by the MFSA, as may be amended from time to time;
Class 1	shall have the meaning assigned to it in the Schedule to the Development Planning (Use Classes) Order (Subsidiary Legislation 552.15 issued under the Development Planning Act, Cap. 552 of the laws of Malta), specifically the use described under ' <i>Category A – Residential Uses, Class 1 – Dwellings</i> ';
Class 3B	shall have the meaning assigned to it in the Schedule to the Development Planning (Use Classes) Order (Subsidiary Legislation 552.15 issued under the Development Planning Act, Cap. 552 of the laws of Malta), specifically the use described under ' <i>Category C – Tourism and Leisure Uses, Class 3B – Hotels</i> ';
Combined Offer	collectively, the Share Offer and the Bond Issue;
Combined Securities Note	the combined securities note issued by the Company in respect of the Share Offer and the Bond Issue, dated 6 December, 2021, forming part of the Prospectus;
Company	AX Real Estate 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 ' <i>AX Real Estate Limited</i> '), with company registration number C 92104 and having its registered office at AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta;
Directors or Board	the directors of the Company whose names are set out in section 14.1 of this Registration Document under the heading ' <i>The Board of Directors of the Company</i> ';
Estates Group or Group	the Company and each of the following Subsidiaries in which the Company has a controlling interest: <ul style="list-style-type: none">• Central Leisure Developments Limited (C 25774);• Suncrest Hotels p.l.c. (C 8643);• Simblija Developments Limited (C 39400);• St. John's Boutique Hotel Limited (C 76079);• Palazzo Merkanti Leisure Limited (C 76080);• Skyline Developments Ltd (C 34281);• Heritage Developments Limited (C 14217); and• Royal Hotels Limited (C 16994);

Euro or €	the lawful currency of the Republic of Malta;
Group Hospitality Properties	<p>the following properties owned by the respective Subsidiaries (which form part of the Estates Group):</p> <ul style="list-style-type: none"> • AX The Victoria Hotel, Sliema; • AX The Palace Hotel, Sliema; • AX Sunny Coast Resort and Spa, Qawra; • AX Seashells Resort at Suncrest, Qawra; • Luzzu Complex, Qawra; • the Saint John - Boutique Accommodation, Valletta; • the AX Rosselli, Valletta; • the Virtu' Heights apartments (the "Verdala Hotel Annex"); and • once developed, the Verdala hotel (the "Verdala Hotel");
Listed Shares	the ordinary 'A' shares of the Company forming part of the issued share capital of the Company, for which an application for admissibility to listing on the Official List of the MSE has been made, and which includes the Offer Shares to be issued;
Malta Financial Services Authority or MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), being the competent authority to approve prospectuses of any offer of securities to the public in Malta in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Malta Stock Exchange or MSE	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Manager and, or 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 in the form as registered with the Registrar of Companies at the Malta Business Registry. The terms " Memorandum ", " Articles " and " Articles of Association " shall be construed accordingly;
Offer Price	the price of €0.60 per Offer Share, save in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, where a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share) shall apply, resulting in a price of €0.54 per Offer Share;
Offer Securities	collectively, the Offer Shares and the Bonds;
Offer Shares	33,333,333 ordinary 'A' shares in the issued share capital of the Company of a nominal value of €0.125 each to be offered by the Company at the Offer Price pursuant to the Share Offer, or up to 50,000,000 ordinary 'A' shares in the issued share capital of the Company of a nominal value of €0.125 each to be offered by the Company at the Offer Price in the case of the exercise of the Over-allotment Option by the Company;
Official List	the list prepared and published by the MSE as its official list in accordance with the MSE bye-laws;
Over-allotment Option	in the event of over-subscription of the original Share Offer, the option of the Company to elect to increase the original Share Offer to such higher value of ordinary 'A' shares as in aggregate would not exceed 50,000,000 ordinary 'A' shares having a nominal value of €0.125 each and at an Offer Price of €0.60 each;

Prospectus	collectively, the Registration Document, the Combined Securities Note and the Summary;
Prospectus Regulation	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;
Redemption Date	means, with respect to the Bonds, the 28 January 2032;
Registration Document	this document in its entirety;
Securities	the Listed Shares, inclusive of the Offer Shares, and the Bonds;
Share Offer	the offer to the public of the Offer Shares at the Offer Price being made pursuant to and in accordance with the terms and conditions of the Prospectus;
Shares	the entire issued share capital of the Company;
Sponsors	collectively: <ul style="list-style-type: none"> i. Rizzo, Farrugia & Co. (Stockbrokers) Ltd., a private limited liability company registered in Malta with company number C 13102 having its registered office at Airways House, Fourth Floor, High Street, Sliema SLM 1551, Malta; ii. M.Z. Investment Services Limited, a private limited liability company registered in Malta, having company registration number C 23936 and registered office at 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta; and iii. Curmi & Partners Ltd, a private limited liability company registered in Malta, with company number C 3909, having its registered office at Finance House, Princess Elizabeth Street, Ta' Xbiex XBX 1102, Malta; each licensed by the MFSA and members of the MSE;
Subsidiaries	each of the companies forming part of the organisational structure chart contained in section 6 of this Registration Document headed ' <i>Organisational Structure of the Group</i> ' in which the Company has a controlling interest; and
Summary	the summary issued by the Company dated 6 December 2021, forming part of the Prospectus.

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*;
- c. the word "*may*" shall be construed as permissive and the word "*shall*" shall be construed as imperative;
- d. all references in this Registration Document to "*Malta*" shall be construed as defined in Article 124 (1) of the Constitution of Malta;
- e. any phrase introduced by the terms "*including*", "*include*", "*in particular*" or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- f. any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force at the date of this Registration Document.

2. RISK FACTORS

PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS, 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, AS FOLLOWS: (I) RISKS RELATING TO THE COMPANY *PER SE*; (II) RISKS RELATING TO THE ESTATES GROUP AND ITS BUSINESS; AND (III) ASSOCIATED RISKS INHERENT IN THE MARKET SECTORS TO WHICH THE ESTATES GROUP'S BUSINESS IS EXPOSED, INCLUDING BUT NOT LIMITEDLY AS A RESULT OF COUNTERPARTY RISK. IN TURN, CATEGORY (III) HAS BEEN SUB-CATEGORISED INTO RISKS RELATING TO: (A) ECONOMIC AND FINANCIAL RISKS; (B) REGULATORY AND LEGAL RISKS; (C) PROPERTY DEVELOPMENT RISKS; (D) CONSTRUCTION RISKS; (E) HOSPITALITY RISKS; AND (F) HEALTHCARE RISKS.

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 ESTATES GROUP, IF THE RISK FACTOR WERE TO MATERIALISE.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, THEY COULD HAVE A SERIOUS ADVERSE EFFECT ON THE COMPANY'S AND, OR THE 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 THE ESTATES 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:

- I. IS NOT INTENDED TO PROVIDE THE BASIS FOR ANY CREDIT OR OTHER EVALUATION;
- II. IS NOT AND SHOULD NOT BE CONSIDERED AS A RECOMMENDATION BY THE COMPANY, THE DIRECTORS, ANY OF THE ADVISERS LISTED IN SECTION 4.1 BELOW, 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 (AND THEREFORE PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS REGISTRATION DOCUMENT); AND
- III. CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "*FORWARD-LOOKING STATEMENTS*".

2.1 FORWARD-LOOKING STATEMENTS

Forward-looking statements can be identified by the use of forward-looking terminology, including the terms “believes”, “estimates”, “forecasts”, “projects”, “anticipates”, “expects”, “envisages”, “intends”, “may”, “will”, or “should” or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places within the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and, or the Directors concerning, amongst other things, the Company’s strategy and business plans, financial condition and performance, results of operations, liquidity, prospects, investments, and the markets in which it operates.

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 Company’s and, or the Estates Group’s actual operational results, financial condition and performance, and trading prospects may differ materially from the impression created by the forward-looking statements contained in the Prospectus. In addition, even if the operational results, financial condition and performance, and trading prospects of the Company and, or the Estates 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. Important factors that may cause these differences include, but are not limited to, those factors identified under this section 2 headed ‘Risk Factors’ and elsewhere in the Prospectus.

All forward-looking statements contained in the Prospectus are made only as at the date hereof. Subject to applicable legal and regulatory obligations, the Company 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.

2.2 RISKS RELATING TO THE COMPANY

As further described in section 7.1 (*Principal Activities and Markets*) of this Registration Document, the Company is the holding company of the Estates Group, and is economically dependent on the financial position and performance of its Subsidiaries. In the event that any one or more of the Subsidiaries underperforms in any one financial year or otherwise experiences adverse fluctuations or volatility in cash flows, liquidity strains or other financial difficulties, such underperformance or adverse financial position and operational results would adversely affect the financial and operational results of the Estates Group, and in turn, the Company.

The Subsidiaries are exposed to the risks affecting companies forming part of the wider AX Group, with which the Subsidiaries are party to intra-group lease agreements as described in section 6.3 (*Intra-group Lease Agreements*) of this Registration Document.

In this respect, therefore, the operating results of the AX Group may have a direct effect on the Company and Estates Group’s financial position to the extent that they may impair the AX Group member companies’ ability to maintain their rental payment obligations, and as such, the risks intrinsic to the business and operations of the AX Group may have a negative effect on the financial performance and position of the Estates Group, and in turn, the Company.

2.2.1. CONCENTRATION OF SHAREHOLDING

As at the date of this Registration Document, the issued share capital of the Company is held entirely by AX Group p.l.c., save for 2,000 ordinary ‘A’ shares representing 0.001% of the issued share capital of the Company, the holder of which is AX Finance Limited (C 6867). In turn, AX Group p.l.c. is owned by Mr Angelo Xuereb as to 55% of its shareholding. This means that Mr Xuereb, albeit indirectly, exercises effective control over the Company. Even should the Share Offer be fully subscribed, Mr Xuereb would retain a significant indirect shareholding in the Company. Accordingly, Mr Xuereb is considered important to the continued success of the Company, and the unexpected loss of Mr Xuereb or a dilution in his shareholding, control or influence over the AX Group and, in turn, the Estates Group (of which the Company forms part) and its business could

have an adverse effect on the Company. There can be no assurance that such person will not, at any time, dispose of any interest, direct or indirect, in the AX Group.

2.3 RISKS RELATING TO THE ESTATES GROUP AND ITS BUSINESS

2.3.1. RISKS ASSOCIATED WITH RENTAL INCOME OF THE ESTATES GROUP'S PROPERTY PORTFOLIO

The revenue generated from the Estates Group's property investment activities is dependent in the main part on tenants (comprised of operating and trading companies within the AX Group and third parties) fulfilling their obligations under their lease agreements. There can be no assurance that the tenants will be in a position, at all times, to perform their obligations, whether due to insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Estates Group's control, which failure may have a material adverse effect on the financial condition of the Estates Group, the results of its operations and its prospects.

The majority of the current operative commercial leases are those entered into between the Estates Group and operating and trading companies within the AX Group, therefore both the risks inherent to AX Group's operations as well as the risks inherent to the market within which they operate will affect the ability of those companies to operate efficiently, which in turn could have an effect on their ability to pay the rent due and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components.

Similarly, current commercial leases with third parties not forming part of the AX Group will be susceptible to risks inherent to the industries in which such third parties operate as well as the risks specific to the business.

In addition, the Estates 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 Estates Group's business, the results of its operations and its prospects.

2.3.2. RISKS RELATING TO TITLE OVER IMMOVABLE PROPERTY

The Estates Group's proposed developments are dependent on the performance of a due diligence exercise on the good title over the land or immovable property being acquired and, or developed. In doing so, the Estates Group would typically rely on third parties to conduct a significant portion of this due diligence exercise, including legal reports on root of title, property valuations, as well as building and environmental surveys. To the extent that the Estates Group, or its third party advisers, fail to identify defects in title or erroneously assess the materiality or implication of the findings of the due diligence exercise, including environmental liabilities, structure or operational defects, or other material issues, the Estates Group may, notwithstanding that it proceeds with the intended acquisition or development, subsequently be exposed to claims and, or liabilities relating to such issues.

The Estates Group is currently subject to a claim for compensation relative to a portion of land within the Qawra Properties with respect to which it is being alleged (and strongly disputed by the relevant Group companies) that a parcel of land forming part of the Suncrest Hotel Lido and the Sunny Coast Lido pool areas are being illegally occupied. Should such claim, or similar claims of this nature, prove successful, they could have a material adverse effect on the Group's business and operations.

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

2.3.4. RISKS ASSOCIATED WITH ABILITY TO OBTAIN NECESSARY PLANNING AND DEVELOPMENT PERMITS AND MAINTAINING ONGOING COMPLIANCE THEREWITH

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

Opposition to the Estates Group's proposed developments, and, or appeals lodged against the Estates Group's applications for planning and development permits may also cause, or oblige, the Estates 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 Estates 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 Estates Group. Where long-term development projects are still at an outline development permit stage, the Estates 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 Estates Group's development strategy. Moreover, the Estates Group is susceptible to the risks relating to its ability to continue to adhere with all terms and conditions of its permits, licences and any authorisations, at all times, the inability of which may expose the Estates Group to the imposition of penalties, sanctions or other punitive measures, as well as the risk of temporary suspension or permanent closure of its establishments and the revocation of such permits, licences and, or other authorisations.

2.3.5. THE ESTATES GROUP MAY FACE COMPETITION FOR THE ACQUISITION OF REAL ESTATE

Although the Estates 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 outside of the AX Group, the Estates 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 Estates Group and succeed in acquiring properties or land, which the Estates Group may have been seeking to acquire. There can be no assurance that the Estates 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 Estates Group's business, financial condition and results of operations could be adversely affected.

2.3.6. RISKS OF COSTS ASSOCIATED WITH PROPOSED PROPERTY INVESTMENTS THAT ARE ABORTED

The Estates 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 Estates Group will be unable to recoup same directly from that investment, which could have a negative impact on its financial condition and performance.

The Estates Group may also at times elect to enter into preliminary agreements for investment in immovable properties, subject to conditions such as the issue of specific permits, the removal of certain real rights over

the properties and other matters which strategy dictates are key to the investment actually being realised. The costs associated with collaborating towards obtaining such conditions, including the preparation for and filing of the necessary planning applications and other applications with relevant authorities are typically not recoupable.

2.3.7. THE ESTATES GROUP MAY NOT REALISE THE BENEFITS IT EXPECTS FROM PROPERTY INVESTMENTS

The Estates 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 Estates Group's business. The Estates 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 Estates Group may fail to realise the expected benefits from investments made in its properties and the Estates Group's business, financial condition and results of operations may be adversely affected.

2.3.8. THE RISK OF EXPOSURE TO CLAIMS AND LITIGATION IS INHERENT IN THE ESTATES GROUP'S OPERATIONS

Since the Estates Group leases its properties to Subsidiaries, which operate in a variety of industries (involving 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) and third party tenants, the Estates Group is exposed to the risk of litigation from such stakeholders. The potential publicity associated with such litigation may adversely affect the turnover generated by the Estates Group regardless of whether such allegations are true or whether the Estates 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 Estates Group. In addition, the Estates 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 Estates 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 19.3 of this Registration Document under the heading '*Legal and Arbitration Proceedings*', the Estates 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 Estates Group's reputation even though the monetary consequences may not be significant.

2.3.9. RISKS ASSOCIATED WITH THE ESTATES GROUP'S INSURANCE COVER

With respect to losses for which the Estates Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Estates Group may not be able to recover the full amount from the insurer due to procedural restrictions or formalities, or due to substantive exclusions, exemptions, limitations on coverage, *de minimis* liability coverage limitations, prescriptive time periods and limitations, reporting or other disclosure requirements, licencing or other authorisation or registration requirements, breach of restrictive covenants or undertakings, breach of warranties and, or representations, as well as restrictions or formalities relating to the initiation of, and control over, litigation, investigations or other proceedings relating thereto. Furthermore, the insurance policies may be pledged or otherwise granted as security in favour of third-party financiers or other third parties, and the Estates Group may not be able to recover amounts thereunder where such security subsists.

No assurance can be given that the Estates Group's current insurance coverage which the Estates Group may seek recourse to 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. In addition, changes in legislation or judicial interpretation, or the issuance or alteration of directives, orders or other measures (whether interim or otherwise), by the relevant authorities (including but not limited to governmental departments or authorities, planning authorities, health and safety authorities, environmental authorities, among others) may impact the ability to recoup losses under the applicable insurance coverage.

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

The Estates Group may not be able to obtain the financing it requires for the continued operation of its business and investments, including for the acquisition, development, expansion 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 Estates 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 interest rates and 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 Estates Group's ability to raise capital for the completion of projects that have commenced or for the 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 Estates Group's growth and adversely affect its business, financial condition, results of operations and prospects.

2.3.11. RISK OF INDEBTEDNESS

The Estates Group may, from time to time, incur additional debt for the purpose of refinancing indebtedness as well as to fund future growth in terms of acquisitions and developments. Borrowings under any bank credit facilities may be at variable interest rates, which would render the Estates Group vulnerable to increases in interest rates. Agreements regulating the Estates Group's bank debt may impose significant operating restrictions and financial covenants on the Estates Group. These restrictions and covenants could limit the Estates Group's ability to obtain future financing, incur capital expenditure, withstand a future downturn in business or economic conditions generally, or otherwise inhibit the Estates Group's ability to freely conduct the necessary corporate activities. In the event that the Estates Group's generated cash flows were to be required to make principal and interest payments on any further prospective debt, this could give rise to a reduction in the amount of cash available for distribution by the Estates Group, which would otherwise be available for funding of the Estates Group's working capital, capital expenditure, development costs, and other general corporate costs, or for the distribution of dividends.

The Company, as parent company of the Estates Group, may in certain cases also be required to provide guarantees for debts contracted by its Subsidiaries. Defaults under financing agreements could lead to the enforcement of security over property owned by the Estates Group, where applicable, and, or cross-defaults under other financing agreements.

2.4 ASSOCIATED RISKS INHERENT IN THE MARKET SECTORS TO WHICH THE ESTATES GROUP'S BUSINESS IS EXPOSED, INCLUDING BUT NOT LIMITEDLY AS A RESULT OF COUNTERPARTY RISK

The Estates Group is exposed to risks which may have a negative impact on its tenants, particularly in the case of lease agreements featuring a combination of fixed and variable rent components. The Estates Group is, in this respect, susceptible to risks relating to the different business lines pursued by its principal counterparty, the AX Group (or members thereof), which could have a material adverse effect on the financial performance and position of the Estates Group.

2.4.1. ECONOMIC AND FINANCIAL RISKS

2.4.1.1. Risks relating to the economic repercussions of COVID-19

On 30 January 2020, the World Health Organisation ('WHO') declared the outbreak of a novel strain of coronavirus (now commonly referred to as "**COVID-19**") to be a 'Public Health Emergency of International Concern' (PHEIC), and subsequently escalated its characterisation as a global pandemic on 11 March 2020.

As a direct result of the spread of COVID-19, global economic activity has experienced a general downturn, with certain industry sectors and market segments having been affected more harshly than others, including in particular, the tourism and hospitality sectors, to which the Group Hospitality Properties is directly exposed, emerging as two of the sectors hardest hit. Furthermore, the global and local economic landscape has suffered from significant volatility, rising unemployment, dampened purchasing power and demand, delays and disruptions in supply chains and logistical arrangements, and deterioration in credit quality.

In addition, government and health authorities the world over, including Malta, have resorted to the implementation and enforcement of various preventative and containment measures, including the imposition of total lockdowns, partial lockdowns, closure of non-essential outlets (including, in particular, retail outlets and catering establishments) and other restrictive measures such as rules on travel bans, self-quarantine and social distancing.

As COVID-19 struck in FY2020, the Group hotels were forced to close for a number of weeks following restrictions imposed by the health authorities. During such time, the rent due on the hotel properties was waived in order to lessen the burden on the operator. Similarly, in FY2021 rent was partly waived due to the ongoing restrictions imposed by the health authorities with the effect that some hotels were closed in view of the low demand in the market.

The continued or renewed imposition of preventative and containment measures has had, and is expected to continue to have, a negative impact on expectations relating to the operations run or to be run from the Group Hospitality Properties, which may, in turn, impact operators' ability to service rental payment obligations in full and on time, create pressures for reductions in rent and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent components. The lease agreements entered into with the hotel operator include a clause that states that the rent shall be reduced on a pro rata basis during a period in which the hotel is fully or partially closed due to government ordered restrictions, epidemic or pandemic.

The exact depth and duration of the COVID-19 pandemic and its financial and economic effects are inherently difficult to predict with any degree of accuracy. Consequently, the Estates Group's business, operations, and financial performance, particularly to the extent that these may impact the ability of the Subsidiaries' tenants to service their rental payment obligations in full and on time, remain susceptible to the risk represented by the uncertainty resulting from the pandemic. The full extent of the impacts of the pandemic are unknown, evolving and likely to continue for some time.

Any of the above factors could have an adverse effect on the Estates Group's operational results, financial position and performance. Even after the COVID-19 outbreak has subsided, the Estates Group may still be susceptible to experience material adverse impacts on its business and operations as a result of the impeded market and economic conditions precipitated by the COVID-19 pandemic.

2.4.2 REGULATORY AND LEGAL RISKS

2.4.2.1. Risks relating to the complex and constantly evolving regulatory environment in which the Estates Group operates

The Estates Group operates in a complex regulatory environment, as a result of which it is subject to a vast array of rules and regulations, including but not limited to those relating and applicable to property acquisition, property development, environmental protection, construction, health and safety, anti-money laundering and counter-terrorist financing, and ongoing disclosure and reporting obligations, among others. Moreover, the regulatory environment in which the Estates Group operates is constantly evolving, with the introduction of new rules and regulations, or the amendment or overhaul of existing ones.

Furthermore, the Estates Group's business and activities may be subject to a variety of terms and conditions under the relevant permits, licences, or other authorisations, technical specifications, drawings, standards and other conditions relating to its property development activities, as well as the on-site works, which terms and conditions may vary on a project-by-project basis, and may depend on the nature, scale and complexity of the project in question. In addition, the Group is susceptible to changes in the application and, or interpretation of such rules and regulations, permits, licences or other authorisations whether as a result of judicial interpretation or due to decisions, orders, directives, and, or guidelines issued by the competent regulatory authorities. The inability of the Group to meet its ongoing regulatory and legal requirements, whether in whole or in part, or the inability of the Group to equip itself to comply with forthcoming legislation or regulation in a timely and suitable manner, may expose it to the risk of regulatory sanctioning, including but not limited to, the imposition of public reprimands, administrative penalties, temporary suspension of activities, or even revocation of licences, permits, or other authorisations, whether in whole or in part. In addition, lack of compliance with legal and regulatory requirements may negatively affect the reputation and goodwill of the Estates Group and may result in a loss of existing or potential business, and, or a weakened competitive advantage.

If any of these risks were to materialise, they could have a material adverse effect on the operational results, financial performance and financial position of the Estates Group.

2.4.3 PROPERTY DEVELOPMENT

2.4.3.1 Risks relating to property development activities

Property development projects are subject to a number of specific risks:

- the risk of insufficiency or lack of availability of resources to complete development projects in the manner or within the timeframe envisaged;
- the risk of cost overruns and unexpected increases in project execution costs;
- 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;
- general industry trends, including the cyclical nature of the real estate market, economic depressions, 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 Estates Group owns property or is undertaking real estate development;
- delays or refusals in obtaining all necessary zoning, land use, building, development, modifications, occupancy and other required permits and authorisations, including such permits and authorisations from the planning and environment protection authorities, together with legal complexities and uncertainties regarding the rights of the Estates Group to obtain legal title over certain properties, and inconsistencies and inaccuracies in the land registrations system;
- covenants, conditions, restrictions and easements relating to the properties or their use, whether arising out of law or by way of contractual arrangement;
- laws, rules and regulations, including in relation to acquisition, development, construction, planning, zoning, environmental protection, health and safety, financing, taxation, 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
- 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 Estates Group is committed to, or may wish to undertake, from time to time.

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

2.4.3.2 Risks arising from reliance on third-party contractors and sub-contractors

For completion of property development projects it may engage in from time to time, the Estates Group would place a degree of reliance on counterparties such as contractors and sub-contractors 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 Estates Group due to, among other reasons, their insolvency, lack of liquidity, market or economic downturns, operational failure or other reasons which are beyond the Estates Group's control.

Such default could have a material adverse impact on any development projects of the Estates 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.

2.4.4 CONSTRUCTION

2.4.4.1 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, such as those indicated in section 2.4.3.1. above. If these risks were to materialise, they could have a material adverse impact on the Estates Group'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. In carrying out any construction, re-development or maintenance works, the Estates Group is required to adopt, maintain and constantly review and update rigorous health and safety policies and practices. 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 Estates Group's reputation. There can be no assurance that the Estates Group's health and safety policies and practices will prove effective in ensuring the health and safety on its property development sites, which 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.

2.4.5 HOSPITALITY

2.4.5.1 The Estates Group is subject to certain risks common to the hospitality industry

The Estates Group's property portfolio is significantly linked to the hospitality sector, which is subject to a number of external factors that could adversely affect the Estates Group's business. Many of such factors are common to the hospitality industry and beyond the Group's control, and may impact owners and operators alike. These may include:

- changes in travel patterns or seasonal variations, as well as consumer preferences concerning price, quality, location, and type of hospitality packages;
- any cutbacks and stoppages on Malta-bound air or sea travel routes, or increases in taxes, surcharges and other expenses associated therewith, as well as the imposition of travel restrictions, bans or other measures by the relevant authorities;
- changes in laws and regulations, including those concerning the management and operation of hotels and other hospitality outlets, employment, catering and entertainment establishments, health and safety, alcohol licensing, environmental concerns, fiscal policies and zoning and development, and the related costs of compliance;
- the maintenance of licences and other authorisations, as may be required from time to time, to operate and manage hospitality establishments;

- the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures, or other travel restrictions), 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, management or operation agreements, reseller agreements, distribution agreements, travel agent or travel platform booking agreements, marketing agreements, services or supply agreements, and agreements entered into with tour operators; and, or
- increased competition from providers of alternative accommodation, including web-based booking channels that allow private accommodation to be made available by private individuals or via online peer-to-peer platforms, and other hospitality models such as bed and breakfasts (B&Bs), room-sharing and flexi-renting, and short-term lets of private property which may be offered 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 Hospitality Properties operated by the Estate Group 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 and, in turn, on its ability to meet its rental payment obligations on time and in full, , and, or may result in lower variable rental income in the case of lease agreements featuring a combination of fixed and variable rent mechanisms.

2.4.5.2 Risks specific to the boutique accommodation industry

The Group Hospitality Properties include so-called 'boutique accommodation'. As at the date of this Registration Document, the Estates Group owns 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 market segment is susceptible to additional risks specific to thereto, 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 and be sustained on a prolonged basis, the Estates Group's financial performance may be adversely affected.

2.4.6 HEALTHCARE

2.4.6.1 Risks associated with the healthcare industry

The Estates Group owns the Hilltop Gardens Retirement Village and the Simblija Care Home, which includes the Revive Physiotherapy and Aquatic Centre. The Estates Group is, therefore, subject to general risks inherent in the provision of accommodation for elderly persons, as follows:

- 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; and
- 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 Estates Group.

3. PERSONS RESPONSIBLE AND STATEMENT OF APPROVAL

The Directors of the Company, whose names appear in section 14.1 under the sub-heading '*The Board of 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 Company has given its consent for drawing up this Prospectus and to its use. The Company accepts responsibility for the content of this Prospectus and to the subsequent resale or final placement of the Bonds by the Authorised Financial Intermediaries listed in Annex I to the Combined Securities Note and as explained further in section 3.2 of the Combined Securities Note.

In this Registration Document, the property valuation reports referred to in section 22 have been prepared by Architect Pierre Sapiano at the request of the Company. Architect Pierre Sapiano has given, and has not withdrawn, his consent for a condensed version of the report (the "**Condensed Valuation Report**") to be included in Annex II to this Registration Document in the form and context in which it appears.

This Registration Document has been approved by the MFSA as the competent authority in Malta for the purposes of the Prospectus Regulation. The MFSA has only approved this Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation and such approval should not be considered as an endorsement of the Company or the Group (as the subjects of this Registration Document).

4. ADVISERS AND STATUTORY AUDITORS

4.1 ADVISERS

Legal Counsel

Camilleri Preziosi
Level 3, Valletta Buildings, South Street,
Valletta VLT 1103, Malta

Co-Sponsors

Rizzo, Farrugia & Co. (Stockbrokers) Ltd.
Airways House, Fourth Floor,
High Street,
Sliema SLM 1551, Malta

M.Z. Investment Services Limited
61, M.Z. House,
St Rita Street,
Rabat RBT 1523, Malta

Curmi & Partners Ltd
Finance House,
Princess Elizabeth Street,
Ta' Xbiex XBX 1102, Malta

**Manager
And Registrar** Bank of Valletta p.l.c.
53, Zachary street,
Valletta VLT 1130, Malta

Financial Advisers PricewaterhouseCoopers
78, Mill Street,
Zone 5, Central Business District,
Qormi CBD 5090, Malta

4.2 STATUTORY AUDITORS

The annual statutory financial statements of the Company for the financial year ended 31 October 2019 have been audited by Nexia BT. Nexia BT is a firm of certified public accountants which held a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). Nexia BT resigned with effect from 25 September 2020.

The annual statutory financial statements of the Company for the financial year ended 31 October 2020 have been audited by Ernst & Young Malta Limited of Regional Business Centre, Achille Ferris Street, Msida, MSD 1751, Malta. Ernst & Young Malta Limited 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) and bearing Accountancy Board registration number AB/26/84/96.

5. INFORMATION ABOUT THE COMPANY

Legal and Commercial Name AX Real Estate p.l.c.

Registered Address AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta

**Place of Registration
and Domicile** Malta

Registration Number C 92104

Legal Entity Identifier ('LEI') 485100D7B8FYJ8Q4CR24

Date of Registration 6 June 2019

Legal Form The Company was formed as a private limited liability company under the name '*AX Real Estate Limited*', and was subsequently, on the 23 November 2021, converted into a public limited liability company and thereafter renamed '*AX Real Estate p.l.c.*'. The Company is lawfully existing and registered as a public limited liability company in terms of the Act.

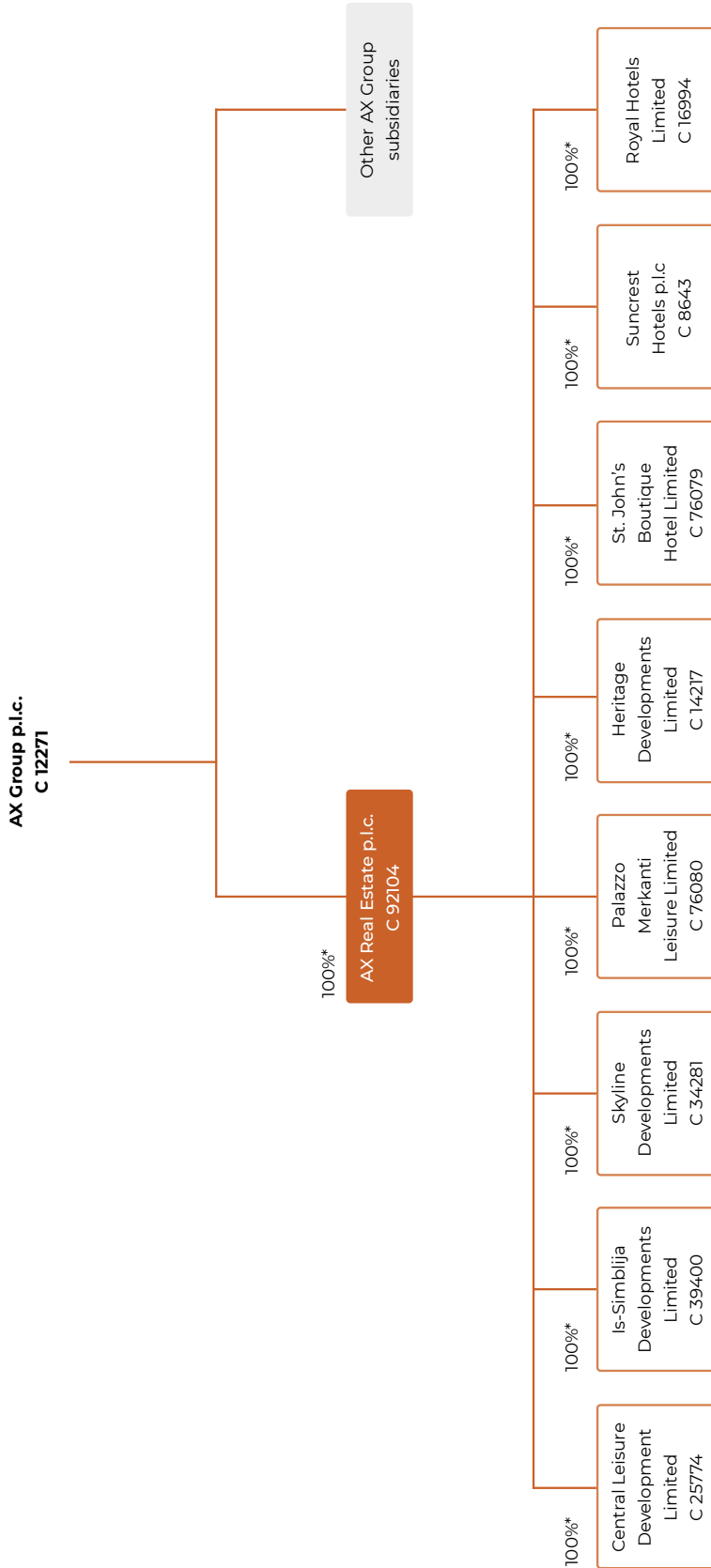
Telephone Number +356 2331 2345

Email info@axrealestate.mt

Website <https://axrealestate.mt>

6. ORGANISATIONAL STRUCTURE OF THE GROUP

The organisational structure of the Estates Group as at the date of this Registration Document is illustrated in the diagram below, indicating the position of the Company and the Estates Group within the AX Group.



Company issuing shares to the public

* Save for one share which is held AX Finance Ltd (subsidiary of AX Group p.l.c.)

As depicted above, the Company acts as the holding company of the group of companies within the AX Group which constitutes the AX real estate division of the AX Group. In turn, the Estates Group forms part of the AX Group, which is majority owned by AX Group p.l.c.. As at the date of this Registration Document, AX Group p.l.c. holds all shares in the Company, save for the 2,000 ordinary 'A' shares of €0.125 per share held by AX Finance Limited (C 6867). AX Group p.l.c. holds 99,998,000 ordinary 'A' shares of a nominal value of €0.125 each in the Company and 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, which in total represent 99.999% of the issued share capital of the Company. In turn, AX Group p.l.c. is owned by Mr 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.

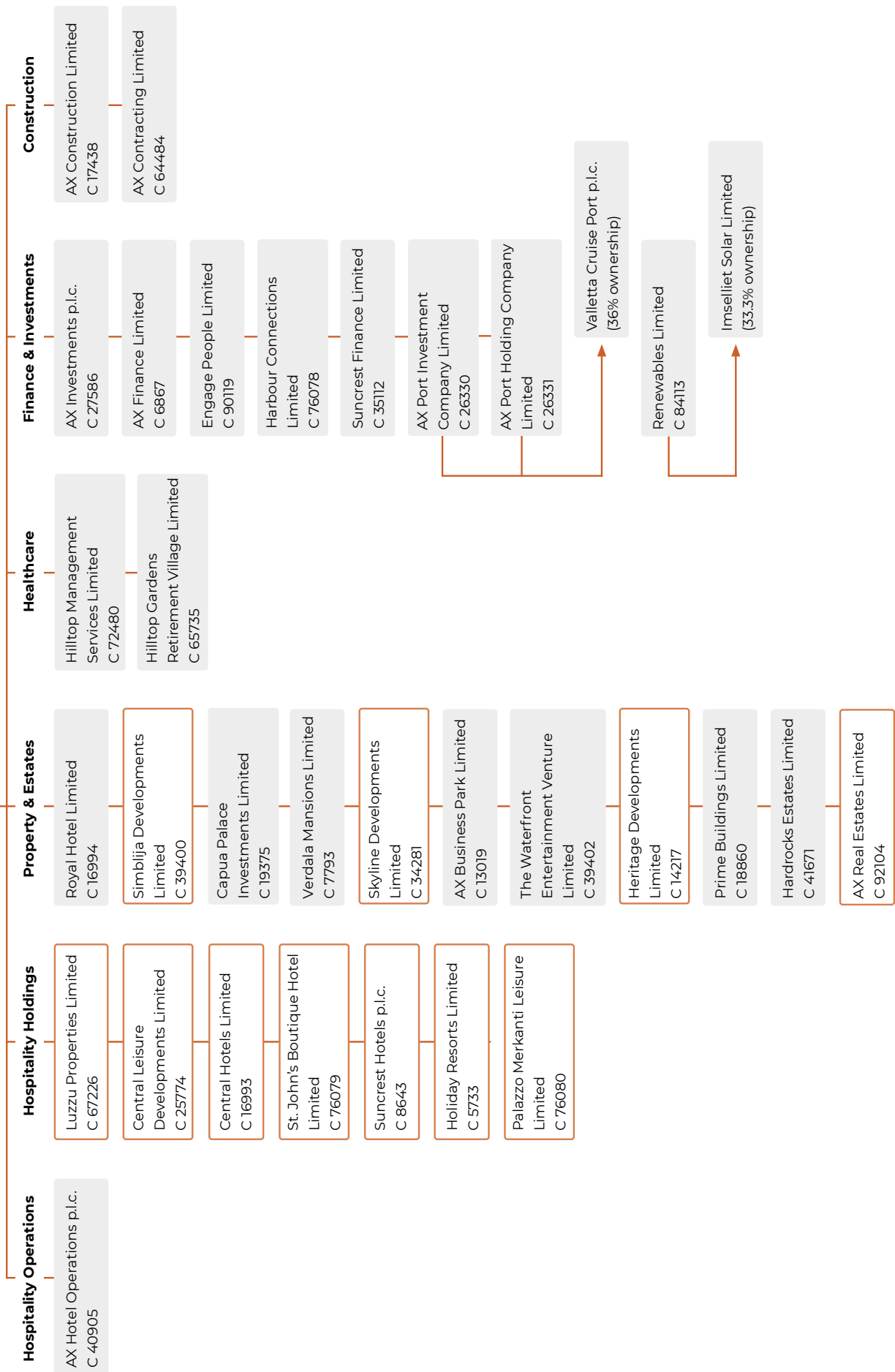
As illustrated in the diagram above, AX Group p.l.c. is the ultimate parent company of the AX Group, which comprises 30 entities having business interests which extend across the entire range of industry sectors in which the AX Group is involved. All of the Subsidiaries have been established under the laws of Malta and are registered with the Registrar of Companies in Malta at the Malta Business Registry.

Following the Combined Offer, the Company will remain majority owned by AX Group p.l.c.

6.1 GROUP REORGANISATION

Immediately prior to the group reorganisation exercise, the salient aspects of which are set out in this section hereunder (the "**Group Reorganisation**"), the AX Group was composed as illustrated in the diagram below:

AX Group p.l.c.
C 12271



6.1.1. MERGERS AND ACQUISITIONS

As part of the Group Reorganisation, with the ultimate aim being that of consolidating its property letting activities into one newly formed division, namely the 'AX Real Estate' arm, the AX Group underwent a number of mergers by acquisition and share transfers as further described hereunder.

The Group Reorganisation was conducted in phases with the first phase being to amalgamate a number of subsidiaries that own properties that are contiguous. To this end the following mergers by acquisition took place:

- i. the merger by acquisition of Luzzu Properties Limited (C 67266) (the company being acquired) by Suncrest Hotels p.l.c. (C 8643) (the acquiring company), whereby Luzzu Properties Limited was absorbed by the acquiring company and consequently dissolved without having to be wound up;
- ii. the merger by acquisition of Holiday Resorts Limited (C 5733) (the company being acquired) by Suncrest Hotels p.l.c. (C 8643) (the acquiring company), whereby Holiday Resorts Limited was absorbed by the acquiring company and consequently dissolved without having to be wound up; and
- iii. the merger by acquisition of Central Hotels Limited (C 16993) (the company being acquired) by Central Leisure Developments Limited (C 25774) (the acquiring company), whereby Central Hotels Limited was absorbed by the acquiring company and consequently dissolved without having to be wound up.

In furtherance of the consolidation of the AX Group's property letting activities into the newly formed real estate division, the Company acquired a controlling interest in the Subsidiaries, pursuant to a number of intra-group share transfers, as follows:

- i. the transfers of shares in Suncrest Hotels p.l.c. (C 8643): AX Group p.l.c. transferred 140,612,325 ordinary shares of €0.232937 each, held in the issued share capital of Suncrest Hotels p.l.c., in favour of the Company for a consideration of €30,617,539; and AX Investments p.l.c. (C 27586) transferred 34,955,566 ordinary shares of €0.232937 each, held in the issued share capital of Suncrest Hotels p.l.c., in favour of Royal Hotels Limited (C 16994) for a consideration of €12,701,082 and transferred the remaining one ordinary share of €0.232937, held in the issued share capital of Suncrest Hotels p.l.c., in favour of AX Finance Limited (C 6867);
- ii. the transfers of shares in Central Leisure Developments Limited (C 25774): AX Group p.l.c. transferred 2,212,730 ordinary shares of €1.00 each, held in the issued share capital of Central Leisure Developments Limited, in favour of the Company for a consideration of €7,437,130; and Verdala Mansions Limited (C 7793) transferred 173 ordinary shares of €1.00 each, held in the issued share capital of Central Leisure Developments Limited, in favour of the Company for a consideration of €173.00, and transferred the remaining one ordinary share of €1.00, held in the issued share capital of Central Leisure Developments Limited, in favour of AX Finance Limited, for a consideration of €1;
- iii. the transfers of shares in Simblija Developments Limited (C 39400): AX Group p.l.c. transferred 9,148,452 ordinary shares of €1.00 each, held in the issued share capital of Simblija Developments Limited, in favour of the Company for a consideration of €13,972,955; and AX Finance Limited transferred 4,512 ordinary shares of €1.00 each, held in the issued share capital of Simblija Developments Limited, in favour of the Company for a consideration of €10;
- iv. the transfer of shares in Palazzo Merkanti Leisure Limited (C 76080): AX Group p.l.c. transferred 1,288,430 ordinary shares of €1.00 each, held in the issued share capital of Palazzo Merkanti Leisure Limited, in favour of the Company for a consideration of €4,989,504; and AX Finance Limited transferred 1,074 ordinary shares of €1.00 each, held in the issued share capital of Palazzo Merkanti Leisure Limited, in favour of the Company for a consideration of €1;
- v. the transfer of shares in St. John's Boutique Hotel Limited (C 76079): AX Group p.l.c. transferred 315,903 ordinary shares of €1.00 each, held in the issued share capital of St. John's Boutique Hotel Limited, in favour of the Company for a consideration of €4,116,165; and AX Finance Limited transferred 262 ordinary shares of €1.00 each, held in the issued share capital of St. John's Boutique Hotel Limited, in favour of the Company for a consideration of €1;
- vi. the transfer of shares in Heritage Developments Limited (C 14217): AX Group p.l.c. transferred 536,103 ordinary 'A' shares of €1.00 each, held in the issued share capital of Heritage Developments Limited, in favour of the Company for a consideration of €3,169,895; and Verdala Mansions Limited (C 7793) transferred 134,024 ordinary 'B' shares of €1.00 each, held in the issued share capital of Heritage Developments Limited, in favour of the Company for a consideration of €232. In turn, Verdala Mansions Limited transferred one ordinary 'B' share of €1.00, held in the issued share capital of Heritage Developments Limited, in favour of AX Finance Limited, for a consideration of €1;

- vii. the transfer of shares in Skyline Developments Ltd (C 34281): AX Group p.l.c. transferred 1,523,745 ordinary shares of €1.00 each, held in the issued share capital of Skyline Developments Limited, in favour of the Company for a consideration of €2,822,490; and AX Finance Limited transferred 1,523,744 ordinary shares of €1.00 each, held in the issued share capital of Skyline Developments Limited, in favour of the Company for a consideration of €25,000; and
- viii. the transfer of shares in Royal Hotels Ltd (C 16994): AX Group p.l.c. transferred 6,781,388 ordinary shares of €1.00 each, held in the issued share capital of Royal Hotels Limited, in favour of the Company for a consideration of €9,909,340; and Suncrest Hotels plc transferred 1,196,715 ordinary shares of €1.00 each, held in the issued share capital of Royal Hotels Limited, in favour of the Company for a consideration of €3,868,763.

Following completion of the aforementioned share transfers, the Company now acts as the ultimate holding company of the Estates Group.

For completeness it is noted that, as part of the Group Reorganisation:

- a. AX Group p.l.c. also acquired shareholding in the following companies which do not form part of the Estates Group:
 - i. the transfer of shares in AX Business Park Limited (C 13019): Holiday Resorts Limited (C 5733) transferred 931 ordinary 'B' shares of €1.00 each, held in the issued share capital of AX Business Park Limited, in favour of AX Group p.l.c. for a consideration of €931 and 1 ordinary 'B' share of €1.00, held in the issued share capital of AX Business Park Limited, in favour of AX Finance Limited (C 6867) for a consideration of €1 and Verdala Mansions Limited (C 7793) transferred 466 ordinary 'C' shares of €1.00 each, held in the issued share capital of AX Business Park Limited, in favour of AX Group p.l.c., for a consideration of €466;
 - ii. the transfer of shares in AX Port Investment Company Limited (C 26330): Holiday Resorts Limited (C 5733) transferred 1 ordinary share of €1.00, held in the issued share capital of AX Port Investment Company Limited, in favour of AX Group p.l.c. for a consideration of €1, and 1 ordinary share of €1.00 held in the issued share capital of AX Port Investment Company Limited, in favour of AX Finance Limited (C 6867), for a consideration of €1; and
 - iii. the transfer of shares in AX Port Holding Company Limited (C 26331): Holiday Resorts Limited (C 5733) transferred 1 ordinary share of €1.00, held in the issued share capital of AX Port Holding Company Limited, in favour of AX Group p.l.c. for a consideration of €1, and 1 ordinary share of €1.00 held in the issued share capital of AX Port Holding Company Limited, in favour of AX Finance Limited (C 6867), for a consideration of €1.

6.1.2. CONVERSION OF STATUS OF COMPANY, RE-CLASSIFICATION OF SHARE CAPITAL, AND SHARE CAPITAL INCREASE

As part of the Group Reorganisation exercise:

- a. at an extraordinary general meeting of the Company held on 15 November 2021, the shareholders of the Company resolved to approve:
 - i. the re-classification of the authorised share capital of the Company from €500,000,000 divided into 2,000,000,000 ordinary shares of a nominal value of €0.25 each to €500,000,000 divided into 2,000,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 2,000,000,000 ordinary 'B' shares of a nominal value of €0.125 each; and
 - ii. the re-classification of the issued share capital of the Company from €50,000 divided into 200,000 ordinary shares of a nominal value of €0.25 each to €50,000 divided into 400,000 ordinary 'A' shares of a nominal value of €0.125 each;
- b. at an extraordinary general meeting of the Company held on 23 November 2021, the shareholders of the Company resolved to approve:
 - i. an increase in the issued share capital of the Company of €12,450,000 through a bonus issue of 99,600,000 ordinary shares of a nominal value of €0.125 each in favour of the Existing Shareholders, by virtue of the capitalisation retained earnings; and
 - ii. the issue of 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each in favour of AX Group p.l.c. by virtue of the capitalisation of certain payables due by the Company to AX Group p.l.c., amounting to €50,000,000 at €0.3334 each, split as to €0.125 per share in nominal value and €0.2084 per share in share premium,

with the result that, as at the date hereof, the Company has an authorised share capital of €500,000,000 divided into 2,000,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 2,000,000,000 ordinary 'B' shares of a nominal value of €0.125 each, and an issued share capital of €31,250,000 divided into 100,000,000 ordinary 'A' shares of a nominal value of €0.125 each and 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, subscribed for, allotted and taken up as follows:

AX Group p.l.c. (C 12271)	<ul style="list-style-type: none"> · 99,998,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up, and · 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up, collectively representing 99.999% of the issued share capital of the Company
AX Finance Limited (C 6867)	<ul style="list-style-type: none"> · 2,000 ordinary 'A' shares of a nominal value of €0.125, fully paid-up representing 0.001% of the issued share capital of the Company

Simultaneously with the aforesaid, the shareholders of the Company resolved to approve the conversion of the status of the Company from that of a private limited liability company to that of a public limited liability company in terms of the Act.

6.2. ASSETS OF THE ESTATES GROUP

As a result of the Group Reorganisation, the Estates Group, collectively, holds a significant amount of real estate property, as depicted in the table hereunder:

Company		<ul style="list-style-type: none"> i. Nine warehouses and an office block at Hardrocks Industrial Park ii. Office block at Falcon House, Sliema
Central Leisure Developments Limited (C 25774)	Sliema Properties	<ul style="list-style-type: none"> i. AX The Victoria Hotel, Sliema ii. AX The Palace Hotel, Sliema
Suncrest Hotels p.l.c. (C 8643)	Qawra Properties	<ul style="list-style-type: none"> i. AX Sunny Coast Resort and Spa, Qawra ii. AX Seashells Resort at Suncrest, Qawra iii. Luzzu Complex, Qawra iv. Chaplins, Qawra
Simblija Developments Limited (C 39400)		<ul style="list-style-type: none"> i. Hilltop Gardens Retirement Village, Naxxar ii. Simblija Care Home, Naxxar iii. Blackstead Garage, Naxxar
St. John's Boutique Hotel Limited (C 76079)		The Saint John – Boutique Accomodation, Valletta
Palazzo Merkanti Leisure Limited (C 76080)		The AX Rosselli, Valletta
Skyline Developments Ltd (C 34281)		Targa Gap Complex, Mosta
Royal Hotels Limited (C 16994)		That part of the Verdala Site which is not earmarked for residential development and excluding the Virtu' Heights apartments (the Verdala Hotel)
Heritage Developments Limited (C 14217)		That part of the Verdala Site which is known as the Virtu' Heights apartments (the Verdala Hotel Annex)

6.3. INTRA-GROUP LEASE AGREEMENTS

On completion of the Group Reorganisation, the Subsidiaries entered into long-term lease agreements with the respective operating companies of the AX Group responsible for the operation of the relevant properties. Such agreements may be split into three categories, as follows:

- i. with respect to each Group Hospitality Property, each relevant Subsidiary forming part of the Estates Group which holds title to the property or land (as applicable) in question has entered into a lease agreement, in its capacity as lessor, with AX Hotel Operations p.l.c. (C 40905), the latter in its capacity as lessee;
- ii. with respect to the Hilltop Gardens Retirement Village and the Simblija Care Home, a lease agreement has been entered into by and between Simblija Developments Limited (C 39400), in its capacity as lessor, and Hilltop Management Services Limited (C 72480), in its capacity as lessee;
- iii. with respect to the AX Group Head Office, a lease agreement has been entered into by and between Skyline Developments Ltd (C 34281), in its capacity as lessor, and AX Group p.l.c., in its capacity as lessee; and
- iv. with respect to the warehouses and office block at Hardrocks Business Park, lease agreements have been entered into by and between the Company, in its capacity as lessor, and AX Construction Limited (C 17438), AX Group p.l.c. and independent third parties, as lessees.

7. BUSINESS OVERVIEW

7.1. PRINCIPAL ACTIVITIES AND MARKETS

The Company acts as the holding company of the Estates Group within the AX Group.

The Company owns a number of warehouses and an office block at the Hardrocks Business Park, and an office in Sliema for rental to related and third parties. Two of the warehouses and the office block at the Hardrocks Business Park are leased to AX Construction Limited (C 17438) as their operational base and offices.

The Company is largely economically dependent on its Subsidiaries.

7.2. OVERVIEW OF THE BUSINESS OF THE ESTATES GROUP

The Estates Group is involved in the letting of a diverse portfolio of real estate to subsidiary companies of AX Group p.l.c. and third parties.

7.2.1. THE COMPANY

As indicated in the preceding section of this Registration Document, the Company owns nine warehouses and an office block at the Hardrocks Business Park, as well as an office block at Falcon House in High Street, Sliema.

Hardrocks Business Park

The Company has constructed nine warehouses and an office block within the Hardrocks Business Park. Six of the warehouses have been rented to independent third parties by means of lease agreements having a term of between four and fifteen years. Two warehouses and the office block, together with the underlying basement areas, have been leased out by the Company to AX Construction Limited (C 17438) for a term of 20 years and are used as the Company's offices and operating base. Another warehouse (with underlying basement) has been leased out by the Company in part to AX Group p.l.c and in part to AX Construction Limited. The remaining area of the said warehouse which is currently unoccupied will be lease out to third parties.

A third party leases the roof of the warehouses.

Falcon House

The office development at Falcon House in Sliema consists in an area of *circa* 1,180 sqm spread on two levels which was completed in October 2021. The offices are finished to a high standard.

The portfolio of properties owned by the Subsidiaries are the following:

7.2.2. SUNCREST HOTELS P.L.C.

Suncrest Hotels p.l.c. (C 8643) owns the Seashells Resort at Suncrest, the Sunny Coast Resort and Spa and Sunny Coast Lido, and the Luzzu Complex in Qawra (collectively, the “**Qawra Properties**”).

Seashells Resort at Suncrest

The Seashells Resort at Suncrest is a four-star hotel 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 opened for business in 1987 and has undergone extensive refurbishment in 2015, at a total cost of *circa* €7 million, as a result of which all rooms were completely refurbished.

Sunny Coast Resort and Spa

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. It occupies a gross floor area measuring approximately 6,000 sqm. The property has operated in the vacation ownership market since 1983 and was the AX Group’s first venture in the hospitality sector. The Sunny Coast Resort and Spa features two restaurants which are leased out to independent third party operators, indoor and outdoor pools, spa and leisure facilities, and a fitness centre.

The Sunny Coast Lido is a facility that forms part of the Sunny Coast Resort and Spa, consisting of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities leased out to third parties.

Luzzu Complex

The Luzzu Complex, which occupies a gross floor area of *circa* 2,250 sqm, comprises a seaside restaurant known as the ‘*Luzzu Restaurant*’, a beach club, namely the ‘*Luzzu Lido*’ and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.

Terms of intra-group lease agreement

The Qawra Properties, with the exception of those areas which are sub-leased to third parties as indicated above, are leased by Suncrest Hotels p.l.c. (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- a. the lease term for the Luzzu Complex and Sunny Coast Resort and Spa is of 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term. Given that the Seashells Resort is currently undergoing redevelopment and construction works, the lease term shall commence once construction and refurbishment is complete and is of a duration of 18 years and six months;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor;
- e. the lessee may only sub-lease outlets and facilities within the Qawra Properties to independent third parties, once it obtains the lessor’s consent; and
- f. in the event of redevelopment of Luzzu Complex and Sunny Coast Resort and lido by the lessor, the lease agreement shall be terminated in relation to those areas of the leased premises being redeveloped, and a new lease agreement shall be entered into upon hand over of the redeveloped areas in favour of the lessee for a rent based on a pre agreed formula. The term of such lease shall lapse concurrently with the term as indicated in (a) above.

7.2.3. CENTRAL LEISURE DEVELOPMENTS LIMITED

Central Leisure Developments Limited (C 25774) owns the AX Victoria Hotel and AX The Palace Hotel in Sliema (collectively, the “**Sliema Properties**”).

AX The Victoria Hotel

The AX The Victoria Hotel is a 142-room classical Victorian-style hotel located in the heart of Sliema. The hotel, which is marketed as a classical five star experience in a four star accommodation, opened for business in 1997 and was last refurbished in 2018.

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. It also houses the '*Copperfields*' restaurant and the '*Penny Black*' bar. The hotel has an underground car park accessible from the entrance to the AX Palace Hotel car park which can accommodate 108 cars.

AX The Palace Hotel

The 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 2007, 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, namely: '*TemptAsian*', '*The Tabloid*' and '*Talk of Town Café*', 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 hotel has an underground car park common with AX the Victoria Hotel.

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.

Terms of intra-group lease agreement

The Sliema Properties are leased by Central Leisure Developments Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee). In turn, AX Hotel Operations p.l.c. sub-leases the spa, gym and a shop to independent third-party operators.

The lease agreement entered into with AX Hotel Operations p.l.c. is subject to the following terms:

- a. the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- e. the lessee may only sub-lease outlets and facilities within the Sliema Properties to independent third parties, once it obtains the lessor's consent.

7.2.4. ST. JOHN'S BOUTIQUE HOTEL LIMITED

St. John's Boutique Hotel Limited (C 76079) is the owner of The Saint John – Boutique Accommodation, a 19-room four star boutique hotel located in Merchants Street, Valletta.

Once a former merchant's residence and shop, The Saint John 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 boardroom, 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 two catering establishments, namely '*Cheeky Monkey Gastropub*' and '*Cheeky Monkey Creperie*'.

Terms of intra-group lease agreement

The Saint John – Boutique Accommodation is leased by St. John's Boutique Hotel Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- a. the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- e. the lessee may only sub-lease outlets and facilities within the The Saint John – Boutique Accomodation to independent third parties, once it obtains the lessor's consent.

7.2.5. PALAZZO MERKANTI LEISURE LIMITED

Palazzo Merkanti Leisure Limited (C 76080) holds the AX Rosselli hotel under the title of temporary emphyteusis, subject to an annual ground rent of €13,821.60. The 25-room five-star boutique hotel is one of the most prestigious old palazzos in the capital, receiving its first guests in May 2019.

AX Rosselli is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Aside from a three-level restaurant with varied cuisine genres, namely 'Under Grain', 'Grain' and 'Over Grain', offering customers refined culinary experiences on each level with 'Under Grain' having been one of the first of only five restaurants to have clinched a Michelin Star on the island, the boutique hotel has a rooftop terrace and swimming pool. Additionally, hotel butler service is on hand to provide a tailor-made experience for guests staying at the AX Rosselli.

Terms of intra-group lease agreement

The hotel is leased by Palazzo Merkanti Leisure Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- a. the lease term is 20 years and four months, with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- e. the lessee may only sub-lease outlets and facilities within the AX Rosselli hotel to independent third parties, once it obtains the lessor's consent.

7.2.6. SIMBLIJA DEVELOPMENTS LIMITED

Simblija Developments Limited (C 39400) owns the Hilltop Gardens Retirement Village and Simblija Care Home (together, the "**Healthcare Complex**").

Hilltop Gardens Retirement Village

Hilltop Gardens Retirement Village is the first luxury retirement village developed in Malta, consisting 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 by individuals who at the time of taking up residence must be over 55 years of age.

Simblija Care Home

Simblija Care Home is a 155-bed care home which provides intensive nursing care to the more dependent elderly residents. The Simblija Care Home also operates the Revive Physiotherapy and Aquatic Centre, which 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.

Terms of intra-group lease agreement

Simblija Developments Limited (in its capacity as lessor) granted the Healthcare Complex, by title of lease, to Hilltop Management Services Limited (C 72480) (in its capacity as lessee) for a term of 20 years and four months from 1 July 2021 until 31 October 2041 (the "**Lease Agreement**"). Hilltop Management Services Limited (C 72480) (in its capacity as sub-lessor) then granted the Healthcare Complex, by title of sub-lease to Hilltop Gardens Retirement Village Limited (C 65735) (in its capacity as sub-lessee) for the same term (the "**Sub-Lease Agreement**"). Hilltop Management Services Limited also leases a number of commercial units within the Healthcare Complex to independent third parties.

The lease agreement entered into by and between Simblija Developments Limited and the Hilltop Management Services Limited is subject to the following terms:

- a. the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a fixed rent;
- c. the obligation for ordinary repairs and maintenance rests with the lessee, while the costs of extraordinary repairs rest with the lessor;
- d. the right to sub-lease the Healthcare Complex to Hilltop Gardens Retirement Village Limited (C 65735). Hilltop Gardens Retirement Village Limited (C 65735) has, in turn, been granted the right to further sub-lease the apartments within the Hilltop Gardens Retirement Village to private individual residents (the "**Residents**") who satisfy the residential criteria; and
- e. the lessee may only sub-lease outlets and facilities within the Healthcare Complex to independent third parties, once it obtains the lessor's consent.

7.2.7. ROYAL HOTELS LIMITED

As described in further detail in section 8.1.3 of this Registration Document, Royal Hotels Limited (C 16694) owns the land over which the Verdala Hotel will be developed. A full development permit for the proposed development has been obtained and work on the demolition of the former '*Grand Hotel Verdala*' has commenced.

Terms of intra-group lease agreement

Royal Hotels Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Royal Hotels Limited (in its capacity as lessor) will lease out the Verdala Hotel to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- a. the lease term is 20 years with effect from 1 November 2023 with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and

1 Simblija Developments Limited (in its capacity as lessor) appeared on the Sub-Lease Agreement to assume all obligations of Hilltop Gardens Retirement Village Limited (C 65735) in favour of the Residents in terms of the respective agreements with the Residents which extend beyond 31 October 2041, and this in the event that the Lease Agreement and the Sub-Lease Agreement are not extended beyond 31 October 2041.

- e. the lessee may only sub-lease outlets and facilities within the Verdala Hotel to independent third parties, once it obtains the lessor's consent.

7.2.8. HERITAGE DEVELOPMENTS LIMITED

As described in further detail in section 8.1.3 of this Registration Document, Heritage Developments Limited (C 14217) is in process of acquiring full ownership of the Complex constructed on the HDL Site, which consists of a total of 19 apartments, to be subsequently developed into the Verdala Hotel Annex.

Terms of intra-group lease agreement

Heritage Developments Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Heritage Developments Limited (in its capacity as lessor) will lease out the Verdala Hotel Annex to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- a. the lease term is 20 years with effect from 1 November 2023 with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a minimum fixed base rent;
- c. a variable rent component;
- d. the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- e. the lessee may only sub-lease outlets and facilities within the Verdala Hotel Annex to independent third parties, once it obtains the lessor's consent.

7.2.9. SKYLINE DEVELOPMENTS LTD

Skyline Developments Ltd (C 34281) owns the Targa Gap Complex in Mosta.

The complex which has been built to a high level of finishes and specifications; consists of two blocks of residential apartments, namely the 'Clover' block and the 'Springfield' block. As at the date hereof, the majority of units in the 'Clover' block have been sold to third parties, two will be retained by Skyline Developments Ltd and leased to third parties. Those in 'Springfield' block have also been retained and are currently leased to independent third parties.

The complex also includes the AX Business Centre which houses the 'AX Group Head Office' as well as two separate offices at ground floor level one of which is currently leased to an independent third party. The complex also includes four floors of underground car park. A number of garages in the car park have been sold to owners of the apartments in 'Clover' block. A photovoltaic plant has been installed on the roof of the property.

Terms of intra-group lease agreement

The lease agreement by and between Skyline Developments Ltd (*qua* lessor) and AX Group p.l.c. (*qua* lessee) is subject to the following terms:

- a. the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- b. a fixed base rent; and
- c. the obligation for ordinary repairs and maintenance rests with the lessee while the costs of extraordinary repairs rest with the lessor.

7.2.10. FUTURE DEVELOPMENT

The Company will actively seek to acquire properties which are of a high standard and which lend themselves to being used for activities of the Subsidiaries or by independent third parties, for rent at market rates. Such properties will need to meet the criteria and high standards of design and functionality in line with the philosophy of the Estates Group and the AX Group.

In addition, where applicable planning laws allow, the Estates Group will seek to obtain permits to extend or redevelop its real estate assets in line with the business requirements from time to time.

The Estates Group will maintain its properties to a high standard to optimise the economic returns from such investments.

7.3. BUSINESS DEVELOPMENT STRATEGY – CONVERGENCE WITH THE AX GROUP

7.3.1. ETHOS OF THE AX GROUP AND THE ESTATES GROUP

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the AX 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.

The AX Group believes that investment in immovable property in prime locations finished to high standards of design tailored to the operation together with innovative business models and concepts should provide high return on investment over the long term.

This same business philosophy has been adopted by the Estates Group, which also recognises the opportunities for return provided by judicious real estate investment, and sees the AX Group's operating companies as an important customer for its investments. The intention is to retain alignment between the two groups' business strategies, such that one complements and supports the other, with the main underpinning to these common strategies being a common ethos driving the business.

One of the main contributors which has led towards the successful history of growth experienced by the AX Group has been the segregation of asset owning and operating functions to enable individual subsidiaries to focus on their core objectives and to share the knowhow, experience and resources to avoid duplication of effort and cost. It is the intention of the Company to replicate this proven strategy and extend it to the Company's business.

7.3.2. ORGANISATIONAL PRACTICES AND PROCEDURES

The Company shall implement 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 shall be reviewed from time to time in order to reflect new operational and market realities, ensuring that the Company 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 Company are prepared, evaluated and subsequently scrutinised by the competent members of the executive team.

The Company has adopted an evidence-based approach to business opportunity and risk, based on the principle of informed-decision making practices.

7.3.3. GROWTH STRATEGY

The Company shall focus its energies on strengthening its business and developing its structures. Furthermore, the various divisions of the AX Group have diversified their markets and business delivery, and marketing strategies have been developed and implemented for each of its properties, depending on the location and nature of the property.

Since March 2020, the hospitality industry has been impacted by the COVID-19 pandemic due to a temporary decline in travel demand, which affected the operation of Group Hospitality Properties. A gradual return to normality has been experienced since June 2021 and the Company is optimistic that the hotel industry in Malta will perform positively in the years to come, thereby giving the operators of the Group Hospitality Properties the stability required to ensure payment of rent when due. The AX Group believes the Group Hospitality Properties currently have the right management and resources to successfully grow the business units and potentially take on others.

Similarly, the construction division of the AX Group, which leases its offices at the Hardrocks Industrial Park from the Company, has grown rapidly following a restructuring of the business. 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.

7.3.4. HUMAN RESOURCE MANAGEMENT

The Company believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives and the retention of key talent is at the core of the Company's philosophy.

The Company intends to utilise, as per a management support services agreement ("**Support Services Agreement**") contracted with AX Group p.l.c., the services of a number of Departments within the AX Group, including those of the Human Resource Department with a view to avoid duplication of resources and the associated costs. For this reason, the Company will have a lean organisation structure and only directly engage personnel where this is specifically necessary to further its business interests.

The AX Group, which shall provide such services to the Company, operates the 'AX Academy' specialising in training and development 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. The Company, through the Support Services Agreement, shall be entitled to partake to the resultant expertise and resources.

8. INVESTMENTS

8.1 MATERIAL INVESTMENTS MADE BY THE ESTATES GROUP IN THE LAST THREE YEARS

The major investments made by the Company and its Subsidiaries (now the Estates Group) over the last three years are the following:

Palazzo Merkanti Leisure Limited	<p><i>AX Rosselli</i></p> <p>A property acquired in Merchant Street, Valletta was 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 <i>circa</i> €7 million.</p>
Central Leisure Developments Limited	<p><i>AX The Palace Hotel</i></p> <p>In January 2019, 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 <i>circa</i> €1.9 million was completed.</p>
Company	<p><i>Hardrocks Warehouses</i></p> <p>In FY2019, eight warehouses, an office block and a plot of land (which has been developed in an additional warehouse) were acquired from AX Holdings Limited (now struck off following merger with AX Group p.l.c.) and Prime Buildings Limited (C 18860) for €5 million.</p>
Company	<p><i>Falcon House Offices</i></p> <p>In FY2021, the AX Group oversaw the building of a new block within 'Falcon House' in Sliema's High Street, which includes two floors of office units and four levels of luxurious residential apartments and penthouse, at a cost of <i>circa</i> €1.5 million. The Company is the owner of the two floors of office units.</p>

Skyline Developments Ltd *Targa Gap Complex*

During FY2019 - FY2020, Skyline Developments Ltd was involved in the development of a plot of land at Tal-Qares, Mosta (the '*Targa Gap Complex*'). This is a mixed use development incorporating residential units in the Clover and Springfield blocks as well as the '*AX Business Centre*', which houses the Group's new head office, two offices at ground level and four levels of underground parking. The €12 million investment is a state-of-the-art office which is set to cater for the next expansion phase of the AX Group.

The Estates Group has made and expects to continue to make significant investments in the acquisition, development and improvement of its existing property portfolio. It will actively seek to identify and acquire new properties deemed appropriate to its business ethos and objectives, as a major thrust of its business. Indeed, the majority of the proceeds from the Combined Offer are to be deployed for the purpose of part financing the development of the Verdala Hotel site (the "**Verdala Project**") and the redevelopment of the AX Seashells Resort at Suncrest (the "**Qawra Project**"), as further detailed hereunder:

8.1.3. VERDALA PROJECT

Perched along the ridge-edge of Tal-Virtu, limits of Rabat, the once-luxurious '*Grand Hotel Verdala*' was inaugurated in 1971 as one of Malta's premium hotels at the time. The 160-bedroom five-star hotel ceased operations in 1997.

Acquisition of the Verdala Site

AX Group acquired the property in 1997 by virtue of the following deeds of sale published in the records of Notary Peter Fleri Soler, and have since been seeking planning approval for redevelopment of the Verdala Site:

- i. a public deed of sale entered into on 26 March, 1997 by and between *inter alia* the Malta Enterprise Corporation (formerly known as Malta Development Corporation) and Royal Hotels Limited (C 7793), pursuant to which Royal Hotels Limited acquired the Grand Hotel Verdala with the adjoining ground, car park and amenities accessible from Inguanez Street, Rabat, covering a total superficial area of 14,534 sqm, bounded to the North-North-East partly by church property (or its successors in title) and partly by the cliff edge on the West-North-West by St. Catherine's Street and Triq ir-Rghajja and on the East and South-East by the said cliff edge (the "**RHL Deed**"). The said portion of land, in turn, consists of various areas subject to different conditions of title, namely:
 - a. the temporary *subutile dominium* for the remaining period up to the 14 August 2045 of an area which in the aggregate measures 1,976 sqm (827 sqm, 894 sqm and 255 sqm), subject to its share of the annual temporary sub-groundrent of LM74.25 (€172.96);
 - b. the temporary *subutile dominium* for the remaining period up to the 14 August 2048 of an area measuring 12,123 sqm, subject to its share of the annual temporary sub-ground rent of LM34.07c4m (€79.37);
 - c. the freehold of an area measuring approximately 435 sqm; and
 - d. the temporary *directum dominium* LM1.3542c (€3.15) per 4.39 sqm for the remaining periods as above defined, and the subsequent full ownership of the areas described in (a) and (b) above;(the "**RHL Site**").

All sub-groundrents to the property were redeemed, save for a renewable temporary *subutile dominium* lapsing in the year 2048 carrying a sub-groundrent of €43.84 due on a portion of the above mentioned land, with the ultimate bare ownership belonging to Royal Hotels Limited; and

- ii. a public deed entered into on 26 March 1997 by and between, *inter alia*, the Malta Enterprise Corporation and Heritage Developments Limited (C14217), pursuant to which Heritage Developments Limited acquired a portion of land measuring approximately 1,542 sqm bounded to the North-West and West-North-West by Triq ir-Rghajja and on the East and North-East by property of the Malta Enterprise Corporation (or its

successors in title) and which area forms part of the lands known as 'Ta' Forok' in Rabat, Malta (the "**HDL Deed**"). The said portion of land, in turn, consists of two areas subject to different conditions of title, namely:

- a. the temporary *subutile dominium* for the remaining period up to the 14 August 2045 of an area measuring 532 sqm, subject to its share of the annual temporary sub-groundrent of LM74.25 (€172.96);
- b. the temporary *subutile dominium* for the remaining period up to the 14 August 2048 of an area measuring 1,010 sqm, subject to its share of the annual temporary sub-groundrent of LM 34.07c4m (€79.37); and
- c. the temporary *directum dominium* LM1.3542c (€3.15) per 4.39 sqm for the remaining periods as above defined, and the subsequent full ownership of the areas described in (a) and (b) above. (the "HDL Site").

Over the said HDL Site, Heritage Developments Limited constructed a complex consisting of two blocks of residential apartments presently named 'Castle View – Virtu Heights' and 'Girgenti – Virtu Heights' (the "**Complex**"), consisting of a total of 19 apartments.

Legal proceedings and settlement

On 6 March 2018, a public deed of compromise and settlement entered into by and amongst the Malta Enterprise Corporation, Royal Hotels Limited, Heritage Developments Limited and AX Holdings Limited (C 3595) (now struck off following merger with AX Group p.l.c.), was published in the records of Notary Rosalyn Aquilina (the "**Deed of Interpretation and Settlement**"), having as its subject, *inter alia*, the compromise and settlement of appeal proceedings instituted by Royal Hotels Limited and Heritage Developments Limited, respectively, namely Malta Enterprise Corporation vs. Royal Hotels Limited (writ no. 310/2005JZM) and Malta Enterprise Corporation vs. Heritage Developments Limited (writ no. 311/2005JZM), respectively, (the "**Disputes**") revolving around the interpretation and significance of a condition which existed in both the RHL Deed and the HDL Deed. Such a condition read as follows: "*Any development made on the transferred property shall form part of a hotel complex of a standard not below the four (4) - Star Classification or equivalent*" (the "**Condition**").

By virtue of this Deed of Interpretation and Settlement, AX Holdings Limited constituted itself as surety, jointly and severally with Royal Hotels Limited and Heritage Developments Limited for the performance of their respective and, or joint obligations in terms of said deed and in order to better secure such obligations and delivered in favour of the Malta Enterprise Corporation, which accepted, an on-demand guarantee issued by a licenced bank in Malta for the sum of €250,000, which bank guarantee secures Royal Hotels Limited's and Heritage Developments Limited's obligations in terms of said deed (the "**Bank Guarantee**"). Provided that in the event that the Malta Enterprise Corporation claims on the Bank Guarantee, such guarantee shall be replaced by AX Holdings Limited with an identical one within seven days from acceptance of a claim by the issuing bank, in order for the guarantor to continue to further warrant Royal Hotels Limited's and Heritage Developments Limited's other obligations.

The said settlement was entered into on an *ex gratia* basis and without any of the parties registering any admission on the claims contained in the Disputes.

Interpretation of the Condition

In virtue of the said Deed of Interpretation and Settlement the parties thereto irrevocably, and by mutual consent, interpreted the Condition in the sense that the Condition shall be considered to be satisfied for the purposes of the RHL Deed and the HDL Deed if the property forming the subject of the respective deeds incorporates a 'hotel' as defined in the Malta Travel and Tourism Services Act (Cap. 409 of the laws of Malta), which hotel shall be of a standard not below the four-star classification or equivalent, and shall have not less than 40 guests suites and is constructed within the perimeter of the development zone (in scheme land or any area designated as such by the Planning Authority and is operated as such); provided that as long as a hotel as stated above, has been constructed on the property in question the use of the land for the construction of any commercial and, or residential units within the property shall be allowed.

Compromise and Settlement

The parties agreed that Royal Hotels Limited and Heritage Developments Limited shall jointly pay the sum of €250,000 to the Malta Enterprise Corporation as consideration of the compromise entered into pursuant to the said Deed of Interpretation and Settlement ("**Consideration**").

In accordance with the terms thereof, the Malta Enterprise Corporation agreed to release, acquit and forever discharge Royal Hotels Limited and Heritage Development Limited in respect of the disputes, and the Malta Enterprise Corporation of one part and Royal Hotels Limited and Heritage Developments Limited of the other part furthermore agreed to reciprocally fully and finally relinquish to, and waive, any and all claims, whether existing or potential, that they may have against each other in connection with and, or arising, directly or indirectly, from the disputes and the subject-matter thereof. Consequently, the Malta Enterprise Corporation of one part and Royal Hotels Limited and Heritage Developments Limited of the other part irrevocably declared that they have no claims and, or pretensions, of whatever nature and, or origin against each other in relation to the disputes and the subject-matter thereof, save as specifically stipulated therein.

Furthermore, Royal Hotels Limited and Heritage Developments Limited undertook within three days from the date of the Deed of Interpretation and Settlement to withdraw their respective appeals "*stante ftehim*", and the Malta Enterprise Corporation of its part undertook to execute any necessary judicial acts so as to enable Royal Hotels Limited and Heritage Developments Limited to obtain counter-warrants for all precautionary warrants filed by the Malta Enterprise Corporation and to withdraw any bank guarantee filed under the authority of the First Hall of the Civil Court by Royal Hotels Limited and, or Heritage Developments Limited in respect of the disputes.

Conditions to which the Deed of Interpretation and Settlement is subject

In terms of the Deed of Interpretation and Settlement, the parties agreed to the following conditions:

- i. An additional sum of €250,000 shall become due jointly and severally by Royal Hotels Limited and Heritage Developments Limited to the Malta Enterprise Corporation should either Royal Hotels Limited or Heritage Developments Limited, or transferee of the said companies within the said AX Group (as defined hereunder) transfer the ownership of the properties acquired *in toto* or *in parte*, (where *in parte* represents 25% or more of the property) in favour of any company not qualifying as an intra-group transfer within the AX Group until such time that the hotel is fully operational (as described in paragraph (iii) below), and the Malta Enterprise Corporation shall be consequently entitled to claim on the Bank Guarantee. Provided further that for the purpose of this paragraph, a company within the AX Group shall be construed to mean "*any body corporate which is Royal Hotels Limited's or Heritage Developments Limited's subsidiary or parent company or a subsidiary of Royal Hotels Limited's and Heritage Developments Limited's parent company*".
- ii. Royal Hotels Limited and Heritage Developments Limited undertook to submit a planning application in terms of law with the Planning Authority for a permit to develop a Hotel Complex (as defined hereunder) on the property, which Hotel Complex shall include a 'hotel' as defined in the Malta Travel and Tourism Services Act (Cap. 409 of the laws of Malta), having a minimum of 40 guest suites to be developed within the perimeter of the development zone (in scheme land or any area designated as such by the Planning Authority) (hereinafter referred to as the "**Hotel Complex**") by not later than 18 months from the date of the deed, it being agreed that in default of submission as and within the period aforesaid, the Malta Enterprise Corporation shall be entitled to a one-time payment by Royal Hotels Limited and Heritage Developments Limited *in solidum* in the sum of €250,000 and consequently claiming on the Bank Guarantee, without prejudice to the other consequences set out in the Deed of Interpretation and Settlement.
- iii. The hotel shall be fully operational within eight calendar years from the date of the Deed of Interpretation and Settlement, meaning that the building constituting the hotel is running as a hotel, in a position to welcome guests as residents in all parts of the hotel, built according to the development permit issued by the competent authorities and any approved amendments thereto, and licenced to operate as such by the competent authorities.

Failure by either Royal Hotels Limited and, or Heritage Developments Limited to render the hotel fully operational in the manner and time shall render Royal Hotels Limited and Heritage Developments Limited jointly and severally liable to the payment of the Additional Sum and to the payment of a further sum of

€3,000,000 ("**Pre-liquidated Damages**") in favour of the Malta Enterprise Corporation, which Pre-liquidated Damages shall not be subject to any waiver or abatement by any court of law. Provided that the Malta Enterprise Corporation shall be entitled to appropriate the Bank Guarantee as partial payment of the Pre-liquidated Damages.

Furthermore, the parties agreed that failure by Royal Hotels Limited and, or Heritage Developments Limited to render the hotel operational in the manner and time stipulated shall constitute a material breach of the conditions of the title granted by virtue of the RHL Deed and HDL Deed as a consequence of which they shall be considered as rescinded *ipso jure* and shall carry the consequences stipulated in the Deeds of Amendment (as described hereunder) which were entered into by the parties contemporaneously with the Deed of Interpretation and Settlement.

In accordance with the terms of the Deed of Interpretation and Settlement, within one month from the commencement of the operation of the hotel as contemplated above, the Malta Enterprise Corporation shall appear on a public deed confirming that the conditions of the Deed of Interpretation and Settlement have been satisfied, and forever releasing Royal Hotels Limited, Heritage Developments Limited, and AX Holdings Limited from the obligations and liabilities undertaken above and shall return the Bank Guarantee for cancellation.

Deeds of Amendment to the Contracts of Sale

In pursuance of the provisions of the Deed of Interpretation and Settlement, on the 6 March 2018 Royal Hotels Limited and Heritage Developments Limited each entered into separate public deeds of amendment of their respective contracts of sale with the Malta Enterprise Corporation for the purpose of amending the original RHL Deed and the original HDL Deed, respectively ("**Deeds of Amendment**"), the main amendments being as follows:

- i. the parties agreed to clarify and agree that the Condition is to be construed cumulatively in the sense that it is not a separate imposition but a joint obligation, permitting Royal Hotels Limited and Heritage Developments Limited to co-develop one hotel on the respective sites individually held by them; and
- ii. Royal Hotels Limited and Heritage Developments Limited each accepted that failure to render the hotel fully operational in the manner and time stipulated in the Deed of Interpretation and Settlement shall constitute a material breach of the conditions of the original RHL Deed and the original HDL Deed, respectively, and shall be considered to have been rescinded *ipso jure*. In the event of such rescission Royal Hotels Limited and, or Heritage Developments Limited (as applicable) shall, *inter alia*: (a) promptly vacate its respective site (RHL Site or HDL Site), which shall revert back to the Malta Enterprise Corporation with free and vacant possession; (b) not be refunded any monies, including the price of its respective site or any interest thereon, or any sums paid on the Deed of Interpretation and Settlement and shall renounce to any claim it may have for any such refunds; (c) not bring any legal action against the Malta Enterprise Corporation for taking repossession of its respective site or delay or disrupt such repossession; and (d) indemnify and hold the Malta Enterprise Corporation harmless from and against any action or claim related to any action for rescission that may be brought against the Malta Enterprise Corporation and also for any cost and expenses incurred by the Malta Enterprise Corporation as a consequence or for any cost and expenses that the Malta Enterprise Corporation incur to bring into effect the effects of the rescission.

In accordance with the terms of the Deeds of Amendment, within two months from the commencement of the operation of the hotel as contemplated above, the Malta Enterprise Corporation shall appear on a public deed confirming that the conditions of the Deeds of Amendment have been satisfied, and forever releasing Royal Hotels Limited, Heritage Developments Limited, and AX Holdings Limited from the obligations and liabilities undertaken above.

Planning considerations

The planning applications and subsequent permits allowing for the proposed development of the Verdala Site described in detail in the subsequent section titled '*Proposed development*' are as follows:

Case no	Description of works	Status	Date
PA/02787/01	Amendments to the duplex suites, to the apartments and the underground carpark	Approved	19 July 2001
PA/00141/03	Sanctioning of “as built hotel annex” including internal and external alterations, projecting rooms onstreet elevation and removal of landscaping detail in the ODZ area to allow the natural vegetation to remain unintervened and take precedence	Approved	30 April 2020
PA/06044/17	Demolition of the existing Grand Hotel Verdala and its proposed redevelopment to achieve a better skyline and urban setting. The development consists of class 1 residential units, class 4B ancillary retail use and class 3B 5 star Spa Hotel	Approved	30 April 2020

Subsequently, on 6 May 2021, the Planning Authority issued a full development permit in favour of applicant Royal Hotels Limited, bearing reference number PA/06714/20 pursuant to which approval was granted for the demolition of the existing Grand Hotel Verdala in Rabat and its proposed redevelopment to achieve a better skyline and urban setting as per outline permit bearing reference number PA/06044/17.

The full development permit fragments the site into three blocks: blocks A and B, which are categorised as ‘Class 1’ residential, and block C, which is categorised as ‘Class 3B’ and part serviced apartments. The proposed development will be spread over six floors above the highest street level and two levels below. The full development permit retains the parameters of the outline permit and confirms improvements to the initial outline permit.

On the 21 July 2021, two public deeds constituting planning obligations imposed on applicant Royal Hotels Limited by the Planning Board in connection with the grant of development permission PA/06714/20 in terms of article 79 of the Development Planning Act (Cap. 552 of the laws of Malta) were entered into as stipulated in the development permission:

- i. In terms of the deed entered into by and amongst the Planning Authority, the Malta Tourism Authority and Royal Hotels Limited, the use of the hotel development shall be restricted to tourist accommodation and shall not be used for permanent residential occupation or any other use notwithstanding the provision of the Development Planning (Use Classes) Order, 2014, or any amendment or addition to such orders; and
- ii. In terms of the deed entered into by and between the Planning Authority and Royal Hotels Limited the open space being created between blocks A and B is to be adequately maintained for the enjoyment of the general public.

The full development permit is valid for a period of five years from the date of publication of the decision in the press, but will cease to be valid if the development is not completed by the end of said period.

Proposed development

The project will see the dilapidated Grand Hotel Verdala being demolished and redeveloped into a five-star all-suite hotel, acting as the main hotel building housing all the main facilities for the proposed new luxury suites and the existing 19 Virtu Heights annex suites, which shall also be refurbished to a luxury standard. A multi-level communal pyramidal atrium shall include all the communal facilities and creates a physical and visual corridor from Triq ir-Rghajja to the ridge views overlooking Malta.

By reducing the overall height from the existing hotel by almost two storeys, the development will blend more harmoniously with the promontory. A system of terraces and voids on the ridge side of the building will mimic the natural forms of the rock strata, whilst the back elevations will have greater solidity to tie into the traditional façade typology found in the surrounding streets.

The project will also open up around 2,350 sqm of formerly developed space to the public through the introduction of public piazzas and open spaces. Furthermore, new vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rghajja.

Between the years 2005 and 2019, Heritage Developments Limited entered into 11 deeds of sale pursuant to which 11 out of the 19 apartments were sold to third parties: three of which were rescinded some time thereafter; four were re-acquired by Heritage Developments Limited from said third parties; and the remaining four form the subject of promise of sale/exchange agreements, pursuant to which Heritage Developments Limited will re-acquire the four apartments in exchange for four residential units (and car spaces) forming part of the Verdala Terraces, defined hereunder.

As part of the Group Reorganisation exercise, on 28 October 2021, Royal Hotels Limited transferred a portion of land by virtue of a public deed in the acts of Notary Rosalyn Aquilina, consisting of an area of 8,831 sqm from level -2 downwards and 9,470 sqm from level -1 upwards to a newly incorporated entity forming part of the AX Group, namely Verdala Terraces Limited (C 100344), on which residential units are intended to be developed by the AX Group (the "**Verdala Terraces**").

The Verdala Hotel will be developed on the remaining portion of land owned by Royal Hotels Limited. As described above, Heritage Developments Limited owns the Complex, which will be refurbished into the Verdala Hotel Annex.

Works commenced in August 2021 and it is estimated that the investment in the Verdala Hotel and the refurbishing of the Verdala Hotel Annex is estimated to cost €11.5 million.

8.1.4. QAWRA PROJECT

The AX Group has developed a master plan to demolish and rebuild the Qawra Properties, which project is expected to be phased over a number of years with a view to redeveloping the Qawra Properties entirely.

A portion of the land forming part of the Qawra Properties on which the Qawra Project is to be developed is not currently owned by the Estates Group. As further explained in section 19.3 of this Registration Document, claims instituted for the alleged illegal occupation of a parcel of land forming part of the Suncrest Hotel Lido and the Sunny Coast Lido are being contested by Suncrest Hotels p.l.c. and by Holiday Resorts Limited, respectively.

Phase 1

Suncrest Hotels p.l.c. is in possession of a full development permit numbered PA/06712/20 for the purpose of extending the Seashells Resort at Suncrest by adding four additional floors to the existing structure, which will increase the number of rooms of the hotel to 618, as well as new pools, restaurants, bars and other facilities to the hotel. Said extension of the Seashells Resort at Suncrest will be funded from the proceeds of the Combined Offer.

The AX Group plans to upgrade the standard of the hotel to a high level in line with the objectives of the master plan to develop its Qawra Properties into a key destination, the cost of which will be partly funded by a related party, AX Hotel Operations p.l.c. (C 40905).

The lido at the Seashells Resort at Suncrest will be demolished and redeveloped subject to a full development permit being obtained from the competent authorities. The approval of the PA application for the redevelopment of the lido (PA/06179/21) is reasonably expected to be obtained in Q1 2022. The new lido will include an underground car park, part of the project for the development of a large carpark accommodating 350 cars under the three lidos owned by the AX Group. The new lido will also include a large pool that will eventually form part of a series of laguna pools over the three lido areas, as well as the restaurants and bars operated by the AX Hotels brand. Funding for the development of the lido will be sourced from internal funding available to the Estates Group.

The aforementioned development has commenced in November 2021 and is expected to be completed by April 2023 at a cost of *circa* €52 million, with the hotel assumed to be re-opened by May 2023.

Phase 2

Hotel Resorts Limited (now merged into Suncrest Hotels p.l.c.) has applied for a full development permit for the development of the AX Sunny Coast Resort and Spa (PA/06712/20) and an outline development permit (PA/02986/19) for the AX Sunny Coast Lido and Luzzu Complex. The approval of the PA application for the issuance of such permits is reasonably expected to be obtained in Q1 2022.

The proposed development of the AX Sunny Coast Resort and Spa will see the demolition of the existing building and its rebuilding into a 200-unit aparthotel, with food and beverage and leisure facilities.

There are presently no firm timelines for the commencement of these works but subject to obtaining the necessary full development permits and the necessary finances and resources are available for the works to commence, it is envisaged that this shall commence within the next five years.

8.2 MATERIAL INVESTMENTS THAT ARE IN PROGRESS OR FOR WHICH FIRM COMMITMENTS HAVE BEEN MADE

In addition to the Verdala Project and the Qawra Project, another key development to which the Estates Group is committed in the foreseeable future consists of the proposed extension to the Hilltop Gardens Retirement Village. Subject to obtaining the necessary development permits, it is the intention of the Estates Group to construct 50 additional residential units across two additional floors which will be intended for lease in line with the business model of the Hilltop Gardens Retirement Village. No specific date has been set for the commencement of works as of yet.

8.3. ENVIRONMENTAL ISSUES

The Company is not aware of any environmental issues that may affect the Company's utilisation of its tangible fixed assets.

9. OPERATING AND FINANCIAL REVIEW

Cross-reference list to the Company's financial statements

The table below provides a cross-reference list to key sections of the Company's financial statements for the financial years ended 31 October 2019 and 2020, and the interim financial statements for the six-month period ended 30 April 2021:

	Six months ending 30 April 2021	31 October 2020	31 October 2019
Independent auditor's report	n/a	2 – 4	2 – 4
Statement of comprehensive income	2	5	5
Statement of financial position	3	6	6
Statement of changes in equity	4	7	7
Statement of cash flows	5	8	8
Notes to the financial statements	6-9	9-17	9-17

9.1 HISTORICAL PERIOD

The financial statements for the financial years ended 31 October 2019 and 2020 and the audit reports thereon are set out in the audited financial statements of the Company for the respective financial years, all of which are incorporated by reference in this Registration Document. Set out below are condensed financial statements for such years relating to the Company:

AX REAL ESTATE P.L.C. - Statement of Comprehensive Income

	Company 2019 (5 months) (audited) €000	Company 2020 (audited) €000
Revenue	19.4	243.7
Administrative expenses	(1.3)	(17.6)
EBITDA	18.1	226.0
Income tax	(3.9)	(68.2)
Total comprehensive income	14.1	157.8

AX REAL ESTATE P.L.C. - Statement of Financial Position

	Company 31 October 2019 (audited) €000	Company 31 October 2020 (audited) €000
ASSETS		
<i>Non-current Assets</i>		
Investment property	5,216	6,349
Financial asset	9	-
<i>Current Assets</i>		
Trade and other receivables	19	115
Total Assets	5,244	6,464
EQUITY AND LIABILITIES		
<i>Capital and Reserves</i>		
Called up issued share capital	1	1
Capital contribution	-	3,500
Retained earnings	14	172
Total Equity	15	3,673
<i>Non-current Liabilities</i>		
Amounts owed to related parties	5,157	-
Total non-current Liabilities	5,157	-
<i>Current Liabilities</i>		
Trade and other payables	72	2,791
Total Current Liabilities	72	2,791
Total Liabilities	5,229	2,791
Total Equity and Liabilities	5,244	6,464

AX REAL ESTATE P.L.C. - Statement of Cash Flows

	Company 2019 (5 months) (audited) €000	Company 2020 (audited) €000
Net cash from operating activities	67	-
Net cash used in financing activities	(67)	-
Net cash from investing activities	-	-
Movement in cash and cash equivalents	-	-
Cash and cash equivalents	-	-

The revenue of the Company over the historical period relates to income on investment property leased out to other entities. Revenue increased to €243,673 in 2020 compared to €19,355 over the five-month period ending 30 October 2019. During the financial year ending 31 October 2020, 39% of revenue related to lease income from related parties.

The administrative expenses of the Company increased to €17,648 in the financial year ended 31 October 2020, from €1,273 in the previous financial period. This is due to the full year impact of the operations of the Company in 2020. It is also noted that maintenance expenses, professional fees and insurance-related expenses accounted for 90% of the total expenses in 2020. The Company's EBITDA margin remained relatively stable at 93% over the financial years ended 31 October 2019 and 2020.

The Company's total assets as at 31 October 2020 stood at €6.5 million (31 October 2019: €5.2 million) comprising mainly of investment properties held by the Company as described in 'Investment Property' above. Total assets increased on account of additions relating to civil works performed on the investment property during the said financial periods. Refer to section 9.4 below for further information on the valuation techniques underpinning the valuation of investment property recognised in the audited financial statements of the Company.

Trade and other receivables as at 31 October 2020 mainly represent trade receivables of €21,613 (31 October 2019: €17,482) and indirect tax receivables of €92,320 (31 October 2019: nil).

Total liabilities of €5.2 million as at 31 October 2019 included balances payable to related parties on account of the investment property transferred into the Company upon inception of the Company. This balance was subsequently partly capitalised by the Existing Shareholders. Total liabilities as at 31 October 2020 stood at €2.8 million which predominantly relate to balances payable to the parent and related parties which constitute 99.3% of the current liabilities recorded as at 31 October 2020.

The Company's total equity increased from €15,336 as at 31 October 2019 to €3.7 million as at 31 October 2020, largely reflecting the capitalisation of liabilities to related parties of €3.5 million in 2020 and the increases in retained earnings of the Company from profits over the historical period.

In 2019, the Company generated cash amounting to €67,130 from operating activities which was used to finance the investment property transfers made upon inception. The Company did not generate any net cash movements as at 31 October 2019 and 2020, or hold any cash balances as at these dates.

9.2 INTERIM PERIOD

The interim financial statements for the 6 month period ended 30 April 2021 (and the comparative financial information for the six month period ended 30 April 2020) are set out in the interim unaudited financial statements of the Company which are incorporated by reference in this Registration Document.

Condensed extracts from the interim unaudited financial results of the Company for the six months ended 30 April 2021, including comparatives as applicable, are set out below:

AX REAL ESTATE P.L.C. - Statement of Comprehensive Income

	Company 30 April 2020 (6 months) (unaudited) €000	Company 30 April 2021 (6 months) (unaudited) €000
Revenue	125.3	145.9
Administrative expenses	(11.1)	(27.9)
EBITDA	114.2	118.0
Income tax	(30.5)	(41.7)
Total comprehensive income	83.7	76.3

AX REAL ESTATE P.L.C. - Statement of Financial Position

	Company 31 October 2020 (audited) €000	Company 30 April 2021 (unaudited) €000
ASSETS		
<i>Non-Current Assets</i>		
Investment property	6,349	6,609
<i>Current Assets</i>		
Trade and other receivables	115	179
Cash and cash equivalents	-	-
Total Assets	6,464	6,788
EQUITY AND LIABILITIES		
<i>Capital and Reserves</i>		
Called up issued share capital	1	1
Capital contribution	3,500	3,500
Retained earnings	172	248
Total Equity	3,673	3,749
<i>Current Liabilities</i>		
Trade and other payables	2,791	3,039
Total Current Liabilities	2,791	3,039
Total Liabilities	2,791	3,039
Total Equity and Liabilities	6,464	6,788

AX REAL ESTATE P.L.C. - Statement of Cash Flows

	Company 30 April 2020 (unaudited) €000	Company 30 April 2021 (unaudited) €000
Net cash from operating activities	2.0	206.3
Net cash used in financing activities	(2.0)	-
Net cash used in investing activities	-	(206.3)
Movement in cash and cash equivalents	-	-
Cash and cash equivalents	-	-

Revenue increased by 16.4% in the first six months ending 30 April 2021 (“1H 2021”) compared to the same period in 2020 (“1H 2020”) on account of an increase in revenue generated from third party rental income following the termination of an existing lease and the commencement of a new lease at more favourable terms. An increase in administrative expenses of €16,791 in 1H 2021 over 1H 2020 was mainly related to an increase in professional expenses incurred by the Company. As a result of these movements, the Company’s EBITDA over revenue decreased to 81% in 1H 2021 from 91% in 1H 2020.

Total comprehensive income as at 1H 2021 after deducting the Company’s estimated tax charges for the first six months of the said financial year, stood at €76,337 compared to €83,722 in 1H 2020.

The Company’s total assets as at 30 April 2021 stood at €6.8 million compared to €6.5 million as at 31 October 2020, with the increase being mainly attributable to additional civil works which were capitalise during the first six months ending 30 April 2021.

Trade and other receivables increased to €179,326 as at 30 April 2021 from €115,133 as at 31 October 2020 which includes trade receivables (11%), indirect tax receivables (57%) and related party trade receivables (32%).

The Company’s current liabilities as at 30 April 2021 were €3 million compared to €2.8 million as at 31 October 2020, which predominantly represent an increase in the amounts payable to related parties for amounts settled by other group companies on behalf of the Company in the normal course of business.

The total equity position of the Company as at 30 April 2021 reflects the capitalisation of related party loans which were recorded in 2019 in relation to the investment property transferred into AX Real Estate p.l.c. upon inception of the Company.

The Company did not hold any cash balances as at 30 April 2021 and as at 31 October 2020. Key outflows during the six months ending 30 April 2021 related to the acquisition of additional investment property held by the Company.

9.3 PRO-FORMA INTERIM PERIOD

As at 30 April 2021, the Company did not have any underlying subsidiaries or investments in associated undertakings. For this reason, this Registration Document also sets out the position of the Group post-completion of the Group Reorganisation as a pro-forma Statement of Financial Position as at 30 April 2021 (“April 2021PF”). The pro-forma illustrates the Group’s financial position as it would have been in the hypothetical situation that these assets were transferred as at 30 April 2021. This takes into consideration the portfolio of subsidiaries transferred into the Company and their underlying properties and tangible assets following the preparation of the 30 April 2021 interim Statement of Financial Position.

Details relating to the basis for preparation and the pro-forma adjustments for the compilation of the pro-forma statement of financial position at 30 April 2021 are set out in Annex V to this Registration document.

A Statement of Financial Position of AX Real Estate p.l.c. as at 30 April 2021, including comparatives based on pro-forma adjustments as at the same financial period, are set out below:

AX REAL ESTATE P.L.C. - Statement of Financial Position

	Company* 30 April 2021 (unaudited) €000	Group 30 April 2021 (pro-forma) €000
ASSETS		
<i>Non-current assets</i>		
Investment property	6,609	231,125
<i>Current assets</i>		
Inventory	-	1,193
Trade and other receivables	179	887
Cash at bank and in hand	-	1,334
Total Assets	6,788	234,539
EQUITY AND LIABILITIES		
<i>Capital and Reserves</i>		
Called up and issued ordinary 'A' shares	1	12,500
Called up and issued ordinary 'B' shares	-	18,750
Share premium	-	31,250
Capital contribution	3,500	-
Retained earnings	248	24,075
Revaluation reserves	-	39,226
Other reserves	-	331
Total Equity	3,749	126,132
Non-current liabilities		
Bank borrowings	-	8,713
Amounts owed to related parties	-	74,316
Deferred tax liability	-	20,597
Total Non-current Liabilities	-	103,626
<i>Current liabilities</i>		
Bank borrowings	-	2,822
Trade and other payables	3,039	1,959
Total Current Liabilities	3,039	4,781
Total Liabilities	3,039	108,407
Total Equity and Liabilities	6,788	234,539

*Note: AX Real Estate was a standalone entity historically, and no Group consolidated figures existed.

Following the Group Reorganisation, the Group's total assets amount to €234.5 million as at 30 April 2021PF (30 April 2021: €6.8 million) and comprise a number of investment properties with a fair value of €231.1 million. A summary of the investment property value as at 30 April 2021PF is presented below:

Property	Investment property value €000
AX Seashells Resort at Suncrest, Luzzu Complex & AX Sunny Coast Resort, Qawra	73,480
AX The Victoria Hotel & AX The Palace Hotel, Sliema	72,750
The Saint John Boutique Accommodation & The AX Rosselli, Valletta	16,010
Hilltop Gardens Retirement Village & Simblija Care Home, Naxxar	37,155
Eight warehouses, an office block and a plot of land at Hardrocks Industrial Park	6,950
Office block at Falcon House, Sliema	4,320
Targa Gap Complex, Mosta	11,830
Part of the Verdala Site which is not earmarked for residential development, and Virtu Heights	8,630
Total	231,125

**The plot of land has since been converted into an additional warehouse.*

The Group also holds inventory balances of €1.2 million as at 30 April 2021PF which mainly represent properties held for resale within the Targa Gap Complex. Cash and cash equivalents of €1.3 million as at the date of this financial period are freely transferable and unencumbered.

The Group Reorganisation as at 30 April 2021PF is part financed through the issue of €50 million ordinary 'B' shares (at a premium) in favour of related parties. Ordinary 'B' shares do not hold any voting rights but are entitled to dividends and profit sharing as per ordinary 'A' shares.

The financial position of the Group as at 30 April 2021PF indicates that operations are mainly financed through equity and reserves, and a mix of bank borrowings and related party facilities. The debt-to-total capital ratio² as at 30 April 2021PF stands at 41%. The Board's view is that this level of gearing provides sufficient headroom for the Group to cover existing financing obligations, and to support any further borrowing capacity if needed to take advantage of growth opportunities in the future.

As at 30 April 2021PF, the Group had aggregate bank facilities amounting to €11.5 million. These facilities are secured by general hypothecs over the Group's assets, by special hypothecs over various immoveable properties and by pledges over various insurance policies and guarantees given by AX Group p.l.c.. Such facilities bear interest at interest rates ranging from 3.25% to 5.15% p.a. as at 30 April 2021. No bank overdraft facilities have been utilised by the Company or its Subsidiaries to date. As at 30 April 2021PF, the Estates Group had a number of related party loans, one of which being the loan between AX Investments p.l.c. and Simblija Developments Limited dated 1 April 2014 in terms of which AX Investments p.l.c. advanced a portion of the net proceeds from the issue by AX Investments p.l.c. of €40 million bonds due 2024, to Simblija Developments Limited, for the purpose of constructing the Hilltop Gardens Care Home & Residences. The outstanding balance due by Simblija Developments Limited in favour of AX Investments p.l.c. is currently approximately €15 million. This loan bears interest at the rate of 6.25% per annum until FY2023 and thereafter interest at the rate of 3% plus EURIBOR³ per annum shall accrue. Pursuant to an amendment and restatement agreement entered into between the parties, the interest payable on the outstanding balance will be deferred post-Redemption Date, up until 31 January 2032.

² Total debt is defined as all interest bearing debt and borrowings, whether with third parties or related parties. Total capital is defined as the sum of total debt and total equity

³ Euro Interbank Offer Rate – EURIBOR

Another related party loan relevant to the Estates Group is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company pursuant to which approximately €58.4 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from, *inter alia*, the Group Reorganisation and the assignment of certain debts by AX Group to the Company. The Company intends to partly settle the outstanding debt from the proceeds of the Combined Offer, in the amount of *circa* €8.7 million, or in the event that the Company exercises the Over-allotment Option, in the amount of up to *circa* €18.5 million. Such agreement is unsecured and bears interest at 3% plus EURIBOR per annum, which will be deferred post-Redemption Date, up until 31 January 2032.

Related to this are the intragroup debt agreements between the Company, as lender, and various Subsidiaries listed below, as borrowers, pursuant to which the respective Subsidiaries owe approximately €34 million in aggregate to the Company, in connection with the abovementioned assignment of certain debts previously due by the Subsidiaries listed below to AX Group p.l.c.. As at the date of this Prospectus, the following amounts are owed by subsidiaries of the Estates Group to the Company:

- *circa* €27.0 million owed by Central Leisure Developments Limited;
- *circa* €1.7 million owed by Simblija Developments Limited;
- *circa* €1.6 million owed by Palazzo Merkanti Limited;
- *circa* €0.3 million owed by St. John's Boutique Hotel Limited; and
- *circa* €3.7 million owed by Skyline Developments Limited.

A summary of the borrowings and cash position of the Estates Group as at 30 April 2021PF is presented below:

AX Real Estate p.l.c. – Net Debt Position	Group
As at	30 April 2021
	(pro-forma)
	€000
<hr/>	
Bank borrowings	
Central Leisure Developments Limited – #1	434
Central Leisure Developments Limited – #2	3,838
Central Leisure Developments Limited – #3	195
Palazzo Merkanti Leisure Ltd	3,571
Skyline Developments Ltd	3,497
Bank borrowings	11,535
Related party borrowings	
Related party loans	74,316
	74,956
Total borrowings	85,851
Less cash and cash equivalents	1,334
Total net borrowings	84,517

As at 30 April 2021PF, the Estates Group holds a deferred tax liability of €20.6 million in relation to timing differences on capital gains arising on the investment properties transferred into the Group following the Group Reorganisation.

9.4 VALUATION METHODS UNDERPINNING THE IMMOVABLE PROPERTY AS AT 31 OCTOBER 2020 (AUDITED) AND 30 APRIL 2021 (PRO-FORMA INTERIM)

The fair value of investment property was 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 Estates Group uses observable market data as far as possible. Fair values are categorized 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 as at 31 October 2020 has been categorised as a level 3 fair value on the basis of the market approach and with reference to the selling prices of similar comparable properties in Malta.

The Company has recently undertaken a reorganisation process as described in section 6.1 of this Registration Document, which has significantly altered the total assets of the Company. Additional details are presented in section 9.3 above and the valuation techniques related to the properties that have been transferred to the Company are being summarised hereunder:

Investment Property – 30 April 2021PF

Type of property	Valuation technique	Inputs	Sensitivity
Commercial Property amounting to EUR18,365,000	Income capitalisation approach	The inputs used to calculate the total value of the property is an annual return of EUR40 to EUR220 per square meter at a capitalisation rate of 5.75% to 6%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Residential Property amounting to EUR4,390,000	Market approach	The valuation of investment property was based on market rates for comparable advertised properties taking into account the size, fit out of the subject units, location of the property and current situation of the residential and commercial property market.	The higher the market rates, the higher the fair value.
Land amounting to EUR13,320,000	Income capitalisation approach	The inputs used to calculate the total value of the property is a capitalisation rate of 5%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.
Residential Property amounting to EUR194,465,000	Income capitalisation approach	The inputs used to calculate the total value of the property is a capitalisation rate of 4.5% to 13.83%.	The higher the capitalisation rate, the lower the fair value. The higher the rental income and growth rate the higher the fair value.

10. CAPITAL RESOURCES

As at 30 April 2021, the Company was funded entirely out of internal resources and equity and did not hold any cash or utilise third party borrowing facilities. Related party borrowings of €5.2 million, split in two tranches of €3.1 million with AX Holdings Limited (merged with AX Group p.l.c. during 2021) and €2.1 million with

Prime Buildings Limited (C 18860), were recorded in 2019 in relation to the investment property transferred into the Company upon its inception. The former balance was subsequently capitalised in 2020, and as at April 2021, the Company held no cash or debt obligations. Capital contributions of €3.5 million were recorded in 2020 as a result of the capitalisation of the related party borrowings, resulting in total equity of €3.7 million as at 30 April 2021 and 31 October 2020, compared to €15,336 as at 31 October 2019.

The property assets and investments held by the Company are fully completed and operational as at the date of this Registration Document, and no further financing commitments are anticipated by management with respect to these properties.

The Company has recently undertaken a reorganisation process as described in section 6.1 of the Registration Document, which has significantly altered the funding base of the Company.

11. INVESTMENT PROPERTY

Historically, the Company held a number of investment properties which is property held to earn rentals or for capital appreciation. The Company did not have any property, plant and equipment historically. The fair value of investment property over the historical period is summarised below:

Financial Period	Fair value €000	Property type
31 October 2019	€5,216	Eight warehouses, an office block and a plot of land* at Hardrocks Business Park.
31 October 2020	€6,349	Eight warehouses, an office block and a plot of land* at Hardrocks Business Park and an office block at Falcon House.
30 April 2021	€6,609	Eight warehouses, an office block and a plot of land* at Hardrocks Business Park and an office block at Falcon House.

**The plot of land has since been converted into an additional warehouse.*

The fair value of the investment properties above has been based on the market approach which takes into consideration the sale of similar commercial properties. Following a reorganisation process (as documented in section 6.1 of this Registration Document), the investment property portfolio as held as at the date of this Registration Document is included in section 9.3 above.

12. REGULATORY ENVIRONMENT

12.1 INTRODUCTION

The Estates 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.

12.2 LICENCES, PERMITS AND OTHER AUTHORISATIONS

Save for the various planning development permits issued by the Planning Authority in respect of development projects undertaken by the Estates Group, which permits are held by the Subsidiaries, all other relevant licences, permits and other authorisations held in respect of the properties forming part of the Estates Group's diversified portfolio, namely authorisation to operate properties in the healthcare sector, as well as authorisations to operate properties in the hospitality sectors, are held by the operating companies of the AX Group.

12.3 RULES AND REGULATIONS

The Estates Group is 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:

- Food Safety Act (Cap. 449 of the laws of Malta)
- Social Care Standards Authority Act (Cap. 582 of the laws of Malta)
- Civil Code (Cap. 16 of the laws of Malta)
- Private Residential Leases Act (Cap. 604 of the laws of Malta)

12.4 LEGAL AND REGULATORY COMPLIANCE

The Estates 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 Estates Group compliance function is handled by the in-house legal team of AX Group, 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.

13. TREND INFORMATION, INCLUDING THE COMPANY'S PROFIT FORECASTS

The expectations of the Directors with respect to the future operations of the Estates Group for the period from 1 May 2021 to 31 October 2021 and the financial years ending 31 October 2022 to 31 October 2025 are presented in the Profit Forecasts summarised in Annex III. The Profit Forecasts relating to the Estate Group's future operations, its basis of preparation and the key underlying assumptions are set out in detail in Annex III of this Registration Document, which is to be read in conjunction with the Accountant's Report set out in Annex IV. The Profit Forecasts have been compiled and prepared on a basis which is both comparable with the Company's historical financial information and consistent with the Company's accounting policies.

The Profit Forecasts are based on the assumption that the factors that are outside the influence of Directors will remain constant. These factors include, *inter alia*, no material adverse events in the market and economic conditions, no significant change in the interest rates and in the inflation rate (detailed assumptions are set out in Annex III of this Registration Document).

13.1 OVERVIEW OF PRINCIPAL ASSUMPTIONS UNDERLYING THE PROFIT FORECASTS

The forecasts assume that the Estates Group will generate revenue in terms of its current lease agreements for the various properties in its portfolio. It is further assumed that the Group will undertake the following major development projects:

- i. the extension and refurbishment of the Seashells Resort at Suncrest Hotel in Qawra; and
- ii. the development of the Verdala Hotel and the Verdala Hotel Annex.

The principal assumptions underlying the Profit Forecasts include:

Development project: extension and refurbishment of the Suncrest Hotel

The Qawra Project will, *inter alia*, extend the Suncrest Hotel's room capacity to 618 rooms through the addition of four new floors. It will also allow the Suncrest Hotel to expand its amenities particularly in terms of the food and beverage outlets and lido facilities.

The Estates Group has secured the necessary development permit for the extension of the Suncrest Hotel's room capacity, however, as at the date of this Registration Document, the permit for the extension of the lido area is pending. The forecasts assume that the Estates Group's application for this permit will be successful.

The forecasts assume a total capital spend of €41.7 million on this project, which is based on the latest cost estimates prepared by the Group's management team. The project is assumed to be carried out between 2021 and 2023 with the hotel assumed to be re-opened by mid-2023.

The Suncrest Hotel will continue to be operated by AX Hotel Operations p.l.c., a related party within the AX Group, in terms of its lease agreement with Suncrest Hotels p.l.c.. In line with the provisions of this agreement, the forecasts assume that no rental income will be received in relation to the Suncrest Hotel until 1 May 2023.

Development project: development of the Verdala Hotel

The Verdala Project will include the development of a 25-suite luxury hotel as part of the mixed-use development of the former Verdala Hotel site owned by the AX Group.

The project is assumed to be carried out between 2021 and 2023, with the hotel assumed to be operational as from FY2024. All necessary development permits for this project have been secured.

The Verdala Hotel and the Verdala Hotel Annex will be operated by AX Operations Limited in terms of the lease agreements entered into with Royal Hotels Limited and Heritage Developments Limited, respectively. The Verdala Hotel Annex, forming the subject of the lease agreement with Heritage Developments Limited, comprises 19 residential apartments forming part of the existing Virtu' Heights building, which will be utilised by AX Operations Limited as serviced apartments. The Estates Group currently owns 15 of these apartments and has concluded preliminary agreements for the acquisition of the remaining four apartments.

The forecasts assume a total capital spend of €11.5 million on the Verdala Project, which is based on the latest cost estimates prepared by the Estates Group's management team. The forecasted capital spend includes a provision for the refurbishment of the Virtu' Heights apartments and the acquisition of the remaining apartments from third parties.

Rental income: Group Hospitality Properties

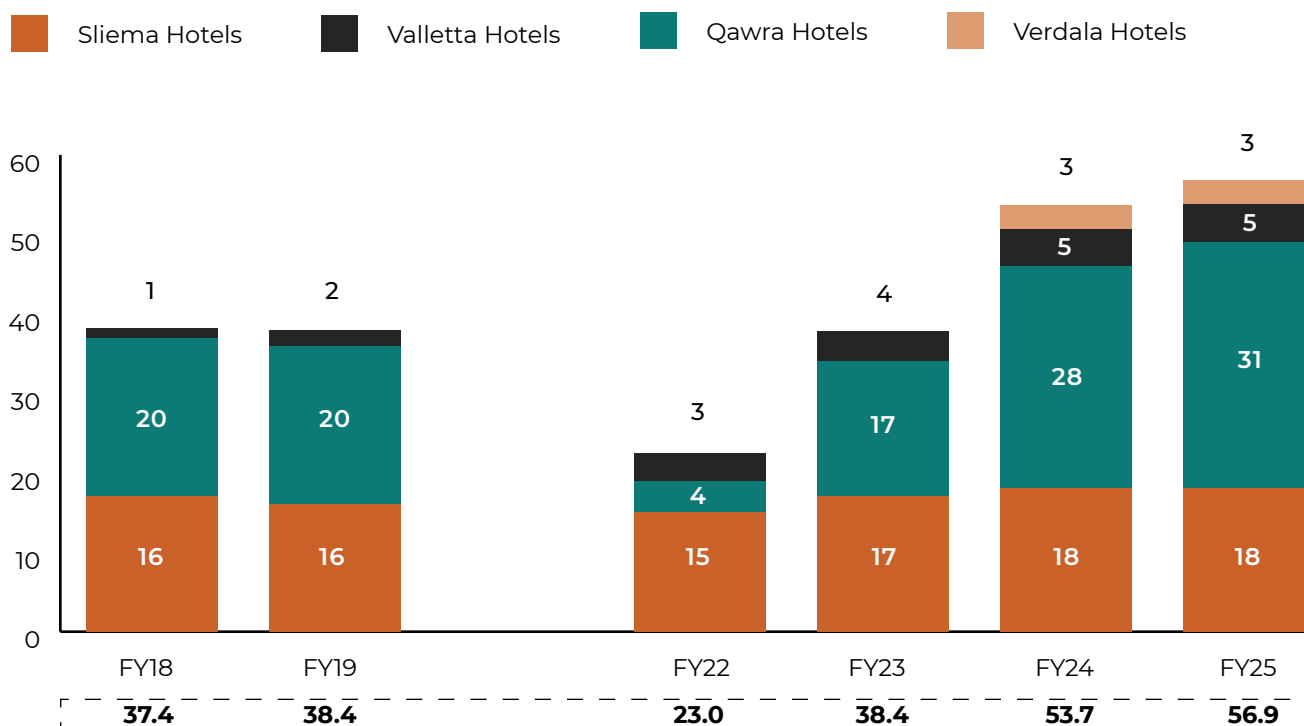
All of the Group's Hospitality Properties are covered by long-term lease agreements with AX Operations Limited. As outlined in section 6.3, the agreements provide for a variable rent structure linked to each hotel's total revenue generation but are, however, subject to a minimum annual base rent.

The forecasted rent for the Group Hospitality Properties is based on revenue forecasts for each hotel operation that have been prepared by the management of AX Operations Limited.

The forecasted hotel revenue is based primarily on the historical revenue generation of the hotels in the financial years ended 31 October 2018 and 2019 which were the last full financial years prior to the onset of the COVID-19 pandemic. The assumption is that of a gradual recovery from the effects of COVID-19 with hotel revenue returning to pre-COVID-19 levels between 2023 and 2024.

The graph below sets out the forecasted revenue for each Group Hospitality Property for the projection period in comparison to the historical revenue in FY2018 and FY2019:

Forecasted hotel revenue underlying variable rent forecasts
Amounts in €' million



The analysis indicates that the total hotel revenue is forecasted to increase from €37 million in FY2018 to €57 million in FY2025. The principal assumptions underlying the forecasted increase in revenue in this period include:

- i. additional revenue from the Qawra Properties reflecting the effects of the increased room capacity, refurbished hotel and increased amenities including in particular the F&B outlets;
- ii. additional revenue from the Rosselli Hotel in Valletta that only opened in June 2019 and therefore is only partially captured in the historical revenue for FY2019; and
- iii. additional revenue from the newly developed Verdala Hotel and the Verdala Hotel Annex.

Rental income: Other properties

The other properties owned by the Estates Group comprise the Hilltop Gardens Retirement Village and Simblija Care Home, the Targa Gap Complex in Mosta, the Hardrock Warehouses in Burmarrad, the Falcon House offices in Sliema and the Blackstead garage in Naxxar.

The forecasted rental income from these properties is based on the provisions of the lease agreements that are in place at the time of the preparation of the forecasts. Any lease agreements that expire in the forecasted period are assumed to be renewed at the existing terms. Any vacant properties are assumed to be rented out from FY2022 at current market rates for similar properties.

The Hilltop Gardens Retirement Village and Simblija Care Home are subject to a long-term lease agreement with Hilltop Management Services Limited that, in turn, sub-leases the Hilltop Gardens Retirement Village and Simblija Care Home (save for a number of commercial units within the complex, which are leased to independent third parties) to Hilltop Gardens Retirement Village Limited for the same term. As outlined in section 6.3, the agreement provides for fixed rental income with annual increments.

The Targa Gap Complex in Mosta includes a mix of office space, residential units and garage spaces. The vast majority of the office space (including garage spaces) in this building is subject to a long-term lease agreement with the AX Group p.l.c. The office space and garage spaces that are currently vacant are assumed to be rented in FY2022.

The Estates Group's warehouses within the Hardrocks Business Park currently form the subject of lease agreements with independent third parties and to companies forming part of the AX Group.

The office space at Falcon House and the Blackstead garage are both subject to lease agreements in place with third parties.

Other revenue

Apart from the revenue generated from rental income, the Estates Group is also forecasted to earn a total of €1.5 million between FY2022 and FY2024 as a result of the sale of properties it currently owns at Targa Gap Complex, which are held as inventory. No other future sales of properties are forecasted to be effected by the Estates Group.

Amounts due to AX Group

As shown in the pro-forma statement of financial position as at 30 April 2021, an amount of €74.3 million is due by the Estates Group to other companies with the AX Group. This balance relates to a loan of €23 million granted by AX Investments p.l.c. to Simblija Developments Limited, of which approximately €15 million is currently outstanding, as well as a balance of €59.3 million payable by the Company to AX Group p.l.c., as a result of, *inter alia*, the Group Reorganisation. As at 31 October 2021, the balance is expected to fall to €58.4m following the settlement of €0.9m due to AX Group plc.

In line with the agreements in place with AX Investments p.l.c. and AX Group p.l.c., respectively, the forecasts assume that the settlement of the balance will be deferred to a date post-Redemption Date and will carry interest at the following rates:

- the balance of €15 million payable to AX Investments p.l.c. will carry interest at 6.25% per annum until FY2023, which is decreased to 3% per annum over EURIBOR for the period thereafter. All interest on this loan will be deferred post-Redemption Date, up until 31 January 2032;
- the balance of €58.4 million payable to AX Group p.l.c. will carry interest at 3% per annum over EURIBOR. The repayment of the principal and interest of this loan will be deferred post-Redemption Date, up until 31 January 2032.

Financing of the development projects

The proceeds from the Combined Offer, net of the costs and discounts relating to the Combined Offer, are assumed to be applied primarily towards: (i) the part-financing of the Qawra Phase 1 Project, limitedly to the extension of the Seashells Resort at Suncrest Hotel by way of four additional floors (*circa* €25.6 million); (ii) general corporate funding purposes of the Estates Group (*circa* €14.4 million); (iii) the part-financing of the development of the Verdala Hotel and the refurbishment of the Verdala Hotel Annex (*circa* €10 million); and (iv) the repayment of amounts owed to AX Group p.l.c. (*circa* €8.7 million or in the case of the exercise by the Company of the Over-Allotment Option, up to *circa* €18.5 million).

Management assumes that the remaining costs will be covered through the Estates Group's internal cash generation.

Dividends paid by the Estates Group

The forecasts assume that dividends will be paid by the Company at the rate of 85% of the annual profit after tax of the previous financial year, subject to the availability of cash and the Estates Group retaining a minimum cash balance of €1.0 million.

Property valuations

The properties of the Estate Group's constituting its property portfolio are classified as investment property and are carried at their fair value. The forecasts assume that the properties will retain their current value as set out in the pro-forma statement of financial position as at 30 April 2021 with no adjustment to their values throughout the projection period.

13.2 FORECASTED CONSOLIDATED INCOME STATEMENTS

The Estate Group's forecasted consolidated Income Statements for six months from 1 May to 31 October 2021 and the four-year period ending 31 October 2025 are summarised in Annex III.

Revenue

The table below analyses the forecasted revenue for the forecasted period between the principal property categories and by tenant:

Analysis of forecasted revenue

	1 May to 31 Oct 21 (6 months) Forecasted €000s	FY22 Forecasted €000s	FY23 Forecasted €000s	FY24 Forecasted €000s	FY25 Forecasted €000s
Rental Income by Property Category					
Hotel properties	335	5,548	9,719	13,956	14,954
Healthcare complex	76	1,650	1,683	1,717	1,751
Targa Gap complex	20	605	609	613	617
Other properties	146	658	699	682	700
sub-total - Rental Income	577	8,461	12,710	16,967	18,022
Proceeds from sale of property	-	610	455	455	-
Total projected revenue	577	9,071	13,165	17,422	18,022
Rental Income by tenant					
Income from AX Group Companies	477	7,754	11,968	16,245	17,284
Income from third party tenants	100	707	742	722	738
Projected Rental Income	577	8,461	12,710	16,967	18,022

The Estate Group's total revenue is forecasted at €9.1 million in FY2022, increasing gradually to €18 million by FY2025. The principal driver of the forecasted growth relates to rental income from Estate Group's hospitality properties, which is forecasted to increase from €5.5 million in FY2022 to €15 million in FY2025.

The rental income derived from the Group Hospitality Properties is based on a combination of a base rent and a variable rent structure linked to the revenue of each property. The forecasted increase in rental income reflects a combination of factors including the assumed gradual recovery of hotel operations from the effects of COVID-19, the additional revenue from the extension and refurbishment of the AX Seashells Resort at Suncrest Hotel and the additional revenue from the new Verdala Hotel and Verdala Hotel Annex, as well as the increased revenue generated from the Rosselli Hotel. As outlined in section 13.1, the AX Seashells Resort at Suncrest Hotel is assumed to be closed during FY2022 and for the first six months of FY2023 (with no rent receivable during this period) and reopened as from Q3 FY2023. The new Verdala Hotel and Verdala Hotel Annex is assumed to be operational as from FY2024 with rental income accruing to the Estates Group as from this date.

In assessing the forecasted growth in rental income from Group Hospitality Properties it is relevant to note that, as set out in the table below, the minimum base rent contemplated in the lease agreements with AX Operations Limited accounts, on average, for 76% of the forecasted annual rental income throughout the projection period:

Analysis of rental income from hotel properties (analysis performed on a cash-basis)

	1 May to 31 Oct 21 (6 months) Forecasted €000s	FY22 Forecasted €000s	FY23 Forecasted €000s	FY24 Forecasted €000s	FY25 Forecasted €000s
Minimum base rent	335	4,329	6,537	10,800	11,016
% of total rent	100%	78%	67%	77%	74%
Additional 'Top-Up' rent	-	1,219	3,182	3,156	3,938
Projected rent from hotel properties	335	5,548	9,719	13,956	14,954

The forecasted revenue from the sale of property relates to the assumed sale of residential and garage spaces at the Targa Gap Complex, whereas the forecasted cost of sales reflects the release of the costs related to the units being sold.

Administrative Expenses

Administrative expenses primarily include payroll costs, legal and professional fees, regulatory and listing costs and fees payable to the AX Group, as stipulated in the Support Services agreement, for services provided in terms of support functions such as human resource management, legal and IT services. These costs are forecasted at €0.7 million in FY2022 with inflationary increases through the projection period.

Finance costs

Finance costs are incurred on bank borrowings, the Bond Issue and on the amounts due to the AX Group. The decrease in finance costs in the period reflects the forecasted reduction in bank borrowings throughout the period.

Taxation

Taxation is forecasted on the basis of the current income tax provisions. The effective tax rate in the period is forecasted at an average of 30% of profit before taxation, which reflects the effect of the 20% maintenance allowance allowed against rental income received from AX Group companies and the 15% withholding tax rate applicable on rental income received from third party tenants.

Profit for the Year

Profit for the year is forecasted at €2.3 million in FY2022 increasing to €10.1 million in FY2025. The increased profitability is mainly linked to the forecasted increase in rental income from the Group Hospitality Properties.

13.3 INFORMATION ON ANY KNOWN TRENDS, UNCERTAINTIES, DEMANDS, COMMITMENTS OR EVENTS THAT ARE REASONABLY LIKELY TO HAVE A MATERIAL EFFECT ON THE COMPANY'S PROSPECTS FOR AT LEAST THE CURRENT FINANCIAL YEAR

TRENDS IN THE TOURISM AND HOSPITALITY SECTOR

COVID-19 significantly impacted the tourism industry, both locally and internationally through lockdowns and travel restrictions, leading to a drop in consumer demand. Tourist nights in collective accommodation in Malta decreased from 9.9 million in 2019 to 2.9 million in 2020, a drop of 70.3% (National Statistics Office (NSO), 2020). In comparison, the European Union ("EU") experienced a drop of 52.1% in tourist nights (Eurostat, 2020).

The decline in tourist nights in Malta in 2020 resulted from the decrease in non-resident tourists with a 74.6% decrease in non-resident tourist nights. On the other hand, Malta, unlike the EU average, experienced an increase of 15.2% in resident tourist nights, driven by lower hotel prices and the government vouchers initiative (Eurostat, 2020).

According to the Malta Tourism Authority (“**MTA**”), pre-COVID tourist bed nights are expected to be reached by 2025, whilst the majority of hoteliers believe this could be reached by 2023. The increased preference for private accommodation will remain.

Recovery is dependent on various factors, including rebuilding Malta’s flight connectivity routes. Malta will be competing head to head with other Mediterranean islands.

TRENDS IN THE LOCAL HEALTHCARE INDUSTRY

In 2019, the proportion of people aged 65 and over amounted to 19.3% of the population, with a projected increase to 27.9% by 2070 (EuroCarers, 2021). In fact, the growth in people aged 65 and over between 2007 and 2018 was equal to *circa* 57.8% (NSO, 2019).

Overall, total health expenditure as a percentage of GDP has increased from *circa* 5.3% in 2016 to *circa* 5.5% in 2019 (NSO, 2020). Although there is a clear increase in the percentage of older people, according to the most recent information available, public expenditure specifically on long-term care totalled 0.9% of Malta’s GDP in 2016, significantly lower than the EU average of 1.6% of GDP (EuroCarers, 2021).

The ageing population, societal pressures as well as the changing cultural norms has driven a greater demand for long-term care elderly homes. Although public long-term care is available, the private sector plays an important role in satisfying demand and offering different alternatives.

TRENDS IN THE REAL ESTATE MARKET

COVID-19 has also impacted the economic factors which influence Malta’s real estate market, including, *inter alia*, the country’s Gross Domestic Product, foreign direct investment, and employment levels.

Nonetheless, despite the economic disruption brought about by the COVID-19 pandemic, the industry remains resilient backed by strong consumer confidence. This is evidenced by the rate of real estate transactions experienced over the past months.

In this respect, we refer also to the country’s recent grey listing by FATF. The consequences of this development are still highly unclear, and could have a significant adverse effect on the local economy, and the local real estate market.

Residential Rental Market

An analysis into the rental contract registrations during 2020 indicates that these kept on increasing month-on-month, with a total of 30,483 original contracts registered (submissions for renewals are excluded) with the Housing Authority during this year (Housing Authority, 2021). This, however, cannot be compared to the number of contract registrations during previous years given the lack of information available, hence is not indicative of any particular trend.

The majority of the contract registrations during 2020 took place in the North of Malta. The largest concentration (16%) of contracts were registered with respect to properties located in St. Paul’s Bay, Sliema, Msida, St. Julian’s and Gzira were other common locations for residential rental contracts (Housing Authority, 2021).

Commercial Rental Market

The ongoing commercial activity across the island has moulded Malta’s commercial property market into one that is capable of meeting the demands and requirements of a fast-paced and fast-changing business environment.

In terms of office space, the increasing trend of “hot desking” and, more recently, “remote working” does decrease employer’s requirements for office space. This may lead to employer’s renting out smaller office space, or no office space at all. Despite this, PwC’s Survey (2020) with local employers identified that 22% of organisations prefer to adopt a full on-site method of working while only 8% of respondents plan on introducing a more permanent method of remote working. The majority of respondents either plan or have already incorporated a hybrid work arrangement, which comprises a mix of on and off-site work (53%). The remaining respondents have recognised the effectiveness of remote working but did not specify whether they plan on incorporating more of a flexible work structure to their organisation.

The rental of warehouses is also common-practice in Malta. Warehouses are typically located within Industrial zones, which exist across the Maltese islands.

The impact of COVID-19 on the commercial rental market, in general, may also encourage tenants to shift towards shorter lease periods and more flexible lease conditions.

Despite these trends, the commercial rental market, as any other industry, is an ever-evolving sector of the economy and will always be required. In fact, Malta’s commercial property market is characterised by various new and planned office supply, such as the Trident Park project and Quad Towers in Mriehel and the Fortina office block in Sliema, amongst others.

14. ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

14.1 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 Estates Group. The Board currently consists of one executive Director, who also occupies the role of Chief Executive Officer, and six non-executive Directors of whom three are independent

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

Name	Designation	Date Of Appointment
Dr Christian Farrugia 441363 (M)	Independent Non-Executive Director	23 November 2021
Mr Joseph Lupi 587753 (M)	Independent Non-Executive Director	23 November 2021
Ms Denise Micallef Xuereb 127186 (M)	Executive Director and Chief Executive Officer	6 June 2019
Mr Christopher Paris 86454 (M)	Non-Executive Director	23 November 2021
Mr Stephen Paris 313064 (M)	Independent Non-Executive Director	23 November 2021
Mr Michael Warrington 180462 (M)	Non-Executive Director	23 November 2021
Mr Angelo Xuereb 494652 (M)	Non-Executive Chairman	6 June 2019

Dr David Wain, holder of identity card number 233878 (M) of 97, Mdina Road, Naxxar, Malta, is the company secretary of the Company.

14.2 EXECUTIVE DIRECTORS

The executive Director of the Company forms part of the Company's executive team, entrusted with the day-to-day management of the Estates Group, The individual occupying such office is also the Group's Construction and Development director within the AX Group. The executive Director is 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 Director and Chief Executive Officer of the Company is Ms Denise Micallef Xuereb.

14.3 NON-EXECUTIVE DIRECTORS

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

The non-executive Directors are Dr Christian Farrugia, Mr Joseph Lupi, Mr Christopher Paris, Mr Stephen Paris, Mr Michael Warrington and Mr Angelo Xuereb.

14.4 NATURE OF RELATIONSHIPS

Ms Denise Micallef Xuereb is the daughter of Mr Angelo Xuereb.

14.5 CURRICULUM VITAE OF DIRECTORS OF THE COMPANY

Dr Christian Farrugia

is a lawyer by profession who has been practicing law since 1988. He is a founding partner of Fenech Farrugia Fiott Legal and specialises in corporate law, mergers and acquisitions and financial services. He has, over the span of his career, acted as legal counsel to the Boards of several corporate clients coming from different industry sectors. He is currently also the appointed chairman and non-executive director on the boards of a number of MFSA regulated entities, including Merkanti Bank plc and Advent Insurance PCC Limited. Dr Farrugia is also a part-time lecturer in maritime law at the University of Malta.

Mr Joseph Lupi

is a past member of the Malta Chamber of Commerce and the German Maltese Chamber of Commerce, and a present member of the Institute of Management. Now retired, Mr Lupi started his career in the banking sector. In 1971 he joined Barclays Bank DCO (later Barclays Bank International) and Mid Med Bank Ltd (1975 - 1980). During his time with the bank, he served in several departments including accounts, foreign exchange, Bills/Credits, and Advances. He held a number of responsible posts in a number of the bank's branches, and for a period of two years formed part of a team that was responsible for the computerisation of the bank's accounting system in Malta and Gozo.

In 1980, he joined Frank Salt Real Estate Limited (C 31667) as an Office and Finance manager. In 1984, he was appointed as Managing Director taking over full control of the company's operations. Since then, the company registered constant growth throughout all its operations and is today recognised as one of Malta's leading real estate companies, locally and overseas. Over the years the company was awarded prestigious international property awards. In the early years with the company, Joseph Lupi was instrumental in carrying out a full computerisation exercise of the company's database (the first in Malta). He was actively involved in the opening and setting up of the company's regional offices in Malta and Gozo, including the regular recruitment and training of staff. To date, Mr Lupi is a non-executive director and consultant of the company.

Ms Denise Micallef Xuereb

is the director of the construction and development segments of the AX Group. After completing a B.Com Hons in Management at the University of Malta, Ms Micallef Xuereb was entrusted with her first major project at the AX Group – overseeing the finishing stages of the five-star AX The Palace Hotel in Sliema, which was completed in 2008. Capitalising on her passion for project management, Ms Micallef Xuereb continued to build upon her first-hand experience in the field by embarking on an MSc in Project and Programme Management at the prestigious Ecole Superieure de Commerce in Paris. Ms Micallef Xuereb has since her return to Malta been managing the construction division of the AX Group and has fronted a number of landmark construction and restoration projects, including the construction of the new Parliament building and the Hilltop Gardens Retirement Village, the restoration of various land-front fortifications and the rehabilitation of Valletta's old market, "*is-Suq tal-Belt*", the restoration and construction of a visitor centre at St. Paul's Catacombs in Rabat, the rehabilitation of the Maritime Museum in Vittoriosa, the building of the new visitor centre and restoration works at St John's Co-Cathedral in Valletta, the conversion of Farsons Brewhouse in Mriehel and, more recently, the AX Business Centre in Mosta. In addition to her directorship role with AX Construction, Ms Micallef Xuereb has also served as an executive director on the AX Group for the past ten 10 years. She is also council member of the Malta Developers Association, a member within the Chamber of Commerce, and an active participant in the Building Industry Consultative Council where she continues to champion sustainable development and eco-friendly innovations within the sector.

Mr Christopher Paris

has been involved in construction for around 40 years. He started as a draughts person with MaltConsult International and promoted to Architectural Design leader engaged on a number of foreign prestigious projects. Since then, he was engaged with other international architectural establishments including Richard England and Partners Ltd. His involvement in the local scene varies from design work to site management, particularly in the hospitality industry on various hotel projects. In 2001, he was engaged with VISET p.l.c. 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 project development.

In 2009, he joined the Grand Harbour Rehabilitation Corporation as CEO 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.

Mr Stephen Paris

is a Certified Public Accountant and Auditor by profession having completed his ACCA final exams in 1989. He spent 30 years in the profession with Deloitte Malta and was admitted as a partner in 2000. As a partner, Mr Paris served in various leadership roles at Deloitte as Head of Audit, Financial Services Industry Leader and Head of Risk and Regulatory Advisory. Throughout his career, Mr Paris led numerous audit and non-audit assignments for a variety of clients – private, public, listed, state owned, foreign owned, family businesses, regulated entities as well as organisations operating in a variety of sectors including financial services, leisure, entertainment, real estate, transportation, manufacturing, import/distribution, retailing etc.

Mr Paris was a council member of the Malta Institute of Accountants and lecturer in auditing for several years. He left Deloitte in May 2019 and since then he has built a portfolio of clients where he acts as director, or provides support services, mainly to entities licenced by the Malta Financial Services Authority or companies that are listed or are about to be listed on the Malta Stock Exchange.

Mr 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.

Mr Angelo Xuereb

is the founder and Chairman of the AX Group. Mr Xuereb sits on the board of directors of all companies forming part of the AX Group which has 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 been active in civic life, having served as Mayor of the Naxxar local council for two terms, and is Honorary President of several clubs and societies. In 2016 Mr Xuereb was appointed Ambassador of Knowledge for the Life Learning Academia in Slovenia. Mr Xuereb was named 'Employer of the Year' during the 'Workers of the Year Award 2016' organised by The Ministry for Social Dialogue, Consumer Affairs and Civil liberties. He was subsequently rewarded with EY's Malta Entrepreneur of the Year award in 2018, making Mr Xuereb the second Maltese person to be granted this prestigious award, which resulted in Mr Xuereb representing Malta at the EY World Entrepreneur of the Year Awards held in Monaco later that same year.

14.6 POTENTIAL CONFLICTS OF INTEREST

Save as stated below, the Directors are not aware of any potential conflicts of interest which could relate to their roles within the Company:

As at the date of this Registration Document, each of Mr Angelo Xuereb, Ms Denise Micallef Xuereb, Mr Michael Warrington and Mr Christopher Paris 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, Ms Denise Micallef Xuereb is the direct descendant of Mr Angelo Xuereb.

14.7 REMUNERATION OF DIRECTORS

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, including salaries due in respect of executive roles, amount to €170,000.

14.8 LOANS TO DIRECTORS

As at the date of this Registration Document, there are no loans outstanding by the Company to any of its Directors nor any guarantees issued for their benefit by the Company.

14.9 DECLARATION

None of the Directors, members of the Board committees or members of management referred to in section 14.1 of this Registration Document 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.

14.10 SENIOR MANAGEMENT OF THE ESTATES GROUP

The day-to-day operations of the Estates Group are entrusted to the senior management team comprising of:

Name	Designation	Curriculum Vitae
Ms Denise Micallef Xuereb 127186 (M)	Chief Executive Officer	The curriculum vitae of Ms Denise Micallef Xuereb may be found in section 14.5 above.
Mr Joseph Borg 167467 (M)	Chief Financial Officer	Joseph Borg has been a senior member of AX Group for over 25 years. He is now Chief Financial Officer of AX Real Estate as well as Deputy Chairperson of AX Foundation, the Group's non-profit voluntary organisation dedicated to helping people with invisible learning disabilities. Mr Borg brings to the table over 30 years' experience in financial management, operations, auditing, taxation and consultancy, much of that within AX Group itself. He started as Financial Controller for AX Construction before taking responsibility for the entire Construction Division. He then moved into the Hospitality Division and set up the entire finance function for AX Hotels as Group Financial Controller. As a warranted accountant, Mr Borg holds a practising certificate in auditing and is a fellow member of the Malta Institute of Accountants and the Malta Institute of Taxation, and a member of the Institute of Management. He graduated in accountancy from the University of Malta and later received a postgraduate diploma in taxation from the Institute of Taxation.

15. BOARD PRACTICES

15.1 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:

15.2 AUDIT COMMITTEE

The Audit Committee's primary objective is to assist the Board of Directors 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 of Directors, 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 of Directors.

The terms of reference of the Audit Committee include support to the Board of Directors in its responsibilities in dealing with issues of risk, control and governance, and associated assurance of the Company. The Board of Directors 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:

- i. its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
- ii. maintaining communications on such matters between the Board of Directors, management and the external auditors; and
- iii. 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 non-executive Directors, the majority of whom are independent. Audit Committee members are appointed for a period of three years, unless terminated earlier by the Board. The Audit Committee is composed of Mr Stephen Paris (independent non-executive Director), Dr Christian Farrugia (independent non-executive Director), and Mr Christopher Paris (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. Mr Stephen Paris occupies the post of Chairman of the Audit Committee. Mr Stephen Paris is considered by the Board to be competent in accounting and, or auditing in terms of the Capital Markets Rules.

15.3 REMNOM 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 Company with respect to its management and employees. Its objectives are those of determining 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 and senior management and is entrusted with monitoring the level and structure of remuneration of the non-executive directors. In addition, the RemNom Committee is responsible for reviewing the performance-based remuneration incentives that may be adopted by the Company from time to time, and is authorised to determine whether a performance-based bonus or other incentive should be paid out or otherwise.

In its function as nomination committee, the RemNom Committee's task is to propose to the Board of Directors candidates for the position of director, including persons considered to be independent in terms of the Capital Markets Rules, whilst also taking into account any recommendation from shareholders. It is to periodically assess the structure, size, composition and performance of the Board of Directors and make recommendations to the Board of Directors regarding any changes, as well as consider issues related to succession planning. It is also entrusted with reviewing the Board of Directors's policy for selection and appointment of senior management.

The RemNomCommittee is composed of Dr Christian Farrugia (Chairperson) (independent non-executive Director), Mr Michael Warrington (non-executive Director) and Mr Joseph Lupi (independent non-executive Director).

15.4 SERVICE CONTRACTS

None of the Directors, members of the Board committees or members of management referred to in section 14 of this Registration Document are party to service contracts with the Company or any of the Subsidiaries providing for benefits upon termination of employment.

15.5 COMPLIANCE WITH CORPORATE GOVERNANCE

Prior to the present Combined Offer, the Company was not regulated by the Capital Markets Rules and accordingly was not required to comply with the Code of Principles of Good Corporate Governance forming part of the Capital Markets Rules (the "**Code**"). As a consequence of the present Combined Offer, in accordance with the terms of the Capital Markets 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 of Directors considers the Company to be in compliance with the Code save for the following exceptions:

Principle 7 "*Evaluation of the Board's Performance*": under the present circumstances, the Board of Directors 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.

16. EMPLOYEES

As at the date of this Registration Document, the Company has two employees, who are employed on a full-time basis.

17. MAJOR SHAREHOLDERS

As at the date of this Registration Document, AX Group p.l.c. holds 99.99% of the issued share capital of the Company, and 99.98% of the ordinary 'A' shares.

Following completion of the Share Offer:

- a. if the Share Offer is fully subscribed but the Company elects not to exercise the Over-allotment Option, AX Group p.l.c. will hold 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares;
- b. if the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment Option, AX Group p.l.c. will, after the conversion of shares described in paragraph (i) in section 5.1 of the Securities Note is effected, hold between 83.33% and 88.23% of the issued share capital of the Company, and 75% of the ordinary 'A' shares; and
- c. if the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60), AX Group p.l.c. will, after the conversion of shares described in paragraph (c)(i) in section 5.1 of the Securities Note is effected, hold between 88.23% and 92.59% of the issued share capital of the Company, and 75% of the ordinary 'A' shares.

In all of the scenarios set out above, AX Group p.l.c. would therefore continue to exercise control over the Company.

As set out in this Registration Document, and in line with sound governance procedures and relevant regulatory requirements, measures have been instituted to ensure that the control exercised by AX Group p.l.c., as major shareholder, is not abused. These measures include:

- a. the composition of the Board, which includes a balanced mix of executive and experienced, independent non-executive directors; and
- b. the adoption of the governance rules set out in section 15.5 above of this Registration Document.

In so far as is known to the Company, no person other than AX Group p.l.c., and its direct or indirect shareholders, that is Mr Angelo Xuereb (holding a 55% stake in AX Group p.l.c.), and each of Mr Richard Xuereb, Ms Claire Zammit Xuereb (through her shareholding in Lotus Company Ltd (C 81360)) and Ms Denise Micallef Xuereb (through her shareholding in DX Holdings Limited (C 81361)), each holding a 15% stake in AX Group p.l.c., 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.

18. RELATED PARTY TRANSACTIONS

The following are related party transactions that the Company has entered into during the financial years ending 31 October 2019, 31 October 2020 and up to to the date of this Registration Document:

i. Intragroup lease agreements

- During FY2019 and 2020, the Company acquired the warehouses and office block at Hardrocks Industrial Park as well as the offices at Falcon House, Sliema as listed in section 6.2 from related parties. As from FY2019, two of the warehouses and the office block at the Hardrocks Business Park were leased to AX Construction Limited, a related party. During FY2019, the Company's revenue consisted solely of lease income from this related party lease whilst in FY2020, 39% of the Company's revenue related to lease income from related parties. In the interim period ended 30 April 2021, 33% of the Company's revenue related to lease income from related parties.
- On completion of the Group Reorganisation, the Subsidiaries entered into long-term lease agreements with the respective operating companies of the AX Group responsible for the operation of the relevant properties as described in further detail in sections 6.3 and 7.2 herein. Following the Group Reorganisation, 75.5% the Estates Group's projected revenue for the 6 months to 31 October 2021 is expected to be revenue related to lease income from related parties as per section 13.2.

ii. Intragroup loan agreements

- Simblija Developments Limited and AX Investments p.l.c. entered into an intragroup loan agreement dated 1 April 2014 pursuant to which AX Investments p.l.c. granted a loan in the amount of €23 million to Simblija Developments Limited. On 1 November 2021 the related parties entered into an amendment and restatement agreement to regulate the outstanding balance due by Simblija Developments Limited in favour of AX Investments p.l.c.
- The Company and AX Group p.l.c. entered into an intragroup debt agreement dated 23 November 2021 pursuant to which approximately €58.4 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from, *inter alia*, the Group Reorganisation and the assignment of certain debts by AX Group to the Company.
- The Company and various Subsidiaries entered into intragroup debt agreements pursuant to which the respective Subsidiaries owe approximately €34 million in aggregate to the Company, in connection with the abovementioned assignment of certain debts previously due by the Subsidiaries to AX Group p.l.c.

iii. Support Services Agreement

- On 24 November 2021, the Company entered into the Support Services Agreement with AX Group p.l.c., pursuant to which AX Group p.l.c. shall provide the Company with a number of services from key specialised functions within the AX Group. These include, but are not limited to, legal services, IT services, human resource services, administrative and property maintenance services.

The Directors are not aware of any other related party transactions having been entered into by the Company during the period covered by the historical financial information, and up to the date of the Registration Document.

19. FINANCIAL INFORMATION

19.1 HISTORICAL FINANCIAL INFORMATION

The historical financial information of the Company for the financial years ended 31 October 2019 and 31 October 2020 and the audit report in respect of each financial year are set out in the audited financial statements of the Company for each respective financial year.

The said financial statements and the auditor's reports thereto are available for inspection as set out under the heading '*Documents on Display*' in section 24 of this Registration Document.

Pursuant to Regulation (EC) No. 1606/2002 on the application of international accounting standards, the financial statements for the financial years ended 31 October 2019 and 31 October 2020 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 financial information as at 30 April 2021. Following the end of the latest interim financial statements as at 30 April 2021, the Company has undertaken a corporate reorganisation as described in section 6.1 which had a material impact on the statement of financial position of the Company. The unaudited interim financial statements of the Group for the six months ended 30 April 2021 are also available for inspection as set out under the heading '*Documents on Display*' in section 24 of this Registration Document.

19.2 DIVIDEND POLICY

It is the intention that the Estates Group will pay out a steady dividend stream to its shareholders. In order to do so, each Subsidiary forming part of the Estates Group will periodically, and no less than twice annually, declare and pay a dividend which will flow up to the Company, consisting of its entire distributable profits, other than such profits required by contractual agreements in place with financing institutions for debts servicing purposes.

It is the Directors' intention to implement a stable dividend policy, paying out the majority of the Company's distributable profits earned during the year, provided that a minimum balance of €1 million in cash is retained within the Group at any given time. 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. With respect to the payment of dividend, it is forecast that an interim dividend (50% of annual dividend) is paid in July and the final dividend (remaining 50% of annual dividend) is paid in January.

The Estates Group is in a position to guarantee a minimum net dividend yield of 4% in the financial years ending 31 October 2022 and 2023. Thereafter, following completion of the key projects namely the Qawra Project and Verdala Project, the Estates Group forecasts a sustainable and strong dividend distribution at higher yields than those guaranteed as aforesaid for financial years 2022 and 2023. The extent of any dividend distribution as from financial year 2024 onwards 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.

The Directors believe that this dividend policy is sustainable also in view of the fact that full funding arrangements covering the short to medium term are in place for the capital projects planned. Furthermore, most of the Group's borrowings relate to amounts due to the AX Group which are not due for repayment over the next 10 years.

Forecasted Dividend Potential

	1 May to 31 Oct 21 (6 months) Projected €000s	FY22 Projected €000s	FY23 Projected €000s	FY24 Projected €000s	FY25 Projected €000s
Dividend declared	N/A	6,936	7,075	7,955	8,623
Dividend attributable to public - Nominal	N/A	816	832	936	1,014
Dividend yield – Net (based on nominal)	N/A	4.08%	4.16%	4.88%	5.07%
Dividend yield – Gross (Based on nominal)	N/A	6.41%	8.01%	6.30%	6.87%

The forecasted levels of dividends as per table above are being indicated for illustration purposes only on the assumption of a share offer amounting to €20 million and are subject to the Estate Group's profit for the year, the Directors' view on the prevailing market outlook, ongoing liquidity and working capital requirements, and investment requirements.

In spite of the above mentioned forecast and notwithstanding any prevailing market outlook, ongoing liquidity and working capital requirements, and investment requirements the Directors have committed to the payout of a net dividend yield of 4% for the first two financial years post subscription. Such dividend shall be paid as per above modality, that is, an interim dividend amounting to *circa* 50% of the annual dividend will be paid in July with the balance paid in January.

19.3 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 Estates 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, which claims are being contested by Suncrest Hotels plc and by Mr Angelo Xuereb acting on behalf of Holiday Resorts Ltd, respectively. The parties are desirous to settle both disputes and all matters relating thereto. To this end, the parties are currently discussing the possibility of reaching an out of court settlement with respect to the claims instituted vis-à-vis the Suncrest Lido and the Sunny Coast Lido, as a result of which the proceedings vis-à-vis Suncrest Hotel Lido have been deferred sine die. The proceedings instituted vis-à-vis the Sunny Coast Lido have been adjourned for further information, with the next sitting to be held in May 2022.

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

There has been no material adverse change in the prospects of the Company since the date of publication of its latest audited financial statements nor has there been any significant change in the financial performance of the Group since the end of the last financial period for which financial information has been published to the date of this Registration Document.

20. ADDITIONAL INFORMATION

20.1 SHARE CAPITAL

20.1.1. AUTHORISED AND ISSUED SHARE CAPITAL OF THE COMPANY

As at the date of this Registration Document, the authorised share capital of the Company is €500,000,000 divided into 2,000,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 2,000,000,000 ordinary 'B' shares of a nominal value of €0.125 each. The issued share capital of the Company is €31,250,000 divided into 100,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, subscribed for, allotted and taken up as follows:

AX Group p.l.c. (C 12271)	<ul style="list-style-type: none">• 99,998,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up, and• 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up, collectively representing 99.999% of the issued share capital of the Company
AX Finance Limited (C 6867)	<ul style="list-style-type: none">• 2,000 ordinary 'A' shares of a nominal value of €0.125, fully paid-up representing 0.001% of the issued share capital of the Company

20.1.2. HISTORY OF SHARE CAPITAL FOR THE PERIOD COVERED BY THE HISTORICAL FINANCIAL INFORMATION

15 November 2021	<p>The Existing Shareholders resolved to approve that:</p> <ol style="list-style-type: none">the re-classification of the authorised share capital of the Company from €500,000,000 divided into 2,000,000,000 ordinary shares of a nominal value of €0.25 each to €500,000,000 divided into 2,000,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 2,000,000,000 ordinary 'B' shares of a nominal value of €0.125 each; andthe re-classification of the issued share capital of the Company from €50,000 divided into 200,000 ordinary shares of a nominal value of €0.25 each to €50,000 divided into 400,000 ordinary 'A' shares of a nominal value of €0.125 each;
23 November 2021	<p>The Existing Shareholders resolved to approve that:</p> <ol style="list-style-type: none">an increase in the issued share capital of the Company of €12,450,000 through a bonus issue of 99,600,000 ordinary 'A' shares of a nominal value of €0.125 each in favour of the Existing Shareholders, by virtue of the capitalisation retained earnings; andthe issue of 150,000,000 ordinary B shares of a nominal value of €0.125 each in favour of AX Group p.l.c. by virtue of the capitalisation of certain payables due by the Company to AX Group p.l.c., amounting to €50,000,000 at €0.3334 each, split as to €0.125 per share in nominal value and €0.2084 per share in share premium,

with the result that, as at the date hereof, the Company has an authorised share capital of €500,000,000 divided into 2,000,000,000 ordinary 'A' shares of a nominal value of €0.125 each, and 2,000,000,000 ordinary 'B' shares of a nominal value of €0.125 each, and an issued share capital of €31,250,000 divided into 100,000,000 ordinary 'A' shares of a nominal value of €0.125 each and 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, subscribed for, allotted and taken up as follows:

- | | |
|--|---|
| AX Group p.l.c.
(C 12271) | <ul style="list-style-type: none">· 99,998,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up, and· 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up, collectively representing 99.999% of the issued share capital of the Company |
| AX Finance Limited
(C 6867) | <ul style="list-style-type: none">· 2,000 ordinary 'A' shares of a nominal value of €0.125, fully paid-up representing 0.001% of the issued share capital of the Company |

20 July 2021

The Existing Shareholders resolved to approve that the issued share capital of the Company be increased from €1,200 divided into 4,800 ordinary shares of a nominal value of €0.25 each to €50,000 divided into 200,000 ordinary shares of a nominal value of €0.25 each, by virtue of an issue and allotment of shares effected in favour of AX Group p.l.c. of an additional 195,200 ordinary shares of a nominal value of €0.25 each, with the result that the Company's issued share capital increased to €50,000 divided into 200,000 ordinary shares of a nominal value of €0.25 each, subscribed for, allotted and taken up by AX Group p.l.c. as to 199,996 ordinary shares of a nominal value of €0.25, and AX Finance Limited as to four ordinary shares of a nominal value of €0.25 each.

14 June 2021

As part of the Group Re-organisation exercise, the Existing Shareholders resolved to approve that:

- a. the nominal value of the authorised and issued share capital of the Company be re-dominated from a nominal value of €1.00 per share to a nominal value of €0.25 per share, resulting in a share split of 4:1, whereby each ordinary share of €1.00 per share in the share capital of the Company be split into four ordinary shares of a nominal value of €0.25 each; and
- b. the authorised share capital of the Company be increased from €1,200 divided into 1,200 ordinary shares of a nominal value of €1.00 each to €500,000,000 divided into 2,000,000,000 ordinary shares of a nominal value of €0.25 each, with the result that the Company's authorised share capital increased to €500,000,000 divided into 2,000,000,000 ordinary shares of a nominal value of €0.25 each and an issued share capital of €1,200 divided into 4,800 ordinary shares of a nominal value of €0.25 each, subscribed for, allotted and taken up by AX Group p.l.c. as to 4,796 ordinary shares of a nominal value of €0.25, and AX Finance Limited as to four ordinary shares of a nominal value of €0.25.

Simultaneously with the aforementioned re-domination of capital, the shareholders of the Company resolved to convert the status of the Company from that of a private exempt company to a private limited liability company in terms of the Act.

24 March 2021 AX Holdings Limited (formerly C 3595) was effectively acquired by AX Group p.l.c. pursuant to a merger by acquisition carried out in terms of the Act, and therefore was dissolved without having to be wound up, and struck off the register.

As a consequence of the aforementioned amalgamation, AX Group p.l.c., in its capacity as the acquiring company, succeeded to all the assets, rights, liabilities and obligations of AX Holdings Limited, in its capacity as the company being acquired. Consequently, AX Group p.l.c. acquired the issued share capital which AX Holdings Limited held in the Company immediately prior to the amalgamation.

Consequently, while the Company's authorised share capital remained that of €1,200 divided into 1,200 ordinary shares of a nominal value of €1.00 each and its issued share capital that of €1,200 divided into 1,200 ordinary shares of a nominal value of €1.00 each, AX Group p.l.c. became the holder of 1,199 ordinary shares of a nominal value of €1.00 (previously held by AX Holdings Limited). AX Finance Limited (C 6867) remained holder of the remaining one ordinary share of a nominal value of €1.00.

6 June 2019 The Company was incorporated in Malta on 6 June 2019 as a private limited liability company in terms of the Act, having an authorised share capital of €1,200 divided into 1,200 ordinary shares of a nominal value of €1.00 each and an issued share capital of €1,200 divided into 1,200 ordinary shares of a nominal value of €1.00 each, subscribed for, allotted and taken up by AX Holdings Limited (formerly C 3595) as to 1,199 ordinary shares of a nominal value of €1.00, and AX Finance Limited (C 6867) as to one ordinary share of a nominal value of €1.00.

20.2 MEMORANDUM AND ARTICLES OF ASSOCIATION

20.2.1. OBJECTS

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, but are not limited to, the following:

- a. to acquire by any title whatsoever, to take on lease or sub-lease or by way of emphyteusis, sub-emphyteusis or exchange, to dispose of by any title whatsoever, grant and, or lease or sub-lease and to hold property of any kind, whether movable or immovable property, and to pull down, demolish, erect, develop, construct, lay down, enlarge, alter, restore, renovate, improve, maintain, furnish and complete buildings, works or other structures and to contract with or enter into any agreement or arrangement of whatsoever nature or kind with any person, including but not limited to contractors, builders, tenants, operators and other service providers in connection with the Company's business;
- b. to subscribe, acquire and hold, buy and, or sell shares, membership interests, rights, stocks, bonds, debentures or securities of or in any company, partnership or body of persons, in such manner as may from time to time be determined;
- c. to raise or borrow money in such manner and on such terms and conditions as the Company may deem fit, and in particular by way of bank loans and overdrafts or by the issue of debentures, bonds, debenture stock or other instruments creating or acknowledging indebtedness and to provide by way of security for the repayment of the principal and interest thereon and the fulfilment of any of the Company's obligations, a hypothec, pledge, privilege, lien and, or mortgage or other security interest over the whole or any part of the movable or immovable property or assets of the Company, present or future; and
- d. to guarantee the obligations of one or more members of the Estates Group, and to secure such guarantee by means of a hypothec, pledge, privilege, lien and, or mortgage or other security interest over the whole or any part of the movable or immovable property or assets of the Company, present or future.

20.2.2. APPOINTMENT AND POWERS OF DIRECTORS

At present, in terms of the Articles of Association of the Company, the Board of Directors shall consist of a minimum of five directors and a maximum of eight directors.

Every Shareholder holding 12% or more of the ordinary shares of the Company having voting rights shall be entitled to appoint one Director for each and every 12% of the ordinary shares of the Company having voting rights owned by such Shareholder, and such Shareholder may remove, withdraw or replace such Director or Directors at any time.

Additionally, the Articles provide for a mechanism pursuant to which recommendations of prospective directors to the Nominations Committee may be made by any Shareholder or Shareholders holding in the aggregate not less than €15,000 in nominal value of the ordinary shares of the Company having voting rights. No such person shall be or become entitled to act or take office as a director of the Company unless approved by the Nominations Committee, which is empowered by the Articles of Association of the Company to reject any recommendation made if, in its considered opinion, the appointment of the person so recommended as a director could be detrimental to the Company's interests or if such person is not considered as fit and proper to occupy that position. In addition to the recommendations that may be made by the Shareholders, the Directors themselves or the Nominations Committee may make recommendations and nominations of fit and proper persons to the Shareholders for the appointment of Directors at the general meeting at which the election of Directors is to take place. Where the number of candidates approved by the Nominations Committee is more than the number of vacancies on the Board of Directors, then an election would take place in accordance with the provisions of the Articles. Without prejudice to the aforesaid, the Board of Directors of the Company may appoint one additional Director to the Board of Directors of the Company without the requirement that the appointment of such Director be ratified by a members' resolution taken at a general meeting of the Company. A Director so appointed shall hold office under the end of the annual general meeting following his appointment. The Director so appointed may be withdrawn or replaced by the Board of Directors at any time. Any Director, including the said additional director, may be removed at any time by the ordinary resolution of the Shareholders of the Company in accordance with the Act, or in accordance with any other applicable law, or in the specific cases set out in the Articles of Association of the Company.

The administration and management of the Company shall be conducted by the Directors. The Articles of Association of the Company do not contemplate any specific instances of administration and management of the Company which are reserved for the decision, or the prior approval of, the Shareholders of the Company and, or any committee of the Company.

20.2.3. CLASSES OF SHARES: RIGHTS, PREFERENCES AND RESTRICTIONS

The Company's share capital is divided into two classes of shares, specifically, ordinary 'A' shares and ordinary 'B' shares. Ordinary 'A' shares and ordinary 'B' shares shall entitle the holders thereof to the same rights, benefits and powers in the Company, save that, ordinary 'B' shares shall not entitle their holders to vote on any matter at any general meeting of the Company save in the following instances:

- a. in respect of a resolution which has the effect of reducing the capital of the Company;
- b. in respect of a resolution for the winding up the Company; and
- c. in respect of a resolution which has the effect of directly affecting the rights and privileges of ordinary 'B' shareholders.

A detailed description of the principal rights, preferences and restrictions attaching to the Offer Shares is contained in section 5 of the Combined Securities Note.

20.2.4. CHANGES TO RIGHTS OF SHAREHOLDERS

The rights attached to any class of Shares as is currently in existence, or other classes of shares that may be created in the future, may (unless otherwise provided by the terms of issue of Shares), whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths (3/4ths) of the issued shares of that class and of any other class affected thereby, or with the sanction of an extraordinary resolution passed at a separate general meeting of the holders of the shares of that class.

20.2.5. EXTRAORDINARY GENERAL MEETINGS AND ANNUAL GENERAL MEETINGS

Subject to the provisions of the Act, annual general meetings of the Company shall be held at such time and place as the Directors shall appoint.

A general meeting is not deemed to have been duly convened unless at least 21 days' notice is given in writing to all persons entitled to receive such notice, which must specify the place, the day and the hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such special business. The notice period may be reduced to 14 days if certain conditions are satisfied. Persons are entitled to participate in, and vote at, a general meeting if they are entered as a holder of Shares on the register of members on the record date. The quorum of Shareholders required is not less than 52% of the nominal value of the issued Shares entitled to attend and vote at the meeting.

The Directors may convene an extraordinary general meeting whenever they think fit.

If at any time there are not sufficient Directors capable of acting to form a quorum for a meeting of the Directors, any member of members of the Company holding in aggregate not less than five per cent (5%) of the Shares conferring a right to attend and vote at general meetings of the Company, may convene an extraordinary general meeting, in the same manner, as nearly as possible, as that in which Meetings may be convened by the Directors.

For further detail on general meetings of the Company, please refer to the sections entitled '*General Meetings*', '*Notice of General Meetings*' and '*Proceedings at General Meetings*' in the Articles of Association of the Company.

21. MATERIAL CONTRACTS

Neither the Company nor any of the other companies forming part of the Estates 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 Estates Group being under an obligation or entitlement that is material to the Estates Group as at the date of this Registration Document.

22. PROPERTY VALUATION REPORTS

The Company commissioned Architect Pierre Sapiano to issue property valuation reports prepared in compliance with the requirements of Chapter 7 of the Capital Markets Rules in relation to the properties held by the Estates Group. The following are the details of the said valuer:

Name:	Architect Pierre Sapiano
Business address:	115, Hookham Frere Street, Guardamangia PTW 1109, Malta
Qualifications:	Bachelors in Architecture and Civil Engineering – University of Malta – 2001

Capital Markets Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the Prospectus. The valuation reports drawn up for the purposes of the Prospectus are dated 23 November 2021.

A copy of the Condensed Valuation Report compiled by Architect Sapiano in respect of the property valuations is annexed to this Registration Document as Annex II and is available for inspection as set out in section 24 below.

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

Save for:

- i. the Condensed Valuation Report prepared in relation to the properties held by the Estates Group and contained in Annex II to this Registration Document;
- ii. the Accountants' Report on Profit Forecasts contained in Annex IV to this Registration Document;

- iii. the Practitioner's Report on Pro Forma Financial Information contained in Annex VI to this Registration Document; and
 - iv. the financial analysis summary contained in Annex III to the Combined Securities Note,
- collectively, the "**Reports**", the Prospectus does not contain any statement or report attributed to any person as an expert.

The Reports have been included in the form and context in which they appear with the authorisation of Architect Pierre Sapiano, PricewaterhouseCoopers, Ernst & Young and MZ Investment Services Limited, respectively, who have given and have not withdrawn their consent to the inclusion of such Reports herein.

The Company confirms that the Reports 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.

24. DOCUMENTS ON DISPLAY

For the duration period of this Registration Document the following documents shall be available for inspection at the registered address of the Company:

- a. the Memorandum and Articles of Association of the Company;
- b. The full property valuation reports issued by Architect Pierre Sapiano;
- c. audited financial statements for the financial years ended 31 October 2019 and 31 October 2020;
- d. interim financial statements for the six-month period ended 30 April 2021;
- e. the Financial Analysis Summary dated 6 December 2021;
- f. accountants' Report on Profit Forecasts; and
- g. practitioner's Report on Pro-Forma Financial Information

Documents (a), (c), (d) and (e) are also available for inspection in electronic form on the Company's website at: <https://axrealestate.mt>.

ANNEX I - List of Directorships of the Company's Directors and Senior Management

Current Directorships

Past Directorships

Angelo Xuereb

AX Business Park Limited	(C 13019)	n/a
AX Construction Limited	(C 17438)	
AX Contracting Limited	(C 64484)	
AX Finance Limited	(C 6867)	
AX Group p.l.c.		
AX Hotel Operations p.l.c.	(C 40905)	
AX Investments p.l.c.	(C 27586)	
AX Port Holding Company Limited	(C 26331)	
AX Port Investment Company Limited	(C 26330)	
Capua Palace Investments Limited	(C 19375)	
Central Leisure Developments Limited	(C 25774)	
Engage People Limited	(C 90019)	
Fulcrum Holdings Limited	(C 90768)	
Harbour Connections Limited	(C 76078)	
Hilltop Gardens Retirement Village Limited	(C 65735)	
Hilltop Management Services Limited	(C 72480)	
Holiday Resorts Limited	(C 5733)	
Imselliet Solar Limited	(C 84337)	
Palazzo Merkanti Leisure Limited	(C 76080)	
Prime Buildings Limited	(C 18860)	
Renewables Limited	(C 84113)	
Simblija Developments Limited	(C 39400)	
Skyline Developments Ltd	(C 34281)	
St. John's Boutique Hotel Limited	(C 76079)	
Suncrest Hotels p.l.c.	(C 8643)	
The Waterfront Entertainment Venture Ltd	(C 39402)	
Valletta Cruise Port p.l.c.	(C 26469)	
Verdala Mansions Limited	(C 7793)	

Denise Micallef Xuereb

AX Business Park Limited	(C 13019)	n/a
AX Construction Limited	(C 17438)	
AX Contracting Limited	(C 64484)	
AX Group p.l.c.		

AX Hotel Operations p.l.c.	(C 40905)
AX Port Holding Company Limited	(C 26331)
AX Port Investment Company Limited	(C 26330)
Capua Palace Investments Limited	(C 19375)
DX Holdings Limited	(C 81361)
Harbour Connections Limited	(C 76078)
Heritage Developments Limited	(C 14217)
Hilltop Gardens Retirement Village Limited	(C 65735)
Hilltop Management Services Limited	(C 72480)
Palazzo Merkanti Leisure Limited	(C 76080)
Prime Buildings Ltd	(C 18860)
Royal Hotels Limited	(C 16994)
Simbija Development Limited	(C 39400)
Skyline Developments Ltd	(C 34281)
St. John's Boutique Hotel Limited	(C 76079)
Suncrest Hotels p.l.c.	(C 8643)
Verdala Mansions Limited	(C 7793)

Michael Warrington

AX Finance Limited	(C 6867)	Citadel Health Agency Limited (AP.M.A.E. 234461/06B9594)	(C 47593)
AX Group p.l.c.			
AX Hotel Operations p.l.c.	(C 40905)	Hellenic Telecom & Telematics Applications Societe Anonyme – Forthnet S.A.	(Greece)
AX Investments p.l.c.	(C 27586)	English Language Academy LTD	(C 51609)
Cablenet Communication Systems p.l.c. (Cyprus)	(137520)	Land Development Holdings Ltd	(C52535)
Capital Services Limited	(C 12375)	Life Sciences Investments plc	(C88168)
Citadel Insurance p.l.c.	(C 21550)	Malta Properties Co. Ltd	(C57272)
Engage People Limited	(C 90019)	Novum Holdings Ltd	(C46625)
Higher Grounds SICAV p.l.c.	(SV 98)	S. Mifsud and Sons Ltd	(C341)
MW Investments Limited	(C 68828)	Selmun Properties Limited	(C 73679)
MW Properties Limited	(C 18858)	Sliema Apartments Limited	(C 73179)
Nissan International Insurance Limited	(C 44660)		
Nissan International Services Company Ltd	(C 59099)		

Novum Bank Limited	(C 46997)
Renewables Limited	(C 84113)
Skyline Developments Ltd	(C 34281)
Together Gaming Solutions p.l.c.	(C 72231)
Valletta Cruise Port p.l.c.	(C 26469)

Dr Christian Farrugia

239 East Limited	(C 71733)	Alliance Management Support Ltd	(C 31012)
Advent Insurance PCC Limited	(C 52394)	Novemar Holdings Limited	(C 39209)
Advent International Holdings Limited	(C 52180)	RG Capital Advisors Limited	(C 60316)
ARQ Advisory Ltd	(C 68802)	Schemfar Limited	(C 2652)
ARQ Corporate Limited	(C 62850)	Techno Service International Limited	(C 34991)
ARQ Fiduciaries Limited	(C 22228)	TSL Group Holdings Limited	(C 44218)
ARQ Group Limited	(C 58299)	Viesa Malta Limited	(C 52990)
ARQ Resources Limited	(C 61453)	Viesa Trading Limited	(C 53065)
ARQ Risk & Compliance Ltd	(C 77379)	Yachting Events Limited	(C 65596)
AB Finance p.l.c.	(C 89576)		
ARQ Immigration Advisory Ltd.	(C 86780)		
iMovo Limited	(C 50760)		
Melro Limited	(C 47377)		
Marlen Shipping Company Limited	(C 93540)		
Marmod Shipping company Limited	(C 93533)		
Merkanti Bank Limited	(C 31608)		

Mr Stephen Paris

Merill SICAV p.l.c.	(SV 384)	Deloitte Audit Limited	(C 51312)
nextmarkets Trading Limited	(C 77603)	Deloitte Services Limited	(C 51320)
Alpha FX Europe Limited	(C 96623)	Deloitte Holdings Limited	(C 51139)
Harvest Technology p.l.c.	(C 63276)	Deloitte Technology Solutions Limited	(C 57959)
APCO Systems Limited	(C 29099)		
Ipsyon Limited	(C 65394)		
TH Investments p.l.c.	(C 75640)		
KSP Holdings (Europe) Ltd.	(C 96888)		
KSP Finance (Europe) Ltd.	(C 96887)		

KSP Investments (Europe) Ltd.	(C 96886)
St. Anthony Co. p.l.c.	(C 95618)
Merkanti Bank Limited	(C 31608)
Lighthouse Capital Limited (Mauritius)	(C 124756 GBL)
DTT 06 Limited	(C 51078)
Finance House plc	(C 58869)

Mr Christopher Paris

AX Group p.l.c.	n/a
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Mr Joseph Lupi

Frank Salt Real Estate Limited	(C 31667)		
Homes of Quality Limited	(C 25704)	Berkeley Investments Limited	(C 20788)

ANNEX II - Condensed Valuation Report

Perit Pierre Sapiano

115, Hookham Frere Street, Pieta, Gwardamanga, PTA 1109

Tel. 79256978

Email: pierresapiano@gmail.com

19 November 2021
AX Real Estate p.l.c.
AX Business Centre
Triq Id-Difiza Ċivili,
Mosta MST 1741,
Malta

RE: VALUATION OF PROPERTIES HELD BY AX REAL ESTATE P.L.C.

The undersigned, a warranted architect and civil engineer, holding warrant number 487, has been commissioned by the Company to issue property valuation reports in respect of the ten properties held by the Estates Group for the purpose of inclusion of same within the Prospectus, to be published in connection with the proposed Combined Offer by the Company. The following valuation is prepared in accordance with Chapter 7 of the Capital Markets Rules published by the Malta Financial Services Authority.

The property portfolio assessed includes a mix of residential, commercial and industrial buildings with the strongest element being finished and operative property serving the hospitality industry.

The following is a condensed version of the valuation reports carried out. Detailed full valuation reports of all properties are available for inspection at the Company's registered office.

Unless otherwise defined, capitalised terms in this condensed valuation report shall have the meaning assigned to them in the Prospectus.

DECLARATION OF INDEPENDENCE

The underlying valuer is an independent professional, and this valuation exercise is free of any interests from anyone including the addressee and its directors.

BASIS OF VALUATION

The valuations are based on an open market value of the properties' existing use in their current state. In line with the Capital Markets Rules, properties that are currently being developed are furthermore assessed both in their current and completed 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.

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).

SOURCES OF INFORMATION

These valuations take into consideration all contractual arrangements known to the underlying valuer which can in any way affect the market value of the property.

The undersigned confirms that, in carrying out these valuations, cognisance was taken of the report prepared by Notary Rosalyn Aquilina dated 23rd August 2021, with regard to details on the title of ownership and on any registered mortgages, privileges and other charges, and any real rights including details of emphyteutical concessions, easements and other burdens, to the extent that these have an impact on the value of the property.

ASSUMPTIONS

Assumptions taken in valuations include that there exists no hindrance of any sort on the enjoyment of the property should this be transferred to a prospective buyer.

This valuation exercise assumes that the property is fully compliant with applicable laws and regulations, and that there exists no material contraventions of any sort that can have a bearing on the value of the property.

NATURE OF INSPECTION

All properties being valued have been inspected by the undersigned. The assessment is based on a simple visual inspection of the properties. No in-depth studies, or any destructive testing was commissioned, and the derived values assume that all properties are free from any sort of latent defects, or statutory irregularity which can in any way affect the value of the properties. The property portfolio includes a number of considerably sized buildings, most commonly those serving the hospitality sector, which include repetitive units that are finished to the same level of detail, in which case only sample areas were inspected.

MATTERS WHICH MAY MATERIALLY AFFECT VALUE

The undersigned valuer highlights that these valuations are being carried out during a time of an ongoing global pandemic and this can have a bearing on property sales. The current situation is considered exceptional, however the health authorities advise that this is also temporary albeit the duration is yet unknown. The valuations are based on the assumption of normal commercial activity as known prior to the pandemic, on a national and global scale.

MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

No material contraventions of any relevance were noted in respect of all the properties inspected.

VALUATION METHODOLOGY

The property type and state, its tenure and any ongoing leasehold rights and obligations, have been the key elements in choosing the most appropriate valuation methodology for this valuation exercise. The developer's/residual method has been adopted for land value determination. The income capitalization approach has been used mainly in cases where properties are rented out on a commercial basis, in which case rates have been either assumed on the basis of comparative methods, or taken from currently ongoing lease agreements. The discounted cash flow method (DCF) has been adopted in cases where properties are subject to long term leases. Any comparative rates assumed in all valuations are based on continuous research and backed experience on the subject by the undersigned valuer.

SUMMARY OF PROPERTY VALUATIONS

The following is a summary of the valuations of the Properties held by AX Real Estate p.l.c.:

QAWRA COMPLEX

Property	Qawra Complex comprising AX Seashells Resort at Suncrest, Dawret il-Qawra, St Paul's Bay SPB 1902 (" QC1 "), AX Sunny Coast Resort & Spa, Dawret il-Qawra, St Paul's Bay SPB 1981 (" QC2 "), Luzzu Restaurant, Conference and Lido Centre, Dawret il-Qawra, St Paul's Bay SPB 1902 (" QC3 ").
Description	<p>QC1: Hotel building consisting of two main areas: the accommodation facility (which consists of a nine (9) storey structure having an approximate footprint of 5,200m²) and the lido area (which covers an area of approximately 4,000m²);</p> <p>QC2: An eight (8) storey structure having an approximate footprint of 1,000m² comprising 91 apartments, 39 of which are two bedroomed, 46 are one bedroomed and 6 are studio units;</p> <p>QC3: A three (3) storey structure having an approximate footprint of 800m², including a considerable frontage (over 35m) along Qawra Road and a further extensive outdoor area of around 1,450m².</p>
Proprietor	Suncrest Hotels p.l.c.
Tenure	Freehold.

Current Use	Hospitality industry – hotel accommodation, leisure and entertainment.
Age	25 – 35 years.
Restrictions	QC1 and QC2 are hypothecated in favour of Bank of Valletta p.l.c. and third parties respectively.
Planning Permissions	QC1: PA 6712/20; QC2: PA 3245/16, PA 815/13, PA 815/13, PA 936/16; QC3:PA 3389/98, PA 356/16. The full planning history of the Qawra Complex properties is included in the full valuation report.
Lease Terms	The Qawra Complex properties are leased to a related party, AX Hotel Operations p.l.c. One restaurant within QC2 is leased out to an independent third party.
Property in the course of development	QC1 (excluding the lido) is in possession of a full development permit and is currently being developed.
Property held for development	The Lido at QC1 and QC2 will be developed in the near future. The relevant PA applications (for the redevelopment of the Lido (PA6179/21); and development of QC2 and an outline development permit for the Lido at QC2 and QC3 (PA5952/21) are still pending.
Valuation	EUR 73,480,000

SLIEMA HOTEL COMPLEX

Property	Sliema Hotel Complex comprising The AX Victoria Hotel, George Borg Olivier Street, Sliema SLM 1807 (“ SHC1 ”), The AX Palace Hotel, High Street, Sliema SLM 1542 (“ SHC2 ”).
Description	SHC1: Hotel building having an approximate footprint of 1,400m ² and comprising a total of eleven (11) usable levels; SHC2: Hotel building having an approximate footprint of 1,900m ² and comprising a total of eleven (11) usable levels; A carpark spans the entire footprint of the Sliema Hotel Complex and includes three levels of parking with a total parking capacity of 183 car park spaces. The entire roof area of the Sliema Hotel Complex is taken up by the Spa and Leisure Centre.
Proprietor	Central Leisure Developments Ltd.
Tenure	SHC1 – perpetual emphyteusis of €1,164.65 per annum; SHC2 – perpetual pious burden of €2.81.
Current Use	Hospitality industry – hotel accommodation, leisure and entertainment.
Age	12 – 24 years.
Restrictions	SHC2 is hypothecated in favour of Bank of Valletta p.l.c. and third parties.
Planning Permissions	PA 4638/94, PA 429/98, PA 1546/04, PA 870/10. The full planning history of the Sliema Hotel Complex properties is included in the full valuation report.
Lease Terms	The Sliema Hotel Complex properties are leased to a related party, AX Hotel Operations p.l.c.
Valuation	EUR 72,750,000

THE ROSSELLI BOUTIQUE HOTEL

Property	The Rosselli Boutique Hotel, 167, Merchants Street, Valletta VLT 1174.
Description	The property has an approximate footprint of 460m ² and includes a total of eight (8) usable levels for the purposes of operating a 25 room boutique hotel and a Michelin star restaurant.
Proprietor	Palazzo Merkanti Leisure Ltd.
Tenure	Temporary emphyteusis subject to an annual temporary ground rent of €13,821.60 for 150 years which commenced on 24 May 1985.
Current Use	Hospitality industry – hotel accommodation, leisure and entertainment.

Age	Renovated in 2019.
Restrictions	The property is hypothecated in favour of Bank of Valletta p.l.c.
Planning Permissions	PA 07969/16, PA 00666/20. The full planning history of the subject property is included in the full valuation report.
Lease Terms	The property is leased to a related party, AX Hotel Operations p.l.c.
Valuation	EUR 11,050,000

THE HOTEL ST JOHN

Property	The Hotel St John, 176, Merchants Street, Valletta VLT 1174.
Description	The property has an approximate footprint of 240m ² and includes a total of seven (7) usable levels for the purposes of operating a 19 room boutique hotel.
Proprietor	St John's Boutique Hotel Ltd.
Tenure	Freehold.
Current Use	Hospitality industry – hotel accommodation, leisure and entertainment.
Age	Renovated in 2018.
Restrictions	None.
Planning Permissions	PA 00133/15, PA 01902/17, PA 0133/15. The full planning history of the subject property is included in the full valuation report.
Lease Terms	The property is leased to a related party, AX Hotel Operations p.l.c.
Valuation	EUR 4,960,000

VERDALA HOTEL COMPLEX

Property	Verdala Hotel Complex comprising Verdala Site Hotel ("VHC1") and the Virtu Heights Annex ("VHC2"), Triq ir-Rghajja, Tal-Virtu, Rabat, Malta.
Description	VHC1: The property is a vacant site of approximately 2,650m ² occupied by the former Grand Hotel Verdala; VHC2: The property consists of a three (3) storey building having an approximate footprint of 744m ² .
Proprietor	Royal Hotels Limited and Heritage Developments Limited.
Tenure	VHC1: a part is subject to a sub-ground rent till 4 August 2045 and another part is till 14 August 2048 (in aggregate, €252.32), thereafter freehold. VHC2: freehold.
Current Use	Ongoing development for a hospitality project.
Age	Under construction.
Restrictions	None.
Planning Permissions	VHC1: PA 6714/20; VHC2: PA 141/03. The full planning history of the Verdala Hotel Complex properties is included in the full valuation report.
Lease Terms	The Verdala Hotel Complex is leased to a related party, AX Hotel Operations p.l.c.
Property in the course of development	VHC1 is currently being demolished and will be developed into the Verdala Hotel, a new structure housing 26 hotel suites.
Property held for development	VHC2 will be refurbished to accommodate 19 services apartments and incorporated as part of the Verdala Hotel Annex.
Valuation	EUR 8,630,000

HILLTOP GARDENS RETIREMENT VILLAGE AND SIMBLIJA CARE HOME

Property	Hilltop Gardens Retirement Village and Simblija Car Home, Triq I-Inkwina, Naxxar.
Description	The property has an approximate footprint of 16,200m ² and comprises two distinct parts: Hilltop Gardens Retirement Village principally comprises 133 apartments for independent living purposes, retail outlets and common areas. Simblija Care Home is a facility intended for elderly persons requiring assistance and different levels of care. The home currently houses a total of 155 beds.
Proprietor	Simblija Developments Ltd.
Tenure	Freehold.
Current Use	Elderly care and accommodation.
Age	5 years.
Restrictions	None.
Planning Permissions	PA 6678/02, PA 499/15. The full planning history of the subject property is included in the full valuation report.
Lease Terms	The property is leased to a related party, Hilltop Management Services Limited.
Valuation	EUR 36,870,000

WAREHOUSE COMPLEX

Property	Warehouse Complex (including units 24-27, 28-33) at Hardrocks Industrial Park, L/O Naxxar, Malta.
Description	The property consists of a number of terraced warehouses and an office building.
Proprietor	AX Real Estate p.l.c.
Tenure	Freehold.
Current Use	Warehousing and offices.
Age	0 – 13 years.
Restrictions	None.
Planning Permissions	PA 4089/09, PA 300/10, PA 299/100, PA 4028/09, PA 9984/19, PA 4090/09. The full planning history of the subject property is included in the full valuation report.
Lease Terms	Warehouses 24, 25, 26, 27, 28, 32 (the remaining part of the first floor that is not covered under the intragroup lease agreement), 33 and the roof space over the warehouses are leased to third parties. Warehouses 29 and 30, the offices numbered 31 and the basement underneath units 28 – 31 are leased to a related party, AX Construction Limited.
Property in the course of development	Warehouse unit 32 has been recently constructed and is currently being finished.
Valuation	EUR 6,950,000

OFFICES AT FALCON HOUSE

Property	Offices at Falcon House, Block E, High Street, Sliema, Malta.
Description	The property consists of a new office building on two floors (ground and first floor) having an internal gross floor area of 965m ² .
Proprietor	AX Real Estate p.l.c.
Tenure	Freehold.
Current Use	Offices.
Age	New building.

Restrictions	None.
Planning Permissions	PA 1822/20, PA 7840/18, PA 1526/17. The full planning history of the subject property is included in the full valuation report.
Lease Terms	Part of the property has been leased to a third party for a duration period of six years.
Valuation	EUR 4,320,000

PROPERTY AT TG COMPLEX

Property	Offices, residential units and parking facilities at TG Complex, Triq id-Difiza Civili, Mosta MST 1741, Malta.
Description	The property consists of a recently finished nine (9) storey mixed use building incorporating offices, 7 residential units and underground parking facilities.
Proprietor	Skyline Developments Limited.
Tenure	Freehold.
Current Use	Offices.
Age	New building (completed in 2020).
Restrictions	The property is hypothecated in favour of BNF Bank (Malta) Ltd.
Planning Permissions	PA 3770/16, PA 3568/19. The full planning history of the subject property is included in the full valuation report.
Lease Terms	The first and second floor office space is leased to AX Group p.l.c., a related company. One of the offices situated at ground floor and the residential units are leased to third parties.
Valuation	EUR 11,830,000

BLACKSTEAD GARAGE

Property	Blackstead Garage, N/S off Main Street, Naxxar.
Description	The property consists of a stand-alone industrial garage and a complimenting loading bay. The total site area is approximately 257m ² .
Proprietor	Simblija Developments Limited.
Tenure	Freehold.
Current Use	Industrial garage.
Age	Pre 1968.
Restrictions	None.
Planning Permissions	Official building permits were not traced however the property shows up in 1968 survey sheets thus implying that the issue of compliance certificate (if necessary) is only subject to an architect's declaration to that effect.
Lease Terms	The property is rented to third parties under a post-1995 rental agreement which expires on 31 May 2023.
Valuation	EUR 285,000

The total cumulative value of the above listed properties amounts to **€231,125,000** (two hundred thirty one million, one hundred and twenty five thousand euro).

Regards,



Perit Pierre Sapiano

Annex III – Profit Forecasts

Summary of Significant Assumptions and Accounting Policies

1. Introduction

The forecasted Consolidated Income Statement of AX Real Estate p.l.c. (“**AX Real Estate**”) and its subsidiaries and associates (collectively “**AX Real Estate Group**” or “**AXRE Group**”) for the six-month period between 1 May and 31 October 2021 and the four year period from 1 November 2021 to 31 October 2025 (“**Profit Forecasts**”) has been prepared to provide financial information for the purpose of inclusion in the Registration Document of AX Real Estate in connection with an offer of up to 50 million ordinary ‘A’ shares of a nominal value of €0.125 each at an offer price of €0.60 each and €40 million 3.5% unsecured bonds 2031 issued and redeemable at par (€100), collectively the “**Combined Offer**”, dated 6 December 2021 (the “**Registration Document**”). The Profit Forecasts set out in section 3 below and the assumptions hereunder are the sole responsibility of the directors of AX Real Estate (“**Directors**”).

The Profit Forecasts for the period ending 31 October 2025 have been based on the financial forecasts of the AXRE Group covering the period from 1 May 2021 until 31 October 2025.

The Profit Forecasts are intended to show a possible outcome based on a mixture of best-estimate assumptions as to future events which the Directors expect to take place, actions the Directors expect to take and hypothetical assumptions about future events and management actions which are not necessarily expected to take place. Events and circumstances frequently do not occur as expected and therefore actual results may differ materially from those included in the Profit Forecasts.

The Profit Forecasts are not intended to, and do not, provide all the information and disclosures necessary to give a true and fair view of the financial results of the AXRE Group in accordance with International Financial Reporting Standards (“**IFRS**”) as adopted by the EU.

The Directors have exercised due care and diligence in adopting the assumptions below. The Directors formally approved the Profit Forecasts on 24 November 2021 and the stated assumptions reflect the judgements made by the Directors at that date. The assumptions that the Directors believe are significant to the Profit Forecasts are set out in section 3 below and in section 13 of the Registration Document.

2. Significant accounting policies

The significant accounting policies of AX Real Estate p.l.c. are set out in its audited financial statements for the year ended 31 October 2020. Following the reorganisation of the Group (set out in section 6.1 of the Registration Document), a number of mergers by acquisition and share transfers have been affected. The pro-forma financial information included in Annex V reflect the reorganised AX Real Estate Group as at 30 April 2021. The accounting policies of AX Real Estate p.l.c. and those applicable for the reorganised Group, where applicable, and in so far as they relate to recognition and measurement criteria, have been consistently applied in the preparation of the Profit Forecasts.

A number of new or amended standards became applicable for the years commencing 1 January 2021, 1 January 2022 and 1 January 2023, and accordingly the Group had to change its accounting policies and make adjustments utilising the modified retrospective approach as a result. These amendments do not have any impact on the amounts recognised in the Profit Forecasts.

2.1. INVESTMENT PROPERTY

Property that is held for long-term yields or for capital appreciation or both, and that is not occupied by the Group is classified as investment property. Investment property also includes investment property that is being constructed or developed for future use as investment property.

Investment property is measured initially at its cost, including transaction costs and where applicable borrowing costs.

After initial recognition, investment property is carried at fair value. Investment property that is being redeveloped for continuing use as investment property, or for which the market has become less active, continues to be measured at fair value. Investment property under construction is measured at fair value if the fair value is considered to be reliably determinable. Investment properties under construction for which the fair value cannot be determined reliably, but for which the Group expects the fair value of the property will be reliably determinable when construction is completed, are measured at cost less impairment until the fair value becomes reliably determinable or construction is completed - whichever is earlier.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are expensed when incurred. When part of an investment property is replaced, the cost of the replacement is included in the carrying amount of the property, and the fair value is reassessed.

Changes in fair values are recognised in the income statement. Investment properties are derecognised when they have been disposed of.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in the income statement within net gain from fair value adjustment on investment property.

Where an investment property undergoes a change in use, such as commencement of development with a view to sell, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

2.2 LEASES

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term, with the exception for sales-based variable lease payments. Such variable lease payments are recognised as income in the period when the sale occurs.

Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as an expense over the lease term on the same basis as lease income.

2.3 INVENTORIES

Inventories are properties that are being redeveloped with a view to sell. When inventories arise from a change in use of investment properties such as by the commencement of development with a view to sell, the properties are reclassified as inventories at their deemed cost, which is the fair value at the date of reclassification.

They are subsequently carried at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less costs to complete redevelopment and selling expenses.

2.4 BORROWING COSTS

General and specific borrowing costs directly attributable to the acquisition, construction, or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

2.5 TAXATION

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, except to the extent that it relates to items recognised directly in other comprehensive income or equity - in which case, the tax is also recognised in other comprehensive income or equity.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the date of the consolidated statement of financial position in the countries where the Group operates. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the date of the consolidated statement of financial position and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The carrying value of the Group's investment property is assumed to be realised by sale at the end of use. The sales tax rate applied is that which would apply on a direct sale of the property recorded in the statement of financial position. The deferred tax is then calculated based on the respective temporary differences and tax consequences arising from recovery through sale.

2.6 REVENUE RECOGNITION

Revenue includes rental income and sale of redeveloped units.

As disclosed in note 2.2, rental income from operating leases is recognised on a straight-line basis over the lease term. When the Group provides incentives to its tenants, the cost of the incentives is recognised over the lease term, on a straight-line basis, as a reduction of rental income.

Revenue on sale of redeveloped units is recognised when control over the unit has been transferred to the customer, which is considered to be at a point in time, when the customer has taken possession of the unit. Revenue is measured at the transaction price agreed under the contract. Amounts disclosed as revenue are net of variable consideration and payments to customers, which are not for distinct services. This consideration may include discounts, trade allowances, rebates and amounts collected on behalf of third parties.

A receivable is recognised when services are provided as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due.

2.7 INTEREST EXPENSE

Interest expense is recognised within finance costs in profit or loss using the effective interest rate method, except for borrowing costs relating to qualifying assets, which are capitalised as part of the cost of that asset. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating the interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments throughout the expected life of the financial instrument, or a shorter period where appropriate, to the net carrying amount of the financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, pre-payment options). The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts.

3. Basis of preparation and principal assumptions

The Profit Forecasts include the six-month forecast for the financial period ended 31 October 2021 as well as the forecasts for the financial years ending 31 October 2022 up to 31 October 2025. The forecast is based on the year-to-date results for the AXRE Group up to 30 April 2021, with the forecast for the period May to October based on the results achieved in April 2021 extrapolated until year-end and adjusted with material movements which are reasonably expected to occur during the period.

The principal assumption underlying the Profit Forecasts is that the Group will generate revenue in terms of its current lease agreements for the various properties within its portfolio. It is further assumed that the Group will undertake the following major development projects:

- i. the extension and refurbishment of the Suncrest Hotel in Qawra; and
- ii. the development of a 25-suite luxury hotel (in addition to the existing 19 residential apartments) as part of the mixed-use development of the former Verdala Hotel site.

Other principal assumptions relating to the environment in which AXRE Group operates and the factors which are exclusively outside the influence of the Directors, and which underlie the Profit Forecasts are the following:

- there will be no material adverse events originating from market and economic conditions;
- interest rates will not change materially throughout the period covered by the Profit Forecasts;
- the basis and rates of taxation will not change materially throughout the period covered by the Profit Forecasts;
- the rate of inflation will not exceed that experienced in the last few years; and
- planning permits in connection to the development of the Suncrest Lido will be obtained on a timely basis.

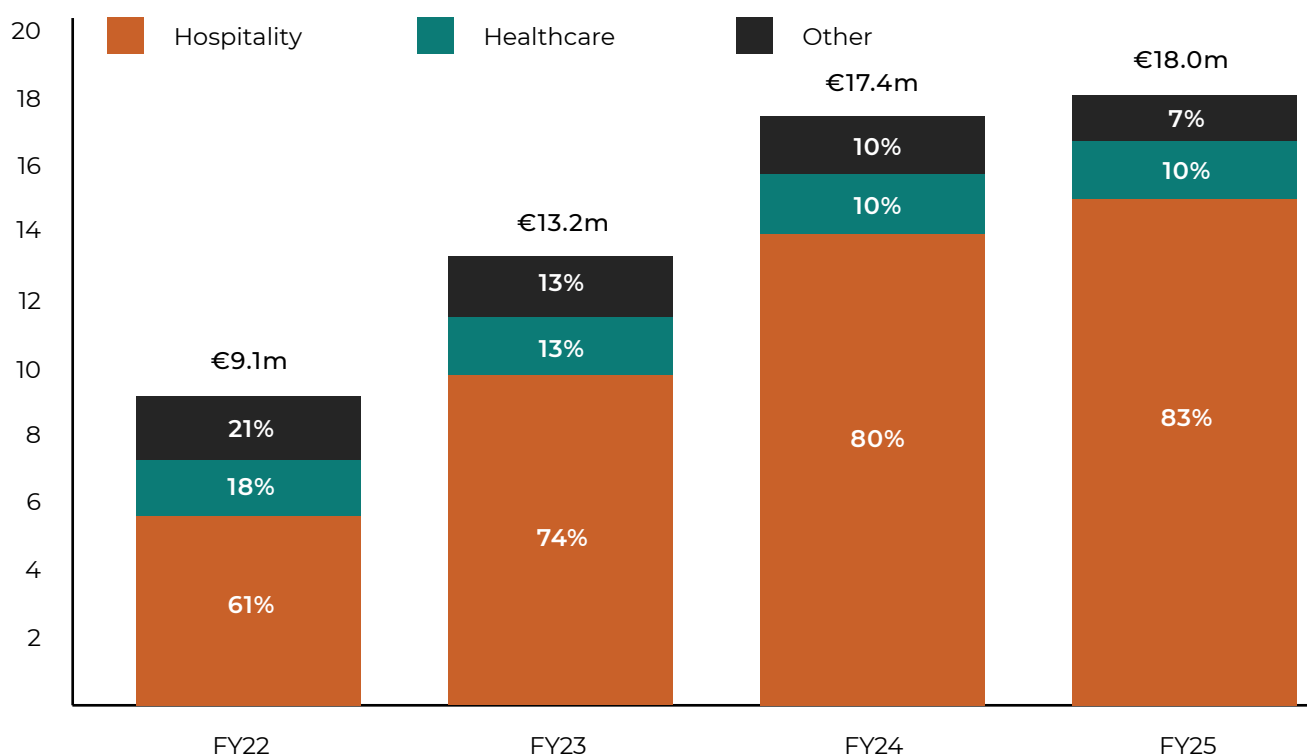
The principal assumptions relating to the environment in which the AXRE Group operates and the factors that the Directors can influence, and which underlie the Profit Forecasts are outlined below:

3.1. REVENUES

The Profit Forecasts assume that AXRE Group revenue will largely be generated in terms of the lease agreements that the Group currently has in place. These lease agreements relate to the rental of the various properties within the AXRE Group's portfolio of properties, which comprise a mix of hospitality, healthcare, and other properties. Apart from this, revenue is also forecasted from the sale of certain properties which are expected to be sold during the first four years of the forecasts (i.e., in the period ending 31 October 2021 until FY2024).

Total revenue of the AXRE Group for the six-month period ending 31 October 2021 is forecasted to amount to *circa* €0.6 million. As illustrated in the chart below, AXRE's revenue is forecasted to increase from *circa* €9.1 million in FY2022 to *circa* €18.0 million by FY2025, approximately a twofold increase over the period, representing a CAGR of *circa* 26% per annum.

Revenue, FY2022-2025



The majority of revenue for the AXRE Group is generated from the rental income of the Group's hotels. Rental income for the hospitality operations is forecasted to increase from *circa* €5.5 million in FY2022 to *circa* €15 million in FY2025. This rental income is based on long term lease agreements ("**Hospitality Lease Agreements**") of the AXRE Group with AX Hotel Operations in relation to the Sliema Hotels (the Palace Hotel and the Victoria Hotel), the Qawra Hotels (the Suncrest Hotel and the Sunny Coast Hotel), the St. John's Boutique Hotel and the Rosselli hotel in Valletta, as well as the Virtu' Heights apartments and Verdala Hotel (collectively referred to as the "**Hotels**").

The Hospitality Lease Agreements are set on a fixed base rent that is payable irrespective of the performance of the hotel in a particular year and will be adjusted annually by 2.0% inflation. In the case of the Suncrest Hotel rent will commence by not later than 1 May 2023. The base rent for Verdala (both the hotel and apartments) is also assumed to be paid from when the hotel commences operations, that is, from FY2024.

The Hospitality Lease Agreements also include a variable rent structure that is based on a set percentage of each hotel's total revenue (that is, including accommodation, F&B and other revenue), that is however capped at a fixed percentage of each hotel's gross operating profit.

The hospitality rental income included within the Profit Forecasts is based on operating forecasts prepared for each individual hotel. These forecasts are based on the historical revenue generated by the hotels during FY2018 and FY2019, being the last full years of operation prior to the COVID-19 pandemic. The principal assumptions underlying the forecasted increase in hotel operating revenue during this period comprise:

- i. the revenues generated by the Hotels will return to pre-Covid-19 levels by FY2023 and FY2024;
- ii. the Suncrest and Verdala Hotels will open in May 2023 and November 2023, respectively;
- iii. additional revenue from the Qawra Hotels reflecting the increased room capacity (+166 rooms), refurbished hotel (an increase in the average room rate from *circa* €59 in FY2019 to *circa* €75 by FY2025) and increased amenities including, in particular, the food and beverage outlets (an increase in F&B revenue from €7.4 million in FY2019 to €10.9 million in FY2025);
- iv. additional revenue has been assumed from the newly developed Verdala Hotel and serviced apartments at Virtu Heights (revenue equal to €4.2 million by FY2025); and

- v. additional revenue from the Rosselli Hotel in Valletta. This hotel opened in June 2019 and therefore is only partially captured in the historical revenue for FY2019.

The remaining rental income of the AXRE Group is generated from the Group's lease agreements relating to the Hilltop and Simblija properties (the 'Healthcare' properties), as well as the rental of other properties owned by AXRE Group, which comprise mainly residential properties, garages, offices and warehouses.

The lease agreement for the Group's healthcare properties is based on a base rent, with no variable structure or capping. The revenue forecasts include *circa* €1.7 million of rental income from the Healthcare properties in FY2022, increasing to *circa* €1.8 million by FY2025 (a CAGR of 2% per annum).

The total rental income generated from the Group's other properties is forecasted to remain stable at *circa* €1.3 million between FY2022 and FY2025. This is based on the lease agreements currently in place between AXRE Group and AX Group companies or other third parties, and the potential lease agreements that will be entered into with respect to the properties which are currently vacant. It is expected that these will be rented out in FY2022, generating rental income of *circa* €0.1 million per annum. The forecasts assume that any lease agreements which expire during the forecasted period are renewed at existing terms.

Apart from rental income, the forecasts also comprise revenue from the sale of two residential units and twenty-seven garages at Targa Gap Complex which are currently unsold and are assumed to be sold. Management has signed a preliminary agreement for the sale of a further unit which is expected to be sold during FY2022. AXRE Group is expected to generate *circa* €1.5 million of revenue between FY2022 and FY2024 from the sale of these units.

3.2. COST OF SALES

Between FY2022 and FY2024, cost of sales is expected to amount to an average of *circa* €0.2 million per annum. No cost of sales is assumed thereafter.

The cost of sales incurred between FY2022 and FY2024 relates to the forecasted sale of the properties at Targa Gap complex, as mentioned in section 3.1 above.

3.3. ADMINISTRATIVE EXPENSES

Administrative expenses comprise wages and salaries, operating expenses and management fees. Overall, total administrative expenses are forecasted to amount to *circa* €0.02 million in the six-month period ending 31 October 2021 and increasing to *circa* €0.7 million in FY2022. Beyond FY2022, administrative expenses are forecasted to increase by inflationary growth of 2% per annum.

The majority of administrative expenses, *circa* €0.4 million in FY2022, relate to wages and salaries. Included therein are director's fees of €0.2 million.

Operating expenses, amounting to *circa* €0.2 million in FY2022, mainly relate to professional fees and audit fees as well as insurance costs, which are partially being re-charged to the AX Group.

Administrative expenses also include *circa* €0.1 million of management fees in FY2022. These management fees are payable to the AX Group in line with the terms and rates stipulated in a services agreement. The services include legal, IT and human resources services provided by the AXRE Group.

3.4. TAXATION

Current taxation has been provided at the corporate tax rate of 35% of profit before tax, after deducting 20% maintenance allowance for rental income received from AX Group companies. Rental income received relating to properties rented to third parties is taxed at the 15% final withholding tax.

The Profit Forecasts for FY2022 to FY2024 also include tax at 8% of the income generated from the sale of the residential units and garages.

The effective tax rate is expected to stabilise at *circa* 26% of profit before tax in FY2025.

3.5. FINANCE COSTS

Finance costs, which amount to *circa* €0.07 million in the six-month period ending 31 October 2021, increasing to *circa* €4.4 million in FY2022 and stabilising at *circa* €3.5 million in FY2025, relate to:

- interest on the loan facility provided to Simblija Developments Limited. Interest is paid on this loan at 6.25% per annum between FY2021 and FY2023, decreasing to *circa* 3% per annum, thereafter;
- interest at 3% per annum on other balances with related parties;
- interest on bank borrowings based on the respective financing agreements in place. The Profit Forecasts assume the draw-down of a bank loan of €15 million during FY2021, which is forecasted to be re-paid during FY2022. During FY2022, an early repayment fee of *circa* €0.07 million is also assumed to be paid;
- interest at 3.5% per annum with respect to the planned bond issue of €40 million during FY2022; and
- accrued interest on bank borrowings.

Amortisation of bond issue costs are forecasted between FY2022 and FY2025. The forecasts for FY2022 also include €0.1 million of amortised costs with respect to issue costs associated with the €15 million loan referred to above, which were capitalised during FY2021.

4. Forecasted Income Statement

AX Real Estate p.l.c.	2021	2022	2023	2024	2025
Forecasted Consolidated Income Statement	(6 months)	Fcast	Fcast	Fcast	Fcast
for the year ended 31 October	€000s	€000s	€000s	€000s	€000s
Revenue	577	9,071	13,165	17,422	18,022
Cost of sales	-	(296)	(177)	(177)	-
Gross profit	577	8,775	12,988	17,245	18,022
Wages and salaries	-	(370)	(377)	(385)	(393)
Administrative expenses	(22)	(202)	(206)	(210)	(214)
Management fees	-	(100)	(102)	(104)	(106)
Total expenses	(22)	(672)	(685)	(699)	(713)
EBITDA	555	8,103	12,303	16,546	17,309
Finance costs	(70)	(4,565)	(4,179)	(3,635)	(3,578)
Profit before tax	485	3,538	8,124	12,911	13,731
Taxation	(152)	(1,287)	(2,496)	(3,316)	(3,587)
Profit after tax	333	2,251	5,628	9,595	10,144

5. Conclusion

The Directors believe that the assumptions on which the Profit Forecasts are based are reasonable.

Approved by the Board of Directors on 24 November 2021 and signed on their behalf by:



Angelo Xuereb

Chairman



The Directors
AX Real Estate p.l.c.
AX Business Centre,
Triq id-Difiza Civili, Mosta,
Malta

25th November 2021

Independent Accountant's Report on the Profit Forecasts of AX Real Estate p.l.c.

To the board of directors of AX Real Estate p.l.c.

We report on the forecasted consolidated income statements of AX Real Estate p.l.c. for the six-month period between 1 May and 31 October 2021 and for the following four years until 31 October 2025 (the "Profit Forecasts") of AX Real Estate p.l.c. ("AXRE" or "AX Real Estate" or "AX Real Estate Group"). The Profit Forecasts, their basis of preparation and the material assumptions upon which the Profit Forecasts are based, are set out in Annex III – Profit Forecasts of the Registration document issued by AX Real Estate.

This report is required in terms of rule 5.40 of the Capital Market Rules issued by the Malta Financial Services Authority and is given for the purpose of complying with that requirement and for no other purpose.

Directors' responsibilities for the Profit Forecasts

It is the responsibility of the Directors of AX Real Estate to prepare the Profit Forecasts and the assumptions upon which they are based, as set out in Annex III – Profit Forecasts of AXRE's Registration document dated 6th December 2021, in accordance with the requirements of the Capital Market Rules issued by the Malta Financial Services Authority and EU Regulation EC 809/2004.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies International Standard on Quality Control 1 and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

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Independent Accountant's Report on the Profit Forecasts of AX Real Estate p.l.c.

To the board of directors of AX Real Estate p.l.c.

Accountant's responsibility

It is our responsibility to form an opinion, as required by Capital Market Rule 5.40 as issued by the Malta Financial Services Authority and Annex I item 13.2 of EU Regulation EC 809/2004, as to the proper compilation of the Profit Forecasts on the basis stated in Annex III – Profit Forecasts of AXRE's Registration document dated 6th December 2021, in so far as the application of the underlying accounting policies and accuracy of calculations are concerned, and to report that opinion to you.

Save for any responsibility which we may have to those persons to whom this report is expressly addressed, to the fullest extent permitted by law, we do not assume any responsibility and will not accept any liability to any other person for any loss suffered by any such person as a result of, arising out of, or in connection with this report or our statement, required by and given solely for the purposes of complying with the Capital Market Rules, consenting to its inclusion in the Registration document.

Basis of preparation of the Profit Forecasts

The Profit Forecasts have been prepared on the basis stated in Annex III – Profit Forecasts of AXRE's Registration document dated 6th December 2021 and are based on unaudited management accounts covering the six-month period ended 31 October 2021 and on forecasts covering the following four year period ending 31 October 2025. The Profit Forecasts are required to be presented on a basis consistent with the accounting policies of AX Real Estate p.l.c.

Basis of opinion

We have examined the basis of compilation and the accounting policies of the accompanying Profit Forecasts of AXRE for the six-month period ended 31 October 2021 and the following four years ending 31 October 2025 in accordance with ISAE 3000, 'Assurance Engagements Other than Audits and Reviews of Historical Financial Information'. Our work included evaluating the basis on which the Profit Forecasts have been prepared and considering whether the Profit Forecasts have been accurately computed based upon the disclosed assumptions and accounting policies of AX Real Estate.

The assumptions upon which the Profit Forecasts are based are solely the responsibility of the Directors of AX Real Estate p.l.c and accordingly, we express no opinion on the validity of the assumptions.

We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the Profit Forecasts have been properly compiled on the basis stated, in so far as the accuracy of calculations are concerned.

The Profit Forecasts are not intended to, and do not provide all the information and disclosures necessary to give a true and fair view of the financial results and the financial position of AX Real Estate in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the EU. Accordingly, we do not give an opinion as to whether the Profit Forecasts have been properly prepared in accordance with the requirements of IFRSs as adopted by the EU.



Independent Accountant's Report on the Profit Forecasts of AX Real Estate p.l.c.

To the board of directors of AX Real Estate p.l.c.

Since the Profit Forecasts and the assumptions on which they are based relate to the future and may therefore be affected by unforeseen events, we can express no opinion as to whether the actual results reported will correspond to those shown in the Profit Forecasts and the differences may be material.

Opinion

In our opinion, the Profit Forecasts have been properly compiled on the basis stated in Annex III – Profit Forecasts of AXRE's Registration document dated 6th December 2021 and the basis of accounting used is consistent with the accounting policies of AX Real Estate p.l.c.

Yours faithfully,

A handwritten signature in blue ink that reads 'Fabio Axisa'.

Fabio Axisa
Partner

PricewaterhouseCoopers
78 Mill Street,
Zone 5, Central Business District,
Qormi CBD 5090
Malta

ANNEX V - Pro Forma Financial Information for the Estates Group

1. Basis of preparation

The pro forma financial information has been prepared for illustrative purposes only, to provide information about the effect of the Group reorganisation and transactions outlined in section 2 “Pro-forma Adjustments” below and explained further in section 6.1 of the Registration Document on the financial position of AX Real Estate p.l.c. and its subsidiaries, (the “**Estates Group**”). The pro forma financial information for the Estates Group comprises a pro forma Statement of Financial Position as at 30 April 2021, which is prepared on the assumption that the reorganisation would have been completed as at this date. This information is intended to indicate the pro-forma net asset value of the Estates Group prior to the Share Offer.

The pro-forma financial information has been prepared by reference to the financial position of AX Real Estate p.l.c. as at 30 April 2021 and superimposing the entries necessary to reflect the transactions outlined in section 2 “Pro-forma Adjustments” below.

By its very nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent the Estates Group’s actual financial position. The pro forma financial information is not intended to, and does not, provide all the information and disclosures necessary to give a true and fair view of the financial position of the Estates Group in accordance with International Financial Reporting Standards as adopted by the EU (IFRSs).

The pro forma financial information has been compiled on the basis of the accounting policies adopted by the Estates Group, which are in accordance with IFRSs, taking into account the requirements of Commissions Delegated Regulation (EU) 2019/980 (the “**Applicable Criteria**”). The hypothetical financial position included in the pro forma financial information may differ from the entity’s actual financial position.

2. Pro-Forma Adjustments

The following is a description of the pro forma adjustments made to the financial position of the Company as at 30 April 2021:

1. being the increase in the issued share capital of the Company by virtue of an issue and allotment of shares effected in favour of AX Group p.l.c. of an additional 195,200 ordinary shares of a nominal value of €0.25 each;
2. being the consolidated assets and liabilities upon the transfer of shares to AX Real Estate p.l.c., hypothetically taking place on 30 April 2021, involving Central Leisure Developments Limited, Suncrest Hotels plc, Palazzo Merkanti Limited, St John’s Boutique Hotel Limited, Heritage Developments Limited, Royal Hotels Limited, Simblija Developments Limited and Skyline Developments Limited, following the acquisition of the shareholding of these entities by the Company from the previous shareholders, all being under common control of the ultimate controlling party as detailed in section 4 ‘Consolidated assets and liabilities’ below. Further to this transaction, the Company will own 99.99% of the issued share capital of these entities, with the exception of 1 share in each entity held by AX Finance Limited;
3. being the movement in fair value of the Estates Group property portfolio from 30 April 2021 to 23 November 2021 in line with the independent qualified architect’s property valuation reports as of this date, and the related deferred tax impact. The properties being valued are subject to the lease agreements described in section 6.3 of the Registration Document and the property values are being established through a discounted cash flow (DCF) method. The DCF method is based on the present value of expected rental income over the specific projected period and a discounted terminal value;
4. being the capitalisation of amounts due by the Company to AX Group p.l.c. into Ordinary B shares as described in section 6.1.2 of the Registration Document ; and
5. being the declaration and distribution of an interim dividend from subsidiaries to AX Real Estate p.l.c. and subsequent capitalisation of retained earnings into ordinary share capital as described in section 6.1.2 of the Registration Document.

3. Pro-forma financial information

AX REAL ESTATE P.L.C. - Statement of Financial Position

	Company					Group	
	30-Apr-21		30-Apr-21			30-Apr-21	
	(unaudited)	(1)	(2)	(3)	(4)	(5) (pro forma)	
	€000	€000	€000	€000	€000	€000	€000
ASSETS							
<i>Non-current assets</i>							
Investment property	6,609	-	247,102	(22,586)	-	-	231,125
Total non-current assets	6,609	-	247,102	(22,586)	-	-	231,125
<i>Current assets</i>							
Inventory	-	-	1,193	-	-	-	1,193
Trade and other receivables	179	-	708	-	-	-	887
Cash at bank and in hand	-	49	1,285	-	-	-	1,334
Total current assets	179	49	3,186	-	-	-	3,414
Total assets	6,788	49	250,288	(22,586)	-	-	234,539
EQUITY AND LIABILITIES							
<i>Capital and Reserves</i>							
Called up issued share capital - A shares	1	49	-	-	-	12,450	12,500
Called up issued share capital - B shares	-	-	-	-	18,750	-	18,750
Share Premium	-	-	-	-	31,250	-	31,250
Capital contribution	3,500	-	(3,500)	-	-	-	-
Retained earnings	248	-	36,277	-	-	(12,450)	24,075
Revaluation reserves	-	-	60,766	(21,540)	-	-	39,226
Other reserves	-	-	331	-	-	-	331
Total equity	3,749	49	93,874	(21,540)	50,000	-	126,132
<i>Non-current liabilities</i>							
Bank borrowings	-	-	8,713	-	-	-	8,713
Amounts owed to related parties	-	-	124,316	-	(50,000)	-	74,316
Deferred tax liability	-	-	21,643	(1,046)	-	-	20,597
Total non-current liabilities	-	-	154,672	(1,046)	(50,000)	-	103,626

Current liabilities

Bank borrowings	-	-	2,822	-	-	-	2,822
Trade and other payables	3,039	-	(1,080)	-	-	-	1,959
Total current liabilities	3,039	-	1,742	-	-	-	4,781
Total Liabilities	3,039	-	156,414	(1,046)	(50,000)	-	108,407
Total equity ad liabilities	6,788	49	250,288	(22,586)	-	-	234,539

4. Consolidated assets and liabilities

The pro-forma financial information in section 3 above includes the consolidated assets and liabilities of the acquired entities as at 30 April 2021 summarised and reflected as adjustment (2).

The following is an analysis by entity and a description of the pro forma and consolidation adjustments thereon:

Statement of Financial Position of acquired entities as at 30 April 2021

	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	30-Apr-21	(i) PPE Transactions	(ii) Assignment of debt	(iii) Property Transfers	(iv) Share Transfers	(v) Consolidation adjustments	Consolidated
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
	CHL	CLD	HRL	SHPLC	LPL	PML	SJBH	SDL	HDL	RHL	SLDL	30-Apr-21	Transfers	of debt	Transfers	Transfers	adjustments	
ASSETS																		
<i>Non-current assets</i>																		
Property, plant and equipment	1,340	2,721	408	3,791	714	4,948	511	8,147	9	-	-	(22,589)	-	-	-	-	-	-
Investment property	28,730	39,165	19,039	65,409	3,835	8,252	5,407	37,036	4,994	28,892	11,557	18,720	(23,934)	-	-	-	-	247,102
Investments in subsidiaries	-	-	-	1	-	-	-	-	-	-	-	-	-	-	-	93,629	(93,630)	-
Financial assets at FVTPL	-	-	-	8,096	-	-	-	-	-	-	-	-	-	-	-	(8,096)	-	-
Total non-current assets	30,070	41,886	19,447	77,297	4,549	13,200	5,918	45,183	5,003	28,892	11,557	(3,869)	-	(23,934)	(23,934)	85,533	(93,630)	247,102
<i>Current assets</i>																		
Inventory	-	-	-	-	-	-	-	-	-	-	1,193	-	-	-	-	-	-	1,193
Trade and other receivables	3,738	6,650	1,172	2,028	282	946	976	5,821	217	378	858	-	(21,000)	-	-	-	(1,358)	708
Cash at bank and in hand	1	60	2	-	1	49	-	1	12	1	1,158	-	-	-	-	-	-	1,285
Total current assets	3,739	6,710	1,174	2,028	283	995	976	5,822	229	379	3,209	-	(21,000)	-	-	(1,358)	-	3,186
Total assets	33,809	48,596	20,621	79,325	4,832	14,195	6,894	51,005	5,232	29,271	14,766	(3,869)	(21,000)	(21,000)	(23,934)	85,533	(94,988)	250,288
EQUITY AND LIABILITIES																		
<i>Capital and Reserves</i>																		
Share Capital	6,468	2,213	1,165	2,329	1	1,014	1	1,014	1	7,978	250	-	-	-	-	44,142	(65,563)	-
Capital contribution	-	-	-	2,400	3,100	3,700	3,800	5,800	2,500	5,800	-	-	-	-	-	(3,100)	(27,500)	(3,500)
Retained earnings	1,839	19,597	2,980	7,121	(673)	(1,174)	49	(2,896)	291	(2,085)	1,393	21,246	-	-	(2,908)	(3,256)	(5,247)	36,277
Revaluation reserves	19,876	4,462	12,953	54,005	1,723	1,690	727	21,713	1,861	14,097	2,796	(12,884)	-	-	(11,657)	(51,776)	1,180	60,766
Other reserves	-	-	-	331	-	-	-	-	-	-	-	-	-	-	-	-	-	331
Total equity	28,183	26,272	17,098	66,186	4,151	4,217	4,577	25,631	4,653	25,790	4,439	8,362	-	(14,565)	(14,565)	(13,990)	(97,130)	93,874
<i>Non-current liabilities</i>																		
Bank borrowings	-	3,792	-	-	-	3,426	-	-	-	-	1,495	-	-	-	-	-	-	8,713
Amounts owed to related parties	-	-	-	-	-	-	-	19,613	-	-	-	(1,401)	12,450	(9,369)	3,500	99,523	3,500	124,316
Deferred tax liability	2,871	3,913	1,900	8,351	383	660	433	2,086	476	2,888	651	(2,969)	-	-	-	-	-	21,643
Total non-current liabilities	2,871	7,705	1,900	8,351	383	4,086	433	21,699	476	2,888	2,146	(4,370)	12,450	(9,369)	3,500	99,523	3,500	154,672
<i>Current liabilities</i>																		
Bank borrowings	-	676	-	-	-	146	-	-	-	-	2,000	-	-	-	-	-	-	2,822
Trade and other payables	2,755	13,943	1,623	4,788	298	5,746	1,884	3,675	103	593	6,181	(7,861)	(33,450)	-	(1,358)	-	(1,080)	-
Total current liabilities	2,755	14,619	1,623	4,788	298	5,892	1,884	3,675	103	593	8,181	(7,861)	(33,450)	-	(1,358)	-	(1,358)	1,742
Total Liabilities	5,626	22,324	3,523	13,139	681	9,978	2,317	25,374	579	3,481	10,327	(12,231)	(21,000)	(9,369)	(9,369)	99,523	2,142	156,414
Total equity and liabilities	33,809	48,596	20,621	79,325	4,832	14,195	6,894	51,005	5,232	29,271	14,766	(3,869)	(21,000)	(23,934)	(94,988)	85,533	(94,988)	250,288

The entities have been acquired by AX Real Estate p.l.c. (at the time known as AX Real Estate Limited), unless otherwise stated and are made up of:

- CHL – Central Hotels Limited – acquired by and subsequently merged with Central Leisure Developments Limited
- CLD – Central Leisure Developments Limited
- HRL – Holiday Resorts Limited – acquired by and in the process of being merged with Suncrest Hotels plc
- SHPLC – Suncrest Hotels p.l.c.
- LPL – Luzzu Properties Limited – acquired by and subsequently merged with Suncrest Hotels plc
- PML – Palazzo Merkanti Leisure Limited
- SJBH – St. John’s Boutique Hotel Limited
- SDL – Simblija Developments Limited
- HDL – Heritage Developments Limited
- RHL – Royal Hotels Limited
- SLDL – Skyline Developments Limited

The following is a description of the pro-forma and consolidation adjustments made to the financial position of the acquired entities as at 30 April 2021 in determining the consolidated assets and liabilities:

- i. being the net effect of:
 - a. the disposal at net book value, to AX Hotel Operations p.l.c., a related party, of certain moveable assets previously grouped under “property, plant and equipment” in the books of the acquired entities; and
 - b. a voluntary change in accounting policy whereby other immovable assets ancillary to the investment properties previously grouped under “property, plant and equipment” in the books of the acquired entities were now included within the fair value of investment property on the basis that this will provide more relevant and reliable information;
- ii. being the assignment to the Company of balances between the acquired entities and related parties within the AX Group;
- iii. being the transfer out of land known as “Tad-Dipp”, limits of Mosta from Skyline Developments Limited to Verdala Mansions Limited, a related entity, for a consideration of €42k and the transfer out of that part of the Verdala Site in Rabat which is earmarked for residential development, from Royal Hotels Limited to Verdala Terraces Limited, a newly incorporated related entity, for a consideration of €9.3million, equivalent to the original cost of the property;
- iv. being the effect of the share transfers conducted against cash considerations payable by the Company to the transferor/s following the acquisition of the shareholding of those entities by the Company from the previous shareholders, all being under common control of the ultimate controlling party; and
- v. being the elimination of all intra-group assets, liabilities and equity to consolidate the acquired entities into the Estates Group.

The Board of Directors

AX Real Estates p.l.c.
AX Group,
AX Business Centre,
Triq id- Difiza Civili,
Mosta, MST 1741,
Malta

24 November 2021

Independent Practitioners' Assurance Report on the Compilation of Pro Forma Financial Information

To the board of directors of AX Real Estate p.l.c.

Report on the Compilation of Pro Forma Financial Information included in a Prospectus

We have completed our assurance engagement to report on the compilation of pro forma financial information of AX Real Estate p.l.c. (the "**Company**") and its subsidiaries (the "**Group**") as prepared by the directors of the Company (the "**Directors**"). The pro forma financial information consists of the Group's pro forma Consolidated Statement of Financial Position as at 30 April 2021 and related notes as set out in Annex V of the Company's registration document. The applicable criteria on the basis of which the Directors have compiled the pro forma financial information are specified in Commission Delegated Regulation (EU) 2019/980 (the "**Regulation**") and described in the "*Basis of Preparation*" section of Annex V of the Company's registration document (the "**Applicable Criteria**").

The pro forma financial information has been compiled by the Directors to illustrate the impact of the transaction set out in section 6.1 of the Company's registration document, reflecting the Group's financial position as at 30 April 2021, as if the transaction had taken place at 30 April 2021. As part of this process, information about the Group's financial position has been extracted by the Directors from the unaudited interim financial information for the period ended 30 April 2021.

Directors' Responsibility for the Pro Forma Financial Information

The Directors are responsible for compiling the pro forma financial information on the basis of the Applicable Criteria.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the *International Code of Ethics for Professional Accountants* (including International Independence Standards) as issued by the International Ethics Standards Board for Accountants' (IESBA code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The firm applies International Standard on Quality Control 1, Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Independent Practitioners' Assurance Report on the Compilation of Pro Forma Financial Information - continued

To the board of directors of AX Real Estate p.l.c.

Practitioners' Responsibilities

Our responsibility is to express an opinion as required by item 7 of Annex II to the Regulation, about whether the pro forma financial information has been compiled, in all material respects, by the Directors on the basis of the Applicable Criteria.

Basis of Opinion

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus, issued by the International Auditing and Assurance Standards Board. This standard requires that the practitioner plan and perform procedures to obtain reasonable assurance about whether the Directors have compiled, in all material respects, the pro forma financial information on the basis of the Applicable Criteria.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma financial information.

The purpose of pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the Group as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction at 30 April 2021 would have been as presented.

A reasonable assurance engagement to report on whether the pro forma financial information has been compiled, in all material respects, on the basis of the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the Directors in the compilation of the pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- the related pro forma adjustments give appropriate effect to those criteria; and
- the pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the practitioner's judgment, having regard to the practitioner's understanding of the nature of the Group, the event or transaction in respect of which the pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independent Practitioners' Assurance Report on the Compilation of Pro Forma Financial Information - continued

To the board of directors of AX Real Estate p.l.c.

Opinion

In our opinion, the pro forma financial information has been properly compiled on the basis stated and that basis is consistent with the accounting policies of the Group.



Christopher Balzan for and on behalf of
Ernst & Young Malta Limited
Certified Public Accountants



AX REAL ESTATE

Combined Securities Note

Dated 6 December 2021

AX Real Estate p.l.c.

A public limited liability company registered under the laws of Malta with company registration number C 92104 in connection with:

- an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share, or in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share
- an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

Sponsors



**CURMI &
PARTNERS**

Manager & Registrar



Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

Combined Securities Note

dated 6 December 2021

This document is a Combined Securities Note issued in accordance with the provisions of Chapter 4 of the Capital Markets Rules issued by the Malta Financial Services Authority and in accordance with the provisions of the Prospectus Regulation. This Combined Securities Note is issued pursuant to the requirements of Capital Markets Rule 4.14 of the Capital Markets Rules and contains information about securities issued by AX Real Estate p.l.c., for which application has been made for the admission to listing and trading on the Official List of the Malta Stock Exchange. This Combined Securities Note should be read in conjunction with the most updated Registration Document issued from time to time containing information about AX Real Estate p.l.c.

This Combined Securities Note is being issued in respect of:

an offer for sale of 33,333,333 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share, or

in the case of exercise of the Over-allotment Option, up to 50,000,000 ordinary 'A' shares of a nominal value of €0.125 each at an Offer Price of €0.60 per share in,

an issue of up to €40,000,000 3.5% unsecured bonds 2032 of a nominal value of €100 per bond issued and redeemable at par by

AX REAL ESTATE P.L.C.

A PUBLIC LIMITED LIABILITY COMPANY REGISTERED UNDER THE LAWS OF MALTA WITH COMPANY REGISTRATION NUMBER C 92104

ISIN of the ordinary 'A' shares: MT0002570100

ISIN of the Bonds: MT0002571215

APPROVED BY THE BOARD OF DIRECTORS



ANGELO XUEREB



MICHAEL WARRINGTON

signing in their own capacity as directors of the Company and on behalf of each of Christian Farrugia, Joseph Lupi, Denise Micallef Xuereb, Christopher Paris and Stephen Paris

THIS COMBINED SECURITIES NOTE HAS BEEN APPROVED BY THE MALTA FINANCIAL SERVICES AUTHORITY, AS COMPETENT AUTHORITY UNDER THE PROSPECTUS REGULATION. THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THE ADMISSIBILITY OF THE SECURITIES AS LISTED FINANCIAL INSTRUMENTS. THIS MEANS THAT THE MALTA FINANCIAL SERVICES AUTHORITY HAS AUTHORISED THIS COMBINED SECURITIES NOTE AS MEETING THE STANDARDS OF COMPLETENESS, COMPREHENSIBILITY AND CONSISTENCY AS PRESCRIBED BY THE PROSPECTUS REGULATION. IN PROVIDING THIS AUTHORISATION, THE MALTA FINANCIAL SERVICES 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 THE MALTA FINANCIAL SERVICES AUTHORITY SHOULD NOT BE CONSIDERED AS AN ENDORSEMENT OF THE QUALITY OF THE SECURITIES THAT ARE THE SUBJECT OF THIS COMBINED SECURITIES NOTE.

THE MALTA FINANCIAL SERVICES 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 OFFER SECURITIES.

A PROSPECTIVE INVESTOR SHOULD MAKE ITS OWN ASSESSMENT AS TO THE SUITABILITY OF INVESTING IN THE OFFER SECURITIES OF THE COMPANY 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 OFFER SECURITIES OF THE COMPANY AND SHOULD MAKE THE DECISION TO INVEST ONLY AFTER CAREFUL CONSIDERATION AND CONSULTATION WITH HIS OR HER OWN INDEPENDENT FINANCIAL ADVISER.

Sponsors



Manager & Registrar



Legal Counsel



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IMPORTANT INFORMATION

THIS COMBINED SECURITIES NOTE CONTAINS INFORMATION IN CONNECTION WITH: (I) AN OFFER FOR SALE OF 33,333,333 ORDINARY 'A' SHARES HAVING A NOMINAL VALUE OF €0.125 EACH AT AN OFFER PRICE OF €0.60 PER SHARE IN AX REAL ESTATE P.L.C. (THE "**COMPANY**"); AND (II) AN ISSUE OF UP TO €40,000,000 UNSECURED BONDS 2032 HAVING A NOMINAL VALUE OF €100 PER BOND ISSUED AT PAR AND BEARING INTEREST AT THE RATE OF 3.5% PER ANNUM, PAYABLE ANNUALLY ON 28 JANUARY OF EACH YEAR UNTIL THE REDEMPTION DATE (THE "**COMBINED OFFER**"). WITH RESPECT TO (I) ABOVE, IN THE CASE OF OVER-SUBSCRIPTION OF THE ORDINARY 'A' SHARES, THE COMPANY MAY EXERCISE THE OVER-ALLOTMENT OPTION TO INCREASE THE SHARE OFFER TO SUCH HIGHER AMOUNT OF ORDINARY 'A' SHARES, WHICH IN AGGREGATE WOULD NOT EXCEED 50,000,000 ORDINARY 'A' SHARES HAVING A NOMINAL VALUE OF €0.125 EACH AT AN OFFER PRICE OF €0.60 PER SHARE.

THIS COMBINED SECURITIES NOTE: (I) CONTAINS INFORMATION ABOUT THE COMPANY AND THE SECURITIES IN ACCORDANCE WITH THE REQUIREMENTS OF THE CAPITAL MARKETS RULES, THE ACT AND THE PROSPECTUS REGULATION, AND SHOULD BE READ IN CONJUNCTION WITH THE LATEST REGISTRATION DOCUMENT ISSUED BY THE COMPANY FORMING PART OF THE PROSPECTUS; AND (II) SETS OUT THE CONTRACTUAL TERMS UNDER WHICH THE OFFER SHARES ARE BEING OFFERED, AND THE BONDS ARE BEING ISSUED, BY THE COMPANY, WHICH TERMS SHALL REMAIN BINDING.

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 THE SECURITIES 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 COMPANY OR ITS DIRECTORS OR ADVISERS. THE ADVISERS ENGAGED BY THE COMPANY FOR THE PURPOSE OF THIS COMBINED OFFER ARE ACTING EXCLUSIVELY FOR THE COMPANY.

THIS COMBINED SECURITIES NOTE DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR THE OFFER SECURITIES 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 SUBSCRIBE FOR ANY OFFER SECURITIES BEING OFFERED 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 OFFER SECURITIES THAT MAY BE ISSUED OR OFFERED BY THE COMPANY SHOULD INFORM THEMSELVES AS TO THE LEGAL REQUIREMENTS OF APPLYING FOR ANY SUCH OFFER 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 COMBINED SECURITIES NOTE IN THE REPUBLIC OF MALTA, NO ACTION HAS BEEN OR WILL BE TAKEN BY THE COMPANY THAT WOULD PERMIT A PUBLIC OFFERING OF THE OFFER 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 OFFER SECURITIES 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, INTO OR WITHIN THE UNITED STATES OF AMERICA (THE "**U.S.**"), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT, 1933 AND APPLICABLE STATE SECURITIES LAWS. FURTHERMORE, THE COMPANY 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. FURTHERMORE, THIS PROSPECTUS DOES NOT CONSTITUTE AN OFFER TO SELL, OR THE SOLICITATION OF AN OFFER TO BUY OR TO SUBSCRIBE FOR, SECURITIES TO ANY PERSON IN ANY OTHER JURISDICTION TO WHOM OR IN WHICH JURISDICTION SUCH OFFER OR SOLICITATION IS UNLAWFUL AND, IN PARTICULAR, IS NOT FOR DISTRIBUTION IN AUSTRALIA, CANADA, JAPAN OR SOUTH AFRICA. NEITHER THE COMPANY NOR ANY OF ITS DIRECTORS ACCEPTS ANY LEGAL RESPONSIBILITY FOR ANY VIOLATION BY ANY PERSON, WHETHER OR NOT A PROSPECTIVE INVESTOR, OF ANY SUCH RESTRICTIONS.

A COPY OF THIS DOCUMENT HAS BEEN SUBMITTED: (I) TO THE MALTA FINANCIAL SERVICES AUTHORITY IN SATISFACTION OF THE CAPITAL MARKETS 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 COMBINED SECURITIES NOTE IS VALID FOR A PERIOD OF 12 MONTHS FROM THE DATE HEREOF. FOLLOWING THE LAPSE OF THIS VALIDITY PERIOD, THE COMPANY IS NOT OBLIGED TO UPDATE THIS COMBINED SECURITIES NOTE IN THE EVENT OF SIGNIFICANT NEW FACTORS, MATERIAL MISTAKES OR MATERIAL INACCURACIES. APPLICATION HAS ALSO BEEN MADE TO THE MALTA FINANCIAL SERVICES AUTHORITY AND THE MALTA STOCK EXCHANGE FOR THE SECURITIES TO BE ADMITTED TO THE OFFICIAL LIST OF THE MALTA STOCK EXCHANGE.

THIS DOCUMENT AND ALL AGREEMENTS, ACCEPTANCES AND CONTRACTS RESULTING THEREFROM SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAWS OF MALTA, AND ANY PERSON ACQUIRING ANY OFFER SECURITIES PURSUANT TO THIS COMBINED SECURITIES NOTE SHALL SUBMIT TO THE EXCLUSIVE JURISDICTION OF THE MALTESE COURTS, WITHOUT LIMITING IN ANY MANNER THE RIGHT OF THE COMPANY (AS THE CASE MAY BE) TO BRING ANY ACTION, SUIT OR PROCEEDING ARISING OUT OF OR IN CONNECTION WITH ANY PURCHASE OF OFFER SECURITIES OR AGREEMENT RESULTING HEREFROM OR THE PROSPECTUS AS A WHOLE IN ANY OTHER COMPETENT JURISDICTION.

THE CONTENTS OF THE COMPANY'S WEBSITE, OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY'S WEBSITE, DO NOT FORM PART OF THE PROSPECTUS, UNLESS OTHERWISE INCORPORATED BY REFERENCE IN THIS 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 OFFER SECURITIES.

ALL THE ADVISERS TO THE COMPANY NAMED IN THE PROSPECTUS UNDER THE HEADING 'ADVISERS' FOUND IN SECTION 4 OF THE REGISTRATION DOCUMENT HAVE ACTED, AND ARE ACTING EXCLUSIVELY, FOR THE COMPANY IN RELATION TO THIS COMBINED SECURITIES NOTE AND THE SECURITIES 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 ADVISERS BEFORE DECIDING TO MAKE AN INVESTMENT IN THE OFFER SECURITIES.

1. DEFINITIONS

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

Applicant/s	a person or persons whose name or names (in the case of joint applicants) appear in the registration details of an Application Form;
Application/s	the application to subscribe for the Offer Securities made by an Applicant/s through a customised IT system available at any of the Authorised Financial Intermediaries;
Application Form/s	the application through a customised IT system available at any of the Authorised Financial Intermediaries to subscribe for the Offer Securities, specimen of which are contained in Annex II of this Combined Securities Note;
Authorised Financial Intermediaries	the licensed stockbrokers and financial intermediaries listed in Annex I of this Combined Securities Note;
Bond Issue Price	€100 per bond;
Bondholder	a holder of the Bonds;
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;
CSD	the Central Securities Depository of the MSE, having its address at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Cut-Off Date	close of business 17 December 2021 (trading session of 15 December 2021);
Existing Shareholders	the shareholders of the Company as at the date of this Prospectus, namely: <ol style="list-style-type: none">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 Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta; andAX Finance Limited, a limited liability company registered under the laws of Malta with company registration number C 6867 and having its registered address as AX Group, AX Business Centre, Triq id-Difiza Civili, Mosta MST 1741, Malta;
Lock-In Agreement	the lock-in agreement dated 11 November 2021, entered into between the Company and the Locked-In Shareholder, as described in further detail in section 5.2 of this Combined Securities Note;
Locked-In Shareholder	the major shareholder of the Company, that is, AX Group p.l.c.;
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 commencing at 08:30 hours on 10 January 2022 and lapsing at 16:00 hours on 21 January 2022, (or such earlier date as may be determined by the Company) during which the Offer Shares and the Bonds will be available for subscription to Preferred Applicants and the general public;
Offer Price	the price of €0.60 per Offer Share, save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share, resulting in a price of €0.54 per Offer Share) shall apply;

Preferred Applicants	collectively, without any priority or preference among themselves: a. holders of: i. the €15 million unsecured bonds due 2026 of a nominal value of €100 per bond, issued by AX Group p.l.c. (C 12271), 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 I); ii. the €10 million unsecured bonds due 2029 of a nominal value of €100 per bond, issued by AX Group p.l.c. (C 12271), redeemable at their nominal value on the relevant redemption date, bearing interest at the rate of 3.75% per annum and having ISIN MT0002361211 (Series II); and, or iii. the €40 million unsecured bonds due 2024 of a nominal value of €100 per bond, issued by AX Investments p.l.c. (C 27586), redeemable at their nominal value on the Redemption Date, bearing interest at the rate of 6% per annum and having ISIN MT0000081233, as at the Cut-Off Date; and b. employees of the AX Group who have been in employments since at least 31 October 2021;
Shareholder	a holder of Shares in the Company; and
Terms and Conditions	the terms and conditions applicable to the Offer Shares and the Bonds forming part of the Combined Offer as contained in sections 5,6 and 10 of this Combined 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*;
- c. the word “*may*” shall be construed as permissive and the word “*shall*” shall be construed as imperative;
- d. all references in this Securities Note to “*Malta*” shall be construed as defined in Article 124 (1) of the Constitution of Malta;
- e. any phrase introduced by the terms “*including*”, “*include*”, “*in particular*” or any similar expression is illustrative only and does not limit the sense of the words preceding those terms; and
- f. any reference to a law, legislative act, and, or other legislation shall mean that particular law, legislative act and, or legislation as in force as the date of this Securities Note.

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 OFFER SECURITIES INVOLVES CERTAIN RISKS, INCLUDING THOSE DESCRIBED BELOW. PROSPECTIVE INVESTORS SHOULD CAREFULLY CONSIDER, WITH THEIR OWN INDEPENDENT FINANCIAL AND OTHER PROFESSIONAL ADVISERS, THE FOLLOWING RISK FACTORS AND OTHER INVESTMENT CONSIDERATIONS, AS WELL AS ALL THE OTHER INFORMATION CONTAINED IN THE PROSPECTUS, BEFORE DECIDING TO MAKE AN INVESTMENT IN THE OFFER SECURITIES. SOME OF THESE RISKS ARE SUBJECT TO CONTINGENCIES WHICH MAY OR MAY NOT OCCUR AND THE DIRECTORS OF THE COMPANY ARE NOT IN A POSITION TO EXPRESS ANY VIEWS ON THE LIKELIHOOD OF ANY SUCH CONTINGENCIES OCCURRING.

THE RISK FACTORS BELOW HAVE BEEN CATEGORISED UNDER THREE MAIN CATEGORIES, AS FOLLOWS: (I) RISKS COMMON TO ALL OFFER SECURITIES; (II) RISKS SPECIFIC TO OFFER SHARES; AND (III) RISKS SPECIFIC TO BONDS. THE RISK FACTOR FIRST APPEARING UNDER EACH CATEGORY CONSTITUTES THAT RISK FACTOR THAT THE DIRECTORS OF THE COMPANY HAVE ASSESSED TO BE, AS AT THE DATE OF THIS COMBINED SECURITIES NOTE, THE MOST MATERIAL RISK FACTOR UNDER SUCH CATEGORY AND WHICH CAN BE CORROBORATED BY THE NATURE OF THE OFFER

SECURITIES, AND THE TERMS AND CONDITIONS THEREOF, THAT ARE SUBJECT TO THE OFFERS BEING MADE UNDER THIS COMBINED SECURITIES NOTE. IN MAKING THIS ASSESSMENT OF MATERIALITY, THE DIRECTORS OF THE COMPANY 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 COMPANY AND ITS OFFER SECURITIES IF SUCH RISK FACTOR WERE TO MATERIALISE.

AN INVESTMENT IN A COMBINATION OF OFFER SHARES AND BONDS WOULD INVOLVE ALL RISKS IDENTIFIED IN EACH OF THE THREE MAIN CATEGORIES OF RISKS IDENTIFIED IN THIS DOCUMENT, NAMELY: (I) RISKS COMMON TO ALL OFFER SECURITIES; (II) RISKS SPECIFIC TO OFFER SHARES; AND (III) RISKS SPECIFIC TO BONDS. AN INVESTMENT EXCLUSIVELY IN THE OFFER SHARES WOULD INVOLVE THOSE RISKS WHICH HAVE BEEN CATEGORISED AS: (I) RISKS COMMON TO ALL OFFER SECURITIES; AND (II) RISKS SPECIFIC TO OFFER SHARES. AN INVESTMENT EXCLUSIVELY IN THE BONDS (SUBJECT TO A MINIMUM OF €250,000 AS EXPLAINED IN FURTHER DETAIL IN SECTION 8.2 OF THIS SECURITIES NOTE) WOULD INVOLVE THE RISKS WHICH HAVE BEEN CATEGORISED AS: (I) RISKS COMMON TO ALL OFFER SECURITIES AND (III) RISKS SPECIFIC TO THE BONDS.

IF ANY OF THE RISKS DESCRIBED BELOW WERE TO MATERIALISE, IT COULD HAVE A SERIOUS EFFECT ON THE VALUE OF THE OFFER SECURITIES. THE RISKS AND UNCERTAINTIES DISCUSSED BELOW ARE THOSE IDENTIFIED AS SUCH BY THE DIRECTORS, BUT THESE RISKS AND UNCERTAINTIES MAY NOT BE THE ONLY ONES THAT RELATE TO INVESTING IN THE OFFER SECURITIES. ADDITIONAL RISKS AND UNCERTAINTIES, INCLUDING THOSE WHICH THE DIRECTORS ARE NOT CURRENTLY AWARE OF, OR CURRENTLY DEEM TO BE IMMATERIAL, MAY WELL RESULT IN A MATERIAL IMPACT ON THE INVESTMENTS IN THE OFFER SECURITIES AND THE VALUE THEREOF.

NEITHER THIS COMBINED SECURITIES NOTE, NOR ANY OTHER PARTS OF THE PROSPECTUS INCORPORATED BY REFERENCE THEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION WITH THE SECURITIES: (I) IS INTENDED TO PROVIDE THE BASIS OF ANY CREDIT OR OTHER EVALUATION; OR (II) SHOULD BE CONSIDERED OR CONSTRUED TO CONSTITUTE, A RECOMMENDATION BY THE COMPANY, THE ADVISERS LISTED IN THE PROSPECTUS, OR ANY OF THE OTHER AUTHORISED FINANCIAL INTERMEDIARIES, TO PURCHASE, OR SUBSCRIBE TO, THE SECURITIES, AS APPLICABLE.

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

2.1. RISKS COMMON TO ALL OFFER SECURITIES

2.1.1. FORWARD-LOOKING STATEMENTS

This Combined Securities Note includes 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, including the terms "*believes*", "*estimates*", "*anticipates*", "*expects*", "*intends*", "*may*", "*will*" or "*should*" or, in each case, their negative or other variations or comparable terminology. These forward-looking statements relate to matters that are not historical facts. They appear in a number of places throughout the Prospectus and include statements regarding the intentions, beliefs or current expectations of the Company and, or the Directors concerning, amongst other things, the Company's and, or the Group's strategy and business plans, capital requirements, results of operations, financial condition, liquidity, prospects and dividend policy of the Company, 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 Company's and, or the Group's actual results of operations, financial condition, liquidity, dividend policy and the development of its strategy 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, liquidity, and dividend policy of the Company 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. Important factors that may cause these differences include, but are not limited to, changes in global and local economic conditions, legislative and regulatory developments, changes in taxation regimes and the availability of suitable financing.

Potential investors are advised to read the Prospectus in its entirety and, in particular, all the risk factors set out in this section, for a review of the factors that could affect the Company's future 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 Company 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.

2.1.2. SUITABILITY

An investment in the Offer Securities may not be suitable for all recipients of the Prospectus and prospective investors are urged to consult a licensed stockbroker or an investment adviser licensed under the Investment Services Act (Chapter 370 of the laws of Malta) as to the suitability or otherwise of an investment in the Offer Securities 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 Offer Securities, the merits and risks of investing in the Offer Securities 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 Offer Securities, including where the currency for principal or interest payments is different from the prospective investor's currency and that the Offer Securities meet the investment objectives of the prospective investor;
- c. understands thoroughly the terms of the Offer Securities 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 Offer Securities and the inherent risks associated with the Company'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.

2.1.3. NO PRIOR MARKET FOR THE SECURITIES

Prior to the Combined Offer and admission of the Securities to listing and trading, there has been no public market for the Securities within or outside Malta. Due to the absence of any prior market for the Securities, there can be no assurance that the price of the Securities will correspond to the price at which the Securities will trade in the market subsequent to the Combined Offer. The market price of the Securities 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.

2.1.4. ORDERLY AND LIQUID MARKET

The existence of an orderly and liquid market for the Securities depends on a number of factors, including but not limited to the presence of willing buyers and sellers of the Securities at any given time and the general economic conditions in the market in which the Securities are traded. Such factors are dependent upon the individual decisions of investors and the general economic conditions of the market, over which the Company has no control.

The emergence of the COVID-19 pandemic in Q1 2020 has resulted in a highly volatile economy with the magnitude of the downturn in terms of depth and duration particularly uncertain across the globe. The exact nature of the risks that the Company faces and the manner and the extent to which they ultimately will impact the Company is difficult to predict and to guard against in the light of: (i) the uncertainty as to the duration and depth of the impact of the COVID-19 pandemic; (ii) the difficulties in predicting whether recoveries will be sustained and at what rate; and (iii) the fact that the risks are totally or to a large extent outside the control of the Company. Accordingly, there can be no assurance that an active secondary market for the Securities will develop, or, if it develops, that it will continue. Should there not be a liquid market in the Offer Shares, investors may not be able to sell the Offer Shares at or above the Offer Price, or at all. Furthermore, there can be no assurance that an investor will be able to trade in the Offer Shares and, or the Bonds at all. Furthermore, there can be no assurance that the Offer Price will correspond to the price at which the Offer Shares will trade in the market subsequent to the Share Offer.

2.1.5. FURTHER PUBLIC OFFERS

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

2.1.6. CURRENCY OF REFERENCE

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

2.1.7. CONTINUING OBLIGATIONS

After the Securities are admitted to trading on the Official List of the MSE, the Company must remain in compliance with certain requirements. The MFSA has the authority to suspend trading of either or both of the types of Securities 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 MFSA may discontinue the listing of either or both of the types of Securities if, *inter alia*, it is satisfied that, owing to special circumstances, normal regular dealings in the Listed Shares and, or Bonds are no longer possible, or upon the request of the Company 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 Listed Shares and, or the Bonds.

2.2. RISKS SPECIFIC TO THE OFFER SHARES

2.2.1. DIVIDENDS

Save for the committed dividend during the first two financial years post subscription, explained in further detail in section 19.2 of the Registration Document, there is no guarantee that dividends will be paid by the Company. Any dividend on the Shares will be limited by the performance of the Company and, in turn, on the performance of its Subsidiaries, on which it is dependant. The Company's dividend policy is described in section 19.2 of the Registration Document (*'Dividend Policy'*) and should not be construed as a dividend forecast.

The extent of any dividend distribution by the Company will depend upon, amongst other factors, the profit available for distribution for the year, the Directors' view on the prevailing market outlook, any debt servicing requirements, the cash flows of the Company, working capital requirements, the Board's view on current or future investments, and the requirements of the Act. In terms of Maltese law, a company shall not make a distribution except out of profits available for the purpose, or if the Directors conclude it would not be in the best interests of the Company. Any of the foregoing could limit the payment of dividends to Shareholders or, if the Company does pay dividends, the amount of such dividends.

2.2.2. VOLATILITY IN THE MARKET PRICE OF LISTED SHARES

Prospective investors should be aware that, following admission of the Listed Shares to listing and trading, the value of an investment in the Offer Shares may decrease or increase abruptly, which may prevent Shareholders from being able to sell their shares at or above the price they paid for them and the Offer Price may not be indicative of prices that will prevail in the trading market.

The price of the Listed Shares may fall in response to market appraisal of the Company's strategy, if the Company's operating results and, or prospects are below expectation of market analysts or Shareholders, in response to regulatory changes affecting the Company's operations. Moreover, stock markets may, from time to time, experience significant price and volume fluctuations which affect the market price of equity securities. A number of factors, some of which are outside the control of the Company, may impact the price and performance of the Listed Shares, including:

- prevailing economic conditions in Malta and conditions or trends in the Maltese property market generally;
- subsequent changes in market interest rates which may adversely affect the value of the Listed Shares;
- differences between the Company's expected and actual operating performance as well as between expected and actual performance of the property rental industry generally;
- strategic actions by the Company or its competitors, such as mergers, acquisitions, partnerships and restructurings;
- speculation, whether or not well-founded, about possible changes in the Company's management team;
- the publication of research reports by analysts or failure to meet analysts' forecasts; and
- regulatory changes.

2.2.3. FURTHER OFFERS OF SHARES

Other than in connection with the Combined Offer, the Company has no current plans for an offering of new shares, although it is possible that the Company may decide to do so in future. Future offerings of new shares, or the availability for sale of substantial amounts of shares in the public market: (i) could dilute the holdings of Shareholders not partaking in such offer or sale of shares; and, or (ii) could also adversely affect the prevailing market price of the shares and may make it more difficult for Shareholders to sell shares at a time and price that they deem appropriate; and, or (iii) could also impair the Company's ability to raise capital through future offers of shares.

2.2.4. LOCK-IN ARRANGEMENT

The Company is unable to predict whether, following the termination of the lock-in restrictions put in place in connection with the Share Offer (further described in section 5.2 below), a substantial amount of Listed Shares may be sold in the open market by the Locked-In Shareholder, as subject to such restrictions. Any sales of substantial amounts of Listed Shares in the public market by the Locked-In Shareholder, or the perception that such sales might occur, could result in a material adverse effect on the market price of the Offer Shares.

A downturn in the market price of the Offer Shares due to an increased supply of Listed Shares on the secondary market by the Existing Shareholders may make it more difficult for other Shareholders to sell Offer Shares at a time and price that they deem appropriate, and could also impede the Company's ability to issue equity securities in the future.

2.3. RISKS SPECIFIC TO BONDS

2.3.1. RANKING OF THE BONDS

The Bonds constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank *pari passu*, without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company. This means that any secured or privileged debts of the Company shall rank at all times ahead of the obligations of the Company 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, third-party security interests may be registered

which will rank in priority to the Bonds against the assets of the Company, as the case may be, for so long as such security interests remain in effect.

2.3.2. AMENDMENTS TO THE TERMS AND CONDITIONS OF THE BONDS

The Terms and Conditions of the Bonds contain provisions for calling meetings of Bondholders to consider matters affecting their interests generally. In the event that the Company 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 6.2 of this Combined 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.

2.3.3. CHANGES IN LAW

The Terms and Conditions of the Bonds are based on Maltese law in effect as at the date of this Combined Securities Note. 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 Combined Securities Note.

2.3.4. INTEREST RATE RISK

The Bonds are fixed-rate debt securities. Investment in the Bonds involves the risk that subsequent changes in market interest rates may adversely affect the market value of the Bonds. Investors should be aware that because of the way yield is typically calculated by market participants, the price of fixed income securities tends to move in a way that is inversely proportional to changes in interest rates. Accordingly, when prevailing market interest rates are rising, the prices that market participants will generally be willing to pay for the Bonds can be expected to decline. Conversely, if market interest rates are declining, secondary market prices for the Bonds will tend to rise.

3. PERSONS RESPONSIBLE AND CONSENT FOR USE OF PROSPECTUS

3.1. PERSONS RESPONSIBLE

All of the Directors of the Company, whose names and functions appear under the subheading '*The Board of Directors of the Company*' in section 14.1 of the Registration Document, accept responsibility for the information contained in this Combined Securities Note. 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 Combined Securities Note is in accordance with the facts and does not omit anything likely to affect the import of such information. The Directors accept responsibility accordingly.

All representations and other statements made in the Prospectus are made by the Company, and the Directors of the Company take sole responsibility for all such representations and statements. The Company's advisers have advised and assisted the Company in the preparation of this document, but none make any representation or statement, unless otherwise expressly stated in the Prospectus, and each of them disclaims any responsibility for any representations and other statements made in the Prospectus.

3.2. CONSENT REQUIRED IN CONNECTION WITH THE USE OF THE PROSPECTUS BY THE AUTHORISED FINANCIAL INTERMEDIARIES

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

- i. in respect of the Offer Securities subscribed for through Authorised Financial Intermediaries listed in Annex I of this Combined Securities Note;
- ii. to any resale or placement of the Offer Securities subscribed as aforesaid, taking place in Malta; and, or

- iii. to any resale or placement of the Offer Securities taking place within the period of 60 days from the date of the Prospectus.

None of the Company, the Sponsors, the Manager and Registrar or any of their respective advisers take any responsibility for any of the actions of any Authorised Financial Intermediary, including their compliance with applicable conduct of business rules or other local regulatory requirements or other securities law requirements in relation to a resale or placement of the Offer Shares and, or the Bonds.

Other than as set out above, neither the Company nor its advisers 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 Offer Shares and, or Bonds by any person in any circumstances. Any such unauthorised offers are not made on behalf of the Company or the advisers and neither the Company nor the advisers have 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 Company or its advisers. The Company does not accept responsibility for any information not contained in this Prospectus.

In the event of a resale, placement or other offering of the Offer Shares and, or 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 Offer Shares and, or 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 Company nor its advisers have 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 Offer Shares and, or the Bonds subsequent to the Combined Offer 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 Company 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 Combined Securities Note will be made available by the Company through a company announcement which will be made available on the Company's website: <https://axrealestate.mt>

4. ESSENTIAL INFORMATION

4.1. WORKING CAPITAL STATEMENT

The Directors of the Company, after reasonable inquiry, are of the opinion that the working capital available to the Group, after taking into consideration the proceeds from the Combined Offer, is sufficient for the present business requirements for the next twelve (12) months of operations.

4.2. CAPITALISATION AND INDEBTEDNESS

This section includes a summary of the capitalisation and net indebtedness position of the Company:

Statement of Indebtedness	Company	Company	Company	Group	Company
	31 Oct	31 Oct	30 April	30 April	30 Sept
	2019	2020	2021	2021	2021
				(Proforma)	
	audited	audited	unaudited	unaudited	Unaudited
	€000	€000	€000	€000	€000
Cash and cash equivalents	-	-	-	1,334	51
Liquidity (A)	-	-	-	1,334	51
Current financial debt (unsecured)	-	2,774	3,039	1,959	6,987
Current portion of non-current bank debt (secured and guaranteed)	-	-	-	2,822	-
Current financial indebtedness (B)	-	2,774	3,039	4,781	6,987
Net current financial indebtedness (B) – (A) = (D)	-	2,774	3,039	3,447	6,936
Non-current financial debt (secured and guaranteed)	-	-	-	8,713	-
Non-current financial debt (unsecured)	5,157	-	-	74,316	-
Non-current financial indebtedness (C)	5,157	-	-	83,029	-
Net financial indebtedness (D) + (C)	5,157	2,774	3,039	86,476	6,936

As at 30 September 2021, the Company's net indebtedness position amounted to €6.9 million. This balance relates to related party balances and has increased by a value of €2.8 million compared to the value reported as at 31 October 2020. The increase mostly relates to the conversion of the capital contribution of €3,500,000 as at 31 October 2020 and 30 April 2021 back into a related party balance. The Company has recently undertaken a reorganisation process as described in section 6.1 ('Group Reorganisation') of the Registration Document, which has significantly altered the funding base of the Company. Additional details are presented in section 9 ('Operating and Financial Review') of the Registration Document.

On a pro-forma basis, as at 30 April 2021, the net indebtedness position of the Estates Group post-reorganisation stood at €86.49 million and this comprised of:

- positive bank balances of €1.33 million;
- bank debt of €11.54 million;
- related party balances amounting to €74.32 million; and
- other financial debt amounting to €1.96 million.

	Company	Company	Company	Group	Company
	31 Oct	31 Oct	30 April	30 April	30 Sept
	2019	2020	2021	2021	2021
	audited	audited	unaudited	(Proforma) unaudited	unaudited
	€000	€000	€000	€000	€000
Statement of capitalisation					
Current debt (including current portion of non-current debt)					
Bank debt (secured and guaranteed)	-	-	-	2,822	-
Third party debt (unsecured)	-	-	-	1,959	-
Related party borrowings (unsecured)	-	2,774	3,039	-	6,987
Total current debt	-	2,774	3,039	4,781	6,987
Non-current debt (including current portion of non-current debt)					
Bank debt (secured and guaranteed)	-	-	-	8,713	-
Related party borrowings (unsecured)	5,157	-	-	74,316	-
Total non-current debt	5,157	-	-	83,029	-
Shareholders' equity					
Called up and issued ordinary 'A' shares	1	1	1	22,500	50
Called up and issued ordinary 'B' shares	-	-	-	50,000	-
Capital contribution	-	3,500	3,500	-	-
Retained Earnings	14	172	248	14,075	287
Revaluation reserves	-	-	-	38,682	-
Other reserves	-	-	-	331	-
Total shareholders' equity	15	3,673	3,749	125,588	337
Total capitalisation	5,172	6,447	6,788	208,617	7,324

The bank facilities of the Estates Group are secured by general hypothecs over the Estates Group's assets, by special hypothecs on AX The Palace Hotel situated in Sliema, AX Seashells Resort at Suncrest situated in Qawra, and the Targa Gap complex situated in Mosta, and by pledges over various insurance policies and guarantees given by AX Group p.l.c.. Such facilities bear interest at interest rates ranging from 3.25% p.a. to 5.15% p.a. as at 30 April 2021. No bank overdraft facilities have been utilised by the Company or its Subsidiaries to date.

As at 30 April 2021, the Estates Group had a number of related party loans, one of which being the loan between AX Investments p.l.c. and Simblija Developments Limited dated 1 April 2014, in terms of which AX Investments p.l.c. advanced a portion of the net proceeds from the issue by AX Investments p.l.c. of €40 million bonds due 2024, to Simblija Developments Limited, for the purpose of constructing the Simblija Care Home & Hilltop Gardens Retirement Village. The outstanding balance due by Simblija Developments

Limited in favour of AX Investments p.l.c. is currently approximately €15 million. This loan bears interest at the rate of 6.25% per annum until FY2023, and thereafter interest at the rate of 3% per annum over EURIBOR. Pursuant to an amendment and restatement agreement entered into between the parties, the interest payable on the outstanding balance will be deferred until 31 January 2032.

Another related party loan relevant to the Estates Group is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company pursuant to which *circa* €58.4 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from *inter alia* the Group Reorganisation, and the assignment of certain debts by AX Group to the Company. The Company intends to partly settle the outstanding debt from the proceeds of the Combined Offer, in the amount of *circa* €8.7 million or, in the event that the Company exercises the Over-allotment Option, in the amount of *circa* €18.5 million. Such agreement is unsecured and bears interest at 3% per annum over EURIBOR which will be deferred until 31 January 2032.

Related to this are the intragroup debt agreements between the Company, as lender, and various Subsidiaries listed below, as borrowers, pursuant to which the respective Subsidiaries owe *circa* €34 million in aggregate to the Company, in connection with the abovementioned assignment of certain debts previously due by the Subsidiaries listed below to AX Group p.l.c.

As at 31 October 2021, the following amounts are owed by the Subsidiaries to the Company:

- *circa* €27.0 million owed by Central Leisure Developments Limited;
- *circa* €1.7 million owed by Simblija Developments Limited;
- *circa* €1.6 million owed by Palazzo Merkanti Limited;
- *circa* €0.3 million owed by St. John's Boutique Hotel Limited; and
- *circa* €3.7 million owed by Skyline Developments Limited.

Authorised and contracted commitments for capital expenditure with respect to the development and completion of an office block at Falcon House and a warehouse at Hardrocks Business Park as at 30 April 2021 amounted to *circa* €0.7 million.

The Company's total equity increased from €15,336 as at 31 October 2019 to €3.7 million as at 31 October 2020. The increase is mainly driven by capital contributions of €3.5 million in 2020 in relation to related party loans which were recorded in 2019 in relation to the investment property transferred into the Company upon its inception, as well as increases in retained earnings of the Company from profits over the historical period. Furthermore, the total equity position of the Company as at 30 April 2021 stood at €3.7 million with the change from the previous year being attributable to an increase in retained earnings of the Company from profits generated during the period.

On a pro-forma basis, the total equity of the Estates Group was valued at €125.6 million which comprises the issue of €50 million ordinary 'B' shares to AX Group p.l.c. to part-finance the Group Reorganisation. These shares do not carry any voting rights but are entitled to participate in dividend distributions and profit sharing together with holders of the Listed Shares. Shareholders' equity as at 30 April 2021 on a pro-forma basis also includes revaluation reserves and retained earnings.

As at 30 September 2021, the Company's total capitalisation amounted to €7.3 million that included €50,000 in ordinary 'A' shares and €286,634 retained earnings. This also includes related party balances of €6,987,362. The increase from 30 April 2021 mostly relates to the conversion of the capital contribution of €3,500,000 back into a payable. These balances were not subject to any interest. By 31 October 2021, these balances were part of the related party loan which is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company as mentioned above.

4.3. INTEREST OF NATURAL AND LEGAL PERSONS IN THE COMBINED OFFER

Following the admission of the Securities to listing and trading on the Official List, as further explained and save as otherwise specified in section 5.1 below, the Existing Shareholders will, in aggregate amongst themselves, retain an 88.23% interest in the entire issued share capital of the Company, and a 75% interest in the Listed Shares. Of these, the following members of the Board of Directors are expected to retain, in

aggregate amongst themselves, 62% of the entire issued share capital of the Company and around 53% of the Listed Shares: Mr Angelo Xuereb and Ms Denise Micallef Xuereb, indirectly through their holding in AX Group p.l.c.

Save for the above, and save for the possible subscription for Offer Securities by Authorised Financial Intermediaries (which includes the Sponsors, the Manager and the Registrar) and any fees payable to the Company's advisers in connection with the Combined Offer, respectively, so far, as the Company is aware, no other person involved in the Combined Offer has an interest, conflicting or otherwise, material to the Combined Offer.

4.4. REASONS FOR THE COMBINED OFFER AND EXPENSES

4.4.1. REASONS FOR THE COMBINED OFFER

The Combined Offer follows a reorganisation process at the level of the AX Group which will result in the property-owning companies forming part thereof converging into a single division of the AX Group, that is the Estates Group (as detailed further in section 6.1 of the Registration Document).

The Directors believe that the Estates Group is well-poised for entry into the capital markets, which will aid future growth, if required, and enhance the profile of the Estates Group distinctly from that of its parent company, AX Group p.l.c.

The Combined Offer shall be for the benefit of the Estates Group. The proceeds from the Combined Offer, which, net of estimated bond and equity issue costs of *circa* €1.3 million, would amount to €58.7 million, or up to *circa* €68.5 million in the case of the exercise by the Company of the Over-allotment Option (net of estimated bond and equity issue costs of *circa* €1.5 million, excluding any discounts applicable on the Offer Shares subject to section 8.8 of this Securities Note), will be applied towards the following uses, in the order of priority listed hereunder:

- a. *circa* €25.6 million will be applied to the part-financing of 'Phase 1' (of two) of the Qawra project, as further described in section 8.1.4 of the Registration Document ("**Qawra Phase 1 Project**"). The Qawra Phase 1 Project comprises: (i) the extension of the Seashells Resort at Suncrest by way of four additional floors; (ii) the redevelopment of the lido; and (iii) moveable capital additions related specifically to the hotel operations aspect. The full development and refurbishment cost of the Qawra Phase 1 Project is expected to reach *circa* €52 million. The part-financing of the Qawra Phase 1 Project referred to herein amounting to €25.6 million shall be limited to item (i) hereof, whereas item (ii) will be funded from internal cash resources, and item (iii) will be financed by AX Hotel Operations p.l.c. (C 40905);
- b. *circa* €14.4 million will be utilised for the general corporate funding purposes of the Estates Group, which may or may not include the part funding of the lido at the Seashells Resort at Suncrest referred to in item (a)(ii) above following issuance of the necessary full development permit;
- c. *circa* €10 million will be applied to the part-financing of the development by Heritage Developments Limited (C 14217) and Royal Hotels Limited (C 16994) of the Verdala Hotel, and the refurbishment of the Verdala Hotel Annex (each as defined in the Registration Document), as further described in section 8.1.3 of the Registration Document ("**Verdala Project**"). The full development cost of the Verdala Project is expected to amount to €11.5 million. The remaining balance of €1.5 million will be funded from internal cash generation; and
- d. *circa* €8.7 million, or up to *circa* €18.5 million in the case of the exercise by the Company of the Over-allotment Option, or between *circa* €2.0 million and *circa* €8.7 million in the event of under-subscription of the Share Offer (subject to a minimum threshold of €12 million), will go towards the repayment in part of an existing intragroup loan entered into by and between the Company (in its capacity as borrower) and AX Group p.l.c. (in its capacity as lender), in connection with, *inter alia*, the settlement of consideration due for the purpose of the Group Reorganisation.

For the purpose of the uses specified above in paragraphs (a) and (b) above, the following intra-group loan agreements shall be entered into:

- a. An intra-group loan agreement by and between the Company, as lender, and Suncrest Hotels p.l.c., as borrower, in an amount of €25.6 million, for the purpose of part-financing the Qawra Phase 1 Project to the extent specified in para (a) above;

- b. (i) An intra-group loan agreement by and between the Company, as lender, and Royal Hotels Limited, as borrower, in an amount of €9.4 million, for the purpose of funding the development of the Verdala Hotel; and

- (ii) An intra-group loan agreement by and between the Company, as lender, and Heritage Developments Limited, as borrower, in an amount of €0.6 million, for the purpose of funding the refurbishment of the Verdala Hotel Annex.

Such facilities shall provide for drawdown mechanisms linked to the programme of works of the Qawra Phase 1 Project and the Verdala Project, as applicable, such that not all of the Combined Offer proceeds will be utilised immediately following conclusion of the Combined Offer.

Insofar as the Share Offer is concerned, in the event that following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60):

- i. no allotment of Offer Shares will be made;
- ii. for the purposes of the Share Offer, the subscription for the Offer Shares shall be deemed not to have been accepted by the Company; and
- iii. all proceeds received from Applicants specific to the Share Offer shall be refunded accordingly.

If the Share Offer is under-subscribed and the abovementioned minimum threshold is not met, to the effect that no allotment of Offer Shares is made and all proceeds from the Share Offer are refunded to Applicants, proceeds from the Combined Offer (in effect, limited to the Bond Issue) will be applied exclusively to part-finance the Qawra Phase 1 Project to the extent specified in para (a) above and for general corporate funding purposes as specified in item (b) above. Accordingly, in such case, the Verdala Project will not be part-financed through the proceeds of the Combined Offer, and the cost for its completion will be financed through alternative means.

If on the other hand the Share Offer is under-subscribed however the abovementioned minimum threshold is met, the proceeds from the Share Offer will be applied to part-finance the Verdala Project to the extent specified in para (c) above and any remaining balance of proceeds shall be applied to the repayment in part of intragroup loan to the extent specified in para (d) above, with the outstanding balance on such loan to be financed through alternative means.

4.4.2. EXPENSES

The expenses payable in respect of the Combined Offer, including professional, publicity, printing, the fees payable to the advisers, listing and other miscellaneous expenses or fees, are expected to amount to *circa* €1.3 million (or *circa* €1.5 million in the case of the exercise of the Over-allotment Option), shall be borne exclusively by the Company and accordingly shall be deducted from the proceeds of the Combined Offer.

5. INFORMATION ABOUT THE OFFER SHARES

Description, Amount and Class	33,333,333 ordinary 'A' shares (or up to 50,000,000 ordinary 'A' shares in the event of the exercise of the Over-allotment Option) of a nominal value of €0.125 per share are being offered pursuant to the Share Offer at an Offer Price of €0.60 per Offer Share save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share, resulting in a price of €0.54 per Offer Share) shall apply;
ISIN	MT0002570100;
Dematerialised and uncertificated form	The Offer Shares in the Company will be issued in registered form and, until they are admitted to the Official List of the MSE, they will be in fully-certificated form. The share certificates currently in issue are evidence provided by the Company to its Existing Shareholders of the relevant entry in the register of members of the Company of the Shares held by such members. Following their admission to the Official List of the MSE the ordinary 'A' shares will be in registered dematerialised form and be held in book-entry form at the CSD in accordance with the requirements of the MSE or in such other form as may be determined from time to time by applicable law, the requirements of the MSE or the Company;
Currency of Shares	Euro (€);
Rights attaching to the Offer Shares	The Offer Shares form part of the class of ordinary 'A' shares in the Company. The following are highlights of the rights attaching to the Offer Shares:

Dividends

The Offer Shares shall carry the right to participate in any distribution of dividend declared by the Company *pari passu* with any other Shares in the Company. Details on the dividend policy is found in section 19.2 of the Registration Document.

Voting Rights

Each Offer Share shall be entitled to one vote at meetings of Shareholders.

Pre-emption Rights

In accordance with article 88 of the Act, should any shares in the Company be proposed for allotment for consideration in cash, the Company must, on a pre-emptive basis, offer existing holders a proportion of such shares which are as nearly as practicable equal to the proportion in nominal value held by him/her/it of the aggregate Shares in issue in the Company immediately prior to the new issue of shares. The obligation of the Company to offer shares to existing Shareholders on a pre-emptive basis would not, however, apply to shares issued and allotted to employees of the Company pursuant to any scheme to be approved by the Shareholders.

A copy of any offer of subscription on a pre-emptive basis indicating the period within which this right must be exercised must be delivered to the Registrar of Companies at the Malta Business Registry for registration. This right of pre-emption must be exercised in accordance with the terms and conditions set out in the Articles of the Company and the said right may be assigned in favour of third parties.

This right of pre-emption may be withdrawn by an extraordinary resolution of the general meeting of Shareholders, in which case the Directors will be required to present to that general meeting a written report indicating the reasons for restriction/withdrawal of the said right and justifying the issue price.

Capital Distributions

The Offer Shares shall carry the right for the holders thereof to participate in any distribution of capital made, whether in the context of a winding up or otherwise, *pari passu* with all other ordinary shares of the Company.

Conversion and Redemption of Shares

In terms of the Articles and the Act, the Company may, by ordinary resolution, convert any paid-up shares into stock, and re-convert any stock into paid-up shares of any denomination. Further details on the rights of conversion are included in articles 61 to 64 of the Articles. The Offer Shares are not redeemable or convertible into any other form of security.

Restrictions on Transferability

Save for the restrictions on free transferability applicable to the Locked-In Shareholder in terms of the Lock-In Agreement as explained further in section 5.2 below, the Offer Shares are freely transferable and following admission to listing on the Official List of the MSE shall be transferable in accordance with the applicable rules and procedures of the Official List of the MSE, as may be applicable from time to time.

The minimum initial subscription amount of 5,000 Offer Shares shall only apply during the Offer Period. As such, no minimum holding requirement shall be applicable once the Offer Shares are admitted to listing on the Official List of the MSE and commence trading thereafter subject to trading in multiples of one Share.

Any person becoming entitled to any Shares in consequence of the death or bankruptcy of a Shareholder may, upon such evidence being produced as may from time to time properly be required by the Company or the CSD, elect either to be registered himself as holder of the Shares or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects 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 Share, or procuring the transfer of the Share, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Shares and to any applicable laws and regulations.

The cost and expenses of effecting any registration of transfer or transmission, except for the expenses of delivery by any means other than regular mail (if any) and except, if the Company 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 holder of the Shares, that is, by the relevant transferor and, or transferee as may be agreed among them, or otherwise in accordance with applicable law.

Mandatory Takeover Bids, Squeeze-Out and Sell-Out Rules Chapter 11 of the Capital Markets Rules, implementing the relevant provisions of Directive 2004/25/EC of the European Parliament and of the Council of 21 April 2004, regulates the acquisition by a person or persons acting in concert of the control of a company and provides specific rules on takeover bids and the squeeze-out and sell-out mechanisms. The Shareholders of the Company may be protected by the said Capital Markets Rules in the event that the Company is the subject of a Takeover Bid (as defined therein). The Capital Markets Rules may be viewed on the official website of the MFSA – www.mfsa.mt. Chapter 11 of the Capital Markets Rules may be subject to changes following the publication of this Prospectus. Investors should consult with their advisers as to the implications of such changes as, if and when amendments to Chapter 11 of the Capital Markets Rules take effect.

Governing Law The Offer Shares were created in terms of the Act and 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 Shares, provided nothing shall limit the right of the 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.

5.1. DILUTION FOLLOWING SHARE OFFER

As at the date of this Prospectus, the Existing Shareholders hold, in the aggregate, 100,000,000 ordinary 'A' shares in the issued share capital of the Company, of a nominal value of €0.125 each, and 150,000,000 ordinary 'B' shares, of a nominal value of €0.125 each, equivalent in the aggregate to 100% of the issued share capital of the Company as at the date hereof, divided as follows:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
AX Group p.l.c.	99,998,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	99.999%	99.998%
AX Finance Limited	2,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	0.001%	0.002%
Existing Shareholders		100%	100%

- a. If the Share Offer is fully subscribed, but the Company elects not to exercise the Over-allotment Option, the Existing Shareholders' shareholding in the Company will be reduced from 100% to 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares, and the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	100,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 150,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	88.23%	75%
New shareholders	33,333,333 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	11.76%	25%

b. If the Share Offer is over-subscribed and the Company elects to exercise the Over-allotment Option:

- i. the Company shall convert such number of ordinary 'B' shares of a nominal value of €0.125 each into ordinary 'A' shares of a nominal value of €0.125 as is necessary to ensure that for every one ordinary 'A' share of a nominal value of €0.125 subscribed for as part of the over-allotment, three ordinary 'B' shares of a nominal value of €0.125 held by AX Group p.l.c. shall be converted to three ordinary 'A' shares of a nominal value of €0.125 for allocation to AX Group p.l.c. (the "**Converted Shares**"). In the event of exercise in full of the Over-allotment Option, 50,000,001 Converted Shares of a nominal value of €0.125 would be issued in favour of AX Group p.l.c.; and
- ii. the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 83.33% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

In the event of exercise in full of the Over-allotment Option, the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	150,000,001 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up 100,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up	83.33%	75%
New shareholders	50,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	16.67%	25%

c. if the Share Offer is under-subscribed, subject to the Issuer receiving a minimum of €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60):

- i. the Company shall convert (on a 1:1 basis) such number of ordinary 'A' shares of a nominal value of €0.125 each currently held by AX Group p.l.c. into ordinary 'B' shares of a nominal value of €0.125 each, as may be necessary for the holding of Listed Shares by AX Group p.l.c. to be diluted to such amount of shares as is equivalent to 75% of the Listed Shares;

- ii. in the case of under-subscription equivalent to the abovementioned minimum threshold of 20,000,000 ordinary 'A' shares of a nominal value of €0.125, the Existing Shareholders' shareholding in the Company will be reduced from 100% to between 92.59% and 88.23% of the entire issued share capital of the Company, and from 100% to 75% of the class of ordinary 'A' shares.

In the event of subscriptions equivalent to the abovementioned minimum threshold, the shareholding of the Company would be divided in the following manner:

Shareholders	Ordinary shares	Percentage of total issued share capital	Percentage of the class of ordinary 'A' shares
Existing Shareholders	60,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	92.59%	75%
	190,000,000 ordinary 'B' shares of a nominal value of €0.125 each, fully paid-up		
New shareholders	20,000,000 ordinary 'A' shares of a nominal value of €0.125 each, fully paid-up	7.41%	25%

The net asset value of the Group as at 30 April 2021 was €126 million, or €0.50 per existing Share before the Share Offer based on the Shares outstanding. The net asset value per existing Share before the Share Offer represents the amount of total assets less total liabilities as at 30 April 2021 divided by the total number of Shares outstanding. The Offer Shares may be subscribed for at an Offer Price of €0.60 per Offer Share save that a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares.

Without taking into account any other changes in net asset value after 30 April 2021, other than the sale of the Offer Shares in terms of the Share Offer at a price of €0.60 per Offer Share, and after deducting the estimated fees and expenses payable by the Company in relation to the Share Offer, the net asset value following successful completion of the Share Offer will be approximately €145 million (equivalent to approximately €0.51 per Offer Share) in a scenario where the Company does not exercise the Over-allotment Option, and *circa* €155 million (equivalent to approximately €0.52 per Offer Share) in a scenario where the Company exercises the Over-allotment Option in full.

5.2. LOCK-IN ARRANGEMENTS

Pursuant to the Lock-In Agreement, the Locked-In Shareholder undertook, for a period of 24 months from the date when the Offer Shares are admitted to listing on the Official List, not to offer, sell, grant any option, right or warrant to purchase or otherwise transfer, assign or dispose of, any of the Listed Shares in the Company retained by them as at the date of closing of the Share Offer (the **"Lock-In Shares"**). The undertaking constituting the lock-in shall subsist notwithstanding any provisions of the Act and the Memorandum and Articles of Association that would otherwise have permitted such transfer, assignment or disposal.

As an exception to the restrictions on transferability of the Lock-In Shares, the Locked-In Shareholder:

- i. may transfer, sell, assign, or otherwise dispose of Lock-In Shares where such transfer, sale, assignment or disposal is made consequent to the enforcement, as a result of default of the underlying obligation by the pledgor, of a *bona fide* pledge made to a credit institution licensed in Malta or holding an equivalent authorisation in an EU member state or EEA state;
- ii. may transfer, sell, assign, or otherwise dispose of Lock-In Shares as a result of the merger or amalgamation of the Company with any other corporate body in accordance with the provisions of the Act; or
- iii. shall not apply to any newly issued shares or securities which may, in the future, be issued by the Company and subscribed for by the Locked-In Shareholder.

6. INFORMATION ABOUT THE BONDS

Description and Amount	up to €40,000,000 unsecured bonds of a nominal value of €100 per bond are being issued at par pursuant to the Bond Issue;
ISIN	MT0002571215 ;
Issue Date	expected on 28 January 2022;
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 Company at the CSD;
Denomination	Euro (€);
Interest	3.5% per annum;
Interest Payment Date/s	28 January of each year between and including each of the years 2023 and the year 2032, provided that, if any such day is not a Business Day such Interest Payment Date will be carried over to the next following day that is a Business Day;
Yields	the gross yield calculated on the basis of the interest on the Bonds, the Bond Issue Price and the redemption value of the principal of the Bonds is 3.5%;
Redemption Date	28 January 2032;
Status of the Bonds	the Bonds, as and when issued and allotted, shall constitute the general, direct, unconditional and unsecured obligations of the Company and shall at all times rank <i>pari passu</i> , without any priority or preference among themselves, and, save for such exceptions as may be provided by applicable law, without priority or preference to all present and future unsecured obligations of the Company;
Rights attaching to the Bonds	a Bondholder shall have such rights as are, pursuant to this Combined Securities Note, attached to the Bonds, including: <ol style="list-style-type: none"> i. the repayment of capital; ii. the payment of interest; iii. the right to attend, participate in and vote at meetings of Bondholders in accordance with the Terms and Conditions of the Bonds; and iv. the enjoyment of all such other rights attached to the Bonds emanating from the Prospectus;
The Limits of the validity of claims	In terms of article 2156 of the Civil Code, 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;
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, provided 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;

Underwriting

the Bond Issue is not underwritten; and

Restrictions on Transferability

the Bonds are freely transferable and following admission to listing on the Official List of the MSE shall be transferable in accordance with the applicable rules and procedures of the Official List of the MSE, as may be applicable from time to time.

The minimum initial subscription amount of €2,000 Bonds shall only apply during the Offer Period. 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 Bonds.

Any person becoming entitled to any Bonds 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 Company or the CSD, elect either to be registered himself as holder of the Bonds or to have another person nominated by him registered as the transferee thereof. If the person so becoming entitled elects 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 Bonds, or procuring the transfer of the Bonds, in favour of that person.

All transfers and transmissions are subject in all cases to any pledge (duly constituted) of the Bonds and to any applicable laws and regulations.

The 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 Company 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 holder of the Bonds, that is, by the relevant transferor and, or transferee as may be agreed among them, or otherwise in accordance with applicable law.

6.1. 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:

- the Company 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 Company by any Bondholder; or
- the Company 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 Company by any Bondholder; or
- the Company shall fail to duly 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 Company by any Bondholder; or
- an order is made or resolution passed or other action taken for the dissolution, termination of existence, liquidation, winding-up or bankruptcy of the Company; or

- the Company 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
- the Company is unable, or admits in writing its inability, to pay its debts as they fall due or otherwise becomes insolvent; or
- there shall have been entered against the Company 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 €10,000,000, and 90 days shall have passed since the date of entry of such judgment without its having been satisfied or stayed.

6.2. MEETINGS OF BONDHOLDERS

The Company 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.

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.

Following a meeting of Bondholders held in accordance with the provisions contained hereunder, the Company 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 Company has been granted or withheld. Subject to having obtained the necessary approval by the Bondholders in accordance with the provisions of this section 6.2 at a meeting called for that purpose as aforesaid, any such decision shall subsequently be given effect to by the Company.

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.

A meeting of the 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 must be present, in person or by proxy, representing not less than 50% in nominal value of the Bonds then outstanding, to 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 Company 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.

Any person who in accordance with the Memorandum and Articles of Association of the Company is to chair the annual general meetings of shareholders shall also chair meetings of Bondholders.

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 to be taken at the meeting, the Directors or their representative(s) 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 Company and the other Bondholders present at the meeting. The meeting shall then put the matter

as proposed by the Company 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.

The voting process shall be managed by the Company Secretary under the supervision and scrutiny of the auditors of the Company.

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.

Save for the above, the rules generally applicable to proceedings at general meetings of shareholders of the Company shall *mutatis mutandis* apply to meetings of Bondholders.

7. AUTHORISATIONS

The Combined Offer has been authorised by the Board of Directors of the Company by virtue of a resolution adopted on 24 November 2021.

The MFSA approved the Securities as eligible to listing on the Official List of the MSE pursuant to the Capital Markets Rules by virtue of a letter dated 6 December 2021. The Listed Shares, including the Offer Shares, and the Bonds, are expected to be admitted to the Official List of the MSE by latest 4 February 2022 and trading may be expected to commence thereafter.

8. TERMS AND CONDITIONS OF THE COMBINED OFFER OF THE OFFER SECURITIES TO THE PUBLIC

The following terms and conditions applicable to the Combined Offer should be read and construed as one with the terms and conditions of Application for the Offer Shares and, or the Bonds contained in this Combined Securities Note.

8.1. PLAN OF DISTRIBUTION AND ALLOTMENT

The Offer Securities forming the subject of the Combined Offer are open for subscription to all categories of investors, including Preferred Applicants and the general public.

Without prejudice to section 8.2 below, Applications shall be subject to a minimum initial subscription of 5,000 Offer Shares (equivalent to €3,000), and €2,000 in Bonds (in the case of subscriptions by Authorised Financial Intermediaries on account of their underlying customers, the amount per underlying application must also be for a minimum subscription of 5,000 Offer Shares (equivalent to €3,000) and €2,000 in Bonds) and in multiples of 100 Offer Shares and of €100 Bonds thereafter. Applications for Bonds (including Applications from Preferred Applicants) must be accompanied by an Application for Offer Shares subject to the minimum subscription amounts referred to above unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

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.

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

8.2. ALLOCATION POLICY

The Company shall allocate the Offer Securities issued pursuant to the Combined Offer to Preferred Applicants and the general public. The Company, through the allocation policy adopted, shall give preference to Preferred Applicants.

Bonds Allocation

Applicants (including Preferred Applicants) are required to apply for a combination of Offer Shares and Bonds in order to be considered for any allocation of Bonds, unless an Application solely for Bonds is submitted for a minimum of €250,000 in Bonds.

Accordingly, the Company shall allocate Bonds to Applicants based on the following priority:

- i. applicants applying for a combination of Offer Shares and Bonds shall be guaranteed an allocation of Bonds of up to a maximum of €6,000; and
- ii. following the allocation of Bonds in terms of (i) above, the Company shall allocate remaining Bonds to: a) Applicants with respect to such amount of Bonds applied for as may be in excess of the €6,000 threshold referred to above remaining unallocated following the allocation as specified in (i) above; and b) Applicants applying solely for Bonds subject to a minimum application of €250,000. In either case, the Company, through the allocation policy adopted, shall give preference to the Preferred Applicants.

Offer Shares Allocation

Applications for Offer Shares by Preferred Applicants and the general public shall be subject to an allocation policy as determined by the Company. In determining such allocation policy, the Company shall give preference to Preferred Applicants.

The Company will endeavour to ensure, through the allocation policy to be adopted, that there will be a sufficiently dispersed shareholder base to facilitate, as far as possible, an active secondary market in the Shares.

8.3. ELIGIBLE INVESTORS

Subject to section 8.4 hereunder (*'Overseas Investors'*), any person, whether natural or legal, shall be eligible to submit an Application.

8.4. OVERSEAS INVESTORS

The Combined Offer is being made in Malta. The Combined Offer is not being made to persons resident in, or who are citizens of, or who have a registered address in, countries other than Malta.

No person 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.

In light of the aforesaid, and considering 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, the Company has formed the view that it will not mail any applications outside of Malta, and will not accept completed Application Forms from investors residing in, or who are citizens of, a country other than Malta, except where, in the absolute discretion of the Company, it is satisfied that such acceptance would not result in a contravention of any applicable legal or regulatory requirement in the relevant jurisdiction.

8.5. APPLICATION FORM AND METHOD OF PAYMENT

Application Forms for the Offer Securities are available during the Offer Period through a customised IT system available from any of the Authorised Financial Intermediaries listed in Annex I.

Preferred Applicants will be receiving a personalised letter from the Company, which will grant them preference to subscribe for the Securities as further outlined in section 8.2 above.

A specimen of the Application Form can be found in Annex II to this Combined Securities Note. All Application Forms must be accompanied by the full payment due for the Offer Securities applied for. In the event that any cheques accompanying the Application Forms are not honoured on their first presentation, the Company and the Registrar or the Authorised Financial Intermediary reserve the right to invalidate the relative Application.

8.6. REFUND AND UNDERSUBSCRIPTION

In the event that an Applicant has not been allocated any Offer Securities or has been allocated a number of Offer Securities 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 Securities 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.

In the event that, following the Offer Period, total subscriptions for Offer Shares do not equate to at least €12 million in subscriptions for ordinary 'A' shares (equivalent to applications for 20,000,000 ordinary 'A' shares of a nominal value of €0.125 at the Offer Price of €0.60) (subscriptions for Offer Shares made by persons or entities which, in terms of Capital Markets Rule 3.27, are not considered to be held in public hands, will not be included in determining the minimum percentage required):

- i. no allotment of Offer Shares will be made; and
- ii. all proceeds received from Applicants shall be refunded accordingly by the Company, without interest, by direct credit into the Applicant's bank account as indicated by the Applicant on the relevant Application Form. All refunds in this respect shall be made within ten Business Days from the expiration of the Offer Period.

8.7. MINIMUM APPLICATIONS

All Applications for Offer Shares shall be for a minimum of 5,000 Offer Shares (equivalent to €3,000) and in multiples of 100 Offer Shares thereafter.

Without prejudice to paragraph (ii) of section 8.2, all Applications for Bonds shall be for a minimum of €2,000 in Bonds, and in multiples of €100 thereafter.

8.8. PRICING

The Offer Price for the Offer Shares has been fixed by the Company at €0.60 per Offer Share, save for Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, where a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply.

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

8.9. SELLING COMMISSION

Selling commission is payable to the Authorised Financial Intermediaries based on the value of the Offer Securities allocated to Applicants applying through such Authorised Financial Intermediaries at the rate of 1.5% on the value of Offer Shares allocated and 1.0% on the value of Bonds allocated as aforesaid.

8.10. RESULTS OF THE OFFER

Within five Business Days from closing of the Offer Period, the Company shall announce the basis of acceptance of Applications and allocation policy to be adopted. No dealing in the Securities may take place prior to allotment and admission to listing of the Securities.

8.11. INTENTION TO ACQUIRE

The Company does not have any knowledge that any member of the management, supervisory or administrative bodies of the Company or any single investor has the intention of participating in the Share Offer by acquiring more than 5% of the issued share capital of the Company.

8.12. EXPECTED TIMETABLE OF THE COMBINED OFFER

	EVENT	DATE
1	Opening of Offer Period	10 January 2022
2	Closing of Offer Period	21 January 2022
3	Commencement of interest on the Bonds	28 January 2022
4	Announcement of basis of acceptance	28 January 2022
5	Dispatch of allotment advices and refund of unallocated monies (if any)	4 February 2022
6	Expected date of admission of the Securities to listing	4 February 2022
7	Expected date of commencement of trading of the Securities	7 February 2022

The Company reserves the right to close the Offer Period before 21 January 2022, in which case, while the events set out in 4 to 7 above will be brought forward, they will keep the same chronological order as set out above.

9. TAXATION

9.1 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 Securities, including their acquisition, holding, disposal as well as any income or gains derived therefrom or made on their disposal, and, or the distribution and payment of dividends, interest or other distributions on the Securities, as applicable. The following information of the anticipated tax treatment applicable to investors is applicable only in so far as taxation in Malta is concerned as at the date of this Combined Securities Note. 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 Maltese tax law and practice relative to the applicable legislation, as known to the Company as at the date of this Combined Securities Note, in respect of a subject on which no official guidelines exist. Investors are reminded that Maltese tax law and practice and their interpretation on the subject matter referred to in the preceding paragraph, as well as the levels of tax, 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 individual circumstances and on the classification of the Securities from a Maltese tax perspective, and thus professional advice in this respect should be sought accordingly.

9.2. TAXATION STATUS OF THE COMPANY

The Company is subject to tax in Malta on its worldwide taxable profits at the standard corporate tax rate of 35%. Certain exemptions or low tax rates may apply in respect of particular sources of income.

9.3. MALTA TAX ON DIVIDENDS DISTRIBUTABLE TO HOLDERS OF OFFER SHARES

In general, distributions of dividends from the taxed profits of the Company to its Shareholders should not be subject to any further tax in Malta.

Certain Shareholders might, in certain instances, be able to include certain dividends distributed to them by the Company from its Immovable Property Account, Maltese Taxed Account or Foreign Income Account in their income tax return, with a view to obtaining a full imputation refund in terms of the Full Imputation System. The full imputation refund should be equal to the difference between the tax which is theoretically payable by the Shareholder on the grossed-up dividend and the tax paid by the Company on these profits, but may be subject to cappings.

Full imputation refunds cannot be claimed on profits distributed from the Final Tax Account or profits on which tax has been relieved at the level of the Company by way of certain credits and, or deductions.

Dividends distributed to, amongst others, an individual resident (or deemed to be resident) in Malta (other than a company), from profits allocated to the Untaxed Account, should be subject to a 15% withholding tax. In specific circumstances, such withholding tax may also apply to distributions made to non-resident persons. In such cases, the Company should withhold 15% tax from the amount of the dividend and remit such withholding tax to the Maltese Commissioner for Revenue.

The Shareholders, may, in certain circumstances, opt to declare the gross dividend distributed from the Untaxed Account in their income tax return and claim a refund on the difference between the 15% withholding tax and the personal tax rate applicable to the Shareholder on the dividend (like for instance if the tax rate applicable to the Shareholder is less than 15%).

9.4. MALTA TAX ON INTEREST PAYABLE TO BONDHOLDERS

Since interest is payable in respect of the Bonds which is the subject of a public issue, unless the Company is 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, hereinafter the “**Income Tax Act**”), interest shall be paid to such Bondholder 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. 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 Company is required to submit to the Maltese Commissioner for Revenue the tax withheld by the fourteenth day following the end of the month in which the payment is made. The Company shall also 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 shall be paid gross and such person shall 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 Company 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 Company. 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)(i) of the Income Tax Act, Bondholders who are not resident in Malta satisfying the applicable conditions set out in the Income Tax Act are not taxable in Malta on the interest received and will receive interest gross, subject to the requisite declaration/evidence being provided to the Company in terms of law.

9.5. MALTESE TAX ON CAPITAL GAINS ON TRANSFER OF THE SECURITIES

In accordance with the current legislation, if and for as long as the Shares which are subject to this Combined Securities Note are listed on the MSE, and such Shares are held as capital assets, no tax on capital gains is payable in Malta on any transfer of these Shares.

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 Bondholders, no tax on capital gains should be chargeable in respect of the transfer of the Bonds.

9.6. DUTY ON DOCUMENTS AND TRANSFERS

In accordance with the current legislation, if and for as long as the Shares are listed on the MSE, no duty on documents and transfers is payable in Malta on any transfer of these Shares.

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 in the said legislation as “a holding of share capital in any company and any document representing the same”.

Consequently, the Bonds should not be treated as constituting marketable securities within the meaning of the legislation and therefore, the transfer/transmission thereof should not be chargeable to duty.

Furthermore, even if the Bonds are considered marketable securities for the purposes of the Duty on Documents and Transfers Act, in terms of article 50 of the Financial Markets Act (Cap. 345 of the laws of Malta), since the Bonds constitute financial instruments of a company quoted on a regulated market exchange, as is the MSE, redemptions and transfers of the Bonds should, in any case, be exempt from duty.

9.7. EXCHANGE OF INFORMATION

In terms of applicable Maltese legislation, the Company and, or its agent may be required to collect and forward certain information (including, but not limited to, information regarding payments made to certain Shareholders and the Bondholders) to the Maltese Commissioner for Revenue. The Maltese Commissioner for Revenue will or may, in turn, automatically or on request, forward the information to other relevant tax authorities subject to certain conditions. This does not constitute tax advice and prospective investors in the Offer Shares and Bonds are to consult their own independent tax advisers.

9.8. THE COMMON REPORTING STANDARD AND THE DIRECTIVE ON ADMINISTRATIVE COOPERATION

The Organisation for Economic Co-operation and Development (“**OECD**”) has developed a global framework, commonly known as the Common Reporting Standard (“**CRS**”) for the identification and timely reporting of certain financial information on individuals, and controlling persons of certain entities, who hold financial accounts with financial institutions of participating jurisdictions in order to increase tax transparency and cooperation between tax administrations. Numerous jurisdictions, including Malta, have signed the OECD multilateral competent authority agreement, which is a multilateral agreement outlining the framework to automatically exchange certain financial and personal information as set out within CRS.

So as to introduce an extended automatic exchange of information regime in accordance with the global standard released by the OECD, CRS has also been adopted in the EU through the implementation of Council Directive 2014/107/EU of 9 December 2014 amending Directive 2011/16/EU as regards mandatory automatic exchange of tax information in the field of taxation. This has been transposed in Malta by means of Legal Notice 384 of 2015 amending the Cooperation with Other Jurisdictions on Tax Matters Regulations, (S.L. 123.127) (“**CRS Legislation**”), and has been applicable since 1 January 2016. In terms of this legal notice, the automatic exchange of information obligations shall extend to jurisdictions that are not EU Member States with which there is a relevant arrangement in place.

Malta based financial institutions (defined as such for the purposes of CRS) are obliged to identify and annually report to the Maltese Commissioner for Revenue financial accounts held by a reportable person, as defined under the CRS Legislation, including certain entities with one or more controlling persons, as defined under the CRS Legislation. Financial information relating to shares and notes and the holders thereof may fall within the purview of CRS and may be subject to reporting and information exchange provisions.

Under CRS, financial institutions resident in a CRS participating jurisdiction (such as Malta) would be required to apply onerous due diligence procedures for the identification of reportable accounts. Shareholders and noteholders may be required to provide certain information and certifications to financial institutions, such as qualifying custodians or any intermediaries, in order to satisfy their obligations under CRS. Certain confidential information in relation to the Shareholders, noteholders and, or other reportable persons may be reported to the Maltese Commissioner for Revenue or other relevant overseas tax authorities and automatically exchanged pursuant to these arrangements with the tax administrations of other participating jurisdictions.

Prospective investors are advised to seek professional advice in relation to the CRS and EU Council Directive 2014/107/EU. Not complying with the CRS rules may give rise to certain fines or closure of financial accounts.

9.9. FOREIGN ACCOUNT TAX COMPLIANCE ACT

The U.S. has enacted rules, commonly referred to as “**FATCA**”, that generally impose a reporting regime, and in some cases withholding requirements, with respect to certain U.S. source payments (including dividends and interest), gross proceeds from the disposition of property that can produce U.S. source interest and dividends as well as certain payments made by, and financial accounts held with, entities that are classified as financial institutions under FATCA. The U.S. has entered into an intergovernmental agreement with Malta dated 6 December 2013 regarding the implementation of FATCA in Malta, which has been implemented into Maltese law through the Exchange of Information (United States of America) (FATCA) Order, (S. L. 123.156) (“**FATCA Legislation**”).

Under the FATCA Legislation, financial institutions in Malta (defined as such for the purposes of FATCA) are required to satisfy applicable due diligence requirements 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 Commissioner for Revenue. The Maltese Government and the Government of the U.S. shall annually exchange the information obtained pursuant to the FATCA Legislation on an automatic basis.

Financial account information in respect of holders of the shares and, or of the Bonds could fall within the scope of FATCA and they may therefore be subject to reporting obligations. In order to comply with its FATCA obligations, if any, the Company may be required to obtain certain information, forms and other documentation on the Shareholders and, or the Bondholders to report information on reportable accounts to the Maltese Commissioner for Revenue, in accordance with applicable laws and regulations, which will in turn report this information to the Internal Revenue Service in the U.S. Shareholders and, or Bondholders should note that a specified “U.S. Person”, in terms of FATCA, may include a wider range of investors than the current U.S. Person definition referred to in the term Eligible Investors.

Financial institutions 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 any referring legislation. In the case of failure to provide satisfactory documentation and, or information, financial institutions 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 SECURITIES AS WELL AS INTEREST PAYMENTS AND DIVIDEND DISTRIBUTIONS MADE BY THE COMPANY. THE ABOVE IS A SUMMARY OF THE ANTICIPATED MALTESE TAX TREATMENT APPLICABLE TO THE OFFER SHARES AND TO SHAREHOLDERS, AND THE BONDS AND TO BONDHOLDERS.

THIS INFORMATION, WHICH DOES NOT CONSTITUTE LEGAL OR TAX ADVICE, AND WHICH SHOULD NOT PURPORT TO BE EXHAUSTIVE IN NATURE, REFERS ONLY TO SHAREHOLDERS AND BONDHOLDERS WHO DO NOT DEAL IN SECURITIES IN THE COURSE OF THEIR NORMAL TRADING ACTIVITY.

10. TERMS AND CONDITIONS OF THE APPLICATION

10.1.

The allotment of the Offer Securities in favour of successful Applicants is conditional upon the Offer Shares and, or the Bonds being admitted to the Official List of the MSE. In the event that either the Offer Shares or the Bonds are not admitted to the Official List of the MSE, any Application monies received by the Company relative to the Offer Shares or Bonds (as applicable) not admitted to the Official List of the MSE will be returned, without interest, by direct credit into the Applicant's bank account indicated by the Applicant on the relative Application Form, and in such case the requirement to subscribe for both the Offer Shares and the Bonds, as set out in section 8.1 and 8.2 of this Combined Securities Note, shall be disappplied.

10.2.

The contract created by the Company's acceptance of an Application shall be subject to all the terms and conditions set out in this section and in the remainder of this Combined Securities Note, the Memorandum and Articles of Association of the Company and in the respective Application Form. It is the responsibility of investors wishing to apply for the Offer Securities 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.

10.3.

Subject to all other terms and conditions set out in the Prospectus, the Company reserves the right to reject, in whole or in part, or to scale down, any Application, 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 Company, acting through the Registrar, 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.

10.4.

In the case of joint Applications, reference to the Applicant in the general terms and conditions contained in this section 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 Shareholders and Bondholders shall, for all intents and purposes, be deemed to be such nominated person by all those joint holders whose names appear in the field entitled "*Additional Applicants*" in the Application Form or joint holders in the register of Shareholders and Bondholders, as the case may be. Such person shall, for all intents and purposes, be deemed to be the registered holder of the Share/s and Bond/s (as applicable) so held.

10.5.

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 acting through the 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.

10.6.

In respect of a Share and, or Bond held subject to usufruct, the name of the bare owner and the usufructuary shall be entered in the register of Shareholders and, or Bondholders, as applicable. The usufructuary shall, for all intents and purposes, be deemed *vis-à-vis* the Company to be the holder of the Share/s and, or Bond/s so held and shall have the right to: in respect of the Share/s, receive dividends distributed to Shareholders and

to vote at meetings of the Shareholders, but shall not, during the continuance of the Share/s, have the right to dispose of the Share/s so held without the consent of the bare owner; and in respect of the Bond/s, receive interest on the Bond/s and to vote at meetings of the Bondholders, but shall not, during the continuance of the Bond/s have the right to dispose of the Bond/s so held without the consent of the bare owner, and shall not be entitled to repayment of principal on the Bond/s so held, which shall be due to the bare owner.

10.7.

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. Any Offer Shares and Bonds allocated pursuant to such an Application shall be registered in the name of the minor as a Shareholder and, or Bondholder, with dividends and, or 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 shall be paid 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 18 years.

10.8.

All Applications for the Offer Shares and Bonds must be submitted on the appropriate Application Form within the time limits established therein, including the minimum application subscriptions in an initial application of 5,000 Offer Shares and €2,000 in Bonds (without prejudice to section 6.2 above), and applications in excess of the said minimum must be in multiples of 100 Offer Shares and €100 in Bonds. Applications for Bonds (including from Preferred Applicants) must be accompanied by an application for Offer Shares subject to the minimum subscription amounts referred to above, save that in the case of applications for Bonds equal to or in excess of €250,000, no subscription for Offer Shares would be required.

10.9.

All Application Forms are to be processed through any of the Authorised Financial Intermediaries through a customized IT system and must be accompanied by the full price due for the Offer Securities applied for, in Euro (€). Payments may be made by cheque payable to the respective Authorised Financial Intermediary or by any other method of payment as accepted by the respective Authorised Financial Intermediary. In the event that a cheque accompanying an Application Form is not honoured on its first presentation, the Company acting through the Registrar or the Authorised Financial Intermediary reserve the right to invalidate the relative Application Form.

10.10.

In the event that an Applicant has not been allocated any Offer Securities or has been allocated a number of Offer Securities 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 Offer Securities 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.

10.11.

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 (Chapter 586 of the laws of Malta) and, or Regulation (EU) 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.

10.12.

It shall be incumbent upon the respective Authorised Financial Intermediary to ascertain that all other applicable regulatory requirements relating to the subscription of the Offer Shares 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.

10.13.

By not later than five Business Days following closing of the Offer Period, the Company shall announce the results of the Combined Offer through the issue of a company announcement.

10.14.

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.

10.15.

Subscription for Offer Securities 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 Offer Securities. It is the responsibility of any person (including, without limitation, nominees, custodians, depositaries and trustees) outside Malta wishing to participate in the Combined Offer, 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 Company shall not accept any responsibility for the non-compliance by any person of any applicable laws or regulations of foreign jurisdictions.

10.16.

The Offer Shares and Bonds have not been and will not be registered under the Securities Act of 1933 of the United States of America and accordingly the Offer Shares may not be offered or sold within the U.S. or to or for the account or benefit of a U.S. Person.

10.17.

Certificates will not be delivered to Shareholders and Bondholders in respect of the Offer Shares and Bonds, respectively, in virtue of the fact that the entitlement to the Offer Shares and Bonds will be represented in an uncertificated form by the appropriate entry in the electronic register maintained on behalf of the Company 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 Shareholders and Bondholders (as applicable) and particulars of the Shares and Bonds (as applicable) held by them respectively, and the Shareholders and Bondholders shall have, at all reasonable times during business hours, access to the register of Shareholders and Bondholders held at the CSD for the purpose of inspecting information held on their respective account.

10.18.

The CSD will issue, upon a request by a Shareholder or Bondholder, a statement of holdings to such Shareholder or Bondholder evidencing his/her/its entitlement to the Shares or Bonds held in the register kept by the CSD.

10.19.

Applicants may opt to subscribe for the online e-portfolio of the MSE. The Shareholder’s and Bondholder’s statement of holdings evidencing entitlement to the Shares and Bonds (as applicable) 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>.

By completing and delivering an Application Form, the Applicant:

- i. accepts to be irrevocably contractually committed to acquire the number of Offer Shares and, or Bonds allocated to such Applicant at the Offer Price and, or Bond Issue Price (as applicable) 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 Shares and, or Bonds specified in the Application Form submitted by the Applicant (or any smaller number of Shares and, or Bonds for which the Application is accepted) at the Offer Price or Bond Issue Price (as applicable) being made subject to the provisions of the Prospectus, the Terms and Conditions of the Combined Offer, 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 Company and the Combined Offer 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 rejected by the Company acting through the Registrar or the Authorised Financial Intermediary and subscription monies will be returned to the Applicant in accordance with condition (vii) hereunder. 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 Company, which is available on the Company's website on <https://axrealestate.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 and any applicable subsidiary legislation, as may be amended from time to time. The Applicant hereby confirms that the Applicant has been provided with and has read the privacy notice;
- v. authorises the Company (or its service 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. 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 Offer Shares and, or Bonds applied for, as the case may be. Any such requests must be made in writing and sent to the Company at the address indicated in the Prospectus and sent to the CSD and 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 Company or the Combined Offer 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: the Applicant will not be entitled to receive a registration advice or to be registered in respect of such Offer Securities, unless and until a payment is made in cleared funds for such Offer Securities and such payment is accepted by the respective Authorised Financial Intermediary or by the Company acting through the Registrar (which acceptance shall be made in its absolute discretion and may be on the basis that the respective Authorised Financial Intermediary or the Company 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 Company acting through the Registrar of such late payment in respect of the Offer Securities); the Company may, without prejudice to other rights, treat

the agreement to allocate such Offer Securities as void and may allocate such Offer Securities to another person, in which case the Applicant will not be entitled to a refund or payment in respect of such Offer Securities (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 and regulations made thereunder, and that such monies will not bear interest;
- x. agrees to provide the Company acting through the Registrar, 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 these Terms and Conditions and accordingly will be deemed also to have given the confirmations, warranties and undertakings contained in these Terms and Conditions and undertake to submit your power of attorney or a copy thereto duly certified by a lawyer or notary public is 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 Company or the Registrar acting in breach of the regulatory or legal requirements of any territory in connection with the Offer Securities, 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 U.S., its territories or its possessions, or any area subject to its jurisdiction or on behalf or for the account of anyone within the U.S. or anyone who is a U.S. Person;
- xvii. agrees that the advisers to the Company listed in section 4 of the Registration Document will owe the Applicant no duties or responsibilities (fiduciary or otherwise) concerning the Offer Securities or the suitability thereof to the Applicant;
- xviii. agrees that all documents in connection with the Combined Offer 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 Company against any amount due under the terms and conditions of the Offer Securities.

11. ADDITIONAL INFORMATION

All the advisers to the Company named in the Registration Document under the heading '*Advisers*' in sub-section 4.1 thereof have acted and are acting exclusively for the Company in relation to this admission to listing and trading.

Save for the financial analysis summary set out as Annex III, the 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 M.Z. Investment Services Limited (a private limited liability company registered in Malta, having company registration number C 23936), which has given and has not withdrawn its consent to the inclusion of such report herein.

M.Z. Investment Services Limited does not have any material interest in the Company. The Company confirms that the financial analysis summary has been accurately reproduced in the Securities Note and that there are no facts of which the Company is aware that have been omitted and which would render the reproduced information inaccurate or misleading.

The business address of M.Z. Investment Services Limited is 61, M.Z. House, St. Rita Street, Rabat RBT 1523, Malta.

Annex I - Authorised Financial Intermediaries

Name	Address	Telephone
APS Bank p.l.c.	APS Centre, Tower Street, Birkirkara BKR 4012	25603000
Bank of Valletta p.l.c.	Premium Banking Centre, 475, Triq il-Kbira San Guzepp St Venera SVR 1011	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
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 Level 3, South Street, Valletta VLT 1105	21224410
Lombard Bank Malta p.l.c.	67, Republic Street, Valletta VLT 1117	25581806
MeDirect Bank (Malta) p.l.c.	The Centre, Tigne` Point, Sliema TPO 0001	25574400
Michael Grech Financial Investment Services Ltd	The Brokerage, Level 0A St Marta Street Victoria, Gozo VCT 2550	22587000
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

Please read the notes overleaf before completing this Application Form. **Complete in BLOCK LETTERS and Mark 'X' where applicable.**

APPLICANT (see notes 2 to 6)			
<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME / REGISTERED NAME		
MSE A/C NO. (mandatory)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE (mandatory)	COUNTRY OF ISSUE (mandatory)
LEI (Legal Entity Identifier) (if applicant is NOT an Individual)		DATE OF BIRTH (mandatory)	NATIONALITY (mandatory)
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			MOBILE NO. (mandatory for e-portfolio)

ADDITIONAL (JOINT) APPLICANTS (see note 3)			
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME		I.D. CARD/PASSPORT NO.
DOCUMENT TYPE	COUNTRY OF ISSUE	DATE OF BIRTH	NATIONALITY

DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY (see notes 4, 7 & 8)			
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

I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9 to 10):	
NUMBER OF ORDINARY 'A' SHARES IN FIGURES	NUMBER OF ORDINARY 'A' SHARES IN WORDS
<p>Ordinary 'A' Shares in AX Real Estate p.l.c. with a minimum of 5,000 Ordinary 'A' Shares and in multiples of 100 Shares thereafter at a price of €0.60 per Ordinary 'A' Share save that in the case of Applications submitted pursuant to the Share Offer equal to or exceeding 200,000 Offer Shares, a 10% discount on the Offer Price (equivalent to a €0.06 discount per Offer Share resulting in a price of €0.54 per Offer Share) shall apply (the "Offer Price") as defined in the Prospectus dated 6 December 2021 (the "Prospectus"), payable in full upon application and subject to the terms of: (a) the Prospectus, including the terms and conditions of the Share Offer; and (b) the memorandum and articles of association of AX Real Estate p.l.c.</p>	
<p style="text-align: center;">AMOUNT PAYABLE €</p>	

PAYMENTS (IF APPLICABLE) ARE TO BE MADE INTO (see note 10 & 11)	
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 Ordinary 'A' Shares 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 Ordinary 'A' Shares 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/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 that are subject to usufruct)

AUTHORISED INTERMEDIARY'S STAMP	AUTHORISED 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 6 December 2021 regulating the Share Offer forming part of the Combined Offer.

1. This Application is governed by the Terms and Conditions of the Offer contained in Section 6 of the Securities Note dated 6 December 2021 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. Applicants who are non-residents in Malta for tax purposes, must provide their passport number.
3. Applicants are to provide the required personal details. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given but **the first named Applicant shall, for all intents and purposes, be deemed to be the registered holder of the Ordinary 'A' Shares (vide note 6 below)**.

Upon submission of an Application Form, Applicants who opt to have an online e-portfolio facility, 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 Ordinary 'A' Shareholders' statement of holdings evidencing entitlement to Ordinary 'A' Shares 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 with the MSE. Any Ordinary 'A' Shares allocated pursuant to such an Application shall be registered in the name of the minor as Shareholder, with dividend, if any, 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 dividends, if any, shall be payable directly to the registered holder, provided that the Issuer has been duly notified in writing of the fact that the minor has attained the age of eighteen (18) years. Full details of the parents/legal guardians must be provided.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be provided together with a valid Legal Entity Identifier ("LEI"). **Failure to provide a valid LEI code, will result in the Application not being accepted at the first instance by the Authorised Financial Intermediary. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
6. **APPLICANTS ARE TO PROVIDE AN MSE ACCOUNT NUMBER, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. 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 WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE..**
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 provided.
8. Where an Applicant quotes an MSE account number which is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. Applications must be for a minimum subscription of 5,000 Ordinary 'A' Shares and in multiples of 100 Ordinary 'A' Shares thereafter.
10. The Offer Period will open at 08:30 hours on 10 January 2022 and will close at 16:00 hours on 21 January 2022, or earlier as may be determined by the Issuer. If any Application is not accepted after the closure of the subscription lists or is accepted for fewer Ordinary 'A' Shares than those applied for, the monies equivalent to the number of Ordinary 'A' Shares not being accepted will be returned by direct credit into the IBAN specified on this Application Form.
11. Dividends, if any, will be paid by direct credit to the bank account (which must be in Euro and held with a local bank) bearing a valid IBAN as provided by the Applicant and indicated in this Application Form, or to such other bank account indicated by the Ordinary Shareholder to the MSE.
12. The Company reserves the right to refuse any Application which appears to be in breach of the Terms and Conditions of the Combined Offer as contained in the Prospectus dated 6 December 2021.
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 Shares 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. Prior to purchasing Ordinary Shares, an investor should consult an independent financial adviser, licensed under the Investment Services Act (Cap. 370 of the Laws of Malta), for advice.

Please read the notes overleaf before completing this Application Form. **Mark 'X' where applicable.**

APPLICANT (see notes 2 to 6)

<input type="checkbox"/> Non-Resident	<input type="checkbox"/> Minor (under 18)	<input type="checkbox"/> Body Corporate/ Body of Persons	<input type="checkbox"/> CIS-Prescribed Fund
TITLE (Mr/Mrs/Ms/...)	FULL NAME AND SURNAME / REGISTERED NAME		
MSE A/C NO. (mandatory)	I.D. CARD / PASSPORT / COMPANY REG. NO.	DOCUMENT TYPE	COUNTRY OF ISSUE
LEI (Legal Entity Identifier) (If applicant is NOT an Individual)	DATE OF BIRTH	NATIONALITY	MOBILE NO.
<input type="checkbox"/> PLEASE REGISTER ME FOR E-PORTFOLIO (mobile number is mandatory for e-portfolio registration)			

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

DECISION MAKER/MINOR'S PARENTS / LEGAL GUARDIAN(S) / USUFRUCTUARY (see notes 4, 7 & 8) (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

I/WE APPLY TO PURCHASE AND ACQUIRE (see note 9):

AMOUNT IN FIGURES €	AMOUNT IN WORDS
------------------------	-----------------

AX Real Estate p.l.c. 3.50% Unsecured Bonds 2032 (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 6 December 2021 (the "Prospectus"), payable in full upon application under the Terms and Conditions of the Bonds as set out in the Prospectus. **Applications for Bonds are to be accompanied by an AX Real Estate p.l.c. Offer Shares application for a minimum of 5,000 Ordinary 'A' Shares, unless the Bond application is equal to or exceeding €250,000.**

RESIDENT - FINAL WITHHOLDING TAX ("FWT") DECLARATION (see note 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.)

NON-RESIDENT - DECLARATION FOR TAX PURPOSES (see notes 2 & 11) (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

PAYMENTS (IF APPLICABLE) ARE TO BE MADE INTO (see note 12 & 13) (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 <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 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 6 December 2021 regulating the Bond Issue forming part of the Combined Offer

1. This Application is governed by the Terms and Conditions of the Bond Issue contained in section 6 of the Securities Note dated 6 December 2021 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. Applicants who are non-residents in Malta for tax purposes, must provide their passport number and provide relevant details for tax declaration purposes.
3. Applicants are to provide their full personal details. In the case of an Application by more than one person (including husband and wife) full details of all individuals must be given but the first named applicant shall, for all intents and purposes, be deemed to be the registered holder of the Bonds (vide note 6 below).
Upon submission of an Application Form, Bondholders who opt to have an online e-portfolio facility, 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 with 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. Full details of the parents/legal guardians must be provided.
5. In the case of a body corporate, the name of the entity exactly as registered and the registration number are to be provided together with a valid Legal Entity Identifier ("LEI"). **Failure to provide a valid LEI code, will result in the Application not being accepted at the first instance by the Authorised Financial Intermediary. Applications must be signed by duly authorised representatives indicating the capacity in which they are signing.**
6. **APPLICANTS ARE TO PROVIDE AN MSE ACCOUNT NUMBER, AND FAILURE TO DO SO WILL RESULT IN REJECTION OF THE APPLICATION FORM. 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 WITH THE DETAILS (INCLUDING REGISTERED ADDRESS), AS HELD BY THE CSD OF THE MALTA STOCK EXCHANGE.**
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 provided.
8. Where an Applicant quotes an MSE account number which is held subject to usufruct, both the bare owner/s and the usufructuary/ies are to sign this Application Form.
9. 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. **This Bond application is to be accompanied by an AX Real Estate p.l.c. Offer Shares application (forming part of the Combined Offer) for a minimum of 5,000 Ordinary 'A' Shares, unless the Bond application is equal to or exceeding €250,000.**
10. 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 7.4 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).
11. 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 10 and 11 above do not constitute tax advice by the Company and Applicants are to consult their own independent tax advisors in case of doubt.
12. Interest and redemption proceeds will be credited to the account as provided by the Applicant and indicated on this Application Form or as otherwise amended by the Bondholder/s during the term of the Bond.
13. The Offer Period will open at 08:30 hours on 10 January 2022 and will close at 16:00 hours on 21 January 2022, or earlier as may be determined by the Issuer. 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 on this Application Form.
14. 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 Issuer. The request must be signed by yourself as the Applicant to whom the personal data relates.

The value of investments can go up or down and past performance is not necessarily indicative of future performance. The nominal value of the 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.

Financial Analysis Summary

06 December 2021

Issuer

AX Real Estate p.l.c.



MZ INVESTMENT SERVICES



MZ INVESTMENT SERVICES

The Directors
AX Real Estate p.l.c.
AX Group, AX Business Centre,
Triq id-Difiza Civili
Mosta MST 1741
Malta

06 December 2021

Dear Sirs

Financial Analysis Summary

In accordance with your instructions, and in line with the requirements of the MFSA Listing 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 Real Estate p.l.c. (the “**Company**” or “**AX Real Estate Group**”). The data is derived from various sources or is based on our own computations as follows:

- (a) Historical financial data for the period 6 June 2019 (being date of incorporation) to 31 October 2019 and for the financial year ended 31 October 2020 has been extracted from audited financial statements of the Company for the period/year in question.
- (b) Pro forma consolidated statement of financial position of the Company as at 30 April 2021.
- (c) The projected data for the years ending 31 October 2021, 31 October 2022, 31 October 2023, 31 October 2024 and 31 October 2025 has been provided by management.
- (d) Our commentary on the results of the AX Real Estate Group and on its financial position is based on the explanations provided by management.
- (e) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.
- (f) 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.



MZ INVESTMENT SERVICES

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

Yours faithfully,

Evan Mohnani

Senior Financial Advisor

MZ Investment Services Ltd

63, St Rita Street,

Rabat RBT 1523,

Malta

Tel: 2145 3739

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PART 1 – INFORMATION ABOUT THE COMPANY

1. COMPANY'S KEY ACTIVITIES

As at the date of this Report, the Company is a wholly owned subsidiary of AX Group p.l.c. and acts as the holding company of the Real Estate division within the AX Group. In the current financial year, the AX Group completed a group reorganisation with the ultimate aim of consolidating its property letting activities into one, newly formed real estate division, the holding entity of which is the Company.

Pursuant to a securities note dated 06 December 2021, the Company is offering 25% of its ordinary 'A' shares for subscription by the general public, which will represent on issue 11.77% of the Company's aggregate ordinary share capital (comprising ordinary 'A' shares and ordinary 'B' shares). In the case that the over-allotment option of €10,000,000 is exercised, the net proceeds will be utilised to repay further amounts owed to the AX Group. The Company will also be issuing €40,000,000 3.5% unsecured bonds maturing in 2032.

The Company was registered on 6 June 2019 as a private limited liability company and was subsequently converted into a public limited liability company on 23 November 2021. As the holding entity of the AX Real Estate Group, the Company is economically dependent on the financial position and performance of its Subsidiaries.

The AX Real Estate Group is involved in the letting of properties to the AX Group and to a lesser extent, third parties. A description and analysis of the operational activities and performance of the AX Group is included in the last published financial analysis report which is available on the website of the AX Group (<https://axgroup.mt/investment/>).



2. DIRECTORS AND SENIOR MANAGEMENT

2.1 BOARD OF DIRECTORS

The Company is managed by a Board consisting of seven directors who are entrusted with the overall direction, administration and management of the Real Estate division. The Board currently consists of one executive director, who also occupies the role of Chief Executive Officer, and six non-executive directors of whom three are independent.

Angelo Xuereb	Non-Executive Chairman
Denise Micallef Xuereb	Executive Director and Chief Executive Officer
Michael Warrington	Non-Executive Director
Christopher Paris	Non-Executive Director
Christian Farrugia	Independent Non-Executive Director
Joseph Lupi	Independent Non-Executive Director
Stephen Paris	Independent Non-Executive Director

2.2 SENIOR MANAGEMENT

The Executive Director forms part of the Company's executive team entrusted with the day-to-day management of the Group. The Executive Director is supported in this role by several consultants and key management, and benefits from the know-how gained by members and officers of the AX Group.

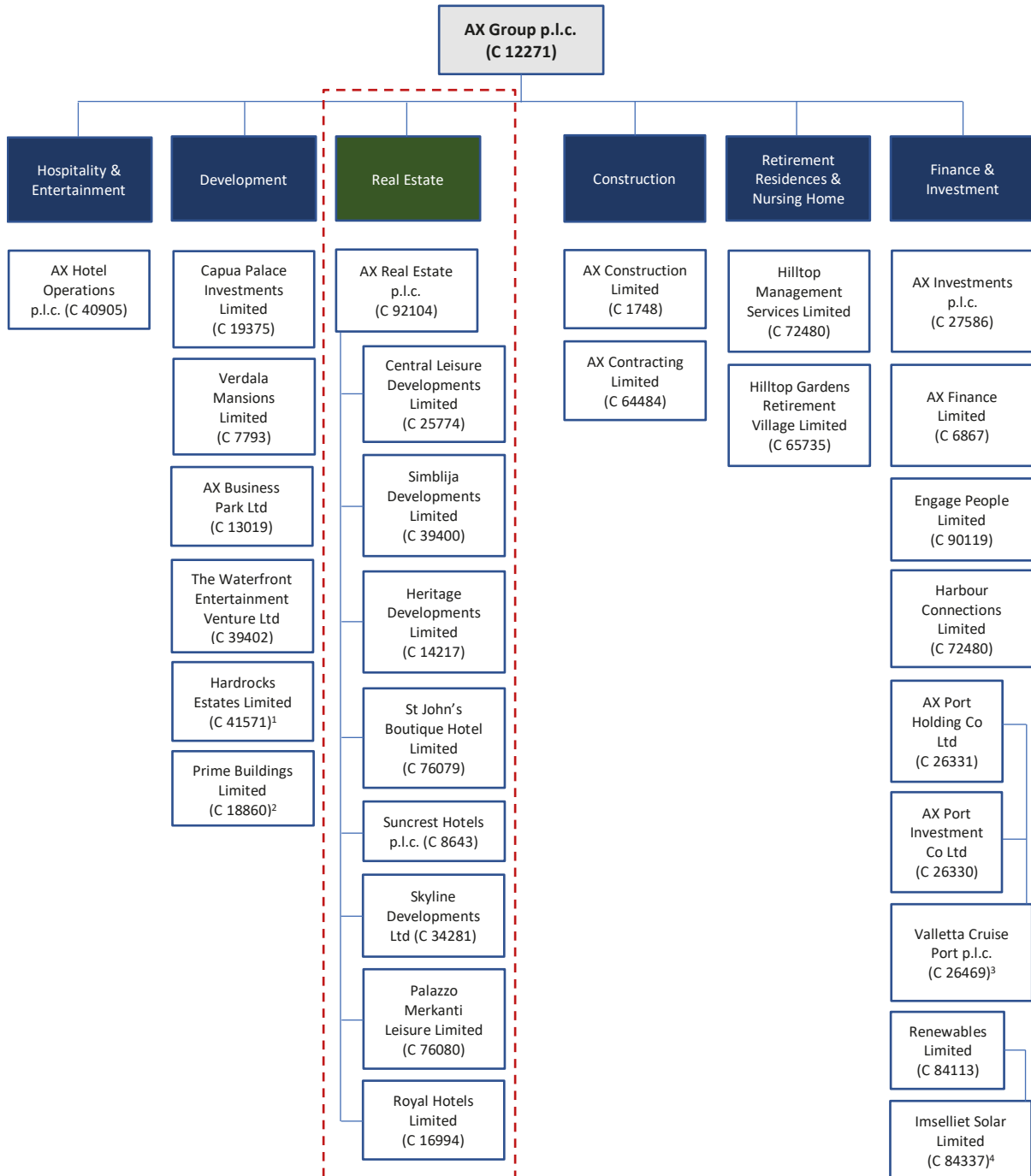
The executive team is composed of the following individuals:

Denise Micallef Xuereb	Chief Executive Officer
Joseph Borg	Chief Financial Officer



3. ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the AX Real Estate Group as at the date of this report, indicating the position of the Company and the Real Estate division within the AX Group.



¹ 51% ownership
² 75% ownership
³ 36% ownership
⁴ 33.3% ownership



4. MAJOR ASSETS OWNED BY THE GROUP

The table below provides a summary of the properties held by the AX Real Estate Group on a pro forma basis as at 30 April 2021 (classified as 'investment property' in the statement of financial position), valued at €231,125,000.

AX REAL ESTATE PLC Group Assets	30 Apr'21 €'000
Sliema Hotels (The Palace Hotel and The Victoria Hotel)	72,750
Qawra Hotels (Seashells Resort at Suncrest, Sunny Coast Resort & Spa and Luzzu Complex)	73,480
Valletta Hotels (Saint John's Boutique Hotel and Rosselli Hotel)	16,010
Part of the Verdala Site earmarked for the proposed Grand Hotel Verdala and Virtu Heights	8,630
Simblija Care Home & Hilltop Gardens Retirement Village	36,870
Targa Gap Complex, Mosta	11,830
Hardrocks Business Park (8 warehouses, an office block and a plot of land)	6,950
Office space at Falcon House, Sliema	4,320
Blackstead Garage	285
	231,125

Source: Consolidated pro forma statement of financial position of AX Real Estate p.l.c.

A brief description of each property is provided below.

4.1 SLIEMA HOTELS

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 2007, marks AX Group's first investment in the five-star hotel segment. The Palace offers a wide range of facilities to its guests, including five restaurants, namely: TemptAsian, The Tabloid, and Talk of Town Café, 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 hotel has an underground car park common with The Victoria Hotel.

The Victoria Hotel is a 142-room classical Victorian-style hotel located in the heart of Sliema. The hotel, which is marketed as a classical five-star experience in a four-star accommodation, opened for business in 1997 and was last refurbished in 2018. 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.



It also houses the Copperfield restaurant and the Penny Black bar. The hotel has an underground car park accessible from the entrance to The Palace Hotel car park which can accommodate 108 cars.

The proximity between The Palace Hotel and The 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.

Terms of intra-group lease agreement

The Sliema Hotels are leased by Central Leisure Developments Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee). In turn, AX Hotel Operations p.l.c. sub-leases the spa, gym and a shop to independent third-party operators. The lease agreement entered into with AX Hotel Operations p.l.c. is subject to the following terms:

- (a) the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component ;
- (d) the obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Sliema Hotels to independent third parties, once it obtains the lessor's consent.

4.2 QAWRA HOTELS

The Seashells Resort at Suncrest is a four-star hotel 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 opened for business in 1986 and has undergone 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. It occupies a gross floor area measuring approximately 6,000 sqm. The property has operated in the vacation ownership market since 1983 but will cease such activity on expiration of the timeshare contracts in December 2021. The Sunny Coast Resort and Spa features two restaurants which are leased out to independent third party operators, indoor and outdoor pools, spa and leisure facilities, and a fitness centre.

The Sunny Coast Lido is a facility that forms part of the Sunny Coast Resort and Spa, consisting of a number of restaurants leased out to independent third parties, an indoor swimming pool, a spa, an outdoor pool, and other sports facilities leased out to third parties.

The Luzzu Complex, which occupies a gross floor area of *circa* 2,250 sqm, comprises a seaside restaurant known as the 'Luzzu Restaurant,' a beach club (namely the 'Luzzu Lido') and a recently refurbished conference centre which accommodates up to 300 delegates in theatre style and 450 guests in receptions.



Terms of intra-group lease agreement

The Qawra Hotels, with the exception of the outlets that are sub-leased to third parties as indicated above, are leased by Suncrest Hotels p.l.c. (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

The lease agreement is subject to the following terms:

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Qawra Hotels to independent third parties, once it obtains the lessor's consent.

Qawra Project

The AX Group has developed a master plan for the redevelopment of the Qawra Hotels, which project is expected to be phased over a number of years as further explained hereunder.

Phase 1

Suncrest Hotels p.l.c. is in possession of a full development permit to extend the Seashells Resort at Suncrest by adding four additional floors to the existing structure, which will increase the number of rooms of the hotel to 618, as well as new pools, restaurants, bars and other facilities to the hotel. The AX Group plans to upgrade the standard of the hotel to a high level in line with the objectives of the master plan to develop its Qawra Hotels into a key destination.

Simultaneously with the extension to the hotel, the lido at the Seashells Resort at Suncrest will be demolished and redeveloped subject to a full development permit being obtained from the competent authorities. The new lido will include an underground car park, part of the project for the development of a large carpark accommodating 350 cars under the three lidos owned by the AX Group. The new lido will also include a large pool that will eventually form part of a series of laguna pools over the three lido areas, as well as the restaurants and bars operated by the AX Hotels brand.

The aforementioned development has commenced in November 2021 and is expected to be completed by March/April 2023 at a cost of *circa* €52 million, with the hotel assumed to be re-opened by May 2023.



Phase 2

Hotel Resorts Limited (now merged into Suncrest Hotels p.l.c.) has applied for a full development permit for the development of the Sunny Coast Resort & Spa and an outline development permit for the Sunny Coast Lido and Luzzu Complex.

The proposed development of the Sunny Coast Resort & Spa will see the demolition of the existing building and its rebuilding into a 200-unit aparthotel with food and beverage and leisure facilities.

There are presently no firm timelines for the commencement of these works but subject to obtaining the necessary full development permits and the necessary finances and resources are available for the works to commence, it is envisaged that this shall commence within the next five years.

4.3 VALLETTA HOTELS

St. John's Boutique Hotel Limited (C 76079) is the owner of the Saint John's Boutique Hotel, a 19-room boutique hotel located in Merchants Street, Valletta. Once a former merchant's residence and shop, the Saint John's Boutique Hotel 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, ideal for the frequent business traveller who needs to make use of desk space in an office-like setting during his stay. The Saint John's Boutique Hotel is also home to two catering establishments, namely 'Cheeky Monkey Gastropub' and 'Cheeky Monkey Creperie'.

Palazzo Merkanti Leisure Limited (C 76080) holds the Rosselli Hotel under the title of temporary emphyteusis, subject to an annual ground rent of €13,821.60. The 25-room five-star boutique hotel is one of the most prestigious old palazzos in the capital, receiving its first guests in May 2019. The Rosselli Hotel is housed in a luxurious property displaying a fusion of traditional and contemporary design complemented by an advanced suite of technology services for guests. Aside from a three-level restaurant with varied cuisine genres, namely 'Under Grain', 'Grain' and 'Over Grain', offering customers refined culinary experiences on each level with 'Under Grain' having been one of the first of only five restaurants to have clinched a Michelin Star on the island, the boutique hotel has a rooftop terrace and swimming pool. Additionally, hotel butler service is on hand to provide a tailor-made experience for guests staying at the Rosselli Hotel.

Terms of intra-group lease agreement

The Saint John's Boutique Hotel is leased by St. John's Boutique Hotel Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee). The Rosselli Hotel is leased by Palazzo Merkanti Leisure Limited (in its capacity as lessor) to AX Hotel Operations p.l.c. (in its capacity as lessee).

Each of the lease agreements is subject to the following terms:



- (a) the lease term is 20 years and four months, with a right of first refusal in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Valletta Hotels to independent third parties, once it obtains the lessor's consent.

4.4 PROPOSED GRAND HOTEL VERDALA AND VIRTU HEIGHTS ANNEX SUITES

Royal Hotels Limited (C 16694) owns the land over which the Verdala Hotel will be developed. A full development permit for the proposed development has been obtained and work on the demolition of the former Grand Hotel Verdala has commenced.

Heritage Developments Limited (C 14217) has signed preliminary agreements to purchase four remaining apartments and thus acquiring full ownership of that part of the Verdala site known as Virtu Heights, which consists of a total of 19 apartments, to be subsequently developed into the Verdala Hotel Annex.

Proposed development

The project will see the dilapidated Grand Hotel Verdala being demolished and redeveloped into a 25-room five-star all-suite hotel, acting as the main hotel building housing all the main facilities for the proposed new luxury suites and the existing 19 Virtu Heights annex suites, which shall also be refurbished to a luxury standard. A multi-level communal pyramidal atrium shall include all the communal facilities and creates a physical and visual corridor from Triq ir-Rghajja to the ridge views overlooking Malta.

By reducing the overall height from the existing hotel by almost two storeys, the development will blend more harmoniously with the promontory. A system of terraces and voids on the ridge side of the building will mimic the natural forms of the rock strata, whilst the back elevations will have greater solidity to tie into the traditional façade typology found in the surrounding streets.

The project will also open up around 2,350 sqm of formerly developed space to the public through the introduction of public piazzas and open spaces. Furthermore, new vistas will be enjoyed by the public from Triq San Bastjan and Triq ir-Rghajja.

Between the years 2005 and 2019, Heritage Developments Limited entered into 11 deeds of sale pursuant to which 11 out of the 19 apartments were sold to third parties: three of which were rescinded some time thereafter; four were re-acquired by Heritage Developments Limited from said third parties; and the remaining four form the subject of promise of sale/exchange agreements, pursuant to which Heritage Developments Limited will re-acquire the four apartments in exchange for four residential units (and car spaces) forming part of the Verdala Terraces, defined hereunder.



As part of the Group reorganisation exercise, Royal Hotels Limited has transferred a portion of land by virtue of a public deed in the acts of Notary Rosalyn Aquilina dated 28th October 2021 consisting in an area of 8,831 sqm from level -2 downwards and 9,470 sqm from level -1 upwards to a newly incorporated entity forming part of the AX Group, namely Verdala Terraces Limited (C 100344), on which residential units are intended to be developed by the AX Group (the “Verdala Terraces”).

The Verdala Hotel will be developed on the remaining portion of land owned by Royal Hotels Limited. As described above, Heritage Developments Limited owns Virtu Heights, which will be refurbished into the Verdala Hotel Annex.

Works commenced in August 2021 and it is estimated that the investment in the Verdala Hotel and the refurbishing of the Verdala Hotel Annex is estimated to cost €11.5 million.

Terms of intra-group lease agreement

Royal Hotels Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Royal Hotels Limited (in its capacity as lessor) will lease out the Verdala Hotel to AX Hotel Operations p.l.c. (in its capacity as lessee). Heritage Developments Limited and AX Hotel Operations p.l.c. entered into a lease agreement pursuant to which Heritage Developments Limited (in its capacity as lessor) will lease out the Verdala Hotel Annex to AX Hotel Operations p.l.c. (in its capacity as lessee).

Each of the lease agreements is subject to the following terms:

- (a) the lease term is 20 years with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a minimum fixed base rent;
- (c) a variable rent component;
- (d) the obligation for ordinary and extraordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs which are structural in nature rest with the lessor; and
- (e) the lessee may only sub-lease outlets and facilities within the Verdala Hotel to independent third parties, once it obtains the lessor’s consent.

4.5 SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE

Simblija Developments Limited (C 39400) owns the Hilltop Gardens Retirement Village and Simblija Care Home.

Simblija Care Home is a 155-bed care home which provides nursing care to the more dependent elderly residents. The Simblija Care Home also operates the Revive Physiotherapy Centre, which 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.



Hilltop Gardens Retirement Village is the first luxury retirement village developed in Malta, consisting 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 centre, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A reception desk and 24-hour 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 by individuals who at the time of taking up residence must be over 55 years of age.

Subject to obtaining the necessary development permits, it is the intention of the Group to construct 50 additional residential units across two additional floors intended for lease in line with the business model of the Hilltop Gardens Retirement Village. No specific date has been set for the commencement of works as of yet.

Terms of intra-group lease agreement

Simblija Developments Limited (in its capacity as lessor) leases the Simblija Care Home and Hilltop Gardens Retirement Village to Hilltop Management Services Limited (C 72480) (in its capacity as lessee), which is then sub-leased to Hilltop Gardens Retirement Village Limited (C 65735). Hilltop Management Services Limited also leases particular establishments within the village in favour of third parties.

The lease agreement entered into by and between Simblija Developments Limited and the Hilltop Management Services Limited is subject to the following terms:

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a fixed base rent;
- (c) the obligation for ordinary repairs and maintenance rests with the lessee, while the costs of new developments or extraordinary repairs rest with the lessor;
- (d) the right to sub-lease apartments within the Hilltop Gardens Retirement Village to residents who satisfy the residential criteria;
- (e) the lessee may only sub-lease outlets and facilities to independent third parties, once it obtains the lessor's consent.



4.6 TARGA GAP COMPLEX MOSTA

Skyline Developments Ltd (C 34281) owns the Targa Gap Complex in Mosta. The complex which has been built to a high level of finishes and specifications; consists of two blocks of residential apartments, namely the 'Clover' block and the 'Springfield' block. As at the date hereof, the majority of units in the 'Clover' block have been sold to third parties, two will be retained by Skyline Developments Ltd and leased to third parties. Those in 'Springfield' block have also been retained and are currently leased to independent third parties.

The complex also includes the AX Business Centre which houses the 'AX Group Head Office' as well as two separate offices at ground floor level one of which is currently leased to an independent third party. The complex also includes four floors of underground car park. A number of garages in the car park have been sold to owners of the apartments in 'Clover' block. A photovoltaic plant has been installed on the roof of the property.

Terms of intra-group lease agreement

The lease agreement by and between Skyline Developments Ltd (qua lessor) and AX Group p.l.c. (qua lessee) is subject to the following terms:

- (a) the lease term is 20 years and four months with a right of first refusal granted in favour of the lessee over any new lease to be entered into by the lessor upon the expiration of the term;
- (b) a fixed base rent; and
- (c) the obligation for ordinary repairs and maintenance rests with the lessee while the costs of new developments or extraordinary repairs rest with the lessor.

4.7 PROPERTIES AT HARDROCKS BUSINESS PARK

The Company has constructed nine warehouses and an office block at the Hardrocks Business Park. Six of the warehouses are rented to independent third parties on a leasing period between four to fifteen years. Two warehouses and the office block, together with the underlying basement areas, are rented to AX Construction Limited (C 17438) for a term of 20 years and are used as the Company's offices and operating base. Another warehouse (with underlying basement) has been leased out by the Company in part to AX Group p.l.c. and in part to AX Construction Limited. The remaining area of the said warehouse which is currently unoccupied will be leased out to third parties. A third party leases the roof of the warehouses and office blocks.

4.8 OFFICE SPACE AT FALCON HOUSE SLIEMA

The office space at Falcon House in Sliema consists of an area of *circa* 1,180 sqm on two levels, of which 80% is leased to a third party. The remaining 20% of office space is currently vacant.

4.9 BLACKSTEAD GARAGE

The property consists of a stand-alone industrial garage and a complimenting loading bay. The total site area is *circa* 257 sqm and is leased to a third party.



5. ANALYSIS OF REVENUE

The table below analyses the Group's revenue for the historical and projected periods between the principal property categories:

AX Real Estate plc Analysis of Revenue							
	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
Hotel properties	-	-	335	5,583	9,754	13,956	14,954
Healthcare property	-	-	76	1,650	1,683	1,717	1,751
Targa Gap Complex	-	-	20	605	609	613	617
Other properties	19	244	292	623	664	681	700
Rental income	19	244	723	8,461	12,710	16,967	18,022
Proceeds from sale of property	-	-	-	610	455	455	-
Total revenue	19	244	723	9,071	13,165	17,422	18,022
Rental income by tenant							
Income from AX Group companies	19	97	525	7,754	11,968	16,245	17,284
Income from third party tenants	-	147	198	707	742	722	738
Rental Income	19	244	723	8,461	12,710	16,967	18,022

Source: Management information.

The revenue of the Company over the historical period relates to income on investment property leased out to other entities. Revenue increased to €243,673 in 2020 compared to €19,355 over the 5-month period ending 31 October 2019. During the financial year ending 31 October 2020, 61% of revenue related to lease income from related parties. During the afore-mentioned historical period, the Company did not have any underlying subsidiaries or investments in associated undertakings.

The Group reorganisation was mainly conducted during Q4 2021 and as such, revenue for the said financial year reflects income of the Company for the full year and revenue generated by the subsidiaries acquired in the last quarter of FY2021.

The Group's total revenue is projected at €9.1 million in FY2022, increasing gradually to €18.0 million by FY2025. The principal driver of the projected growth relates to rental income from hotel properties which is projected to increase from €5.6 million in FY2022 to €15.0 million in FY2025. Rental income from hotel properties is based on a fixed component and a variable rent structure linked to the revenue of each property. Such projected revenue is based primarily on the historical revenue generation of the hotels in the financial years ended 31 October 2018 and 2019, which were the last full financial years prior to the onset of the COVID-19 pandemic. The assumption is that of a gradual recovery from the effects of COVID-19 with hotel revenue returning to pre-pandemic levels by 2023-24.

In FY2021, the Group initiated the extension and refurbishment of the Suncrest Hotel in Qawra which will extend the hotel's room capacity to 618 rooms by the addition of 4 new floors. It will also allow the hotel to expand its amenities particularly in terms of the food and beverage outlets and lido



facilities. In terms of the lease agreement with the Company, the projections assume that the rental charge portion relating to the Suncrest Hotel will be waived during the period of development and resume once the hotel recommences operations in mid-2023.

Furthermore, the Group is expected to undertake the development of the Verdala Hotel between 2021 and 2023, with the hotel assumed to be operational as from FY2024. The Hotel will be operated by AX Operations in terms of its lease agreement with the AX Real Estate Group. This lease agreement also includes 19 residential apartments forming part of the existing “Virtu Heights” building, which will be utilised by AX Operations as serviced apartments.

Additional revenue in the projected period is also expected from the Rosselli Hotel in Valletta which only opened in June 2019.

The projected rental income from properties other than hotel properties is based on the provisions of the rental agreements that are in place at the time of the preparation of the projections. Any rental agreements that expire in the projection period are assumed to be renewed at the existing terms.

The Healthcare Complex is subject to a long-term lease agreement with Hilltop Management Services Limited, that operates the complex. The agreement provides for fixed rental income with annual increments.

The Targa Gap Complex in Mosta includes a mix of office space, residential units and garage spaces. The vast majority of the office space (including garage spaces) in this building is subject to a long-term agreement with the AX Group. The office space and garage spaces that are currently vacant are assumed to be rented in FY2022.

‘Other properties’ comprise the Hardrock Warehouses in Burmarrad, the Falcon House offices in Sliema and a garage in Naxxar known as Blackstead Garage. The Group’s warehouses within the Hardrocks Complex in Burmarrad are currently rented either to other AX Group companies or to third parties. A plot of land on this site is currently being developed into new warehouse space and the projections assume that this development will be completed and leased out during FY2022. The office space at Falcon House and the Blackstead Garage are both subject to lease agreements in place with third parties.

The projected revenue from the sale of property relates to the assumed disposal of residential and garage spaces at the Targa Gap Complex and which are held as inventory. No other future sales of properties are projected to be effected by the AX Real Estate Group.

6. BUSINESS DEVELOPMENT STRATEGY – CONVERGENCE WITH THE AX GROUP

6.1 ETHOS OF THE AX GROUP AND THE AX REAL ESTATE GROUP

The AX Group has developed from its beginnings as a traditional family business to a professional organisation, underpinned by the AX 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.



The AX Group believes that investment in immovable property in good locations and to high standards of design tailored to the operation of innovative business models and concepts provides high return on investment over the long term.

This same business philosophy has been adopted by the AX Real Estate Group, which also recognises the opportunities for return provided by judicious real estate investment and sees the AX Group's operating companies as an important customer for its investments. The intention is to retain alignment between the two groups' business strategies so that one complements and supports the other, with the main underpinning to these common strategies being a common ethos driving the business.

One of the main contributors which has led towards the successful history of growth experienced by the AX Group has been the segregation of asset owning and operating functions to enable individual subsidiaries to focus on their core objectives and to share the knowhow, experience and resources to avoid duplication of effort and cost. It is the intention of the Company to replicate this proven strategy and extend it to the Company's business.

6.2 ORGANISATIONAL PRACTICES AND PROCEDURES

The Company shall implement 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 shall be reviewed from time to time in order to reflect new operational and market realities, ensuring that the Company 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 Company are prepared, evaluated and subsequently scrutinised by the competent members of the executive team.

6.3 GROWTH STRATEGY

The Company shall focus its energies on strengthening its business and developing its structures/Furthermore, the various divisions of the AX Group have diversified their markets and business delivery, and marketing strategies have been developed and implemented for each of its properties depending on the location and nature of the property.

Since March 2020, the hospitality industry has been impacted by the COVID-19 pandemic due to a temporary decline in travel demand, which affected the operation of the operators of the properties within the Hospitality Group. A gradual return to normality has been experienced since June 2021 and the Company is optimistic that the hotel industry in Malta will perform positively in the years to come, thereby giving the operators of the Hospitality Properties the stability required to ensure payment of rent when due. The AX Group believes the AX Group Hospitality Properties currently have the right management and resources to successfully grow the business units and potentially take on others.

Similarly, the construction division of the AX Group, which leases its offices at the Hardrocks Industrial Park from the Company has grown rapidly following a restructuring of the business. 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.

6.4 HUMAN RESOURCE MANAGEMENT

The Company believes that human resource management practices based on the acquisition and retention of talent are conducive to achieving its business objectives and the retention of key talent is at the core of the Company's philosophy.

The Company intends to utilise as per a contracted services agreement, the services of a number of Departments within the AX Group including those of the Human Resource Department with a view to avoid duplication of resources and the associated costs. For this reason the Company will have a lean organisation structure and only directly engage personnel where this is specifically necessary to further its business interests.

The AX Group, which shall be provided such services to the Company, operates the 'AX Academy' specialising in training and development 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. The Company, through the above-mentioned Services Agreements, shall be entitled to partake to the resultant expertise and resources.

7. FUTURE DEVELOPMENT

The Company will actively seek to acquire properties which are of high standard and which lend themselves to being used for activities of the Subsidiaries or by independent third parties, for rent at market rates. Such properties will need to meet the criteria and high standards of design and functionality in line with the philosophy of the AX Real Estate Group and the AX Group.

In addition, where applicable planning laws allow, the AX Real Estate Group will seek to obtain permits to extend or redevelop its real estate assets in line with the business requirements from time to time.

The AX Real Estate Group will maintain its properties to a high standard to optimise the economic returns from such investments.

8. MARKET OVERVIEW

8.1 ECONOMIC UPDATE

The COVID-19 pandemic has hit the Maltese economy hard, particularly its large tourism sector. During this period, the authorities took swift actions to support households, businesses, and the healthcare system on the strength of fiscal buffers accumulated prior to the pandemic. With the rapid rollout of COVID-19 vaccine, the economy reopened in the second quarter of 2021 in time for the summer tourism season. While the outlook is surrounded by a high degree of uncertainty, the Maltese economy is expected to rebound by 5.75% in 2021, up from -7.75% in 2020. The level of uncertainty has been further exacerbated following the action by the Financial Action Task Force (FATF) in June 2021 to put



Malta under increased monitoring due to concerns about effectiveness of its anti-money laundering and combatting the financing of terrorism (AML/CFT) framework.¹

Due to the COVID-19 pandemic, the tourism sector, representing almost 16% of the Maltese economy, declined sharply as tourist arrivals fell to around 25% of pre-pandemic levels in 2020. Domestic economic activities also slumped, as restrictions on movement and activities, as well as weak consumer and business sentiment, dampened private consumption and investment. Some sectors, such as remote gaming and ICT, continued to grow strongly, but not enough to offset the losses in contact-intensive sectors. As a result, the economy entered a deep recession, with real GDP contracting by 7.75% in 2020. Malta's economy grew at a quarter-on-quarter rate of 1.9% in the first quarter of this year (2021), driven by remote gaming, ICT, public administration, and wholesale and retail trade activities.

House price growth slowed to 3.5% in 2020 after several years of rapid growth, reflecting a mix of opposing factors. Downward pressures came from lower household income growth and weaker prospects for tourism rentals, whereas the low-interest rate environment and the reduction of the property tax rate and stamp duty helped sustain property demand.

The authorities' fiscal response to mitigate the fallout from the COVID-19 crisis comprised support to firms and households through the wage supplement scheme, the tax deferral scheme, financial assistance to businesses, and social measures. Altogether, COVID-19 related measures amounted to 5.1% of GDP in 2020, more than half of which were spent on the wage supplement scheme. As a result, the fiscal measures deteriorated from a surplus of 0.4% of GDP in 2019 to a deficit of 10.2% in 2020. Public debt rose sharply, from 42% of GDP in 2019 to 55% of GDP in 2020. The authorities also introduced several financial sector measures to support liquidity and credit flows including loan moratoria on repayments on capital and interest, a loan guarantee scheme through the Malta Development Bank, interest subsidies, restrictions on dividend distribution and real estate support measures.

Labour markets have proved resilient to the pandemic shock. Employment dropped, and unemployment rose immediately after the COVID-19 outbreak. Following the relaxation of containment measures, however, employment resumed growing with strong job creation among females and highly educated workers. Unemployment also fell to around 3.5% by June 2021. The wage supplement scheme contributed to preventing large-scale layoffs. With the reopening of the tourism sector, signs of labour markets tightening have emerged, partly reflecting reduced inflows of foreign workers.

According to the IMF, economic growth is expected to gain momentum during the second half of 2021 and into 2022. This forecast assumes further progress in global vaccination and an unleashing of pent-up demand for contact-intensive services. International tourist arrivals are assumed to recover only gradually, given lingering virus fears, taking a couple of years to return to their 2019 level. Meanwhile, digital intensive sectors, including remote gaming and ICT sectors, will continue to drive growth. Over

¹ International Monetary Fund – Malta (IMF Country Report No. 21/211, September 2021).



the medium term, growth will gradually moderate to a sustainable pace. Growth is projected to gradually decelerate to its potential rate of 3.25% by 2026, as growth in Malta's trading partners moderates and productivity growth slows to its pre-pandemic average over time (after a strong rebound in 2021–2022). Furthermore, the growth of Malta's working-age population is expected to moderate, contributing to the decline in potential growth. Because the growth trajectory is projected to fall short of pre-crisis trends, the pandemic crisis will potentially leave a permanent loss of 4.5% of GDP in 2026.



PART 2 – GROUP PERFORMANCE REVIEW

9. PRO FORMA FINANCIAL INFORMATION RELATING TO AX REAL ESTATE PLC

As at 30 April 2021, the Company did not have any underlying subsidiaries or investments in associated undertakings. The financial information set out in this review represents pro forma consolidated financial information and presents the position of the Group post-completion of the Group Reorganisation as at 30 April 2021. Accordingly, the pro-forma financial information illustrates the Group's statement of financial position as it would have been in the hypothetical situation that these assets were transferred as at 30 April 2021 ("April 2021PF").

AX Real Estate plc							
Pro forma consolidated statement of financial position							
As at 30 April 2021							
	Company	Adjustments					Group
	€'000	(i) €'000	(ii) €'000	(iii) €'000	(iv) €'000	(v) €'000	€'000
ASSETS							
Non-current assets							
Investment property	6,609		247,102	(22,586)			231,125
	6,609	-	247,102	(22,586)	-	-	231,125
Current assets							
Inventories			1,193				1,193
Trade and other receivables	179		708				887
Cash and cash equivalents		49	1,285				1,334
	179	49	3,186	-	-	-	3,414
Total assets	6,788	49	250,288	(22,586)	-	-	234,539
EQUITY							
Capital and reserves							
Issued ordinary 'A' shares	1	49				12,450	12,500
Issued ordinary 'B' shares					18,750		18,750
Capital contribution	3,500		(3,500)		31,250		31,250
Retained earnings	248		36,277			(12,450)	24,075
Revaluation reserves			60,766	(21,540)			39,226
Other reserves			331				331
	3,749	49	93,874	(21,540)	50,000	-	126,132
LIABILITIES							
Non-current liabilities							
Bank borrowings			8,713				8,713
Amounts owed to related parties			124,316		(50,000)		74,316
Deferred tax liability			21,643	(1,046)			20,597
	-	-	154,672	(1,046)	(50,000)	-	103,626
Current liabilities							
Bank borrowings			2,822				2,822
Trade and other payables	3,039		(1,080)				1,959
	3,039	-	1,742	-	-	-	4,781
	3,039	-	156,414	(1,046)	(50,000)	-	108,407
Total equity and liabilities	6,788	49	250,288	(22,586)	-	-	234,539



The following is a description of the pro forma adjustments made to the financial position of the Company as at 30 April 2021:

- i. Being the increase in the issued share capital of the Company by virtue of an issue and allotment of shares effected in favour of AX Group p.l.c. of an additional 195,200 ordinary shares of a nominal value of €0.25 each;
- ii. Being the consolidated assets and liabilities upon the business combination, hypothetically taking place on 30 April 2021, involving Central Leisure Developments Limited, Suncrest Hotels plc, Palazzo Merkanti Limited, St John's Boutique Hotel Limited, Heritage Developments Limited, Royal Hotels Limited, Simblija Developments Limited and Skyline Developments Limited, following the acquisition of the shareholding of these entities by the Company from the previous shareholders, all being under common control of AX Group p.l.c. Further to this transaction, the Company will own 99.99% of the issued share capital of these entities, with the exception of 1 share in each entity held by AX Finance Limited;
- iii. Being the movement in fair value of the Estates Group property portfolio in line with the independent qualified architect's property valuation reports dated 19 November 2021, and the related deferred tax impact. The properties being valued are subject to the lease agreements described in section 4 of this report and the property values are being established through a discounted cash flow (DCF) method. The DCF method is based on the present value of expected rental income over the specific projected period and a discounted terminal value;
- iv. Being the capitalisation of amounts due by the Company to AX Group p.l.c. into ordinary 'B' shares;
- v. Being the declaration and distribution of an interim dividend from subsidiaries to the Company and subsequent capitalisation of retained earnings into ordinary share capital.

Following the Group Reorganisation, the Group's total assets amount to €234.5 million as at 30 April 2021PF (30 April 2021: €6.8 million) and comprise a number of investment properties with a fair value of €231.1 million. A summary of the investment property value as at 30 April 2021PF is included in section 4 of this report.

The Group also holds inventory balances of €1.2 million as at 30 April 2021PF which mainly represent properties held for resale within the Targa Gap Complex. Cash and cash equivalents of €1.3 million as at the date of this financial period are freely transferable and unencumbered.

The Group Reorganisation as at 30 April 2021PF is part financed through the issue of €50 million ordinary 'B' shares (at a premium) in favour of related parties. Ordinary 'B' shares do not hold any voting rights but are entitled to dividends and profit sharing as per ordinary 'A' shares.

The financial position of the Group as at 30 April 2021PF indicates that operations are mainly financed through equity and reserves, and a mix of bank borrowings and related party facilities.

As at 30 April 2021PF, the Group had aggregate bank facilities amounting to €11.5 million. 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 and guarantees given by AX



Group p.l.c. Such facilities bear interest at interest rates ranging from 3.25% to 5.15% p.a. as at 30 April 2021. No bank overdraft facilities have been utilised by the Company or its subsidiaries to date.

As at 30 April 2021PF, the AX Real Estate Group had two related party loans, one of which being the loan between AX Investments p.l.c. and Simblija Developments Limited in terms of which AX Investments p.l.c. advanced a portion of the net proceeds from the issue by AX Investments p.l.c. of €40 million bonds due 2024, to Simblija Developments Limited, for the purpose of constructing the Hilltop Gardens Care Home & Residences, the outstanding balance of which is currently €15.0 million. This loan bears interest at the rate of 6.25% per annum until FY2024 and thereafter interest at the rate of 3% per annum. Pursuant to an amendment and restatement agreement entered into between the parties, the interest payable on the outstanding balance will be deferred until the redemption date of the proposed new bond issue.

Another related party loan relevant to the AX Real Estate Group is regulated by an intragroup debt agreement between AX Group p.l.c. and the Company pursuant to which €59.3 million is payable by the Company to AX Group p.l.c. in settlement of debts arising from, *inter alia*, the Group Reorganisation and the assignment of certain debts by AX Group to the Company. The Company intends to partly settle the outstanding debt from the proceeds of the proposed share and bond offers, in the amount of *circa* €8.7 million, or in the event that the Company exercises the over-allotment option, in the amount of up to €18.7 million. Such agreement is unsecured and bears interest at 3%, which will be deferred.

As at 30 April 2021PF, the Group holds a deferred tax liability of €20.6 million in relation to timing differences on capital gains arising on the investment properties transferred into the Group following the reorganisation.

10. FINANCIAL INFORMATION RELATING TO AX REAL ESTATE PLC

The following financial information is extracted from the audited financial statements of AX Real Estate p.l.c. for the financial years ended 31 October 2019 and 31 October 2020. The consolidated financial information for the projected years 31 October 2021 to 31 October 2025 has been provided by Group management. The Group reorganisation was mainly conducted during Q4 2021. As such, financial information relating to years ended 31 October 2019 and 31 October 2020 reflect the performance of the Company, while financial information with respect to the year ended 31 October 2021 relates to the performance of the Company for the full year and that of the subsidiaries acquired in the last quarter of FY2021.

The projected financial statements are based on future events and assumptions which AX Real Estate 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. The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the balance sheet values.



AX Real Estate p.l.c. Statement of Comprehensive Income for the year ended 31 October							
	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Revenue	19	244	723	9,071	13,165	17,422	18,022
Operating expenses	(1)	(18)	(50)	(968)	(862)	(876)	(713)
Depreciation and amortisation	-	-	-	(148)	(48)	(48)	(48)
Operating profit	18	226	673	7,955	12,255	16,498	17,261
Finance costs	-	-	(70)	(4,417)	(4,131)	(3,587)	(3,530)
Profit before tax	18	226	603	3,538	8,124	12,911	13,731
Taxation	(4)	(68)	(194)	(1,287)	(2,496)	(3,316)	(3,587)
Profit for the year	14	158	409	2,251	5,628	9,595	10,144
Total comprehensive income	14	158	409	2,251	5,628	9,595	10,144

Key Accounting Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
Operating profit margin <i>(Operating profit/revenue)</i>	95%	93%	93%	88%	93%	95%	96%
Interest cover (times) <i>(Operating profit/finance cost)</i>	n/a	n/a	9.61	1.80	2.97	4.60	4.89
Net profit margin <i>(Profit after tax/revenue)</i>	74%	65%	57%	25%	43%	55%	56%
Earnings per share (€) <i>(Profit after tax/number of shares)</i>	11.67	131.67	0.00	0.01	0.02	0.03	0.04
Return on equity <i>(Profit after tax/shareholders' equity)</i>	93%	4%	0%	2%	4%	7%	7%
Return on capital employed <i>(Op. profit/total assets less current liabilities)</i>	0%	6%	0%	3%	4%	6%	6%
Return on assets <i>(Profit after tax/total assets)</i>	0%	2%	0%	1%	2%	3%	3%

Source: MZ Investment Services Ltd

Section 5 of this report provides an in-depth analysis of AX Real Estate Group's revenues during the historical financial years (FY2019 and FY2020) and expected to be generated throughout the 5-year projected period (FY2021 to FY2025).

Revenue in FY2021 is estimated at €0.7 million, which is reflective of the income expected to be generated by the Company for the full year as well as the income expected to be generated mainly in Q4 of the said financial year subsequent to the Group reorganisation. FY2022 is the first full year of operations wherein the AX Real Estate Group is projected to generate €9.1 million in rental income.

Projected revenue for FY2023 is assumed at €13.2 million, an increase of €4.1 million (+45%) from the prior year, mainly on account of the gradual return to pre-COVID 19 levels in the hospitality sector. A further increase of €4.2 million in revenue (to €17.4 million) is expected in FY2024 in consequence of the re-opening of the Seashells Resort at Suncrest and to a lesser extent the inauguration of the Grand Hotel Verdala. Thereafter, a 3% growth rate has been assumed for the purposes of the projections.



The operating profit margin in FY2021 is forecasted at 86% and is expected to increase to 95% in FY2024. As such, the trajectory of operating profits is broadly similar to that of Group revenues explained above. Interest cover is projected at 2 times in FY2022 and should improve significantly to 5 times by FY2024. Overall, the Group expects to generate a net profit of €2.3 million in its first full year. On the assumption that the Seashells Resort at Suncrest re-opens in FY2024 and that hospitality operations return to pre-COVID levels in the same year, the AX Real Estate Group's net profit in FY2024 is expected to amount to €9.6 million. As for FY2025, the Group is projected to increase y-o-y net profit by 6% to €10.1 million.

Projected dividends

The intention of the Directors is to sustain a strong dividend pay-out ratio. Subject to any unforeseen circumstances, the AX Real Estate Group is expected to distribute the majority of the Group's profit after taxation subject to the availability of cash and retaining a minimum cash balance of €1 million. With respect to the payment of dividend, it is projected that an interim dividend (50% of annual dividend) is paid in July and the final dividend (remaining 50% of annual dividend) is paid in January.

The Directors believe that this dividend policy is sustainable because full funding is in place for the capital projects planned for the short to medium term. Furthermore, most of the Group's borrowings relate to the amounts due to the AX Group that are not due for repayment in the next 10 years.

As illustrated in the table below, the AX Real Estate Group expects to regularly declare dividends to shareholders as from FY2022. The net dividend yield, which is based on the IPO price, is projected to progressively increase from 4.1% in FY2022 to 5.1% in in FY2025.

AX Real Estate p.l.c. Projected Dividends for the year ended 31 October	2019 Actual €'000	2020 Actual €'000	2021 Forecast €'000	2022 Projection €'000	2023 Projection €'000	2024 Projection €'000	2025 Projection €'000
Profit for the year	14	158	409	2,251	5,628	9,595	10,144
Proposed dividends	-	-	-	6,936	7,075	7,955	8,625
Dividend payout as a % of annual profits	-	-	-	308%	126%	83%	85%
Dividend attributable to general public	n/a	n/a	n/a	816	832	936	1,014
Net dividend yield (based on IPO price) <i>(dividend/EUR 20,000,000)</i>	n/a	n/a	n/a	4.1%	4.2%	4.7%	5.1%



AX Real Estate p.l.c. Statement of Financial Position							
as at 31 October							
	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
ASSETS							
Non-current assets							
Investment property	5,216	6,349	232,977	256,994	281,860	284,107	286,082
Other assets	9	-	100	432	384	336	288
	5,225	6,349	233,077	257,426	282,244	284,443	286,370
Current assets							
Inventories	-	-	1,193	897	720	543	543
Trade and other receivables	19	115	3,122	2,797	3,851	4,918	5,178
Cash at bank and in hand	-	-	15,457	26,169	1,314	1,520	1,808
	19	115	19,772	29,863	5,885	6,981	7,529
Total assets	5,244	6,464	252,849	287,289	288,129	291,424	293,899
EQUITY							
Ordinary A shares	1	1	12,509	16,676	16,676	16,676	16,676
Ordinary B shares	-	-	18,764	18,764	18,764	18,764	18,764
Capital contribution	-	3,500	-	-	-	-	-
Revaluation reserve	-	-	39,226	39,226	39,226	39,226	39,226
Share premium	-	-	31,236	45,470	45,470	45,470	45,470
Other reserves	-	-	331	331	331	331	331
Retained earnings	14	172	28,325	23,640	22,193	23,674	25,196
	15	3,673	130,391	144,107	142,660	144,141	145,663
LIABILITIES							
Non-current liabilities							
Bonds	-	-	-	40,000	40,000	40,000	40,000
Bank borrowings	-	-	23,693	7,270	5,802	4,289	3,541
Amounts due to AX Group companies	5,157	-	73,526	67,237	69,668	71,610	73,552
Trade & other payables	-	-	-	3,468	3,537	4,057	4,311
Deferred tax liabilities	-	-	20,597	20,597	20,597	20,597	20,597
	5,157	-	117,816	138,572	139,604	140,553	142,001
Current liabilities							
Borrowings	-	-	2,588	1,423	1,467	1,514	748
Trade & other payables	72	2,791	2,054	3,187	4,398	5,216	5,487
	72	2,791	4,642	4,610	5,865	6,730	6,235
Total liabilities	5,229	2,791	122,458	143,182	145,469	147,283	148,236
Total equity and liabilities	5,244	6,464	252,849	287,289	288,129	291,424	293,899

Key Accounting Ratios	FY2019	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
Gearing ratio <i>(Net debt/net debt and shareholders' equity)</i>	100%	0%	39%	38%	45%	45%	44%
Gearing ratio 2 (times) <i>(Net debt/shareholders' equity)</i>	343.80	-	0.65	0.62	0.81	0.80	0.80
Net debt to EBITDA (years) <i>(Net debt/EBITDA)</i>	286.50	-	125.33	11.28	9.43	7.02	6.72
Net assets per share (€) <i>(Net asset value/number of shares)</i>	12.50	3,060.83	0.52	0.51	0.50	0.51	0.51
Liquidity ratio (times) <i>(Current assets/current liabilities)</i>	0.26	0.04	4.26	6.48	1.00	1.04	1.21

Source: MZ Investment Services Ltd



Total assets are projected at €252.8 million as at 31 October 2021 and principally include the investment property portfolio (carried at €233.0 million) and cash balances (€15.5 million). Total assets are projected to increase in the reviewed period to €293.9 million as at 31 October 2025. The principal movement reflects the deployment of the cash raised through the combined offer in the development of the Seashells Resort at Suncrest and the new Grand Verdala Hotel. The projections exclude any potential adjustments to the carrying amount of the investment property that may arise from the annual valuations of the portfolio.

The AX Real Estate Group's total liabilities are projected at €122.5 million as at 31 October 2021 which principally includes amounts due to the AX Group (€73.5 million), bank borrowings (€26.3 million) and deferred tax liabilities arising in connection with the revaluation of investment properties (€20.6 million). Total liabilities are projected to increase in the period to €148.2 million as at 31 October 2025 (+€25.7 million) primarily on account of the net increase in borrowings (being the addition of €40 million of bonds less repayment of borrowings).

The AX Real Estate Group's total equity is projected at €130.4 million as at 31 October 2021, including retained earnings of €28.3 million. In FY2022, it is assumed that total equity will increase by €13.7 million pursuant to the issue of €20 million of ordinary 'A' shares less distribution of dividends. The projections assume that the majority of profits generated in the period will be distributed as dividends and therefore the book value of the Group's equity is expected to increase marginally thereafter and reach €145.7 million as at 31 October 2025.

The gearing ratio is projected at 38% in FY2022 and stabilise thereafter at *circa* 45%. The Board's view is that this level of gearing provides sufficient headroom for the Group to cover existing financing obligations, and to support any further borrowing capacity if needed to take advantage of growth opportunities in the future.

**AX Real Estate p.l.c. Cash Flow Statement
for the year ended 31 October**

	2019	2020	2021	2022	2023	2024	2025
	Actual	Actual	Forecast	Projection	Projection	Projection	Projection
	€'000	€'000	€'000	€'000	€'000	€'000	€'000
Net cash from operating activities	67	-	(1,476)	4,154	6,009	9,572	10,204
Net cash from investing activities	-	-	(2,112)	(24,017)	(24,866)	(2,247)	(1,976)
Net cash from financing activities	(67)	-	17,711	30,575	(5,998)	(7,119)	(7,940)
Net movement in cash and cash equivalents	-	-	14,123	10,712	(24,855)	206	288
Cash and cash equivalents at beginning of year	-	-	1,334	15,457	26,169	1,314	1,520
Cash and cash equivalents at end of year	-	-	15,457	26,169	1,314	1,520	1,808
Free cash flow¹	67	-	(3,588)	(19,863)	(18,857)	7,325	8,228

¹ Free cash flow is arrived at by deducting capital expenditure from cash generated from operating activities.

The cash flows for the projected period indicate that the net proceeds from the combined offer (€58.7 million) are expected to be deployed to finance the capital expenditure relating to the Seashells Resort at Suncrest and the new Grand Verdala Hotel (*circa* €50 million), and to repay €8.7 million of existing intra-group loans. The afore-mentioned projects will therefore be substantially funded through these



proceeds with a minimal reliance on the AX Real Estate Group's projected cash generation. During the period FY2022 to FY2025, net cash used in financing activities comprise dividends paid to shareholders, interest payable and net repayment of borrowings.

Net cash flows from operating activities principally relate to the operations of the AX Real Estate Group, which are analysed in further detail in sections 5 and 6 of this report. Cash generated from the Group's operations is projected to increase from €4.2 million in FY2022 to €10.2 million in FY2025, which is reflective of the projected increase in profitability in this period.

Debt Securities issued by the AX Group

Below is a list of outstanding debt securities as at the date of this report.

Security ISIN	Amount Listed	Security Name	Currency
MT0000081233	40,000,000	6% AX Investments p.l.c. 2024	EUR
MT0002361203	15,000,000	3.25% AX Group plc 2026	EUR
MT0002361211	10,000,000	3.75% AX Group plc 2029	EUR

Source: Malta Stock Exchange



PART 3 – COMPARABLES

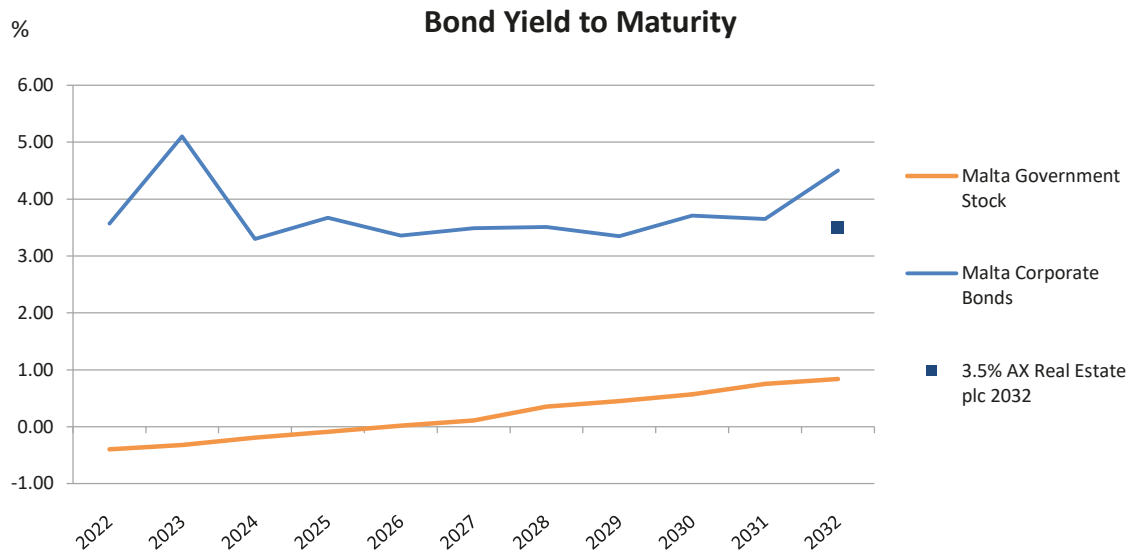
The table below compares the Company and its proposed bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities 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 (%)	
5.80% International Hotel Investments plc 2021	20,000,000	5.52	-	0.61	1,544,099	773,176	41.87
3.65% GAP Group plc Secured € 2022	29,218,400	3.57	2.24	103,895	15,134	73.44	
6.00% Pendergardens Developments plc Secured € 2022 Series	21,518,400	3.18	1.79	60,578	29,491	36.39	
4.25% GAP Group plc Secured € 2023	19,247,300	3.70	2.24	103,895	15,134	73.44	
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.10	0.67	37,298	6,677	75.91	
5.80% International Hotel Investments plc 2023	10,000,000	5.00	-	0.61	1,544,099	773,176	41.87
6.00% AX Investments Plc € 2024	40,000,000	4.16	0.76	348,657	217,449	25.57	
6.00% International Hotel Investments plc € 2024	35,000,000	5.54	-	0.61	1,544,099	773,176	41.87
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.30	3.66	100,350	50,297	48.12	
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.57	2.04	122,396	47,319	52.86	
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.30	3.09	135,492	45,574	27.66	
4.25% Best Deal Properties Holding plc Secured € 2024	14,341,100	2.88	-	27,453	4,128	81.72	
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	3.04	2.24	103,895	15,134	73.44	
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.64	-	0.61	1,544,099	773,176	41.87
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.21	7.33	160,836	54,602	29.84	
4.50% Hili Properties plc Unsecured € 2025	37,000,000	3.67	1.46	149,639	62,675	54.94	
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.36	3.16	43,383	5,522	81.61	
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.63	-	0.51	1,717,057	828,470	42.64
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.30	-	0.61	1,544,099	773,176	41.87
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.10	7.39	278,759	53,003	75.22	
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.67	-	0.61	1,544,099	773,176	41.87
3.25% AX Group plc Unsec Bds 2026 Series I	15,000,000	2.77	0.76	348,657	217,449	25.57	
4.35% SD Finance plc Unsecured € 2027	65,000,000	3.93	0.88	328,464	131,504	30.32	
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.49	-	0.50	190,466	108,369	31.32
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.34	2.30	354,069	231,437	26.54	
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.51	3.44	624,222	106,811	78.42	
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.35	2.30	354,069	231,437	26.54	
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.80	3.44	624,222	106,811	78.42	
3.75% AX Group plc Unsec Bds 2029 Series II	10,000,000	3.32	0.76	348,657	217,449	25.57	
3.50% AX Real Estate plc Unsec Bds 2032	40,000,000	3.50	1.83	287,289	144,107	38.38	

01-Nov-21

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd





Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd

1 November 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The bonds will have a yield of 3.50%, which is *circa* 100 basis points below other corporate bonds maturing in the same year. The premium over FY2032 Malta Government Stock is 266 basis points.



PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including rent receivable and related services.
Net operating expenses	Net operating expenses include the direct expenses and administrative costs.
Operating profit	Operating profit can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
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.
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.
Free cash flow	Free cash flow is arrived at by deducting capital expenditure from cash generated from operating activities.

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. Such assets principally comprise investment properties.
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, 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. Alternatively, the gearing ratio can be calculated by dividing a company's net debt by shareholders' equity.



