REGISTRATION DOCUMENT

AX GROUP

This document is a Registration Document issued in accordance with the provisions of Chapter 4 of the Listing Rules published by the Listing Authority and in accordance with the provisions of Regulation (EU) No. 2017/1129 of the European Parliament and of the Council of 14 June 2017 on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, as amended, and in accordance with the provisions of Commission Delegated Regulation No. 2019/979 and Commission Delegated Regulation No. 2019/980 issued thereunder (the **"Prospectus Regulation"**).

Dated 22 November 2019

by

AX Group p.l.c.

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

Sponsor

WEALTH MANAGEMENT • CORPORATE BROKING
CHARTS
A division of MeDirect Bank (Malta) plc

Manager & Registrar

BOV
Bank of Valletta

Legal Counsel

CAMILLERI PREZIOSI
ADVOCATES

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

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Approved by the Directors

Angelo Xuereb **Michael Warrington**

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

IMPORTANT INFORMATION

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

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

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THE PROSPECTUS DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR PURPOSES OF, AN OFFER OR INVITATION TO SUBSCRIBE FOR SECURITIES ISSUED BY THE COMPANY: (I) BY ANY PERSON IN ANY JURISDICTION IN WHICH SUCH OFFER OR INVITATION IS NOT AUTHORISED OR IN WHICH THE PERSON MAKING SUCH OFFER OR INVITATION IS NOT QUALIFIED TO DO SO; OR (II) TO ANY PERSON TO WHOM IT IS UNLAWFUL TO MAKE SUCH OFFER OR INVITATION. THE DISTRIBUTION OF THE PROSPECTUS IN CERTAIN JURISDICTIONS MAY BE RESTRICTED AND, ACCORDINGLY, PERSONS INTO WHOSE POSSESSION IT IS RECEIVED ARE REQUIRED TO INFORM THEMSELVES ABOUT, AND TO OBSERVE, SUCH RESTRICTIONS.

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

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

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

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

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

ALL THE ADVISORS TO THE COMPANY NAMED IN THE REGISTRATION DOCUMENT UNDER THE HEADING "ADVISORS" IN SECTION 3.2 OF THIS REGISTRATION DOCUMENT HAVE ACTED AND ARE ACTING EXCLUSIVELY FOR THE COMPANY IN RELATION TO THE PROSPECTUS AND HAVE NO CONTRACTUAL, FIDUCIARY OR OTHER OBLIGATION TOWARDS ANY OTHER PERSON AND WILL ACCORDINGLY NOT BE RESPONSIBLE TO ANY INVESTOR OR ANY OTHER PERSON WHOMSOEVER IN RELATION TO THE TRANSACTIONS PROPOSED IN THE PROSPECTUS.

THE CONTENTS OF THE COMPANY'S WEBSITE OR ANY WEBSITE DIRECTLY OR INDIRECTLY LINKED TO THE COMPANY'S WEBSITE DO NOT FORM PART OF THIS PROSPECTUS UNLESS SUCH CONTENTS ARE INCORPORATED BY REFERENCE INTO THE PROSPECTUS. ACCORDINGLY, NO RELIANCE OUGHT TO BE MADE BY ANY INVESTOR ON ANY INFORMATION OR OTHER DATA CONTAINED IN SUCH WEBSITES AS THE BASIS FOR A DECISION TO INVEST IN THE SECURITIES.

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

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1 DEFINITIONS

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

Act	the Companies Act (Cap. 386 of the laws of Malta);
AX Group or **Group**	the Company and any company or entity in which the Company has a controlling interest;
AX Holdings Limited	AX Holdings Limited, a private limited liability company registered under the laws of Malta with company registration number C 3595 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Bond Issue	the issue of the Bonds;
Bonds	collectively, the Series I Bonds and the Series II Bonds;
Bondholder/s	a holder of Bonds;
Company	AX Group p.l.c., a public limited liability company registered under the laws of Malta (and, formerly, a private limited liability company incorporated under the name 'Fulcrum Services Limited'), with company registration number C 12271 and having its registered office at AX House, Mosta Road, Lija LJA 9010, Malta;
Directors or Board	the directors of the Company whose names are set out in section 3.1 of this Registration Document under the heading *"Directors of the Company"*;
Euro or **€**	the lawful currency of the Republic of Malta;
Group Hospitality Properties	the following properties owned and operated by the respective operating subsidiaries of the Group: a. AX The Victoria Hotel, Sliema; b. AX The Palace Hotel, Sliema; c. Palazzo Capua, Sliema; d. AX Sunny Coast Resort and Spa, Qawra; e. AX Seashells Resort at Suncrest, Qawra; f. Luzzu Complex, Qawra; g. The Saint John - Boutique Accommodation, Valletta; and h. The AX Rosselli, Valletta;
Listing Authority	the Board of Governors of the MFSA, appointed as Listing Authority for the purposes of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta), which Listing Authority is established in terms of the Financial Markets Act (Cap. 345 of the laws of Malta);
Listing Rules	the listing rules of the Listing Authority;
Malta Stock Exchange or **MSE**	Malta Stock Exchange p.l.c., as originally constituted in terms of the Financial Markets Act (Cap. 345 of the laws of Malta) with company registration number C 42525 and having its registered office at Garrison Chapel, Castille Place, Valletta VLT 1063, Malta;
Manager and **Registrar**	Bank of Valletta p.l.c., a public limited liability company registered in Malta, with company number C 2833, having its registered office at 58, Zachary Street, Valletta, VLT 1130, Malta;
Memorandum and Articles of Association	the memorandum and articles of association of the Company in force at the time of publication of the Prospectus. The terms **"Memorandum"**, **"Articles"** and **"Articles of Association"** shall be construed accordingly;
MFSA	the Malta Financial Services Authority, established in terms of the Malta Financial Services Authority Act (Cap. 330 of the laws of Malta);
Prospectus	collectively, the Registration Document, the Securities Note and the Summary Note;
Registration Document	this document in its entirety;

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

Unless it appears otherwise from the context:
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.

2 RISK FACTORS

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

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

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

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

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, THE SPONSOR OR ANY OF THE AUTHORISED FINANCIAL INTERMEDIARIES THAT ANY RECIPIENT OF THIS PROSPECTUS, THE DOCUMENTATION INCORPORATED BY REFERENCE HEREIN, OR ANY OTHER INFORMATION SUPPLIED IN CONNECTION THEREWITH, SHOULD PURCHASE ANY SECURITIES ISSUED BY THE COMPANY (PROSPECTIVE INVESTORS SHOULD MAKE THEIR OWN INDEPENDENT EVALUATION OF ALL RISK FACTORS, AND SHOULD CONSIDER ALL OTHER SECTIONS IN THIS DOCUMENT); AND
III. CONTAIN STATEMENTS THAT ARE, OR MAY BE DEEMED TO BE, "FORWARD LOOKING STATEMENTS".

The Prospectus contains forward-looking statements. These include, among others, statements concerning the Company's strategies and plans relating to the attainment of its objectives, funding requirements and other statements of expectations, beliefs, future plans and strategies, anticipated developments and other matters that are not historical facts and which may involve predictions of future circumstances, including the Company's results of operations, financial performance and conditions, cash flows, liquidity and the sectors and industries in which the Group operates. Investors can generally identify forward-looking statements by the use of terminology such as "may", "will", "expect", "intend", "forecasts", "projects", "plan", "estimate", "anticipate", "believe", or similar phrases. By their nature, these forward-looking statements are inherently subject to a number of risks, uncertainties and assumptions. Forward-looking statements are not guarantees of future performance and should therefore not be construed as such. Important factors that could cause actual results to differ materially from the expectations of the Directors include those risks identified under the heading "Risk Factors" and elsewhere in the Prospectus. Accordingly, the Company cautions the reader that these forward-looking statements are subject to risks and uncertainties that could cause actual events or results to differ from those expressed or implied by such statements and no assurance is given that the future results or expectations will be achieved.

2.1. RISKS RELATING TO THE COMPANY

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

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

2.2. RISKS RELATING TO THE GROUP AND ITS BUSINESS

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

2.2.1. HOSPITALITY

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

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

- **changes in travel patterns or seasonal variations;**
- **any cutbacks and stoppages on Malta-bound routes, or increases in taxes, surcharges and other expenses associated therewith;**
- **changes in laws and regulations on employment, the preparation and sale of food and beverages, health and safety, alcohol licensing, environmental concerns, fiscal policies and zoning and development, and the related costs of compliance;**
- **the impact of increased threats of terrorism or actual terrorist events, impediments to means of transportation (including airline strikes and border closures), extreme weather conditions, natural disasters, travel-related accidents, outbreaks of diseases and health concerns, or other factors that may affect travel patterns and reduce the number of business and leisure travellers;**
- **the termination, non-renewal and, or the renewal on less favourable terms of material contracts, including franchise agreements and agreements entered into with tour operators;**
- **the ability to attract positive peer reviews and achieve and maintain industry awards and rankings;**
- **increases in wages and the cost of employment, labour shortage and other instability in the labour market;**
- **socio-demographical changes (ageing markets, family life-cycles and changing structures), and economical changes (recessions, increase in oil prices and exchange rates);**
- **increased competition from providers of alternative accommodation, including accommodation made available by private individuals or via online peer-to-peer platforms, which individuals or platforms may offer alternative accommodation at competitive rates.**

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

2.2.1.2. Risks specific to the boutique accommodation industry

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

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

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

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

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

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

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

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

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

2.2.1.5. Risks associated with the food and beverage industry

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

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

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

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

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

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

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

2.2.2. PROPERTY DEVELOPMENT

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

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

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

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

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

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

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

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

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

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

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

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

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

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

2.2.2.4. Risks associated with property valuations and net realisable value

The valuation of property is intrinsically subjective and based on a number of assumptions at a given point in time. In particular, the valuations referred to in this Registration Document are prepared by independent qualified architects in accordance with the valuation standards published by the Royal Institution of Chartered Surveyors ('RICS'). In providing a market value of the property, the independent architects have made certain assumptions which ultimately may cause the actual values to be materially different from any future values that may be expressed or implied by such forward-looking statements or anticipated on the basis of historical trends, as reality may not match the assumptions. There can be no assurance that such valuation of property and property-related assets will reflect eventual actual market values.

2.2.2.5. The Group may face competition for the acquisition of real estate

Although the Group's strategy envisages the possibility of expanding its property portfolio by acquiring new properties or land, it cannot guarantee that it will succeed in identifying suitable acquisition targets and investment opportunities which meet the terms and criteria of its growth strategy. As a result of competition from other developers, the Group may not be able to acquire properties or land at attractive prices, or at all. Furthermore, competitors may anticipate and capitalise on certain potential investment opportunities ahead of the Group and succeed in acquiring properties or land, which the Group may have been seeking to acquire. In addition, an important aspect of the Group's ongoing strategy is the acquisition of a number of strategic sites in close proximity and the subsequent consolidation thereof. There can be no assurance that the Group will be able to acquire land or property available for acquisition on commercially favourable terms at any given time. If any of these risks were to materialise, the Group's business, financial condition and results of operations could be adversely affected.

2.2.2.6. Liquidity risk

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

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

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

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

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

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

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

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

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

2.2.3. CONSTRUCTION

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

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

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

2.2.3.2. Risks associated with restoration projects and works

With particular reference to the restoration sector, which forms an important part of the Group's construction division, the restoration and preservation of unique buildings, palaces, and other historical structures entails having specially talented and trained employees to carry out projects of this nature, which employees may not be available for recruitment at the time, or in the volumes, and at the cost, envisaged by the Group. In addition, the Group may be exposed to claims for liability for damage to historical structures, the imposition of fines or other penalties for such damage, or the continued eligibility of the Group to participate in competitive tenders for restorations works.

2.2.4. HEALTHCARE

2.2.4.1. Risks associated with the healthcare industry

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

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

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

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

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

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

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

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

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

The Group may not be able to obtain the capital it requires for the continued operation of its business and investments, including for the development or improvement of existing or new properties, on commercially reasonable terms, or at all. No assurance can be given that sufficient financing will be available on commercially reasonable terms.

In addition, the Group may be exposed to a variety of financial risks associated with the unpredictability inherent in financial markets, including market risk (such as the risk associated with fluctuations in fair values of investments), credit risk (the risk of loss by the Company due to its debtors not respecting their commitments), foreign exchange rate risk, and interest rate risk (such as the risk of potential changes in the value of financial assets and liabilities in response to changes in the level of market interest rates and their impact on cash flows). Any downturn or weakness in the capital markets or banking environment may limit the Group's ability to raise capital for completion of projects that have commenced or for development of future properties.

Failure to obtain, or delays in obtaining, the capital required to complete current or future development and improvement projects on commercially reasonable terms, including increases in borrowing costs or decreases in loan availability, may limit the Group's growth and adversely affect its business, financial condition, results of operations and prospects.

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

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

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

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

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

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

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

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

The AX Group's business activities are concentrated in, and aimed at, the Maltese market. Accordingly, the AX Group is highly susceptible to the economic trends that may from time to time be felt in Malta, including fluctuations in consumer demand, financial market volatility, inflation, the property market, interest rates, exchange rates, direct and indirect taxation, wage rates, utility costs, government spending and budget priorities and other general market, economic and social factors. Negative economic factors and trends in Malta, particularly those having an effect on consumer demand, would have a negative impact on the business of the AX Group.

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

2.2.6.2. Consumer trends and competition

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

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

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

2.2.6.3. Relations with suppliers

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

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

2.2.6.4. The Group's key senior personnel and management have been and remain material to its growth

The Group believes that its growth is partially attributable to the efforts and abilities of the members of its executive management team and other key personnel, and upon its ability to attract, develop and retain key personnel to manage and grow the business. The Group's inability to attract, develop and retain key personnel could have an adverse effect on its relationships with partners and customers and the operational results, financial position, and, or the prospects of the business of the Group. In addition, if one or more of the members of this team were unable or unwilling to continue in their present position, the Group might not be able to replace them within the short term, which could have a material adverse effect on the Group's business, financial condition and results of operations.

2.2.6.5. Concentration of shareholding

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

2.2.6.6. The Group's insurance policies

Historically, the Group has maintained insurance at levels determined by the Group to be appropriate in light of the cost of cover and the risk profiles of the business in which the Group operates. With respect to losses for which the Group is covered by its policies, it may be difficult and may take time to recover such losses from insurers. In addition, the Group may not be able to recover the full amount from the insurer. No assurance can be given that the Group's current insurance coverage would be sufficient to cover all potential losses, regardless of the cause, nor can any assurance be given that an appropriate coverage would always be available at acceptable commercial rates.

2.2.6.7. Exposure to claims and litigation

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

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

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

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

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

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

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

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

3 IDENTITY OF DIRECTORS, ADVISORS AND AUDITORS OF THE COMPANY

3.1. DIRECTORS OF THE COMPANY

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

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

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

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

The persons listed under the sub-heading "Advisors" hereunder have advised and assisted the Directors in the drafting and compilation of the Prospectus.

3.2. ADVISORS

Legal Advisors

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

Financial Advisors

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

Sponsor

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

Manager and Registrar

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

3.3. AUDITORS

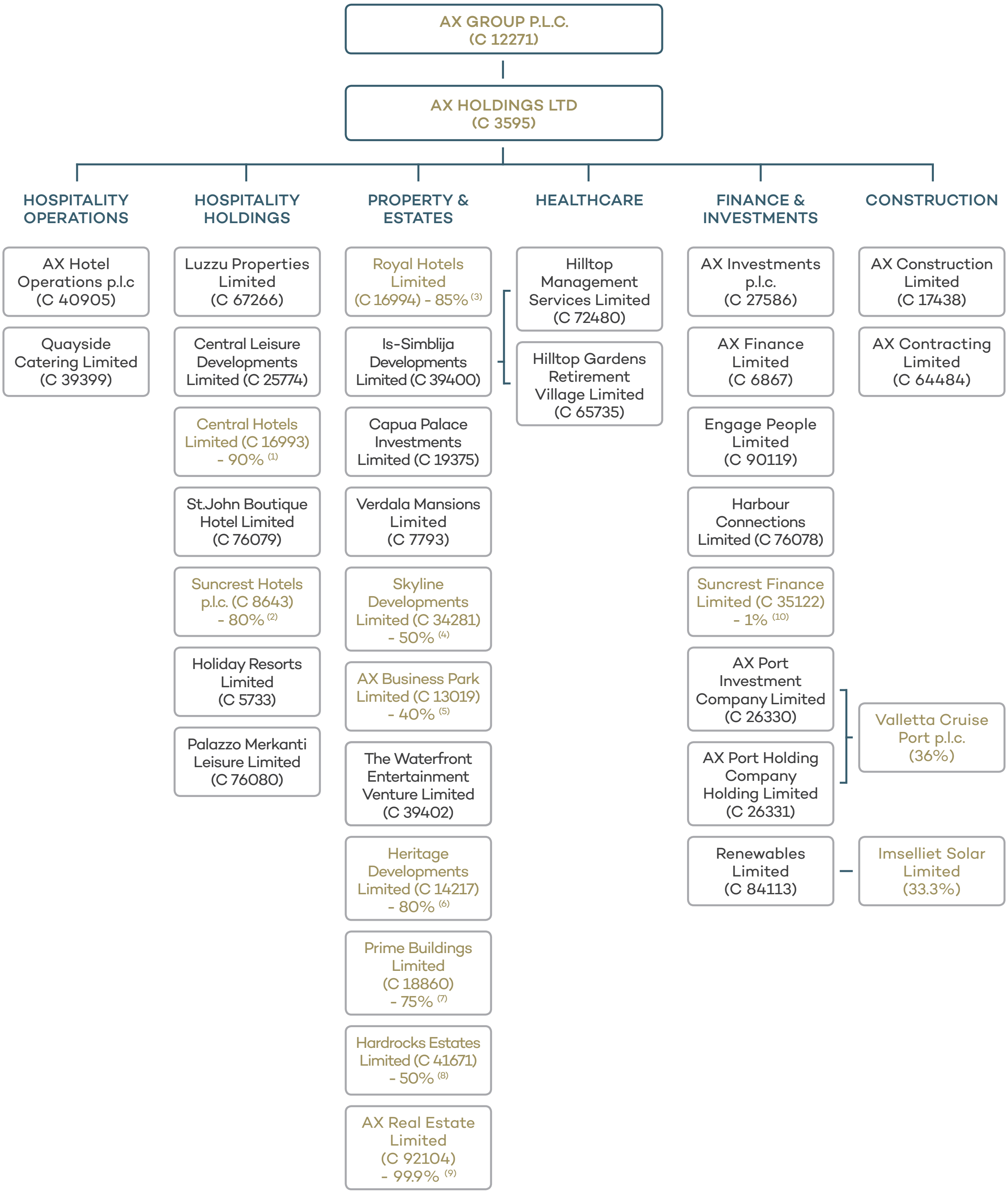
Name: **Nexia BT**
Address: The Penthouse, Suite 2
Capital Business Centre, Entrance C
Triq Taz-Zwejt, San Gwann SGN 3000 - MALTA

The annual statutory consolidated financial statements of the Company for the financial years ended 31 October 2016, 2017 and 2018 have been audited by Nexia BT. Nexia BT is a firm of certified public accountants holding a warrant to practice the profession of accountant in terms of the Accountancy Profession Act (Cap. 281 of the laws of Malta). The Accountancy Board registration number of Nexia BT is AB/26/84/61.

4 INFORMATION ABOUT THE COMPANY

4.1. ORGANISATIONAL STRUCTURE OF THE GROUP

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



Explanatory note:

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

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

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

I. AX Hospitality

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

II. AX Care

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

III. AX Construction

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

IV. AX Development

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

4.2. HISTORICAL DEVELOPMENT OF THE COMPANY

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

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

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

5 BUSINESS OVERVIEW

5.1. PRINCIPAL OBJECTS OF THE COMPANY

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

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

5.2. PRINCIPAL ACTIVITIES AND MARKETS OF THE COMPANY

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

5.3. OVERVIEW OF THE BUSINESS OF THE AX GROUP

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

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

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

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

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

HOSPITALITY

Sliema Properties

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

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

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

Qawra Properties

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

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

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

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

Valletta Properties

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

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

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

Verdala Hotel Complex

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

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

HEALTHCARE

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

a) Hilltop Gardens Retirement Village

The first luxury retirement village to be developed in Malta, the Hilltop Gardens Retirement Village, consists of private residences in the form of one or two bedroom self-catering apartments and penthouses, finished to high standards, landscaped gardens and extensive facilities. The complex includes a spa, hair salon, swimming pool, restaurant, crafts center, indoor and outdoor kids play areas, library, common room and hall, chapel, and underground parking. A 24-hour reception desk and security personnel complement the residences. Residents may also request certain services be provided at a charge, including cleaning, repairs and maintenance of apartments and preparation and delivery of meals. The setup of the residences allows residents to live independently within a secure community knowing that care is at hand should the need arise. The Hilltop Gardens Retirement Village welcomed its first residents in January 2016 and by August 2018, all 133 apartments in the village had been occupied on leases for definite periods ranging from one month to 50 years.

b) Simblija Care Home

The other key component within the Hilltop Gardens Retirement Village is the Simblija Care Home, a top 155-bed care home which provides intensive nursing care to the more dependent elderly residents. The Simblija Care Home has its own fully equipped state-of-the-art hydrotherapy pool, dedicated services and amenities for short term respite care and convalescence as well as post-operative recovery, and a specialised dementia ward offering specialist support, and assistive technology specifically selected and installed, for residents with dementia.

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

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

CONSTRUCTION

AX Construction Limited undertakes most forms of civil engineering works and turnkey contracts. The company has experience in carrying out large building and finishing projects, infrastructure projects, marine and restoration projects. The AX Group has over the years been involved in a number of construction projects in Malta, including the development of the Group Hospitality Properties; the Group's head office; Verdala Mansions in Rabat; Capua Hospital in Sliema; the superstructure of the Parliament building in Valletta; the Simblija Care Home and Hilltop Gardens Retirement Village and various other projects which were executed for the Group companies and third party clients.

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

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

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

PROPERTY DEVELOPMENT

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

The AX Group has developed a number of landmark projects that span from residential complexes, hotels, restaurants, offices blocks to large scale property development projects such as the development of Falcon House in Sliema and Verdala Site in Rabat. The AX Group owns other parcels of land on which it plans to undertake quality residential developments in the coming years and is in the process of acquiring the necessary permits to undertake such projects.

5.4. BUSINESS DEVELOPMENT STRATEGY

Ethos of the AX Group

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

Organisational practices and procedures

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

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

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

Growth and diversification strategy

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

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

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

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

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

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

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

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

Human resource management

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

In furtherance of the aforesaid objectives, the AX Group has launched the 'AX Academy' specialising in training and development of its personnel, and set up its own recruitment agency focused on long-term human resources planning and finding the appropriate candidates to further strengthen its leadership and operating teams in anticipation of an increase in volume of business across the divisions of the Group.

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

5.5. INVESTMENTS

Material investments made by the Group in the last three years

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

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

The Group has made and expects to continue making significant investments in the acquisition, development and improvement of its existing and new properties as deemed appropriate, as a major thrust of its business. Indeed, the majority of the proceeds from the Bond Issue are to be used by the Company for the purpose of part financing the acquisition of land situated in Marsa, which land is earmarked for development into a mixed office, residential and commercial complex (the **"Marsa Project"**) and the Group's acquisition and development of 'Palazzo Merkanti' situated in Merchant Street, Valletta (the **"Valletta Project"**), as further detailed hereunder:

Marsa Project

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

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

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

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

its rights and appurtenances, and

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

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

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

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

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

Valletta Project – 41, Merchant Street

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

Other key developments which the Group is committed to

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

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

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

6 CAPITAL RESOURCES

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

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

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

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)
CASH AND CASH EQUIVALENTS

As at	30-Apr-2019 Unaudited €'000	31-Oct-2018 Audited €'000	31-Oct-2017 Audited €'000	31-Oct-2016 Audited €'000
Cash	272	6,852	7,353	5,876
Bank overdraft	-	(559)	(1,144)	(283)
Total cash and cash equivalents	**272**	**6,293**	**6,209**	**5,593**

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

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

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

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

AX GROUP P.L.C. (FORMERLY FULCRUM SERVICES LIMITED)
BORROWINGS

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

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

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

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

7 REGULATORY ENVIRONMENT

INTRODUCTION

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

LICENCES, PERMITS AND OTHER AUTHORISATIONS

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

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

RULES AND REGULATIONS

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

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

LEGAL AND REGULATORY COMPLIANCE

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

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

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

8 PROPERTY, PLANT AND EQUIPMENT AND INVESTMENT PROPERTY

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

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

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

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

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

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

9 OPERATING AND FINANCIAL REVIEW

9.1. HISTORICAL PERIOD

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

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

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

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

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

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

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

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

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

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

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

During the three FYs 2016 to 2018, the Group has also registered a substantial increase in its construction operation. Revenue from this division increased from €3.4 million in FY2016 to €8.1 million in FY2018. This growth was principally underpinned by the conversion and completion of is-Suq tal-Belt project, the construction of the Hotel 1926 in Sliema (previously the Plevna Hotel), a number of restoration projects, as well as, an increase in turnkey project engagements (including third party residences) driven by the higher level of activity experienced by the local construction industry over the recent years.

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

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

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

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

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

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

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

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

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

The Group's total assets as at 31 October 2018 stood at €323.5 million (FY2016: €271.5 million) comprising mainly of the property used by the Group in the operations of its various divisions and investment property[2], which as at 31 October 2018 had a carrying amount of €235.0 million and €58.7 million respectively. In aggregate, property plant and equipment and investment property represent 90.8% of total assets. Over the FYs 2016 to 2018, the Group's total assets increased by 19.2% largely reflective of revaluation exercises carried out during the said period on selected properties of the Group. The Group's other assets include an investment in Valletta Cruise Port p.l.c. (which ownership increased from 24% to 36% in FY2016 for a further consideration of €3.9 million), trade and other receivables, and inventories.

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

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

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2 €2.4 million of investment property held by the Group as at 31 October 2018 relates to property owned by Vilhena Property Investment Limited, which no longer forms part of the Group as at the date of the Registration Document.

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

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

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

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

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

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

INVESTMENT PROPERTY

Valuation technique

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

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

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

Significant unobservable inputs

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

Inter-relationship between key unobservable inputs and fair value measurement

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

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

PROPERTY, PLANT AND EQUIPMENT

Valuation technique	Significant unobservable inputs		Inter-relationship between key unobservable inputs and fair value measurement
Market comparative method: This technique applies an estimated selling price per sqm to sellable floor area. The selling price is based on comparable market rates adjusted for location, size and quality. For units leased out for a long-term period, market rates are inflated to the end of the remaining lease period and the future value discounted to present value using a risk-adjusted discount rate. *The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the market comparative method amounted to €23.9 million.*	Selling price Future annual increase in the freehold value of leased units Discount rate on future value of leased units	€3,150 - €3,940 per sqm 3.5% 8.5%	The estimated fair value would increase (decrease) if: • selling price were higher (lower); or • future annual increase in the freehold value of leased units were higher (lower); • the discount rate on future value of leased units were lower (higher). A higher selling price reflecting a higher market positioning may result in an increase in the future annual increase in the freehold value of leased units and, or a decrease in the discount rate on future value of leased units.
Replacement cost method: This technique considers the estimated cost to replace the asset in its current state. These costs are based on the valuer's experience and knowledge of current market conditions. *The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the replqcement cost amounted to €16.23 million.*	Construction costs by gross internal area Finishing and landscaping costs by gross floor area Furnishing costs of care home	€385 per sqm €165 - €330 per sqm €18,000 per room	The estimated fair value would increase (decrease) if: • constructions costs were higher (lower); or • finishing and landscaping costs were higher (lower); or • furnishing costs of care home were higher (lower).
Income capitalisation method: This technique involves capitalising the income generated from the property (FY2018 EBITDA, contracted rates for leased commercial outlets, contracted rental income, as applicable) using a capitalisation rate which reflects the property's location, size, quality, income uncertainty, market sentiment, finance costs and other risks. *The fair value of property, plant and equipment determined by external, independent property valuers on the basis of the income capitalisation method amounted to €60.45 million.*	Capitalisation rate: Hospitality: Commerical property:	 9.33% 4 %– 5.75%	The estimated fair value would increase (decrease) if the capitalisation rate were lower (higher).

9.3. INTERIM PERIOD

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

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

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

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

As at	30 April 2018 €'000	30 April 2019 €'000
ASSETS		
Non-current assets	301,266	303,031
Current assets	22,268	11,332
Total assets	**323,534**	**314,363**
EQUITY AND LIABILITIES		
Equity		
Equity attributable to Group	211,246	205,450
Non-controlling interest	1,503	1,474
Total equity	**212,749**	**206,924**
Liabilities		
Non-current liabilities	89,563	88,832
Current liabilities	21,222	18,607
Total liabilities	**110,785**	**107,439**
Total equity and liabilities	**323,534**	**314,363**

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

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

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

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

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

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

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

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

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

10 TREND INFORMATION AND FINANCIAL PERFORMANCE

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

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

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

11 ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

11.1. THE BOARD OF DIRECTORS OF THE COMPANY

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

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

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

11.1.1. Executive Directors

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

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

11.1.2. Non-Executive Directors

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

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

11.1.3. Nature of Relationships

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

11.1.4. Curriculum vitae of Directors of the Company

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

Michael Warrington is the Chief Executive Officer of the AX Group. Mr Warrington is a Certified Public Accountant and a Fellow of the Malta Institute of Accountants, as well as an Associate Member of the Chartered Institute of Bankers in the United Kingdom. He holds a Masters Degree in Financial Services from the University of Malta. He worked for several years with Bank of Valletta p.l.c., moving on to Air Malta p.l.c., where he was the Group Head responsible for the finance and information technology functions of the airline. He worked in the hospitality industry for a number of years. Mr Warrington holds various board positions with public listed companies in Malta and overseas, as well as a number of private entities and family owned companies.

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

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

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

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

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

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

11.1.5. Potential Conflicts of Interest

As at the date of this Registation Document, each of Angelo Xuereb, Claire Zammit Xuereb, Denise Micallef Xuereb and Michael Warrington are officers of a number of members of the AX Group, and each of Christopher Paris, John Soler and Josef Formosa Gauci are officers of AX Holdings Limited, and as such are susceptible to conflicts between the potentially diverging interests of the different members of the AX Group. In addition, Claire Zammit Xuereb and Denise Micallef Xuereb are siblings and the direct descendants of Angelo Xuereb.

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

11.1.6. Loans to Directors

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

11.2. MANAGEMENT AND SENIOR MANAGEMENT OF THE COMPANY

11.2.1. Executive Committee of the AX Group

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

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

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

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

In turn, each of the principal operating Subsidiaries of the AX Group has its own independent management organisations and structures. The General Managers of these companies report to the Executive Committee of the AX Group. The Executive Committee is responsible for the appointment of all executive officers and other key members of management within AX Holdings and its subsidiaries.

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

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

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

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

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

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

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

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

11.2.2. Potential Conflicts of Interest

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

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

11.3. DECLARATION

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

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

12 REMUNERATION AND BENEFITS

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

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

13 BOARD PRACTICES

13.1. BOARD COMMITTEES

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

13.1.1. Audit Committee

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

The terms of reference of the Audit Committee include support to the Board in its responsibilities in dealing with issues of risk, control and governance, and associated assurance of the Company. The Board has set formal terms of establishment and the terms of reference of the Audit Committee which set out its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with.

Briefly, the Audit Committee is expected to deal with and advise the Board on:
a. its monitoring responsibility over the financial reporting processes, financial policies and internal control structures;
b. maintaining communications on such matters between the Board, management and the external auditors; and
c. preserving the Company's assets by assessing the Company's risk environment and determining how to deal with those risks.

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

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

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

13.1.2. Remuneration and Nomination Committee

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

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

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

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

13.2. SERVICE CONTRACTS

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

13.3. COMPLIANCE WITH CORPORATE GOVERNANCE

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

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

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

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

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

14 EMPLOYEES

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

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

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

15 MAJOR SHAREHOLDERS

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

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

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

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

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

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

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 13 above.

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

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

16 RELATED PARTY TRANSACTIONS

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

form part of the AX Group but is owned by the same ultimate shareholders of the Company.
The Company did not enter into any other related party transactions since the beginning of the financial period to which the earliest audited financial statements referred to in this Registration Document relate (i.e. 1 November 2015).

17 FINANCIAL INFORMATION

17.1. HISTORICAL FINANCIAL INFORMATION

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

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

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

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

17.2. DIVIDEND POLICY

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

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

17.3. LEGAL AND ARBITRATION PROCEEDINGS

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

Commissioner of Lands vs Suncrest Hotels plc (905/99) and Commissioner of Lands vs Angelo Xuereb noe (906/99)
These proceedings relate to claims instituted by the Commissioner of Lands for damages for the alleged illegal occupation of land forming part of the Suncrest Hotel Lido and the Sunny Coast Lido respectively. The parties are currently discussing the possibility of reaching an out of court settlement with respect to the claims instituted *vis-à-vis* the Sunny Coast Lido, as a result of which the proceedings *vis-à-vis* Suncrest Hotel Lido have been deferred *sine die*.

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

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

18 ADDITIONAL INFORMATION

18.1. SHARE CAPITAL

18.1.1. Authorised and Issued Share Capital

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

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

18.1.2. History of Share Capital

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

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

Richard Xuereb 295275 (M) Verdala Mansions, Hompesh 42, Triq Inguanez, Rabat RBT 2418, Malta	150 ordinary shares of LM1 (€2.33) each

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

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

18.2. MEMORANDUM AND ARTICLES OF ASSOCIATION

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

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

18.3. VOTING RIGHTS AND RESTRICTIONS

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

18.4. CHANGE IN CONTROL OF THE COMPANY

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

19 MATERIAL CONTRACTS

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

20 PROPERTY VALUATION REPORT

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

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

Listing Rule 7.4.3 provides that property valuations to be included in a prospectus must not be dated (or be effective from) more than 60 days prior to the date of publication of the Prospectus. The valuation report drawn up in relation to the Marsa Project is dated 2 October 2019 and the valuation report drawn up in relation to the Valletta Project is dated 17 October 2019.

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

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

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

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

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

22 DOCUMENTS AVAILABLE FOR INSPECTION

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

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

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

ANNEX 1

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

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

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

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

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

ANNEX 2

ARCHITECT VALUATION REPORTS

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

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

2 October 2019

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

RE: Valuation of Site at Triq Diċembru 13, Marsa

1 CLIENT

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

2 PURPOSE OF THE VALUATION

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

3 NATURE OF VALUER'S INSPECTION

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

4 SITE DESCRIPTION

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

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

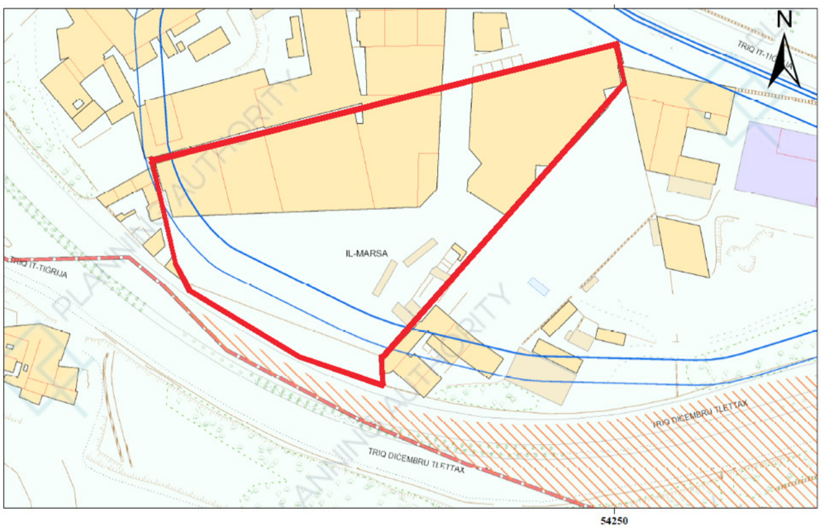


Figure 1 : Siteplan showing indicative extents of site

5 EXISTING USE

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

6 PLANNED ALTERNATIVE USE

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

7 PLANNED DEVELOPMENT

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

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

8 PLANNING CONSIDERATIONS

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

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

9 PLANNING PERMITS FOR THE PROPOSED DEVELOPMENT

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

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

10 MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

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

11 TENURE

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

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

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

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

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

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

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

13 APPROXIMATE AGE OF THE BUILDING

The property is still to be developed.

14 PRESENT CAPITAL VALUE

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

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

Nil

16 OTHER MATTERS AFFECTING VALUE

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

17 SOURCES OF INFORMATION

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

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

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

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

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

19 VALUER'S DETAILS

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

20 EFFECTIVE VALUATION DATE

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

21 DECLARATIONS BY THE UNDERSIGNED VALUER

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

Regards,

PHILIP MICALLEF A.&C.E.

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

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

17 October 2019

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

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

1 CLIENT

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

2 PURPOSE OF THE VALUATION

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

3 NATURE OF VALUER'S INSPECTION

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

4 SITE DESCRIPTION

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

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

5 EXISTING USE

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

6 PLANNED ALTERNATIVE USE

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

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

7 PLANNING CONSIDERATIONS

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

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

The property is located within a primary and secondary town centre as identified on Insert Map Figure 7 of the grand Harbour local plan. The area is subject to general policy GD06 which allows for Class 1 residential uses as well as Hostels (Class 3) on the upper floors. Hence the proposal is in line with planning policies. In addition there is a general presumption in favour of the conservation, restoration and reutilisation of traditional buildings in scheduled areas.

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

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

8 PLANNING PERMITS FOR THE PROPOSED DEVELOPMENT

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

9 MATERIAL CONTRAVENTION OF STATUTORY REQUIREMENTS

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

10 TENURE

The property is freehold.

11 BASIS OF VALUATION OF PROPERTY

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

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

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

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

12 APPROXIMATE AGE OF THE BUILDING

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

13 PRESENT CAPITAL VALUE

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

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

Nil

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

Nil

16 SOURCES OF INFORMATION

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

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

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

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

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

18 VALUER'S DETAILS

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

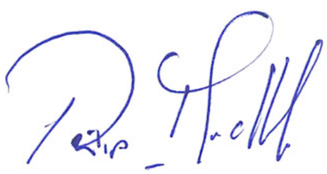
19 EFFECTIVE VALUATION DATE

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

20 DECLARATIONS BY THE UNDERSIGNED VALUER

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

Regards,



PHILIP MICALLEF A.&C.E.