COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by AX Group p.l.c. pursuant to the Listing Rules, as issued by the Listing Authority:

Quote

Financial Analysis Summary

The Board of Directors of AX Group p.l.c. (the "Issuer") announces that the Financial Analysis Summary, as at 23rd June 2020 and prepared by MZ Investment Services Ltd, is being attached hereto and can also be viewed on the following online link to the Issuer's web portal: https://axgroup.mt/investment/.

Unquote

Dr. Edmond Zammit Laferla
Company Secretary

23 June 2020

Company Announcement
AXG14/2020

AX GROUP P.L.C.
AX HOUSE
MOSTA ROAD,
LIJA LJA 9010, MALTA

T. +356 2331 2345
E. INFO@AXGROUP.MT
WWW.AXGROUP.MT

Financial Analysis Summary

23 June 2020

Issuer

AX Group p.l.c.

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

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

23 June 2020

Dear Sirs

Financial Analysis Summary

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

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

(a) Historical financial data for the three years ended 31 October 2017 to 31 October 2019 has been extracted from audited consolidated financial statements of the Company for the three years in question.

(b) The projected data for the year ending 31 October 2020 has been provided by management.

(c) Our commentary on the results of the Company and on its financial position is based on the explanations provided by management.

(d) The ratios quoted in the Financial Analysis Summary have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) Relevant financial data in respect of such companies included in Part 3 has been extracted from public sources such as websites of the companies concerned, financial statements filed with the Registrar of Companies or websites providing financial data.

MZ INVESTMENT SERVICES

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

Yours faithfully,

Evan Mohnani
Senior Financial Advisor

MZ Investment Services Ltd
63, St Rita Street,
Rabat RBT 1523,
Malta
Tel: 2145 3739

TABLE OF CONTENTS

PART 1 – INFORMATION ABOUT THE COMPANY

1. COMPANY'S KEY ACTIVITIES

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

The Company does not itself carry on any trading activities apart from investing in other companies; acquiring, holding and disposing of immovable or movable property; and the raising of capital and the advancing thereof to members of the AX Group as and when the demands of their business or the demands of a particular project so require. Accordingly, the Company is economically dependent on the AX Group.

2. GROUP'S KEY ACTIVITIES

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

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

In FY2014, the AX Group commenced development of the Simblija Care Home & Hilltop Gardens Retirement Village and by end of 2015 construction was largely complete with finishes at an advanced stage. The property was officially opened on 10 December 2015 and is being marketed as a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The Simblija Care Home & Hilltop Gardens Retirement Village also includes a nursing home which provides intensive nursing care to dependent elderly residents. The expenditure on development and plant & equipment in relation to the aforesaid project amounted to *circa* €25 million. Hilltop Gardens Retirement Village achieved a 100% take up in 2018 and 2019.

In FY2016, the Group increased its shareholding in Valletta Cruise Port p.l.c. from 24% to 36% for a total consideration of €3.9 million. The aggregate value of the said investment as at 31 October 2019 amounts to €6.8 million (FY2018: €7.5 million). During FY2016, the Group also acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel at a total cost (property acquisition and development) of €5.1 million. The Saint John Boutique Hotel commenced operations in August 2017.

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

During November 2019 (FY2020), the Group issued €25 million of unsecured bonds, part of which was utilised for the purpose of financing the acquisition of land situated in Marsa and to acquire and develop "41, Merchant Street" situated in Merchant Street, Valletta. The said acquisitions were completed in May 2020 and are described in further detail in section 9 of this report.

On 30 April 2020, the Group obtained from the Planning Authority an outline development permit in relation to the Verdala property. The said permit makes reference to the development height and use of the former 'Grand Hotel Verdala' site in Rabat, which shall comprise the building of apartments and a hotel.

3. DIRECTORS AND SENIOR MANAGEMENT

3.1 BOARD OF DIRECTORS

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

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

3.2 SENIOR MANAGEMENT

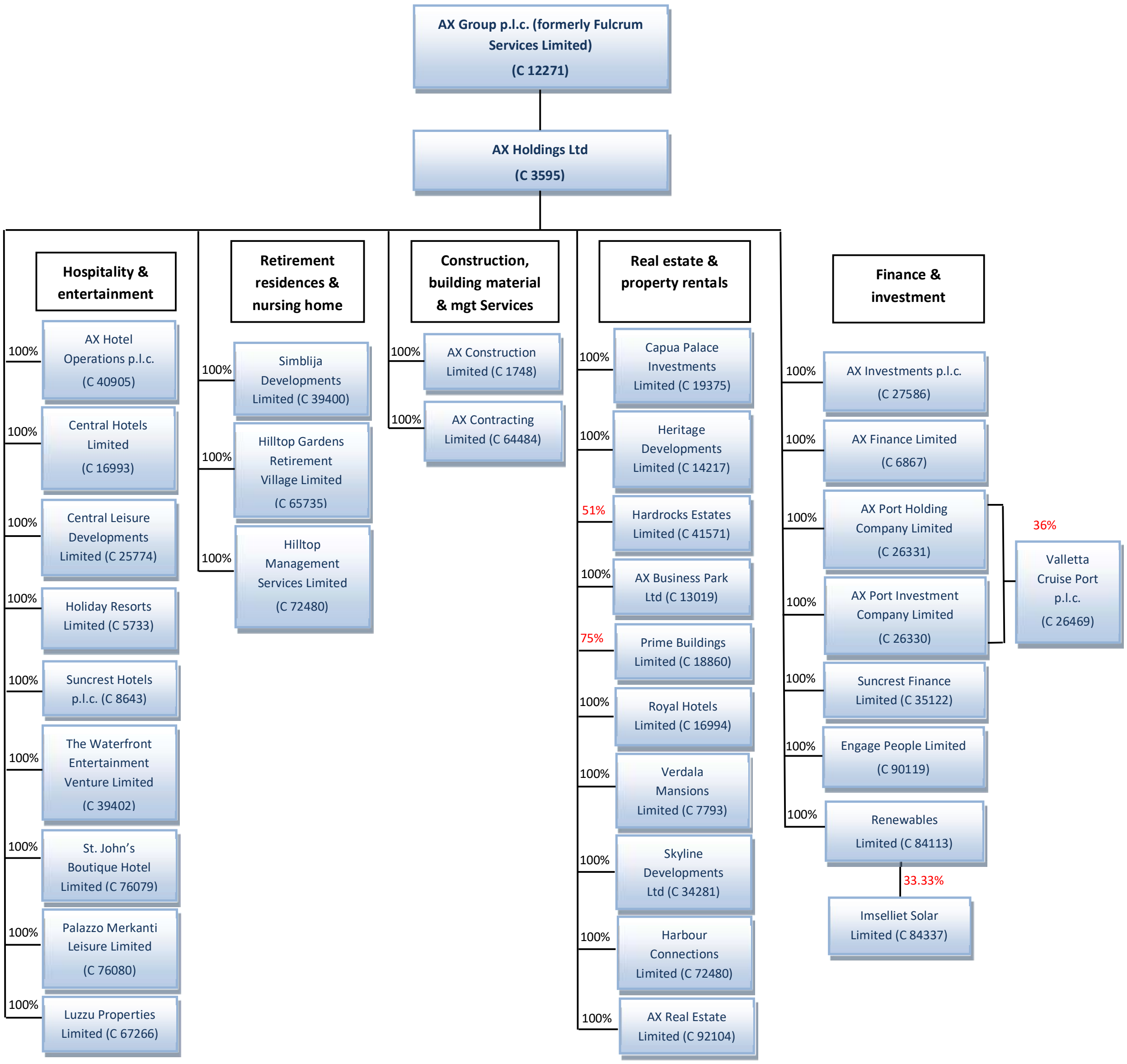
In the day-to-day operations of the AX Group, the executive Directors are supported by members of the Company's Executive Committee, responsible for the determination of policy and strategic guidance and management. The Executive Committee is composed of the following individuals:

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

The weekly average number of employees directly engaged with the companies forming part of the AX Group during FY2019 amounted to 661 persons (FY2018: 666).

4. GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Group:



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

- Hospitality & entertainment
- Retirement residences & nursing home
- Construction, building materials & management services
- Real estate & rental income

5. MAJOR ASSETS OWNED BY THE GROUP

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

AX Group p.l.c. **Group Assets**	**FY2017**	**FY2018**	**FY2019**	**Revaluation FY17 - FY19**
	€'000	**€'000**	**€'000**	**€'000**
The Palace Hotel	35,800	43,890	44,748	8,839
Victoria Hotel	21,274	20,940	32,812	11,834
Seashells Resort at Suncrest	77,865	76,556	75,591	
Sunny Coast Resort & Spa	19,104	19,109	22,599	3,490
Palazzo Capua	8,793	8,699	8,608	
Grand Hotel Verdala	11,423	28,600	28,594	16,985
Simblija Care Home & Hilltop Gardens Retirement Village	42,501	45,987	44,811	4,298
Villa Vistana	3,800	3,800	3,800	300
Tad-Dwiemes, Marsa	3,402	11,120	11,755	7,718
Hard Rocks Warehouses	5,683	5,160	5,160	1,810
Luzzu Complex	2,977	3,208	4,179	971
Saint John's Boutique Hotel	4,571	4,895	6,345	1,450
Rosselli Hotel	5,024	6,402	10,345	
Targa Gap Complex, Mosta	3,674	4,098	6,369	3,649
Other assets	8,163	9,599	11,730	2,337
	254,054	**292,062**	**317,446**	**63,681**

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

6. GROUP OPERATIONAL DEVELOPMENT

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

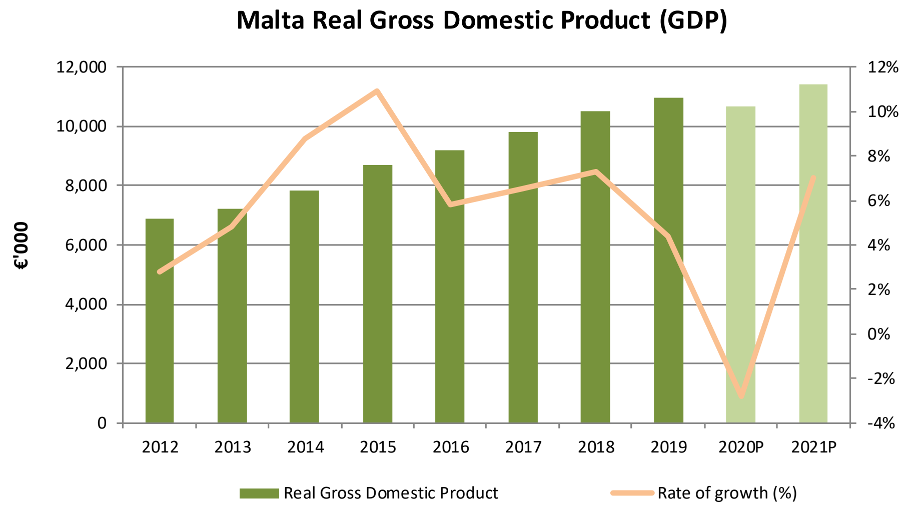
6.1 KEY FINANCIAL INFORMATION – THE GROUP

AX Group Divisional Analysis	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	**45,851**	**55,907**	**51,917**	**29,011**
Hospitality & entertainment	35,508	38,936	38,115	12,245
Construction, building materials & management services	5,503	8,146	4,858	6,680
Real estate & rental income	588	2,840	545	2,019
Retirement residences & nursing home	3,359	4,763	5,681	6,849
Dividend receivable	893	1,222	2,718	1,218
Gross Operating Profit (€'000)	**16,593**	**20,035**	**17,441**	**5,013**
Hospitality & entertainment	15,759	16,901	15,498	1,503
Construction, building materials & management services	481	740	472	665
Real estate & rental income	513	2,158	410	1,306
Retirement residences & nursing home	(160)	236	1,061	1,539
Gross Operating Profit Margin (%)	**36%**	**36%**	**34%**	**17%**
Hospitality & entertainment	44%	43%	41%	12%
Construction, building materials & management services	9%	9%	10%	10%
Real estate & rental income	87%	76%	75%	65%
Retirement residences & nursing home	-5%	5%	19%	22%

Source: Management information.

6.2 MARKET OVERVIEW

6.2.1 Economic Update[1]



Note: Projected real GDP data for 2020 and 2021 are based on IMF estimates (IMF World Economic Outlook, April 2020)
Source: National Statistics Office Malta

The domestic economy continued to register a healthy rate of economic expansion in 2019, notwithstanding the more challenging environment globally and in the euro area. Although GDP[2] growth moderated to 4.4% from 7.3% in 2018, it remained above its long-term average of around 4.0%. The expansion was driven by domestic demand, particularly government consumption and gross fixed capital formation. Private consumption had a positive impact, although it increased at a slower pace following the very strong outturn in 2018. Meanwhile, the contribution of net exports turned negative, as imports outpaced exports. Nominal gross value added (GVA)[3] data show that the expansion continued to be largely supported by services, although the manufacturing and construction sectors also expanded.

In the near term, GDP will be affected significantly, mainly on account of the negative effects of COVID-19 on confidence, disruptions in global supply chains and lower demand in a number of services sectors, most notably those related to tourism. However, growth should recover from 2021. At this juncture, projections of economic activity, both for Malta and globally, critically hinge on the duration of the pandemic, as well as the size of the local and global fiscal response.

The International Monetary Fund (IMF) has in their latest projections[4] estimated that the global economy will contract sharply by -3% in 2020, much worse than during the 2008-09 financial crisis. In its baseline scenario, which assumes that the pandemic fades in the second half of 2020 and

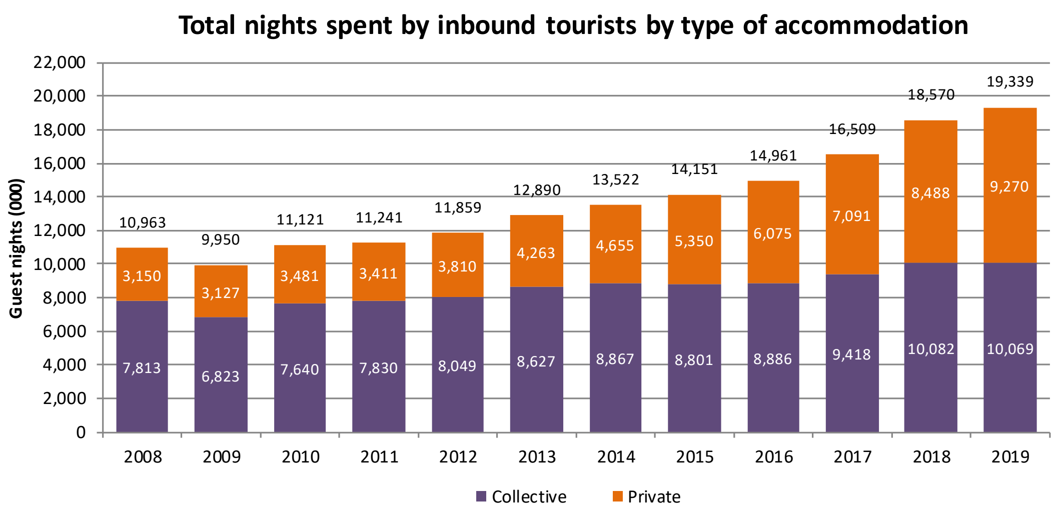
[1] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 13, 14 and 50).
[2] Gross Domestic Product (GDP) is an estimate of the value of goods and services produced in the economy over a period of time.
[3] Gross Value Added (GVA) is the value of output less the value of intermediate consumption; it is a measure of the contribution to GDP made by an individual producer, industry or sector.
[4] World Economic Outlook, Chapter 1 The Great Lockdown – International Monetary Fund, May 2020.

containment efforts can be gradually unwound, the global economy is projected to grow by 5.8% in 2021 as economic activity normalises, helped by policy support. On the same basis, Malta's real GDP is projected to decline by 2.8% in 2020, but is expected to rebound by 7% in 2021. Such outcome may vary significantly as economic performance is dependent on factors that interact in ways that are hard to predict, including *inter alia* the pathway of the pandemic, the intensity and efficacy of containment efforts, the extent of supply disruptions, shifts in spending patterns, behavioural changes (such as people avoiding shopping malls and public transportation) and confidence effects.

6.2.2 Tourism Market[5]

The tourism sector continued to expand in 2019, although the expansion moderated following an extended period of very high growth. Inbound tourist trips in 2019 reached nearly 2.8 million (+5.9% y-o-y) after increasing by 14.3% in 2018. The United Kingdom and Italy remained Malta's most important source markets, accounting for 23.6% and 14.3% of total visitors respectively.

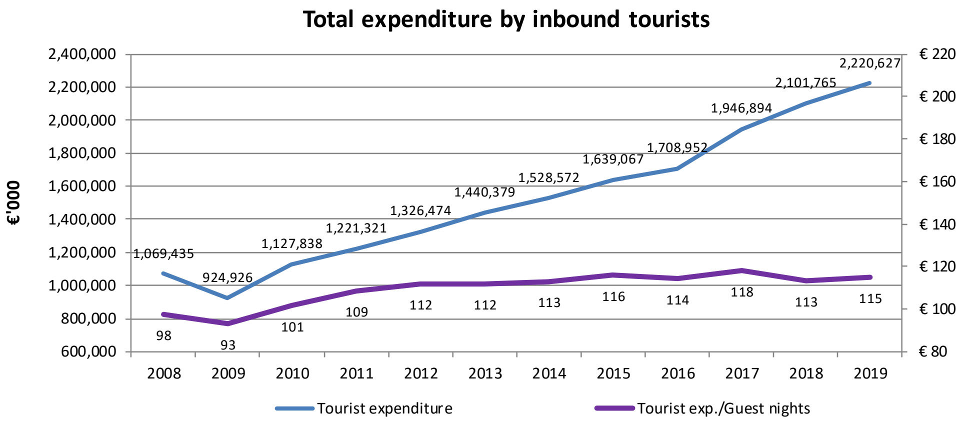
Total nights spent by inbound tourists went up by 4.1%, surpassing 19.3 million nights. As shown in chart below, this was largely driven by an increase in nights stayed in rented accommodation other than collective accommodation (a y-o-y increase of 9.2% from 8.5 million guest nights in 2018 to 9.3 million in 2019).



Source: National Statistics Office Malta

Total tourism expenditure amounted to €2.2 billion in 2019, a 5.7% increase over that recorded for 2018, while tourist expenditure per guest night increased by €2 from €113 in 2018 to €115 in 2019 (*vide* chart hereunder).

[5] https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_017.pdf; https://nso.gov.mt/en/News_Releases/View_by_Unit/Unit_C3/Tourism_Statistics/Documents/2020/News2020_032.pdf; Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 72 to 74).



Source: National Statistics Office Malta

Total guests in collective accommodation establishments[6] during 2019 surpassed 2.0 million, an increase of 2.0% over the same period in 2018. Within the collective accommodation establishments, the 5-star and 3-star hotels lost 17,878 guests (-4.3%) and 27,665 guests (-5.3%) respectively, whilst the 4-star hotels gained 48,695 guests (+5.6%) in 2019 compared to a year earlier.

Room rates and occupancy levels of the 5-star hotel category remained more or less on par with 2018 and showed a marginal decrease in REVPAR (revenue per available room) of 1.3%. GOPAR (gross operating profit per available room) for 2019 decreased by 4% (y-o-y).

With regard to the 4-star hotel category, occupancy and room rates decreased, albeit marginally, by 0.9% and 0.8% respectively. Non-accommodation income increased by 4.5%, and overall, REVPAR levelled off at €96.70. Profitability of the 4-star sector decreased by 5.1% in 2019.

The 3-star sector in 2019 reported an increase in occupancy from 74% to 80%, whilst room rates increased by 1.7%. This trend resulted in a REVPAR improvement of 14.3%, while GOPAR increased by 13.6% (y-o-y).[7]

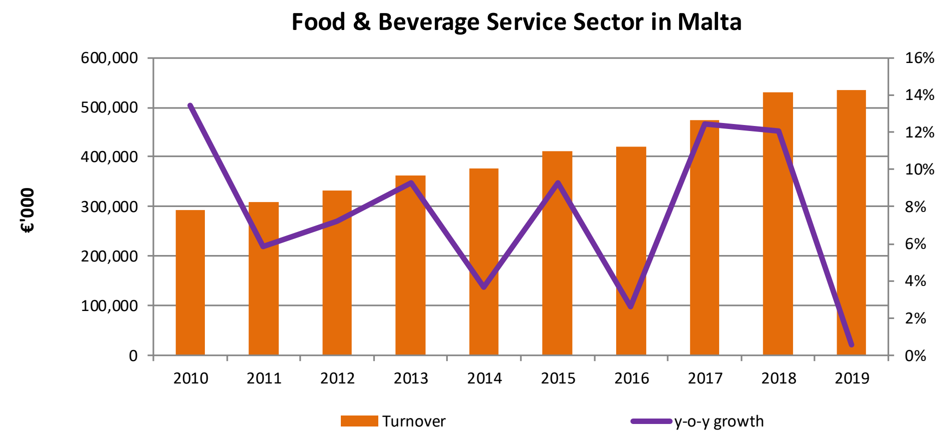
For the year 2020, the pandemic will undoubtedly have a negative impact on hotel bookings and related services. However, the situation is still very fluid and the full extent of the disruption to the hospitality industry in Malta is yet to be determined and assessed.

Apart from issues arising from COVID-19, the hospitality industry in Malta was already experiencing bed overcapacity emanating from significant growth in non-collective accommodation and, to a lesser extent, hotel properties. This situation of oversupply may get worse in the short to medium term as ongoing hospitality development projects are completed. Further competition is also expected from other countries, particularly in the southern Mediterranean region, which are reviving their respective hospitality industry as security and safety concerns abate.

[6] Collective accommodation establishments comprise hotels, apart-hotels, guest houses, hostels and tourist villages.
[7] The BOV MHRA Survey Q4 2019 and Year to Date.

6.2.3 Food & Beverage Service Sector

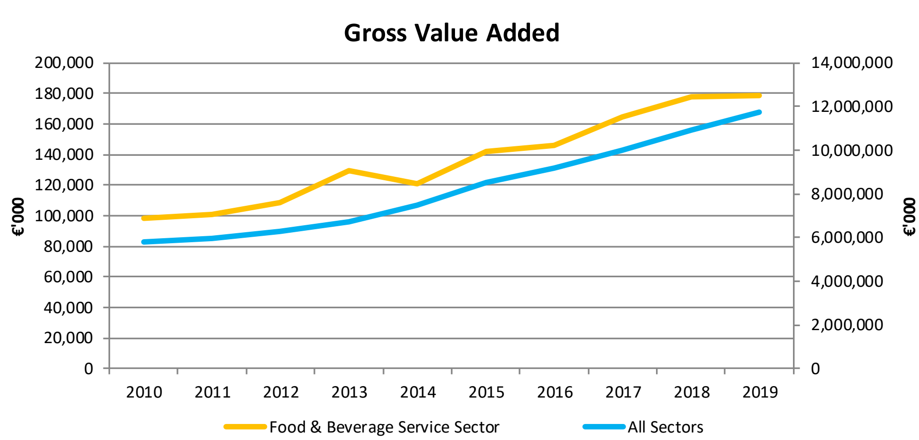
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2019, total income from this sector in Malta amounted to €534.4 million, an increase of 0.6% over the previous year (2018: €531.2 million).



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

As shown in the above chart, over a 10-year period (2010 – 2019), market output has progressively increased year-on-year. During the last 3 years, the sector registered year-on-year increases of 12.4% and 12.1% in 2017 and 2018 respectively, but slowed to 0.6% in 2019 when compared to the prior year. Since 2010, the food & beverage service sector grew at a compound annual growth rate of 6.9%.

The chart hereunder shows that the gross value added generated by the food & beverage service sector in Malta has grown on a year-to-year basis from €98.2 million in 2010 to €178.5 million in 2019. The chart also highlights the sector's correlation to Malta's economic performance. Over the reported period, the food & beverage service sector represented 1.7% of gross value added generated by the whole economy.



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

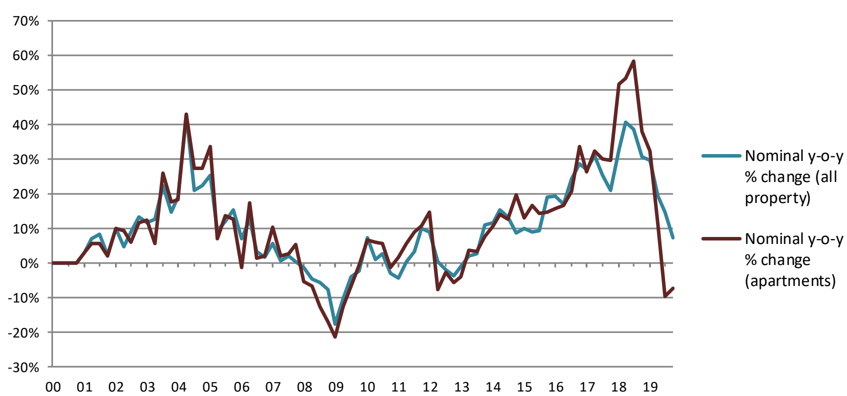
The COVID-19 pandemic has directed the Maltese authorities to impose various measures, including the temporary suspension of international travel and closure of hotels, restaurants, bars and other outlets, which will have a material impact on the food & beverage service sector. Although the travel ban is set to be lifted as from 1 July 2020, significant headwinds are likely to persist for a period of time. Accordingly, it is still not possible to assess with a certain degree of accuracy the full extent of the adverse impact on this sector.

6.2.4 Property Market & Construction Sector

During the last five years (Q4 2014 to Q4 2019), property prices increased by 56%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[8] below shows that the 12-month upward trend in prices (in percentage terms) increased at an accelerating rate from Q2 2013 up to Q2 2018, after having gone through a volatile period between FY2008 to FY2012 as a result of the global financial crisis and its aftermath. In the subsequent 6 quarters - Q3 2018 to Q4 2019 - property prices continued to increase albeit at a slower pace.

The nominal year-on-year change in apartment prices broadly tracked the aggregate property price movements over the periods under review, except for the periods Q1 2018 to Q4 2019, wherein the yearly increase in prices of apartments between Q1 2018 and Q3 2018 was higher when compared to the broader property market, but declined comparably faster in the subsequent periods (Q4 2018 to Q4 2019). Moreover, in Q3 2019, apartment prices registered a decrease of 10% when compared to Q3 2018 and declined by a further 7% in the subsequent quarter on a comparable basis.

CHART I: Change in Property Prices



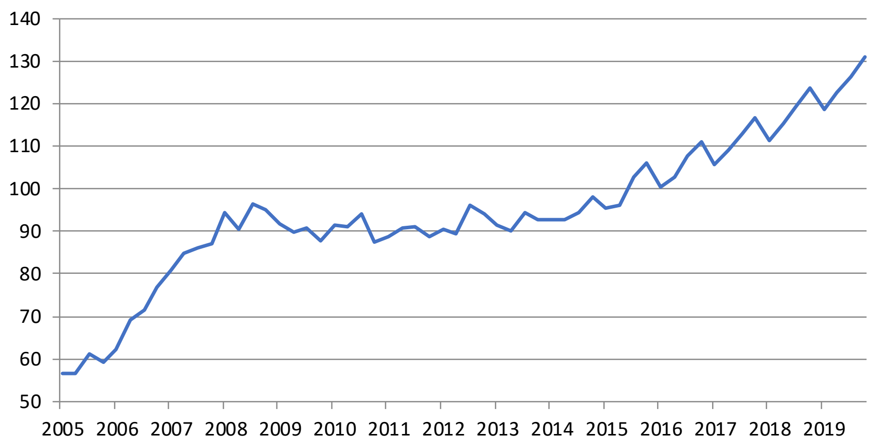
Source: Central Bank of Malta

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

[8] https://www.centralbankmalta.org/real-economy-indicators (property prices index based on advertised prices (base 2000 = 100)).

Eurostat's House Price Index for Malta[9] – which captures price changes of all residential properties purchased by households (including flats, detached houses, terraced houses, etc) - also indicates that residential property prices increased. The latest data available refers to Q4 2019 and shows that said prices increased by 5.6% compared with the same quarter of 2019, and over a 5-year period (Q4 2014 to Q4 2019), prices increased by 34% (vide Chart II below).

CHART II: Malta House Price Index



Source: Eurostat

Prior to the pandemic crisis, residential property prices were supported by numerous factors, including the low-interest rate environment that makes property more attractive as an investment, as well as the Government's schemes for first-time and second-time buyers. Demand for residential property was also driven by favourable labour market conditions, strong growth in tourism (particularly in private accommodation), disposable income and an increase in foreign workers. The Individual Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[10]

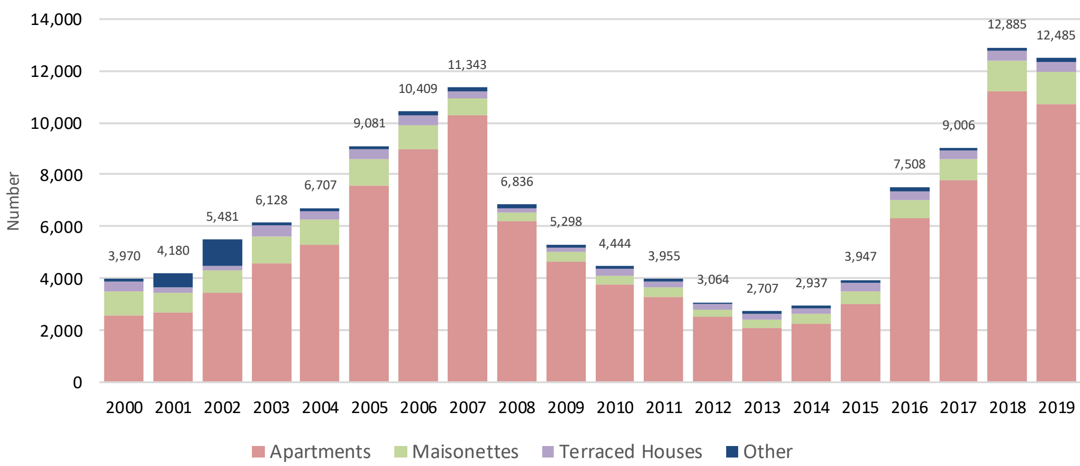
In 2019, the number of permits issued for the construction of residential dwellings declined following five consecutive years of substantial growth. Permits issued in 2019 remained high from a historical perspective, standing at 12,485 compared to 12,885 in 2018 (see Chart III below). This was entirely due to a lower number of permits issued for the construction of apartments, which were down by 4.3%. Notwithstanding recent developments, apartments still accounted for 85.9% of total residential permits issued in 2019. On the other hand, permits issued for maisonettes and terraced houses rose during the year under review and accounted for 9.8% and 3.2%, respectively of all residential permits issued during the year. Permits issued for other dwellings also increased over the year, reaching a three-year high. However, these continued to account for a very small proportion of all residential permits issued.

9 https://ec.europa.eu/eurostat/tgm/download.do?tab=table&plugin=1&language=en&pcode=tipsho40 (the data is expressed as quarterly index (2015 = 100)).

10 Central Bank of Malta Quarterly Review 2020:1 (page 43).

Construction investment increased by 12.6% in nominal terms, following an increase of 3.9% in 2018. This acceleration was driven by non-dwelling investment, which rose by 21.6%, after declining by 10.2% in 2018. By contrast, annual growth in residential investment moderated to 4.6%, from 20.8% previously. GVA in the construction sector increased at a faster pace during 2019. It rose by 13.9% following an increase of 7.9% in the preceding year.[11]

CHART III: Development Permits for Dwellings



National statistics relating to commercial property in Malta are currently not captured and therefore it is more difficult to gauge the health of this sector. Prior to COVID-19, general business sentiment and the continued drive to promote Malta as a regional hub for the provision of business-related services (notably in the financial, i-gaming, back-office services, information technology, aircraft registration and maritime) generated a positive trend in the commercial property sector, in particular office space.

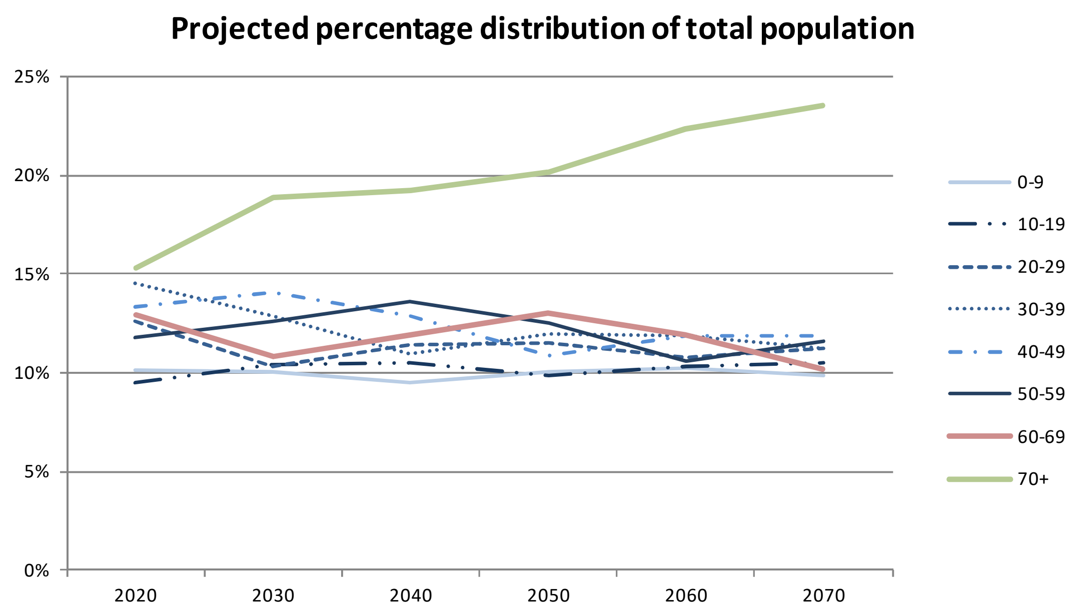
It is too early to reliably determine the impact that the pandemic may have on the commercial property sector in Malta. It is possible that landowners will proceed with the completion of projects currently under development, but new projects will be put on hold or commence once the situation stabilises. Rent rates may have to be reduced until there is a return to normality. Despite the uncertainty of the current situation, there is some optimism that business activity can initiate a recovery in Q1 2021.

Although the construction and property sectors were not part of the containment measures taken by Government to stem the spread of COVID-19, such sectors will undoubtedly be impacted negatively due to the high level of uncertainty concerning the duration of this pandemic and the resulting adverse effect on the Maltese economy and market sentiment.

[11] Fifty-second Annual Report and Statement of Accounts 2019 – Central Bank of Malta, 2020 (pages 50 and 55).

6.2.5 Long-Term Care Trend Analysis

Demand for long-term care in Malta is expected to progressively rise in the coming years as the population ages. According to projections published by the NSO[12], the percentage of the Maltese population over 60 years of age is expected to increase to 28% by 2020 and to 30% by 2030 (vide population distribution chart below). In absolute figures, Malta has *circa* 110,000 seniors above the age of 60 and this is expected to grow to over 135,000 by 2030. As a result of this substantial increase in elderly persons, it is envisaged that this will have a material effect on the growth in demand for care and support services provided to this category of the population.



Source: Demographic Review 2014, National Statistics Office, Malta

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

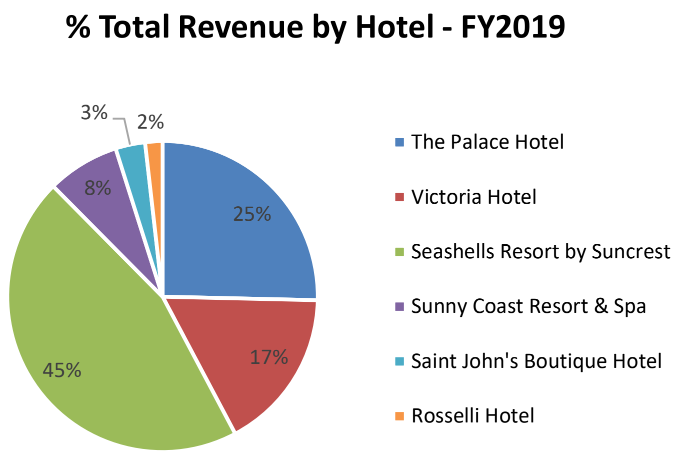
6.3 HOSPITALITY & ENTERTAINMENT

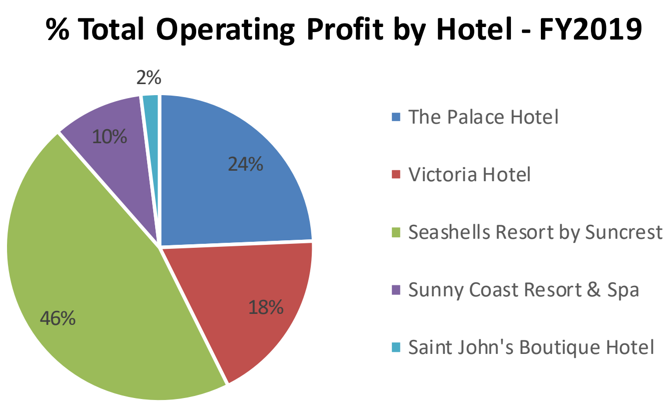
6.3.1 Financial Information – Sector Analysis

Hospitality & Entertainment	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	**35,508**	**38,936**	**38,115**	**12,245**
The Palace Hotel	10,129	10,355	9,665	3,361
Victoria Hotel	5,469	6,239	6,433	1,798
Seashells Resort by Suncrest	15,299	16,658	17,278	4,610
Sunny Coast Resort & Spa	2,882	2,985	2,874	1,134
Saint John's Boutique Hotel	249	1,178	1,174	446
Rosselli Hotel			691	896
Tal-Kaptan Restaurants	1,480	1,521		
Gross Operating Profit (€'000)	**15,759**	**16,901**	**15,498**	**1,503**
The Palace Hotel	4,580	4,558	3,868	535
Victoria Hotel	2,629	3,075	2,914	365
Seashells Resort by Suncrest	7,085	7,415	7,305	326
Sunny Coast Resort & Spa	1,463	1,574	1,513	391
Saint John's Boutique Hotel	(100)	180	307	16
Rosselli Hotel			(409)	(130)
Tal-Kaptan Restaurants	102	99		
Gross Operating Profit Margin (%)	**44%**	**43%**	**41%**	**12%**
The Palace Hotel	45%	44%	40%	16%
Victoria Hotel	48%	49%	45%	20%
Seashells Resort by Suncrest	46%	45%	42%	7%
Sunny Coast Resort & Spa	51%	53%	53%	34%
Saint John's Boutique Hotel	-40%	15%	26%	4%
Rosselli Hotel			n/a	n/a
Tal-Kaptan Restaurants	7%	6%		

Source: Management information.

6.3.2 Aggregate Hotel Revenue and Operating Profit





As illustrated above, the principal contributor to the Group's hotel sector in terms of both revenue and gross operating profit is the Seashells Resort by Suncrest, and the second best performer is The Palace Hotel. In aggregate, both hotels in FY2019 generated 70% of each of total revenue and gross operating profit (FY2018: 70% and 71% respectively).

Performance in the current financial year (FY2020) of the Group's hospitality sector will be adversely impacted by the pandemic as further explained. During the winter months (being 1 November 2019 to 29 February 2020), operational performance was ahead of management's expectations, but in the subsequent 3 months (March and May 2020), all hotels and catering outlets were completely shut down. The projections have been compiled on the basis of the following assumptions:

- Most of the Group's catering establishments have re-opened in June 2020 and will remain operational during the rest of the financial year;
- Sunny Coast Resort & Spa will operate from 1 July 2020 to 30 September 2020, while Seashells Resort by Suncrest will re-open on 1 October 2020;

- The hotels located in Sliema and Valletta will re-open on 1 October 2020;
- Operational costs have been reduced to a large extent, and such curtailment shall continue during the forecasted period.

6.3.3 The Palace Hotel

The Palace Hotel is a 144-room five-star city hotel located in Sliema, Malta and offers extensive conference and events facilities. It was developed by the AX Group in 2007. The Palace Hotel also includes two restaurants (The Tabloid and TemptAsian), a spa, and an indoor & outdoor pool. In January 2019, the hotel closed for a 3-week period so as to complete a soft refurbishment of some hotel rooms and the TemptAsian restaurant, which amounted to *circa* €1.9 million. The refurbishment programme was completed in the initial months of FY2020. The carrying amount of the Hotel as at 31 October 2019 is €44.7 million (FY2018: €43.9 million).

Operational Performance

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

The Palace Hotel	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)	10,129	10,355	9,665	3,361
Gross operating profit (€'000)	4,580	4,558	3,868	535
Gross operating profit margin (%)	45	44	40	16
Occupancy level (%)	91	92	84	31
Average room rate (€)	129	136	137	91
Revenue per available room (RevPAR) (€)	186	197	184	64
Benchmark performance				
Occupancy level (%)	76	74	73	n/a
Average room rate (€)	157	162	171	n/a
Revenue per available room (RevPAR) (€)	182	180	186	n/a
Revenue Generating Index	1.02	1.09	0.99	n/a

Source: Management information.

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

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

During **FY2019**, the hotel underwent a soft refurbishment of its rooms which adversely impacted occupancy level and RevPAR. As such, revenue for the year decreased by €0.7 million from €10.4 million in FY2018 to €9.7 million, while gross operating profit declined by €0.7 million y-o-y to €3.9 million (FY2018: €4.6 million).

In comparison to the Hotel's competitive set, The Palace registered higher occupancy levels of *circa* 90% in each of FY2017 and FY2018, and 84% in FY2019, compared to an average of *circa* 74% for its competitive set. On the other hand, the average room rate of The Palace was consistently lower when compared to its competitive set. As a result, the Hotel's RevPAR was 9% higher than benchmark rate in FY2018, but broadly comparable to its competitive set in FY2017 and FY2019.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and the forecast results for the month of October 2020, since it is envisaged that the Hotel will register minimal operational activity during the 7-month period from March 2020 to September 2020.

Going forward, the above-mentioned capital expenditure should enable the hotel to maintain its competitiveness in its market. Management's strategy beyond COVID-19 is to continue to increase the Hotel's average room rate without adversely impacting RevPAR and increase food & beverage revenue mainly through marketing its outlets to non-guests. The forward strategy is to further improve the Hotel's offerings and service, and to enhance average room rate mainly through an increased focus on conference & events business.

6.3.4 Victoria Hotel

The Victoria Hotel was developed by the AX Group in 1996. It is a four-star hotel consisting of 142 rooms and is situated a few metres away from The Palace in Sliema, Malta. The Hotel, together with the adjoining 200-year old Palazzo Capua, features a range of conference and meeting facilities. The carrying amount of the Victoria Hotel as at 31 October 2019 is €32.8 million (FY2018: €20.9 million).

Operational Performance

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

Victoria Hotel	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	5,469	6,239	6,433	1,798
Gross operating profit (€'000)	2,629	3,075	2,914	365
Gross operating profit margin (%)	48	49	45	20
Occupancy level (%)	80	90	92	31
Average room rate (€)	95	96	97	64
Revenue per available room (RevPAR) (€)	105	120	124	35
Benchmark performance				
Occupancy level (%)	81	82	80	n/a
Average room rate (€)	85	93	91	n/a
Revenue per available room (RevPAR) (€)	92	98	95	n/a
Revenue Generating Index	1.14	1.23	1.31	n/a

Source: Management information.

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

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

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

Revenue for **FY2019** amounted to €6.4 million, a marginal increase of €0.2 million when compared to the prior year. On the other hand, gross operating profit was lower y-o-y by €0.2 million from €3.1 million in FY2018 to €2.9 million in FY2019, thereby resulting in a 4 percentage points decrease in achieved gross operating profit margin to 45%.

As for benchmark performance, the Hotel achieved a lower occupancy (80%) in FY2017 when compared to the competitive set (81%), but average room rate was higher (€95) as compared to the benchmark rate of €85. Also, the Hotel's RevPAR was higher than that of its competitive set, at €105 compared to the benchmark rate of €92. During FY2018 and FY2019, the Victoria Hotel outperformed its competitive set in each of the KPIs provided in the above table, thereby registering a positive revenue generating index of 1.23 and 1.31 respectively.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and the forecast results for the month of October 2020, since it is envisaged that the Hotel will register minimal operational activity during the 7-month period from March 2020 to September 2020.

6.3.5 Seashells Resort at Suncrest

Seashells Resort at Suncrest is a four-star hotel located in Qawra Malta that also offers all-inclusive packages. It features 452 rooms designed in a contemporary style; the Carisma Spa and Wellness International Centre; a large outdoor swimming pool; and various food and beverage operations.

In November 2014, the Group acquired the Luzzu Complex in Qawra for a consideration of €3 million. The property occupies a gross floor area of *circa* 2,235m^2 and includes a restaurant at ground level, conference facilities at a lower level and a lido. As a consequence of this acquisition, F&B revenue has increased considerably and moreover, the Hotel's offerings have increased to cater for conferences and business events. During FY2017, the Group finalised the refurbishment of the Luzzu Conference Centre and Poseidon Conference Hall at an aggregate cost of *circa* €1.25 million. In the near term, the Group intends to internally connect the Luzzu Complex, Suncrest Hotel and the Sunny Coast Resort & Spa. The Hotel was developed by the AX Group in 1988 and its carrying value as at 31 October 2019 is €75.6 million (FY2018: €76.6 million).

Operational Performance

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

Seashells Resort at Suncrest	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)	15,299	16,658	17,278	4,610
Gross operating profit (€'000)	7,085	7,415	7,305	326
Gross operating profit margin (%)	46	45	42	7
Occupancy level (%)	84	84	83	29
Average room rate (€)	66	71	69	36
Revenue per available room (RevPAR) (€)	93	101	105	28
Benchmark performance				
Occupancy level (%)	83	82	82	n/a
Average room rate (€)	70	79	72	n/a
Revenue per available room (RevPAR) (€)	85	95	97	n/a
Revenue Generating Index	1.09	1.06	1.08	n/a

Source: Management information.

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

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

FY2019 was a mixed year in terms of performance, where revenue increased y-o-y by €0.6 million (+4%) but gross operating profit decreased marginally by €0.1 million from €7.4 million in FY2018 to €7.3 million. As a result, gross operating profit margin declined by 3 percentage points y-o-y to 42%.

During the three historical years under review, the Hotel's occupancy level was higher in each year by at least 1 percentage point over benchmark. In contrast, average room rate was consistently lower when compared to the Hotel's competitive set. Overall, the revenue generating index was positive in each of FY2017, FY2018 and FY2019 at an average of 1.08.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and the forecast results for the month of October 2020, since it is envisaged that the Hotel will register minimal operational activity during the 7-month period from March 2020 to September 2020.

Once the economic disruption due to the pandemic passes, management will again focus on improving RevPAR primarily through a strategy of replacing bookings generated by groups (which typically secure discounted rates) with direct and OTA (online travel agency) bookings.

6.3.6 Sunny Coast Resort & Spa

The Sunny Coast Resort & Spa commenced operations in 1983 and was the first hotel developed by the AX Group. It is a four-star hotel situated in Qawra, Malta and includes 92 rooms offered on a self-catering basis. The Hotel features five restaurants, external and heated indoor pools, spa and leisure facilities, and a squash court. The carrying amount of the Sunny Coast Resort & Spa as at 31 October 2019 is €22.6 million (FY2018: €19.1 million).

Operational Performance

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

Sunny Coast Resort & Spa	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	2,882	2,985	2,874	1,134
Gross operating profit (€'000)	1,463	1,574	1,513	391
Gross operating profit margin (%)	51	53	53	34
Occupancy level (%)	76	78	78	37
Average room rate (€)	90	90	84	61
Revenue per available room (RevPAR) (€)	89	89	86	34
Benchmark performance				
Occupancy level (%)	83	82	82	n/a
Average room rate (€)	70	79	72	n/a
Revenue per available room (RevPAR) (€)	85	95	97	n/a
Revenue Generating Index	1.05	0.94	0.89	n/a

Source: Management information.

The apartments at the Sunny Coast Resort & Spa were sold as timeshare accommodation during the initial years of operation. To date, timeshare contracts comprise the equivalent of 58 apartments or 64% of the hotel and will expire during FY2021 (term of contract was for 30 years). Such apartments are offered to other hotel visitors when not occupied by timeshare owners. In fact, in FY2019 timeshare revenue accounted for only 19% of total accommodation income (FY2018: 22%). In view of the maturing timeshare contracts, the Group is actively considering various options to fully utilise the property when timeshare is fully phased out.

Other than timeshare maintenance fees and accommodation income derived from non-timeshare residents, the hotel generates 'other revenue' which principally consists of rentals of its amenities, including the leisure centre & water activities, five restaurants and the spa.

Operational performance in **FY2017** was broadly similar to results achieved in the prior year – revenue was up by €0.2 million (y-o-y) to €2.9 million, whilst gross operating profit increased by €0.2 million (y-o-y) to €1.5 million. During **FY2018**, revenue increased by a further €0.1 million (+4%), to €3.0 million, whilst gross operating profit also increased by €0.1 million (+8%), to €1.6 million. An improvement of 2 percentage points in gross operating profit margin was achieved during FY2018, from 51% in FY2017 to 53% in FY2018. A similar performance was achieved in **FY2019** with a marginal decrease of €0.1 million in each of revenue and gross operating profit to €2.9 million and €1.5 million respectively.

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

Occupancy at the hotel remains significantly lower than the level achieved by its competitive set, reflecting the fact that the hotel has a percentage of apartments dedicated to timeshare residents. However, the low occupancy is compensated for by relatively high average room rates. In FY2018 and FY2019, the rate achieved by the hotel in each year was 14% and 17% higher respectively than the average room rate of its competitive set at €90 and €84 respectively. On the other hand, its RevPAR was lower than that of its competitive set in both FY2018 and FY2019. Overall, the hotel has performed well in the last three financial years, operating broadly in line with the market.

FY2020 forecast financial information mainly comprises timeshare income, rentals and non-timeshare revenue for the periods November 2019 to March 2020 and June 2020 to September 2020.

6.3.7 Saint John's Boutique Hotel

During FY2016, the Group acquired a property in Merchant Street, Valletta, which has now been converted into a 19-room boutique hotel (known as Saint John's Boutique Hotel) at a total cost (property acquisition and development) of €5.1 million. The property also features two private meeting rooms accommodating 16 in-theatre style or 8 as a board room. The Saint John's boutique hotel initiated operations in August 2017. Its carrying amount as at 31 October 2019 is €6.3 million (FY2018: €4.9 million).

Operational Performance

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

Saint John's Boutique Hotel	FY2017 Actual	FY2018 Actual	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	249	1,178	1,174	446
Gross operating profit (€'000)	(100)	180	307	16
Gross operating profit margin (%)	(40)	15	26	4
Occupancy level (%)	67	75	81	28
Average room rate (€)	157	157	139	108
Revenue per available room (RevPAR) (€)	144	170	169	64

Source: Management information.

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

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

The Hotel generated revenue of €1.2 million in **FY2019**, which is equal to the prior year's revenue, but managed to improve gross operating profit margin from 15% in FY2018 to 26%, achieving a gross operating profit for the year of €0.3 million (FY2018: €0.2 million). Occupancy level in FY2019 reached 81% (FY2018: 75%), whilst RevPAR amounted to €169 (FY2018: €170) as the Hotel achieved an average room rate of €139 (FY2018: €157).

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and the forecast results for the month of October 2020, since it is envisaged that the Hotel will register minimal operational activity during the 7-month period from March 2020 to September 2020.

6.3.8 Rosselli Hotel

In November 2016 (FY2017), the Group acquired another property in Merchant Street, Valletta for a total consideration of €4.5 million. This property was developed into the 5-star Rosselli Hotel at a cost of *circa* €7.0 million and operations commenced in May 2019. The hotel includes 25 luxury rooms, meeting room facilities, a lounge area & restaurant and a roof-top splash pool. In FY2020, "Undergrain" became one of the very first Michelin star rated restaurants in Malta. The Hotel's carrying amount as at 31 October 2019 is €10.3 million (FY2018: €6.4 million).

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

Operational Performance

The following table sets out the results relating to the Rosselli Hotel for FY2019 and the forecast for FY2020:

Rosselli Hotel	FY2019 Actual	FY2020 Forecast
Turnover (€'000)	691	896
Gross operating profit (€'000)	(409)	(130)
Gross operating profit margin (%)	(59)	(15)
Occupancy level (%)	66	21
Average room rate (€)	178	164
Revenue per available room (RevPAR) (€)	171	98

Source: Management information.

Management generated revenue of €0.7 million from the Rosselli Hotel as well as the property's catering operations during the initial 5-month period from 1 June 2019 to 31 October 2019. The catering offerings contributed *circa* 50% of annual revenue of the subject hotel. The occupancy level reached 66% with an average room rate of €178. RevPAR amounted to €171, which takes into consideration the relatively high F&B component within the hotel's total revenue.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and the forecast results for the month of October 2020, since it is envisaged that the Hotel will register minimal operational activity during the 7-month period from March 2020 to September 2020.

6.3.9 Tal-Kaptan Restaurants

As at 31 October 2018, the AX Group operated two restaurants under the commercial name "Tal-Kaptan". The first restaurant was opened in 1987 and is located within the premises of the Seashells Resort at Suncrest, whilst the other restaurant operated at the Valletta Waterfront since 2007. In FY2018, the Tal-Kaptan restaurants generated revenue of €1.5 million, an increase of 3% compared to FY2017, however gross operating profit remained constant at €0.1 million.

During FY2019, management ceased operations of the Valletta Waterfront restaurant, which coincided with the expiration of the property lease. In consequence, Tal-Kaptan, Qawra has been merged with the Seashells Resort at Suncrest but will continue to offer guests a casual dining experience, specialising in pizza and pasta dishes.

6.4 CONSTRUCTION, BUILDING MATERIALS & MANAGEMENT SERVICES

6.4.1 Financial Information – Sector Analysis

Construction, Building Materials & Management Services	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)	**5,503**	**8,146**	**4,858**	**6,680**
Construction works	4,755	7,327	4,540	6,200
Construction waste management	202	-	-	-
Restoration projects	546	819	318	480
Gross operating profit (€'000)	481	740	472	665
Gross operating profit margin (%)	9	9	10	10

Source: Management information.

6.4.2 Overview of Sector Activity

Construction & development is another principal activity of the AX Group and relates mainly to civil engineering works, turnkey assignments, project management and restoration works. Over the years, the construction division of the Group was entrusted with a number of major projects including the development of the Group's six hotels; the Group's head office; Verdala Mansions in Rabat, Malta; Capua Hospital in Sliema; Parliament building super-structure in Valletta; is-Suq tal-Belt; the Simblija Care Home & Hilltop Gardens Retirement Village and various other projects which were executed for Group companies and third party clients. Any related party revenue generated from construction and restoration works on the aforementioned projects are eliminated upon consolidation and as such are not included in the consolidated financial information provided in the above table.

In FY2017, the Group was primarily involved in the conversion and completion of "is-Suq tal-Belt" and Saint John's Boutique Hotel in Valletta and in FY2018, the continuation of the development of the Rosselli Hotel in Merchant Street, Valletta, the construction of the Hotel 1926 in Qui-Si-Sana, Sliema (previously, the Plevna Hotel), the extension and finishes of the KPMG offices, as well as the construction and development of residential blocks and villas. In FY2019, the main projects consist of the restoration and construction works at the Old Farsons Brewhouse, restoration works at the Old University Building in Valletta, the development of a residential block behind Falcon House, Sliema, which on completion will comprise 2 floors of office space, 8 apartments and 1 penthouse, and the construction of the multi-use complex situated in Mosta (known as TG Complex).

In FY2017, the Group generated €4.8 million (FY2016: €2.0 million) from construction works, an increase of €2.8 million (+142%). Further growth in construction activity was registered in FY2018, wherein the Group generated revenue amounting to €7.3 million (FY2017: €4.8 million). The y-o-y increase of €2.5 million (+54%) was principally due to income generated from the completion of "is-Suq tal-Belt" project as well as various turnkey project engagements (including third party private residences), which was broadly in line with the higher level of activity in the local construction industry.

Construction revenue for FY2019 amounted to €4.5 million, a decrease of €2.8 million when compared to the prior year (FY2018: €7.3 million). This reduction was partly due to an increase in internal projects (such as the Targa Gap Complex and Rosselli Hotel), which are not reflected on a Group basis (since intra-group transactions are eliminated on consolidation). In FY2020, revenue from the construction division is projected to increase by €1.7 million or 37% to €6.2 million (FY2019: €4.5 million), primarily on account of ongoing contracted projects which were initiated in FY2019, projects which are currently being negotiated and other projects assumed to be awarded during the year.

The AX Group was involved in a number of restoration projects during FY2018 which amounted to €0.8 million, an increase of €0.3 million from a year earlier (FY2017: €0.5 million). This business activity slowed down during FY2019 with revenue for the year amounting to €0.3 million. With regard to FY2020, management is projecting to generate *circa* €0.5 million from restoration projects, including the restoration of the Malta Maritime in Birgu and a stretch of bastions in Isla.

Projects awarded to date include: Fort St Angelo, parts of the Valletta & Vittoriosa bastions, Scamps Palace Building (site housing Casino di Venezia), Valletta Waterfront, St Paul's Catacombs, Lascaris War Rooms in Valletta, Birgu bastions, Wignacourt Tower in St Paul's Bay, Auberge d'Italie, Bastions San Salvatore, Farsons Brewery and the Old University Building in Valletta.

Up to FY2017, the AX Group was involved in construction waste management at a site in Mgarr, which consisted of the management and disposal of excavation, construction and demolition waste. This activity was terminated in FY2017 and income generated during the said year amounted to €0.2 million.

The site in Mgarr has been converted into a solar farm (known as Imselliet Solar Farm), which can produce up to 5.4MW of electricity. The solar farm commenced operations in December 2019 and was connected to the electrical grid in March 2020. The Group's investment in the Imselliet Solar Farm equates to 33.33% of Imselliet Solar Limited (held through Renewables Limited).

6.5 REAL ESTATE & RENTAL INCOME

6.5.1 Financial Information – Sector Analysis

Real Estate & Rental Income	**FY2017 Actual**	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Forecast**
Turnover (€'000)	**588**	**2,840**	**545**	**2,019**
Real estate	50	2,198	-	1,323
Rental income	538	642	545	696
Gross operating profit (€'000)	513	2,158	410	1,306
Gross operating profit margin (%)	87	76	75	65

Source: Management information.

6.5.2 Overview of Sector Activity

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

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

During FY2017, the AX Group was not engaged in any major property development for resale. The last major project undertaken by the Group relating to the construction of apartments for resale was Verdala Mansions in 2003, which consisted of 36 upmarket apartments (which were all sold to third parties).

The AX Group has been involved in constructing a number of warehouses located in an industrial zone in Burmarrad, of which, one warehouse was sold in FY2018 while the remaining nine units are held for own use or rental purposes. Also in FY2018, the Group sold two plots in Mosta for an aggregate price of €2.2 million. No property sales were concluded in FY2019. In 2020, a permit was obtained to build another warehouse in Burmarrad on a site owned by the Group that forms part of the Hardrocks Industrial Park.

During FY2020, AX Group is expected to complete the Targa Gap Complex. The Group's head office will occupy 2 floors, while commercial space at ground floor level will be leased to third parties. The property will comprise 21 residential units, 14 of which are earmarked for sale and the remaining 7 units will be available for rent. Out of the 14 units, 5 units are currently subject to promise of sale agreements and the respective sale contracts are expected to be concluded in FY2020 for an aggregate consideration of €1.3 million.

Development works on Falcon House, Sliema are proceeding as planned and should be finalised in FY2021. The project will comprise a mix of commercial and residential units for eventual disposal.

The Group is projecting to generate rental income of €696,000 in FY2020 (FY2019: €545,000). The properties which are leased to third parties include: AX warehouses, Palazzo Capua, AXH showroom, Imselliet quarry, F&B outlet next to Sunny Coast and Tal-Virtu apartments.

7. SIMBLIJA CARE HOME & HILLTOP GARDENS RETIREMENT VILLAGE

7.1 GENERAL

The AX Group developed the Simblija Care Home & Hilltop Gardens Retirement Village ("**Care & Retirement Home**") during the financial years 2014 and 2015, and officially opened the premises in December 2015. Located in the area known as "Tas-Simblija", limits of Naxxar, the property occupies an area of *circa* 17,000m^2, and includes a mix of one and two bedroom apartments & penthouses, landscaped gardens and extensive facilities. The carrying value of this property as at 31 October 2019 amounted to €44.8 million (FY2018: €46.0 million).

The Care & Retirement Home is a high-end retirement property, offering independent living with access to a range of facilities and amenities, and 24-hour care when required. The facilities at the complex include a restaurant, spa, hair salon, swimming pool, common room and a chapel, amongst others. The Care & Retirement Home provides independent living to the elderly with the security that there is on-site medical care and a support team that can take care of any ancillary services one may need (including laundry, cleaning, transportation and maintenance services). Furthermore, the complex enables residents to live within a community, and enjoy the surrounding gardens and amenities.

The Care & Retirement Home also includes a nursing home which provides intensive nursing care to dependent elderly residents. The nursing home has its own fully equipped hydrotherapy pool, dedicated services and amenities for short term respite care and convalescence as well as post-operation recovery. Furthermore, the home offers specialised support to residents suffering from dementia.

7.2 FINANCIAL INFORMATION

The expenditure on developing the Care & Retirement Village and acquisition of plant & equipment was of €25 million. The village consists of 133 self-catering residential units including common areas, amenities and landscaping and a 155-bed nursing home.

The residential units are to date 90% occupied on leases for definite periods. Additional revenue is generated from the sale of consumables, maintenance fees and the provision of services. Furthermore, management offers tenants assistance in re-selling their units to third parties.

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

The following table illustrates the actual results for the financial years ended 31 October 2017 to 31 October 2019, and the projections for the year ending 31 October 2020.

Simblija Care Home & Hilltop Gardens Retirement Village	FY2017 Actual €'000	FY2018 Actual €'000	FY2019 Actual €'000	FY2020 Forecast €'000
Residences & other income	1,395	2,076	2,341	2,569
Nursing home	1,964	2,687	3,340	4,280
Total Revenue	**3,359**	**4,763**	**5,681**	**6,849**
Direct costs	(2,184)	(3,087)	(3,027)	(3,348)
Other costs	(1,335)	(1,440)	(1,593)	(1,962)
EBITDA	**(160)**	**236**	**1,061**	**1,539**

Source: Management information.

During **FY2017**, 109 units of the self-catering residences (out of 133 units) were either rented or leased. Lease periods during FY2017 ranged from 1 year up to 50 years, with the average lease term being 22 years, whilst rentals were for periods up to one year. The Care & Retirement Home generated €3.4 million in revenue, however still incurred an operating loss of €0.2 million.

During **FY2018**, lease periods were shortened to a range not exceeding 10 years (previously 50 years), whilst rentals were kept for periods of up to one year. In the reviewed year, all 133 units of the self-catering residences were either rented or leased. Revenue generated from residences & other income amounted to €2.1 million, an increase of €0.7 million from a year earlier. Occupancy in the nursing home continued to improve in FY2018, whereby revenue increased by €0.7 million y-o-y to €2.7 million. Overall, the Care & Retirement Home generated €4.8 million in revenue (FY2017: €3.4 million), an increase of €1.4 million or 41%. Furthermore, the Home converted a negative EBITDA of €0.2 million in FY2017 to a positive EBITDA of €0.2 million in FY2018.

In **FY2019**, the Care & Retirement Home continued to increase occupancy in the nursing home, and as a result, revenue increased to €3.3 million (+24%, y-o-y). Rental income increased from €2.1 million in FY2018 to €2.3 million. Overall, the retirement home registered a substantially improved EBITDA, from €0.2 million in FY2018 to €1.0 million in FY2019, reflecting management's endeavour to keep direct and other costs at an optimal level in order to enhance profitability.

As part of the various measures imposed by the Maltese authorities to curtail the spread of COVID-19, the Group had to close down the catering outlets and physiotherapy facilities at the Care & Retirement Village between March 2020 and May 2020. In addition, due to the restrictions, other tenants were unable to operate.

For the well-being of residents, management decided to impose a full lockdown, and thus no new admissions were being accepted at the Care & Retirement Village until further notice. Notwithstanding, revenue for **FY2020** is expected to increase from €5.7 million in FY2019 to €6.8 million (+21%) and EBITDA is projected to increase from €1.1 million in FY2019 to €1.5 million in FY2020.

8. BUSINESS DEVELOPMENT STRATEGY

8.1 ETHOS OF THE AX GROUP

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

8.2 ORGANISATIONAL PRACTICES AND PROCEDURES

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

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

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

8.3 GROWTH AND DIVERSIFICATION STRATEGY

The AX Group continues to focus its energies in strengthening its business and operating structures, particularly in its core hospitality operations. Furthermore, the hospitality division of the Group has diversified its markets and business delivery, and marketing strategies have been developed and implemented for each of its hotels depending on the location and nature of the property.

On recognition of the importance of e-commerce for the hospitality industry, the Group has invested in internet marketing to improve its information systems and now has a dedicated team of key personnel who focus on this channel; together they manage more than 24 websites owned by the Group as well as 70 other social media channels. The Group will continue to invest in the latest technologies and techniques to keep abreast with developments in this dynamic sector and optimise its business.

In FY2020, earnings from the Group's hospitality operations will be adversely impacted by the coronavirus epidemic due to a temporary decline in travel demand. Thereafter, the Group expects a gradual normalisation by year end and is optimistic that the hotel industry in Malta will perform positively in the years to come.

The Directors believe that the Group's hospitality properties have the right management and resources to successfully grow the business units and potentially take on others. AX Hotel Operations p.l.c. continues to actively seek new hotel properties to operate and will be seeking opportunities to take on engagements to manage third party owned properties, subject to the right conditions being agreed to and the property matching the AX Hotels brand standards.

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

This same process was repeated in Sliema on the sites where AX The Victoria Hotel, AX The Palace Hotel and Palazzo Capua were built, which are all contiguous to each other, and the Hilltop Gardens Retirement Village, where the current property footprint of over 17,000m^2 was achieved through acquisitions of several properties over a period of time. The recent acquisitions and development of two boutique properties in the heart of Valletta is also in furtherance of this same objective.

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

The construction division of the Group has grown rapidly following a restructuring of the business and has, during the past two years, seen its turnover improve at a rate in excess of 25% compound annual growth rate (CAGR). This growth is supported by the strong performance at a national level of the construction and development sectors as well as specific measures taken in order to respond to the continuing challenges involved in operating in the construction industry.

Due to the unveiling of a large number of prestigious national projects having a strong restoration element over recent years, the AX Group invested in the skills and expertise required to take on sensitive restoration projects and has been successful in contributing significantly to the restoration of our built heritage. The construction division has also introduced contracting and project management strategies which aim to capitalise on the quality, efficiency and experience which are ingrained in the AX Group's culture. This investment in skills and organisational measures has also been augmented by a significant continuing investment in plant, equipment, tools and systems to improve productivity and efficiency and to further strengthen its management and operating teams in anticipation of larger and more demanding projects.

The AX Group owns a number of properties for which it has pending development applications. On 30 April 2020, the Group obtained from the Planning Authority an outline development permit in relation to the Verdala property. The said permit makes reference to the development height and use of the former 'Grand Hotel Verdala' site in Rabat, which shall comprise the building of apartments and a hotel. On this basis, the Group is in the process of preparing detailed plans for submission to the Planning Authority.

Other properties include the Marsa business park, which measures *circa* 13,000m^2 and a significant parcel of land in Mosta to be offered for sale to third parties as properties ready for development.

Subject to the issuance of a full development permit by the Planning Authority in relation to the Verdala site, the Company is intent on issuing €50 million in bonds at the opportune moment, mainly for the purposes of financing the development of the Verdala site. Simultaneously with the issuance of the said €50 million bonds, the existing shareholders are minded to launch an offer to the public of 25% of their shareholding in the Company and reinvest part of the proceeds from the share offer in the Company by way of subscription for the majority of the €50 million bonds. The remaining balance of bonds will be offered to the general public.

The timing for the bond issue and share offer, and initiation of the Verdala project shall be determined after due assessment has been made by the Directors and Group shareholders, which decision is contingent on a number of factors including the consequential impact of the pandemic on Malta's economy, business confidence in general and the rate of recovery from the current crisis, particularly in the property and hospitality segments.

8.4 HUMAN RESOURCE MANAGEMENT

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

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

The Executive Committee reviews the performance of all operating entities within the AX Group as well as its investments on a periodic basis. Once some degree of forward visibility is achieved concerning the amelioration of the current crisis and the rate of recovery therefrom, the Executive Committee foresees that the AX Group will be strongly focused on executing the Verdala Site project, but will also consider undertaking a number of other investments such as the extensions to Hilltop

Gardens Retirement Village and the AX Seashells Resort at Suncrest, the development of offices and residential units in Mosta and offices in Floriana, and the redevelopment of the AX Sunny Coast Resort and Spa.

9. FUTURE INVESTMENTS

The AX 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 major part of the proceeds from the Bond Issues (in terms of a prospectus dated 22 November 2019) have been used by the Company for the purpose of financing the acquisition of land situated in Marsa, which land is earmarked for development into a mixed office, residential and commercial complex (the "**Marsa Project**") and the Group's acquisition and development of '41, Merchant Street' situated in Merchant Street, Valletta ("**Valletta Project**"), as further described below.

9.1 MARSA PROJECT

On 11 April 2019, the Group acquired a site measuring approximately 620m^2, including its overlying airspace and underlying subsoil, pursuant to a sale agreement entered into by and between third party vendors and AX Business Park Limited (C13019), as purchaser, for a consideration of €600,000. This land is adjacent to a plot measuring *circa* 5,500m^2 owned by AX Group and known as "Tad-Dwiemes".

In May 2020, AX Business Park Limited (C13019) acquired, from Salv. Bezzina & Sons Ltd (C350), 2 parcels of land (known as "Tas-Sienja") with buildings situated thereon measuring in aggregate approximately 7,600m^2 (developable area being *circa* 6,600m^2) for a consideration of €6.9 million. The acquisition was funded from net proceeds of a bond issue in terms of a prospectus dated 22 November 2019.

Accordingly, the Group plans to consolidate the site known as Tad-Dwiemes" with the site known as "Tas-Sienja" which are adjacent to each other.

The Group does not envisage that this consolidated site will be developed in the foreseeable future and, in any case, is expected to take place after the maturity date of the 3.25% 2026 and 3.75% 2029 Bonds. At the date of this report, the Board has commissioned studies regarding the optimal use of the Marsa site, following which, the Board intends to obtain planning permits for the development of the said property.

9.2 VALLETTA PROJECT

In January 2020, AX Holdings Limited (C3595) acquired from Confident Limited (C78162) the 'Palazzo' at 41, Merchant Street, corner with St Lucy Street, Valletta for a consideration of *circa* €5.5 million. Subject to obtaining the necessary development permits, the Group is intent on converting the property into a self-catering accommodation which shall comprise nine luxury apartments, scheduled to start operating in 2021.

9.3 OTHER PROJECTS

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

Expected Year of Commencement and Completion	Development	Status	Investment
2019 – 2021	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.	€9.5 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
2021 – 2023	Verdala Site, Rabat - The Group plans to develop a 40-suite boutique hotel and	Outline permit received. The Group is in the	€40 million

	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.	process of submitting the relevant planning permit application.	
2022 – 2024	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* €25 million

PART 2 – GROUP PERFORMANCE REVIEW

10. FINANCIAL INFORMATION RELATING TO AX GROUP PLC

The following financial information is extracted from the audited consolidated financial statements of AX Group p.l.c. for the three years ended 31 October 2017 to 31 October 2019. The financial information for the year ending 31 October 2020 has been provided by Group management.

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

During FY2020, the business sectors in which the AX Group operates have been affected to varying degrees by the COVID-19 pandemic, as further explained hereunder:

- The Hotel sector has borne the main brunt of the restrictions taken by the authorities to protect people and contain the pandemic. This segment has historically been the largest of the AX Group's businesses and thus the suspension of international travel has and will continue to have a material impact on this division.
- The Construction sector continues to operate and while some restrictions have impacted efficiency, these constraints are not deemed material.
- The Development sector is experiencing pressure on income from rental of residential and commercial property which is not deemed material, but the dividend stream from the Group's investment in Valletta Cruise Port has been adversely impacted.
- The Care sector has also been impacted by the measures but the commercial effects are overall positive.

In light of the above, the Group's management has implemented various measures to curtail costs, change work patterns, reduce working times, freeze sub-contracted labour and delay certain capital expenditure projects. Such measures are intended to preserve the financial strength of the AX Group and to protect its employees and stakeholders.

Prior year adjustment

A prior year adjustment was passed in FY2018 to properly account for share of profits resulting from investments in associates which was overstated in previous years. The following balance sheet items were affected by such adjustment.

	€'000
Investments in associates	
At 01.11.2016, as previously stated	**8,586**
Prior year adjustment	(1,603)
At 01.11.2016, as restated	6,983
Share of profits, as previously stated	1,087
Prior year adjustment	(574)
	513
At 31.10.2017, as restated	**7,495**
Retained earnings	
At 01.11.2016, as previously stated	**16,673**
Prior year adjustment	(1,603)
At 01.11.2016, as restated	15,070
Profit for the year, as previously stated	12,252
Prior year adjustment	(574)
Profit for the year, as restated	11,678
Dividends paid	(2,300)
Revaluation of investment property, net of tax	(5,561)
At 31.10.2017, as restated	**18,887**

AX Group p.l.c. - Consolidated Income Statement				
for the year ended 31 October	**2017**	**2018**	**2019**	**2020**
	Restated	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
Revenue	46,157	56,776	52,218	29,199
Net operating expenses	(30,793)	(35,832)	(35,583)	(25,966)
EBITDA	**15,364**	**20,944**	**16,635**	**3,233**
Depreciation	(5,238)	(5,348)	(6,258)	(6,401)
Investment property revaluation	6,211	26,589	-	-
Share of results of associated undertaking	513	3	(666)	(714)
Loss on disposal of investment in subsidiary	-	-	(3)	-
Investment income	11	1	-	185
Net finance costs	(3,459)	(3,007)	(2,998)	(3,521)
Profit/(loss) before tax	**13,401**	**39,182**	**6,710**	**(7,218)**
Taxation	(1,690)	(8,228)	(1,831)	1,186
Profit/(loss) after tax	**11,711**	**30,954**	**4,879**	**(6,032)**
Other comprehensive income				
Gains on property revaluation	-	13,136	17,745	-
Taxation	-	(1,384)	(2,293)	-
	-	**11,752**	**15,452**	**-**
Total comprehensive income/(expense)	**11,711**	**42,706**	**20,331**	**(6,032)**

AX Group p.l.c. - Earnings before interest, tax, depreciation and amortisation ("EBITDA")				
for the year ended 31 October	**2017**	**2018**	**2019**	**2020**
	Restated	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
EBITDA has been calculated as follows:				
Operating profit/(loss)	10,126	15,596	10,377	(3,168)
Add back				
Depreciation	5,238	5,348	6,258	6,401
EBITDA	**15,364**	**20,944**	**16,635**	**3,233**

Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Projection
Operating profit margin *(EBITDA/revenue)*	33%	37%	32%	11%
Interest cover (times) *(EBITDA/net finance cost)*	4.44	6.97	5.55	0.92
Net profit margin *(Profit after tax/revenue)*	25%	55%	9%	n/a
Earnings per share (€) *(Profit after tax/number of shares)*	10.06	26.58	4.19	n/a
Return on equity *(Profit after tax/shareholders' equity)*	7%	15%	2%	n/a
Return on capital employed *(EBITDA/total assets less current liabilities)*	6%	7%	5%	1%
Return on assets *(Profit after tax/total assets)*	4%	10%	1%	n/a

Source: MZ Investment Services Ltd

In **FY2017**, revenue of the Group increased by €8.1 million (+21%), from €38.1 million in FY2016 to €46.2 million in FY2017. The year-on-year increase was spread primarily across the hospitality sector, construction sector as well as the care & retirement home (which is in its second year of operation). Revenue from sale of property, real estate and rental income increased by €0.1 million, whilst dividends receivable from Valletta Cruise Port p.l.c. decreased by €0.06 million to €0.89 million in FY2017.

During FY2017, EBITDA increased by €2.7 million (+21%) from €12.7 million in FY2016 to €15.4 million, a significant portion of which was generated from the operations of Seashells Resort by Suncrest. After accounting for depreciation of €5.2 million (FY2016: €4.8 million), investment income and net finance costs of €3.5 million (FY2016: €3.5 million), an uplift of €6.1 million (FY2016: €0.9 million), and share of results of associates of €0.5 million (FY2016: €0.7 million), the Group registered a profit before tax of €13.4 million, compared to €5.9 million in FY2016 (+125%).

Profit after tax amounted to €11.7 million in FY2017 as compared to €4.0 million in FY2016, an increase of €7.7 million (+191%). Total comprehensive income in FY2017 was unchanged at €11.7 million (FY2016: €52.2 million).

During **FY2018**, total revenue generated by the Group increased by €10.6 million (+23%), from €46.2 million in FY2017 to €56.8 million in FY2018. The hospitality sector registered the highest y-o-y increase (in monetary terms) of €3.4 million, while the construction sector and sale of property, real estate and rental income reported increases of €2.6 million and €2.2 million respectively. Revenue from the retirement home was higher by €1.4 million, whilst dividends receivable from Valletta Cruise Port p.l.c. increased by €0.3 million to €1.2 million in FY2018.

During FY2018, EBITDA increased by €5.5 million (+36%) from €15.4 million in FY2017 to €20.9 million, a fair amount of which was generated from the sale of property as well as the aggregate increases in revenue in the sub-divisions of the hospitality & entertainment sector. After accounting for depreciation of €5.3 million (FY2017: €5.2 million), investment income and net finance costs of €3.0 million (FY2017: €3.5 million), and an investment property revaluation uplift of €26.6 million (FY2017: €5.8 million), the Group registered a profit before tax of €39.2 million, compared to €13.4 million in FY2017 (+192%). The afore-mentioned revaluation of €26.6 million related to uplifts in the fair value of the Verdala site in Rabat, a plot of land in Marsa (known as Tad-Dwiemes) and the Virtu Apartments in Rabat.

Profit after tax amounted to €30.9 million in FY2018 as compared to €11.7 million in FY2017, an increase of €19.2 million (+164%). Total comprehensive income in FY2018 increased to €42.7 million (FY2017: €11.7 million) due to gains on property revaluation net of tax of €11.8 million (FY2017: nil) in relation to The Palace Hotel and Simblija Care Home & Hilltop Gardens Retirement Village.

In **FY2019**, revenue decreased by €4.6 million from €56.8 million in FY2018 to €52.2 million. Revenue generated by the hospitality & entertainment division declined by €0.8 million (y-o-y) due to the temporary closure of The Palace Hotel for a refurbishment exercise, which was not compensated for by an increase in RevPAR. In view of more intense competition in the local tourism market, particularly from non-hotel self-catering accommodation properties, management's ability to increase room rates is somewhat limited.

The construction and property divisions also registered a y-o-y decline, from an aggregate of €11.0 million in FY2018 to €5.4 million, due to the fact that no property sales were completed during FY2019. In contrast, revenue from the retirement home improved by €0.9 million (+19%, y-o-y) to €5.7 million in FY2019.

The above-mentioned decrease in revenue adversely impacted FY2019 EBITDA by €4.3 million (-21%) and amounted to €16.6 million (FY2018: €20.9 million). The Group reported a profit before tax in FY2019 of €6.7 million compared to €39.2 million a year earlier. The decline of €32.5 million is mainly attributable to the absence of property revaluations in FY2019 compared to €26.6 million in FY2018. After accounting for taxation of €1.8 million (FY2018: €8.2 million), profit after tax amounted to €4.9 million (FY2018: €31.0 million). The y-o-y positive variance in taxation is mainly on account of the recognition of a deferred tax asset from an investment tax credit on the retirement home of €4.5 million. Overall, total comprehensive income in FY2019 amounted to €20.3 million, a decrease of €22.4 million from the prior year (FY2018: €42.7 million).

Key accounting ratios – A comparability analysis of the last three financial years shows that FY2018 was the best performing year – operating profit margin and return on capital employed were higher by 5 and 2 percentage points respectively over FY2019 (FY2017: lower by 4 and 1 percentage point/s respectively). Net profit margin was significantly higher at 55% in FY2018 compared to 9% in FY2019 due to the revaluation of property amounting to €26.5 million in the former financial year (FY2017: 25%). The Group's interest cover declined in FY2019, from 6.97 times in FY2018 to 5.55 times (FY2017: 4.44 times).

In the initial 4 months of **FY2020** (November 2019 to February 2020), the AX Group's operational performance was in line with Board expectations. However, in early March 2020, hotel bookings started to decline due to the COVID-19 outbreak and by the end of March, the Group's hospitality sector experienced an immediate and significant deterioration following the authorities' decision to suspend all inbound commercial flights. Hospitality operations have been completely shut down in April 2020 and May 2020.

The projections for FY2020 take into account the actual trading results of the AX Group for the period 1 November 2019 to 31 May 2020 (7 months) and financial forecasts for the 5-month period from 1 June 2020 to 31 October 2020. The key assumptions adopted by the Group to compile the projected income statement are the following:

- Most of the Group's catering establishments re-opened in June 2020 and will remain operational during the rest of the financial year;
- Sunny Coast Resort & Spa will operate from 1 July 2020 to 30 September 2020, while Seashells Resort by Suncrest will re-open on 1 October 2020;
- The hotels located in Sliema and Valletta will re-open on 1 October 2020;
- The Group's property division is expected to perform in line with budget set by management;
- The retirement & nursing home shall operate under complete lockdown during the COVID-19 restrictions, and therefore shall not accept new admissions at the Care Home in this period. Notwithstanding, management believes that the set targets are expected to be achieved;
- The AX Group does not expect to receive any dividends from Valletta Cruise Port.

Revenue in **FY2020** is projected to decrease substantially by €23.0 million y-o-y to €29.2 million on account of the complete shutdown of the hospitality operations during April and May 2020, and the expected curtailment of operations during June to October 2020. As a result, EBITDA is expected to decline to €3.2 million in FY2020 (FY2019: €16.6 million). Overall, the Group is projecting to incur a loss for the year amounting to €6.0 million (FY2019: profit of €4.9 million).

The estimates for the projected financial year as presented in this document assume that the carrying values of hotel and investment properties will not be revalued upwards or impaired, and therefore no adjustment has been made as to possible uplifts or impairments in value of assets which can materially affect the consolidated income statement and the balance sheet values.

AX Group p.l.c. - Cash Flow Statement for the year ended 31 October	2017 Restated €'000	2018 Actual €'000	2019 Actual €'000	2020 Projection €'000
Net cash from operating activities	17,516	15,164	14,091	(95)
Net cash from investing activities	(12,084)	(4,890)	(13,425)	(22,521)
Net cash from financing activities	(4,816)	(10,190)	(5,384)	20,086
Net movement in cash and cash equivalents	**616**	**84**	**(4,718)**	**(2,530)**
Cash and cash equivalents at beginning of year	5,593	6,209	6,293	1,575
Cash and cash equivalents at end of year	**6,209**	**6,293**	**1,575**	**(955)**

Net cash flows from operating activities principally relate to the operations of the AX Group, which are analysed in further detail in section 6.0 of this report under the heading "Group Operational Development". In FY2019, net cash from operating activities decreased from €15.2 million in FY2018 to €14.1 million, mainly on account of higher tax payments during FY2019 of €3.4 million compared to €1.5 million in FY2018. The AX Group is projecting a breakeven position for FY2020.

Net cash from investing activities principally relate to the acquisition and disposal of properties and annual capital expenditure on the Group properties. In this regard, between FY2017 and FY2019, the AX Group utilised a net amount of €30.4 million. During the initial part of FY2020, the Group utilised an aggregate amount of *circa* €12.1 million from net proceeds of new bond issues to acquire the Marsa and Valletta properties (described in section 9 above). A further €10.4 million is projected to be incurred on capital expenditure.

Financing activities principally comprise movement on bank and other borrowings, issuance of debt securities and payment of dividends. In FY2018, the Group repaid €7.7 million of loan facilities and paid dividends to shareholders of €2.5 million (total of €10.2 million). In FY2019, net cash outflows from financing activities amounted to €5.4 million, mainly comprising net repayment of loans. In December 2019 (FY2020), the Group raised €25 million from the issue of bonds and has repaid €4.0 million of bank borrowings in terms of the prospectus dated 22 November 2019. The remaining balance represents bond issue expenses and movement in shareholders' loans.

AX Group p.l.c.				
Statement of Financial Position	**31 Oct'17**	**31 Oct'18**	**31 Oct'19**	**31 Oct'20**
	Restated	**Actual**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	223,930	235,045	257,749	261,755
Investment property	30,969	58,722	58,805	70,916
Investments in associates	7,495	7,499	6,833	6,849
Deferred tax asset & other non-current assets	-	-	456	462
	262,394	**301,266**	**323,843**	**339,982**
Current assets				
Inventories	2,971	2,370	3,055	4,613
Trade & other receivables	12,258	13,046	12,714	5,294
Cash at bank and in hand	7,353	6,852	2,172	(358)
	22,582	**22,268**	**17,941**	**9,549**
Total assets	**284,976**	**323,534**	**341,784**	**349,531**
EQUITY				
Share capital	1,165	1,165	1,165	1,165
Reserves	151,901	186,358	201,091	201,090
Retained earnings	17,987	23,724	23,255	17,180
Non-controlling interest	1,434	1,503	1,559	1,602
	172,487	**212,750**	**227,070**	**221,037**
LIABILITIES				
Non-current liabilities				
Borrowings & debt securities	57,357	53,149	52,656	73,944
Trade & other payables	6,578	11,591	13,456	13,402
Deferred tax liabilities	19,256	24,823	26,712	27,641
	83,191	**89,563**	**92,824**	**114,987**
Current liabilities				
Borrowings	10,500	2,919	3,165	1,481
Trade & other payables	18,798	18,302	18,725	12,026
	29,298	**21,221**	**21,890**	**13,507**
Total liabilities	**112,489**	**110,784**	**114,714**	**128,494**
Total equity and liabilities	**284,976**	**323,534**	**341,784**	**349,531**

Key Accounting Ratios	FY2017 Restated	FY2018 Actual	FY2019 Actual	FY2020 Projection
Gearing ratio *(Net debt/net debt and shareholders' equity)*	26%	19%	19%	26%
Net debt to EBITDA (years) *(Net debt/EBITDA)*	3.94	2.35	3.23	23.44
Net assets per share (€) *(Net asset value/number of shares)*	147	181	194	188
Liquidity ratio (times) *(Current assets/current liabilities)*	0.77	1.05	0.82	0.71

Source: MZ Investment Services Ltd

Total assets as at 31 October 2019 amounted to €341.8 million and principally comprise assets described in section 5 of this report. Investments is associates principally represent a 36% shareholding in Valletta Cruise Port p.l.c. In FY2020, investment property is expected to increase by €12.1 million on account of acquisition of properties situated in Marsa and Valletta. Trade & other receivables are projected to decrease from €12.7 million in FY2019 to €5.3 million in view of the temporary closure and curtailment of the hospitality operations.

Total liabilities include trade and other payables, which are expected to decrease in FY2020 as a result of the temporary shutdown and gradual recovery thereafter of the Group's hospitality operations, deferred taxation and borrowings as provided hereinafter.

AX Group p.l.c. Group Borrowings	**31 Oct'17 Restated €'000**	**31 Oct'18 Actual €'000**	**31 Oct'19 Actual €'000**	**31 Oct'20 Projection €'000**
Bank borrowings				
Bank loans	19,937	15,226	14,597	10,585
Bank overdrafts	1,144	559	597	597
	21,081	**15,785**	**15,194**	**11,182**
Bonds				
6% Bonds 2024	39,394	39,456	39,518	39,243
3.25% Bonds 2026				15,000
3.75% Bonds 2029				10,000
	39,394	**39,456**	**39,518**	**64,243**
Other borrowings				
Malta Enterprise	6,634	-	-	-
Other loans	211	590	577	-
Shareholder's loan	537	237	532	-
(unsecured, interest free and no fixed date repayment)				
	7,382	**827**	**1,109**	**-**
Total borrowings and bonds	**67,857**	**56,068**	**55,821**	**75,425**

During FY2020, the Group successfully raised €25 million from 2 bond issues in terms of the Prospectus dated 22 November 2019. The proceeds thereof were utilised to acquire the properties referred to in sections 9.1 and 9.2 of this report (the "Marsa Project" and the "Valletta Project"). In addition, an amount of €4.0 million was used to repay bank loan facilities and the remaining funds are being utilised for general corporate funding purposes.

The gearing ratio of the AX Group remained stable at 19% during the last 2 financial years, but net debt to EBITDA weakened from 2.35 years in FY2018 to 3.23 years in FY2019 in view of lower EBITDA generated in FY2019 over the prior year. The liquidity ratio deteriorated from 1.05x in FY2018 to 0.82x due to lower y-o-y cash balances, which funds were utilised for capital expenditure purposes. In consequence of the new bond issues, the gearing ratio is expected to increase in FY2020 to 26%. The liquidity ratio is projected to weaken to 0.71 times primarily on account of the disruption to operations caused by the pandemic.

Debt Securities issued by Group Companies

AX Investments p.l.c. is a member of the AX Group and has the following outstanding debt securities:

- €40 million AX Investments p.l.c. 6% Unsecured € Bonds 2024 (ISIN MT0000081233)

11. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the forecasted financial information for the year ended 31 October 2019 included in the prior year's Financial Analysis Summary dated 22 November 2019 and the audited consolidated financial statements for the year ended 31 October 2019.

AX Group p.l.c. - Consolidated Income Statement for the year ended 31 October 2019	**Actual €'000**	**Forecast €'000**	**Variance €'000**
Revenue	52,218	52,389	(171)
Net operating expenses	(35,583)	(36,362)	779
EBITDA	**16,635**	**16,027**	**608**
Depreciation	(6,258)	(5,895)	(363)
Share of results of associated undertaking	(666)	383	(1,049)
Loss on disposal of investment in subsidiary	(3)	-	
Net finance costs	(2,998)	(3,164)	166
Profit before tax	**6,710**	**7,351**	**(641)**
Taxation	(1,831)	4,929	(6,760)
Profit after tax	**4,879**	**12,280**	**(7,401)**
Other comprehensive income			
Gains on property revaluation	17,745	-	17,745
Taxation	(2,293)	-	(2,293)
	15,452	**-**	**15,452**
Total comprehensive income	**20,331**	**12,280**	**8,051**

As presented in the above table, revenue generated by the Group in FY2019 was marginally lower than expected by €171,000. In contrast, actual EBITDA was higher when compared to forecast by €608,000. Actual share of results of associated undertaking yielded a loss amounting to €666,000, while the Group had forecasted a profit of €383,000. Furthermore, an adverse variance of €6.8 million was registered in taxation, since the Group had forecasted a tax credit of €4.9 million compared to an actual tax charge of €1.8 million for the financial year. Gains on property revaluation amounting to €15.5 million were not reflected in the forecast results.

AX Group p.l.c. - Statement of Financial Position as at 31 October 2019	Actual €'000	Forecast €'000	Variance €'000
ASSETS			
Non-current assets			
Property, plant & equipment	257,749	243,673	14,076
Investment property	58,805	31,526	27,279
Investments in associates	6,833	7,882	(1,049)
Deferred tax asset & other non-current assets	456	7,208	(6,752)
	323,843	**290,289**	**33,554**
Current assets			
Inventories	3,055	25,260	(22,205)
Trade & other receivables	12,714	11,406	1,308
Cash at bank and in hand	2,172	1,981	191
	17,941	**38,647**	**(20,706)**
Total assets	**341,784**	**328,936**	**12,848**
EQUITY			
Share capital	1,165	1,165	-
Reserves	201,091	185,058	16,033
Retained earnings	23,255	33,280	(10,025)
Non-controlling interest	1,559	1,515	44
	227,070	**221,018**	**6,052**
LIABILITIES			
Non-current liabilities			
Borrowings & debt securities	52,656	52,964	(308)
Trade & other payables	13,456	12,745	711
Deferred tax liabilities	26,712	24,695	2,017
	92,824	**90,404**	**2,420**
Current liabilities			
Borrowings	3,165	2,346	819
Trade & other payables	18,725	15,168	3,557
	21,890	**17,514**	**4,376**
Total liabilities	**114,714**	**107,918**	**6,796**
Total equity and liabilities	**341,784**	**328,936**	**12,848**

Investment property was higher than forecast by €27.3 million while inventories were lower than projected by €22.2 million (net movement amounting to +€5.1 million). When preparing the forecast results, the portion of the Verdala site earmarked for the development of residential units was transferred to inventories as available-for-sale property. The positive variance in property, plant &

equipment mainly refers to uplifts in fair value of hospitality assets (also reflected in movement in reserves). No significant movements were observed in total liabilities.

AX Group p.l.c. - Cash Flow Statement **for the year ended 31 October 2019**	**Actual** **€'000**	**Forecast** **€'000**	**Variance** **€'000**
Net cash from operating activities	14,091	8,849	5,242
Net cash from investing activities	(13,425)	(10,130)	(3,295)
Net cash from financing activities	(5,384)	(3,031)	(2,353)
Net movement in cash and cash equivalents	**(4,718)**	**(4,312)**	**(406)**
Cash and cash equivalents at beginning of year	6,293	6,293	-
Cash and cash equivalents at end of year	**1,575**	**1,981**	**(406)**

Actual net movement in cash and cash equivalents was lower than projected by €406,000. Net operating cashflow was higher than expected by €5.2 million, mainly on account of favourable working capital movements.

The variance in net cash from investing activities was negative by €3.3 million due to higher than expected expenditure on capital projects. As to financing activities, net repayment of borrowings amounted to €5.4 million, which was €2.4 million higher than projected.

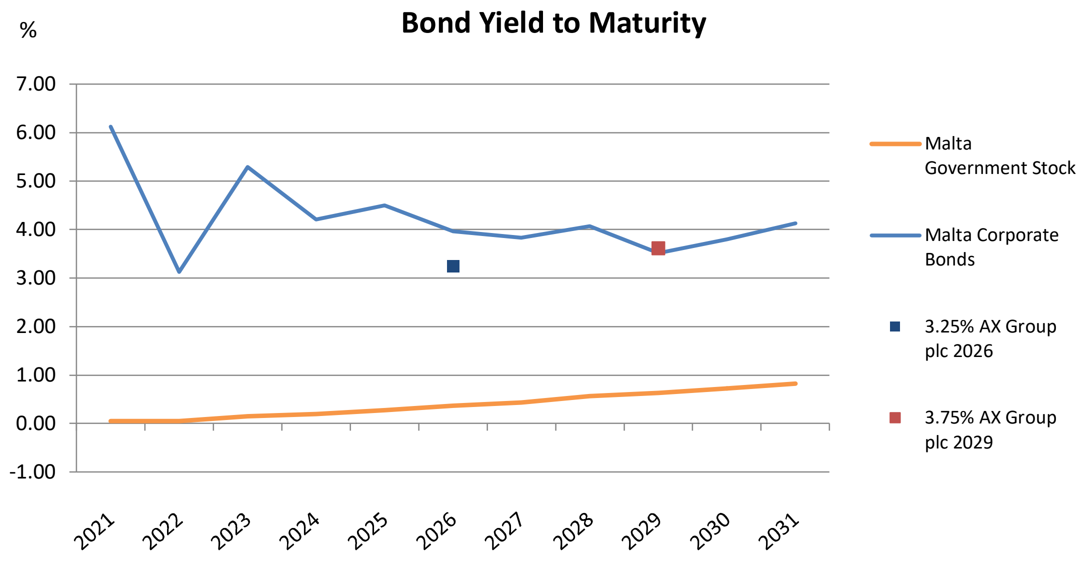
PART 3 – COMPARABLES

The table below compares the Company and its bonds to other debt issuers listed on the Malta Stock Exchange and their respective debt securities. The list includes issuers (excluding financial institutions) that have listed bonds. Although there are significant variances between the activities of the Company and other issuers (including different industries, principal markets, competition, capital requirements etc.), and material differences between the risks associated with the Group's business and that of other issuers, the comparative analysis provides an indication of the financial performance and strength of the Group.

Comparative Analysis	Nominal Value (€)	Yield to Maturity (%)	Interest Cover (times)	Total Assets (€'000)	Net Asset Value (€'000)	Gearing Ratio (%)
5.80% International Hotel Investments plc 2021	20,000,000	6.12	3.27	1,617,853	877,620	36.63
3.65% GAP Group plc Secured € 2022	36,736,000	3.13	4.45	55,237	9,869	71.82
6.00% Pendergardens Developments plc Secured € 2022 Series	26,921,200	4.38	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,443,000	3.85	4.45	55,237	9,869	71.82
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	5.29	0.76	27,159	6,916	62.72
5.80% International Hotel Investments plc 2023	10,000,000	6.15	3.27	1,617,853	877,620	36.63
6.00% AX Investments Plc € 2024	40,000,000	5.09	5.55	342,395	226,115	19.63
6.00% International Hotel Investments plc € 2024	35,000,000	5.42	3.27	1,617,853	877,620	36.63
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	4.21	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	4.24	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	5.54	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	16,000,000	4.24	-	27,455	3,366	85.88
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	5.75	3.27	1,617,853	877,620	36.63
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	5.13	4.03	4,066	- 18,883	-
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.50	1.65	150,478	57,635	57.73
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	3.96	13.74	28,166	6,135	60.96
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	4.25	2.74	1,784,681	908,883	40.11
4.00% International Hotel Investments plc Secured € 2026	55,000,000	4.00	3.27	1,617,853	877,620	36.63
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.57	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	4.01	3.27	1,617,853	877,620	36.63
3.25% AX Group plc Unsec Bds 2026 Series I	**15,000,000**	**3.25**	**5.55**	**341,785**	**227,069**	**19.11**
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.35	8.48	316,563	132,582	31.98
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.83	6.42	199,265	113,124	26.87
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	4.00	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	4.07	3.44	455,113	86,390	73.98
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.52	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	4.20	3.44	455,113	86,390	73.98
3.75% AX Group plc Unsec Bds 2029 Series II	**10,000,000**	**3.61**	**5.55**	**341,785**	**227,069**	**19.11**

01-Jun-20

Source: Malta Stock Exchange, Audited Accounts of Listed Companies, MZ Investment Services Ltd



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 1 June 2020

To date, there are no corporate bonds which have a redemption date beyond 2031. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2026 bonds are trading at a yield of 3.25%, which is *circa* 71 basis points below other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 288 basis points.

The 2029 bonds are trading at a yield of 3.75%, which is *circa* 9 basis points higher when compared to other corporate bonds maturing in 2029. The premium over FY2029 Malta Government Stock is 298 basis points.

Due to the global economic fallout from the coronavirus outbreak, the difference between corporate bond yields and benchmark Malta Government Stock yields has widened across the entire yield curve. This unprecedented event has brought about an economic slowdown, which will likely adversely affect operational results of a number of companies.

PART 4 – EXPLANATORY DEFINITIONS

Income Statement	
Revenue	Total revenue generated by the Group from its business activities during the financial year, including hospitality and entertainment; construction works, building materials and management services; care and retirement home operations; sale of property and real estate; and rental income.
Direct costs	Direct costs include cost of food, beverages, consumables, labour expenses and all other direct expenses.
Gross profit	Gross profit is the difference between revenue and direct costs. It refers to the profit made by the Group before deducting depreciation & amortisation, finance costs, impairment provisions, share of profits from associate and affiliate companies and other operating costs.
Operating costs	Operating costs include all operating expenses other than direct costs.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. EBITDA can be used to analyse and compare profitability between companies and industries because it eliminates the effects of financing and accounting decisions.
Share of results of associated undertakings	The AX Group owns minority stakes in a number of companies (less than 50% plus one share of a company's share capital). The results of such companies are not consolidated with the subsidiaries of the Group, but the Group's share of profit is shown in the profit and loss account under the heading 'share of results of associated undertakings'.
Profit after tax	Profit after tax is the profit made by the Group during the financial year both from its operating as well as non-operating activities.
Occupancy level	Occupancy level is the percentage of available rooms that were sold during a given period of time. It is calculated by dividing the number of rooms sold by total number of rooms available.
Average room rate	Average room rate is calculated by dividing hotel room revenue by rooms sold. Hotels use this measure to calculate the average price at which they are booking hotel rooms each night.

Key Performance Indicators	
Revenue per available room (RevPAR)	RevPAR is calculated by dividing a hotel's total revenue by the total number of available rooms in the period being measured. A hotel uses this indicator as a performance measure with other hotels in the same category or market.
Revenue generating index	A revenue generating index measures a hotel's fair market share of its segment's (competitive set, market, etc.) revenue per available room. If a hotel is capturing its fair market share, the index will be 1; if capturing less than its fair market share, a hotel's index will be less than 1; and if capturing more than its fair market share, a hotel's index will be greater than 1.
Profitability Ratios	
Operating profit margin	Operating profit margin is operating income or EBITDA as a percentage of total revenue.
Net profit margin	Net profit margin is profit after tax achieved during the financial year expressed as a percentage of total revenue.
Efficiency Ratios	
Return on equity	Return on equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing profit after tax by shareholders' equity.
Return on capital employed	Return on capital employed (ROCE) indicates the efficiency and profitability of a company's capital investments, estimated by dividing operating profit by capital employed.
Return on Assets	Return on assets (ROA) is computed by dividing profit after tax by total assets.
Equity Ratios	
Earnings per share	Earnings per share (EPS) is the amount of earnings per outstanding share of a company's share capital. It is computed by dividing net income available to equity shareholders by total shares outstanding as at balance sheet date.
Cash Flow Statement	
Cash flow from operating activities	Cash generated from the principal revenue-producing activities of the Group.
Cash flow from investing activities	Cash generated from activities dealing with the acquisition and disposal of long-term assets and other investments of the Group.
Cash flow from financing activities	Cash generated from the activities that result in change in share capital and borrowings of the Group.
Balance Sheet	
Non-current assets	Non-current asset are the Group's long-term investments, which full value will not be realised within the accounting year. Non-current assets are

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