Financial Analysis Summary

30 April 2021

Issuer

AX Group p.l.c.

AX Investments p.l.c.

MZ INVESTMENT SERVICES

MZ INVESTMENT SERVICES

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

30 April 2021

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 2018 to 31 October 2020 has been extracted from audited consolidated financial statements of the Company for the three years in question.

(b) Historical financial data for the three years ended 31 October 2018 to 31 October 2020 has been extracted from audited financial statements of AX Investments p.l.c. for the three years in question.

(c) The projected data for the year ending 31 October 2021 has been provided by management.

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

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

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

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

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PART 1 – INFORMATION ABOUT THE COMPANY

1. COMPANY'S KEY ACTIVITIES

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

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

2. GROUP'S KEY ACTIVITIES

The AX Group is principally engaged in the provision of hospitality services, operates a care home & retirement village and is also involved in construction, property development and estate management. 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. In 2015 and 2016, the Group acquired 2 properties in Valletta, Malta, which were developed into The Saint John Boutique Hotel and the Rosselli Hotel.

Over the years, the AX Group was involved in a number of property related projects, including the construction of the Valletta Cruise Port, the above-mentioned 6 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.

The AX Group also developed, in FY2014 and FY2015, the Simblija Care Home & Hilltop Gardens Retirement Village, 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.

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 2020 amounts to €6.5 million (FY2019: €6.8 million).

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.

During FY2020, the Group was involved in the development of offices and residential units at Tal-Qares, Mosta (Targa Gap Complex). The property comprises the Group's new head office, residential units held for sale or lease to third parties, a showroom and four levels of underground parking. As at the date of this report, 8 out of 21 residential units have been sold (3 units in FY2020 and 5 units in FY2021), while a further 3 units are subject to promise of sale agreements.

Furthermore, the Group has completed the construction of a property at the Falcon House site in Sliema (adjacent to the existing Falcon House Complex) which includes two levels of office space, eight luxury apartments and a penthouse. As at the date of this report, all 9 residential units are subject to promise of sale agreements.

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

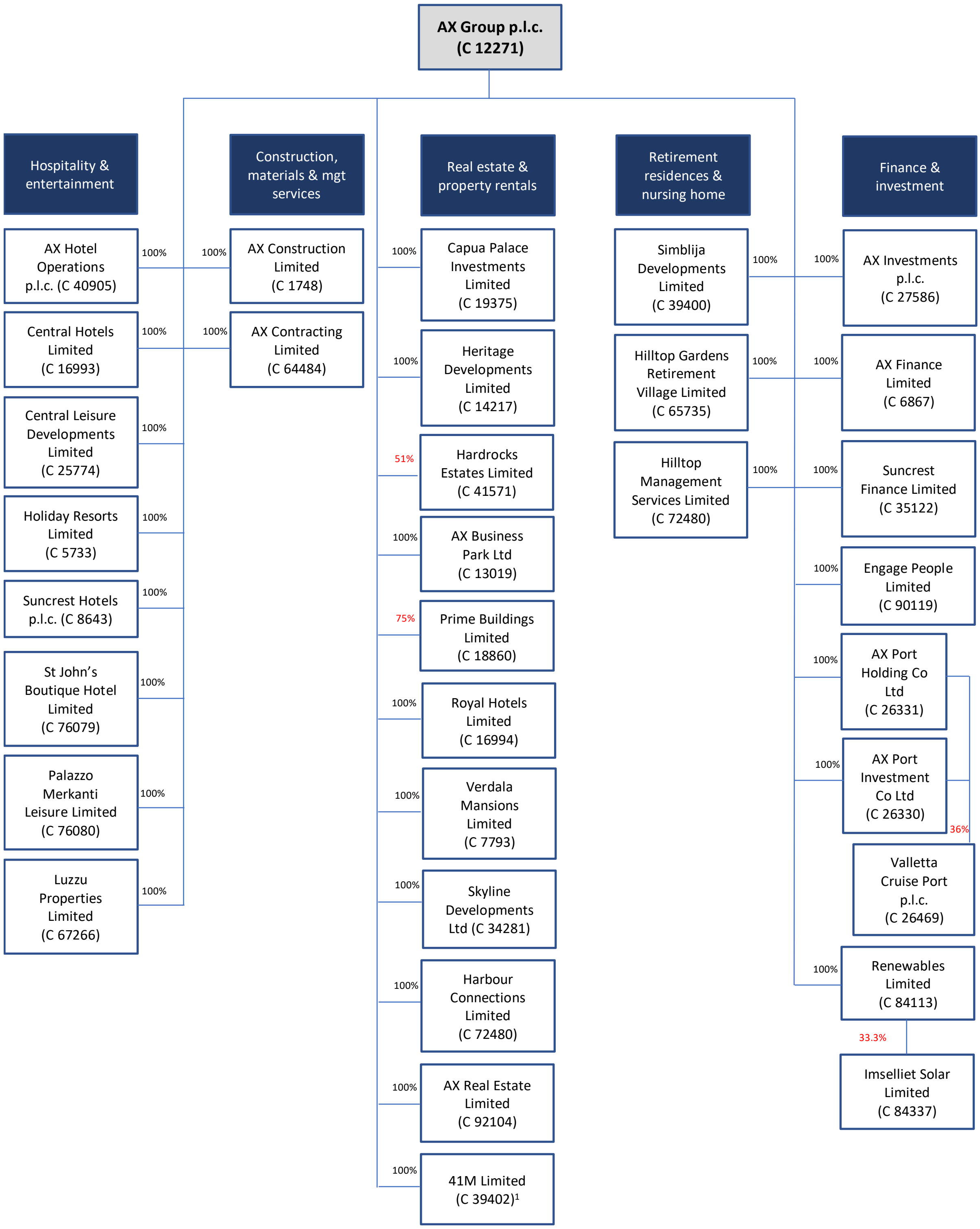
In the day-to-day operations of the AX Group, the executive Directors are supported by members of the Company's Executive Committee, responsible for the determination of policy and strategic guidance and management. The Executive Committee is composed of the following individuals:

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 Montesin	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 FY2020 amounted to 628 persons (FY2019: 661).

4. GROUP ORGANISATIONAL STRUCTURE

The diagram hereunder illustrates the organisational structure of the Group:



[1] 41M Limited (formerly The Waterfront Entertainment Venture Ltd).

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

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

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	FY2018 €’000	FY2019 €’000	FY2020 €’000	Net movement in Reval. Reserve FY18 to FY20 €’000
The Palace Hotel	46,138	46,828	41,828	4,396
Victoria Hotel	21,673	34,302	30,200	8,874
Seashells Resort at Suncrest	77,350	76,072	69,446	(5,101)
Sunny Coast Resort & Spa	19,781	23,957	19,451	(435)
Palazzo Capua	8,864	8,782	8,687	338
Grand Hotel Verdala	28,600	28,594	28,877	16,985
Simblija Care Home & Hilltop Gardens Retirement Village	47,000	46,189	45,158	4,906
Villa Vistana	3,800	3,800	3,800	-
Tad-Dwiemes, Marsa	11,120	11,755	18,756	7,718
Hard Rocks Warehouses	5,160	5,160	6,349	(451)
Luzzu Complex	3,278	4,308	4,571	1,384
Saint John's Boutique Hotel	4,969	6,485	5,964	1,077
Rosselli Hotel	6,515	10,967	13,330	2,350
Targa Gap Complex, Mosta	4,098	6,369	12,244	-
41 Merchant Street	-	-	5,705	-
Other assets	14,506	13,881	14,672	2,337
	302,852	**327,449**	**329,039**	**44,379**

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

Note: Comparative information has been restated to reflect correction of prior period errors. Such restatements are better described in section 10 of this report.

The Group intends to acquire a property situated at 10, St Anne Street, Floriana, known as “Citihall”, for the total consideration of €3,350,000. The relevant promise of sale agreement expires on 6 December 2021 and is conditional on the Group obtaining (i) an outline development permit for the construction of a further floor and (ii) a bank loan to finance the acquisition. The Group has acquired 2 properties in Floriana for the total consideration of €400,000 earlier this year. The Group’s intention is to develop said properties into two residential apartments for rental purposes.

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	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**
Turnover (€'000)	**55,907**	**51,917**	**28,716**	**35,190**
Hospitality & entertainment	38,936	38,115	15,378	13,094
Construction, building materials & management services	8,146	4,858	6,040	6,699
Real estate & rental income	2,840	545	1,421	9,279
Retirement residences & nursing home	4,763	5,681	5,877	6,118
Dividend receivable	1,222	2,718	-	-
Gross Operating Profit (€'000)	**20,035**	**17,441**	**5,787**	**9,775**
Hospitality & entertainment	16,901	15,498	3,350	2,406
Construction, building materials & management services	740	472	586	753
Real estate & rental income	2,158	410	971	5,528
Retirement residences & nursing home	236	1,061	881	1,088
Gross Operating Profit Margin (%)	**36%**	**34%**	**20%**	**28%**
Hospitality & entertainment	43%	41%	22%	18%
Construction, building materials & management services	9%	10%	10%	11%
Real estate & rental income	76%	75%	68%	60%
Retirement residences & nursing home	5%	19%	15%	18%

Source: Management information.

6.2 MARKET OVERVIEW

6.2.1 Economic Update[1]

The Maltese economy registered a severe contraction in 2020 due to the COVID-19 pandemic. Limitations on air traffic, tourism and social activities were mainly to blame for an expected fall in real GDP[2] of around 9%, which came after robust growth of 5.3% in 2019. Investment fell, mainly due to a surprise drop in construction, while private consumption was dampened by contractions in sectors such as retail and hospitality. The toll on the economy, however, has been partially mitigated by government stimulus measures. The second wave of restrictions globally has placed additional strain on the highly open economy in the last quarter of 2020 and continued to weigh in the first quarter of 2021.

The expected rollout of vaccinations in 2021 and a gradual easing of restrictions in the EU should set the tourism sector back on the path to recovery and re-invigorate domestic demand. In 2021, real GDP growth is expected to reach 4.5%. Growth is set to be mainly driven by net exports and domestic consumption, as inbound tourism and global trade recover gradually. The potential growth impact from policy measures related to the Next Generation EU programme is not yet included in this forecast and, thus, constitutes an upside risk to the growth outlook.[3]

According to the European Commission, in 2022, Malta's economy is forecast to expand by 5.4% as net exports return as the main contributor to GDP growth while domestic demand makes a slower but steady contribution. By the end of 2022, the tourism sector is expected to recover close to pre-pandemic levels and international trade should be significantly restored.

Harmonised Index of Consumer Prices (HICP)[4] inflation averaged 0.8% in 2020, lower than the 1.5% in 2019, driven mainly by subdued energy prices and lower inflation in services, against the background of the contraction in demand. In 2021, inflation is expected to rise to 1.3% on the back of recovering domestic demand and a higher demand for tourism services. In line with a stronger economic recovery in 2022, inflation should pick up further to around 1.6%.

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[1] Economic Forecast – Winter 2021 (European Commission Institutional Paper 144 Feb '21).

[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] The EU's long-term budget, coupled with NextGenerationEU, the temporary instrument designed to boost the recovery, will be the largest stimulus package ever financed through the EU budget. A total of €1.8 trillion will help rebuild a post-COVID-19 Europe. It will be a greener, more digital and more resilient Europe. The last step of the adoption of the next long-term EU budget was reached on 17 December 2020.

[4] The Harmonised Indices of Consumer Prices (HICP) measure the changes over time in the prices of consumer goods and services acquired by households.

6.2.2 Economic Projections (2020 – 2023)[5]

As a result of the pandemic, the Central Bank of Malta (the Bank) expects that after an estimated contraction of 8.2% in 2020, Malta's Gross Domestic Product (GDP), will grow by 5.0% in 2021, by 5.5% in 2022, and by 4.7% in 2023. Compared to the projections published in December 2020, GDP growth is being revised downwards for 2020 and 2021 due to the impact of stringent containment measures, that spilled further into 2021. However, GDP growth is being revised upwards for 2022 and 2023, with GDP in 2023 expected to be at a similar level to that projected in December 2020. The Bank thus maintains its expectation that 2019 GDP levels are to be recouped towards the end of 2022, conditional on the successful rollout of a vaccine in 2021.

Declining net exports were the main contributor to the contraction in GDP in 2020, reflecting a sharp drop in foreign demand, restrictions on travel-related activities, and disruptions to the global supply chain. However, domestic demand is also estimated to have contributed negatively, as the various containment measures curtailed various activities during the year, especially during the second quarter, and elevated levels of uncertainty which adversely impacted private consumption and investment. Contractions in these two expenditure components were only partially mitigated by increased government consumption. Domestic demand is expected to be the main driver of the projected recovery in subsequent years.

Despite the sharp contraction in 2020, the labour market has shown remarkable resilience. Unemployment initially rose during the first wave of COVID-19, but has since declined, as fiscal measures have been very supportive of employment. Employment growth is estimated to have remained positive in 2020, though moderating compared to 2019. It is then projected to pick up gradually in the following years, reaching 2.7% in 2023. These projections constitute an upward revision from the previous exercise, reflecting stronger than expected outcomes in 2020.

Annual inflation based on the Harmonised Index of Consumer Prices is set to edge up to 0.9% in 2021, from 0.8% in 2020, reflecting faster growth in services prices. Furthermore, non-energy industrial goods (NEIG) inflation is set to turn positive. Overall HICP inflation is set to edge up to 1.7% by 2023, reflecting a pickup in economic activity, which is expected to lift prices of services and NEIG further.

Public finances deteriorated sharply in 2020 due to the decline in economic activity and the introduction of COVID-19 related fiscal support. The Bank is now projecting that the general government will record a deficit of 9.5% of GDP in 2020. The deficit is expected to persist throughout 2021, although it is anticipated to narrow to 6.6%. As economic activity improves and the need for COVID-related support gradually fades, the deficit is set to narrow further to 3.9% of GDP by 2023. Consequently, the government debt-to-GDP ratio is projected to rise from 42.4% in 2019 to 60.3% by 2023.

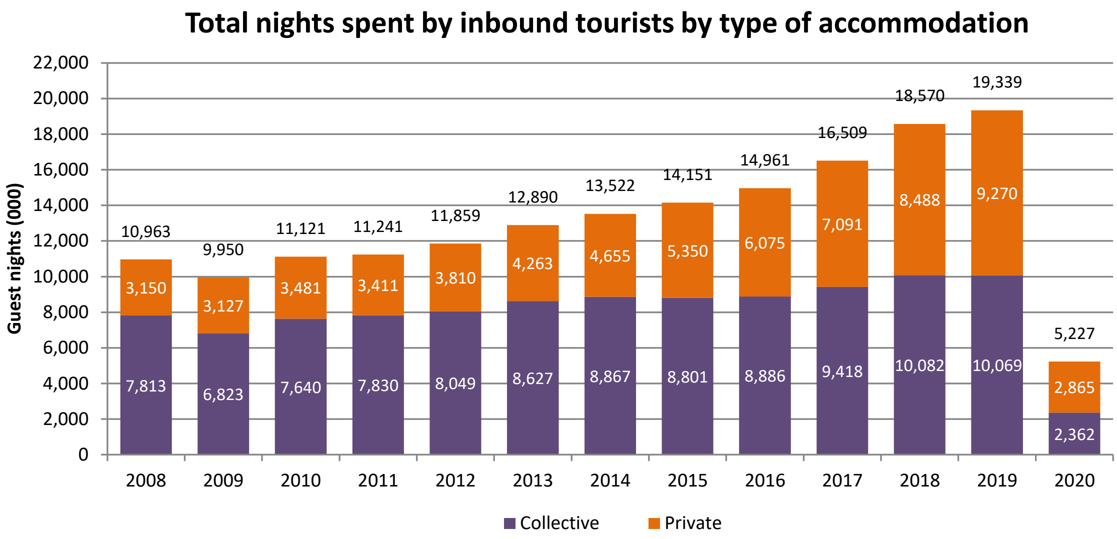
[5] Central Bank of Malta - Outlook for the Maltese economy; Economic Projections 2020 – 2023; 2021:1.

Given the prevailing uncertainty, the Bank has also published a more severe scenario in which it considers the effects of some restrictive health protocols being maintained beyond 2021, in the event that the pace of vaccination is slower than currently projected and new infectious strains become harder to control. In such a scenario, the 2019 level of GDP would be reached only in 2023. Additionally, the government deficit would deteriorate more sharply in 2021, reaching 10.0% of GDP, before narrowing to 5.6% in 2022 and 2023, while the government debt-to-GDP ratio would rise to 68.2% by then.

6.2.3 Tourism Market[6]

2020 was clearly a very challenging year with COVID-19 heavily impacting demand across the tourism sector. 2021 has begun with many of these challenges still in place, with more meaningful progress towards recovery for the travel industry unlikely until later in the year and dependent on global vaccine rollouts, lifting of restrictions and an acceleration in economic activity.

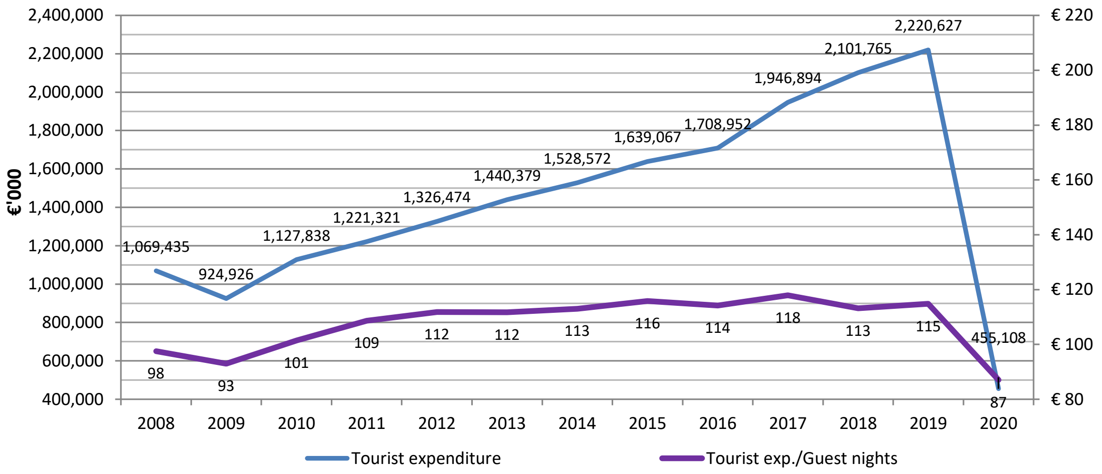
As shown in the chart below, total nights spent by inbound tourists decreased by 73% from 19.3 million nights in 2019 to 5.2 million nights in 2020. Guest nights at collective accommodation made up 55% of the aggregate (2019: 52%), while rented accommodation (other than collective accommodation) held a 45% share (2019: 48%). In 2020, inbound tourist trips totalled 0.7 million compared to 2.8 million in the prior year (-76.1% y-o-y).



Source: National Statistics Office Malta

[6] https://nso.gov.mt/en/News_Releases/Documents/2021/News2021_018.pdf

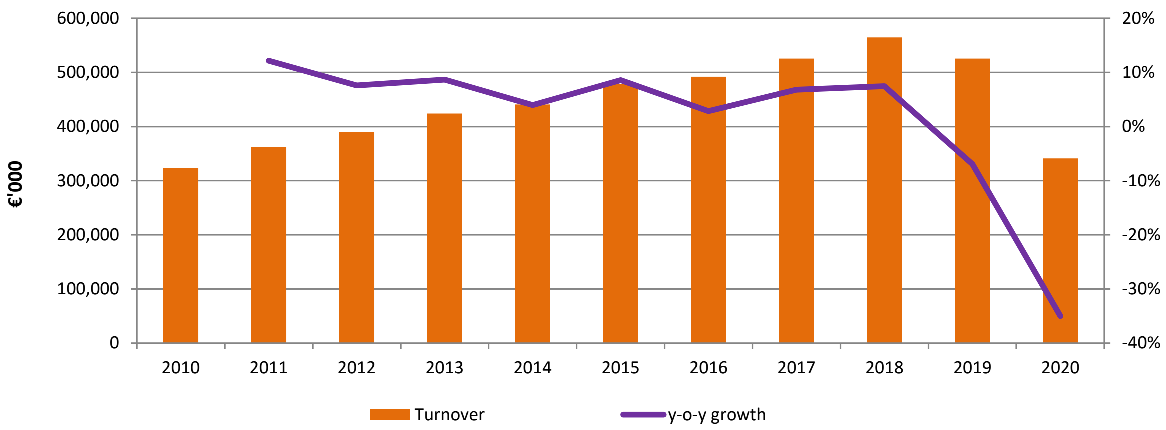
Total tourism expenditure declined sharply from €2.2 billion in 2019 to €455.1 million (-79.5% y-o-y), while tourist expenditure per guest night decreased from €115 in 2019 to €87 in 2020 (*vide* chart hereunder).



Source: National Statistics Office Malta

6.2.4 Food & Beverage Service Sector

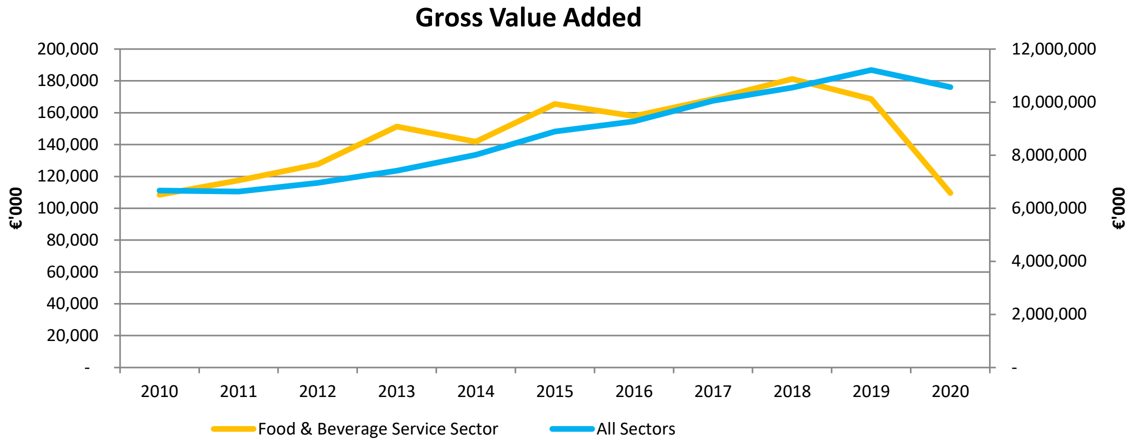
The food & beverage service sector comprises restaurants & mobile food service activities and beverage serving activities. In 2020, total income from this sector in Malta amounted to €341.4 million, a decrease of 35% compared to the prior year (2019: €525.3 million).



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

As shown in the above chart, market output has progressively increased from 2010 to 2018 at a moderately stable growth rate. In 2019, market output declined by 7% to €525.3 million (2018: €564.6 million) and decreased further by 35% in 2020 to €341.4 million. The said reduction in 2020 output was largely due to the temporary closure of hotels, restaurants, bars and other food & beverage outlets imposed by the authorities to control the COVID-19 pandemic.

The chart hereunder shows the gross value added generated by the food & beverage service sector in Malta compared to the country total. During the years 2010 to 2018, the y-o-y growth registered by this sector was broadly in line with the country growth rate (all sectors). In 2019, gross value added derived from the food & beverage service sector decreased by 7% (y-o-y) compared to an increase of 6% (y-o-y) from all sectors, while the temporary closure of food & beverage outlets in 2020 resulted in a y-o-y decline in gross value added of 35% compared to a reduction of 6% from all sectors.



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

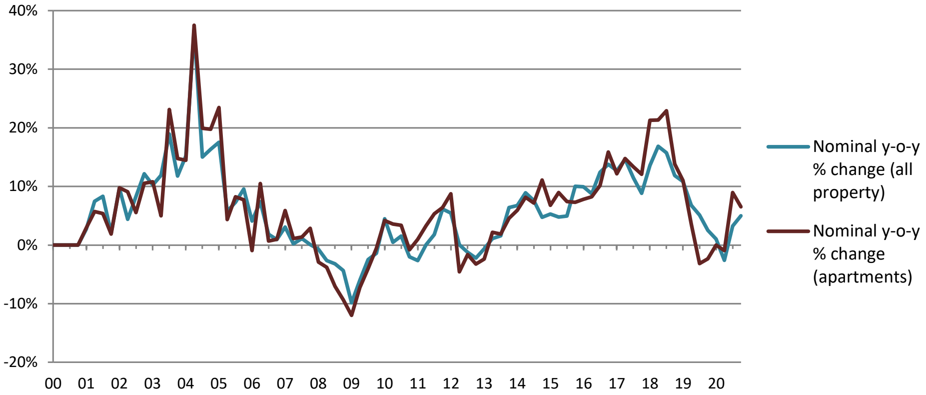
6.2.5 Property Market

During the last five years (Q4 2015 to Q4 2020), property prices increased by 49%, primarily on account of a strong economy and a robust labour market. Further analysis of the chart[7] 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. Property prices in Q2 2020 registered a decline of 2.6% over the comparative period a year earlier as a consequence of the COVID-19 outbreak which brought the whole economy to an abrupt halt. Notwithstanding the subdued economic activity in Q3 and Q4 2020, property prices in each of the said quarterly periods were higher compared to the prior year by 3.3% and 5.0% respectively.

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 3.2% compared to Q3 2018 and declined by a further 2.4% in the subsequent quarter on a comparable basis. In Q1 and Q2 2020, prices of apartments were broadly unchanged, but were higher by 9.0% and 6.5% in Q3 and Q4 2020 respectively (on a yearly basis).

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

CHART I: Change in Property Prices

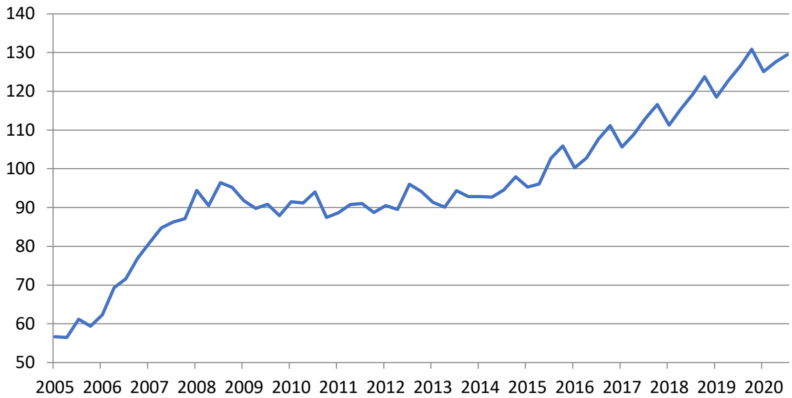


Source: Central Bank of Malta

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

Eurostat's House Price Index for Malta[8] – 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 Q3 2020 and shows that said prices increased by 2.4% compared with the same quarter of 2019, and over a 5-year period (Q3 2015 to Q3 2020), prices increased by 26% (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

8 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))

Investor Programme also contributed, although property acquisitions under this Programme account for a limited proportion of all property transactions.[9]

On 8 June 2020, the Government of Malta announced a plan to regenerate the economy following the impact of COVID-19 on the country. Measures relating to immovable property include a reduction in taxation from 8% to 5% on sales of property, whilst stamp duty levied on the acquisition of property will be charged at 1.5% for the first €400,000. These reductions apply to preliminary agreements entered into until the end of July 2021, provided the final transfer is made by 31 January 2022. Also, Budget 2021 extended or introduced more favourable terms on a number of existing schemes supporting the property market.

In 2020, the number of final deeds of sale relating to residential property amounted to 11,045 compared to 14,013 deeds in 2019. The value of deeds completed in 2020 amounted to €2,086.6 million, a decrease of 23% when compared to the prior year (2019: €2,699.7 million).

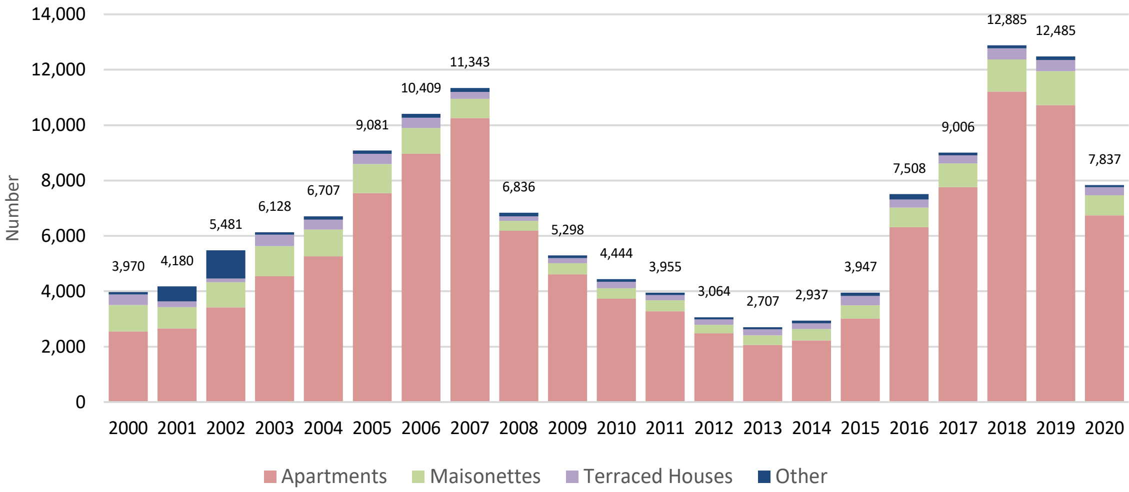
In the first quarter of 2021, 3,213 final deeds of sale were registered, an annual increase of 8.7% (Q1 2020: 2,956 deeds). The value of deeds registered during this period rose by 15.2% over the same quarter of the previous year and amounted to €649.7 million. In Q1 2021, the number of promise of sale agreements reached 3,980. This represents an annual increase of 56.9%.[10]

The number of permits issued for the construction of residential dwellings declined in 2019 following five consecutive years of substantial growth but remained high from a historical perspective (standing at 12,485 units compared to 12,885 units 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% (in terms of residential units).

The COVID-19 pandemic could have contributed to the decline in permits issued in 2020 of 37% compared to the prior year, from 12,485 units in 2019 to 7,837 units. Apartments accounted for 85.9% of total residential permits issued during the year (2019: 85.9%), while maisonettes and terraced houses accounted for 9.3% (2019: 9.8%) and 3.8% (2019: 3.2%) respectively.

[9] Central Bank of Malta Quarterly Review 2020:1 (page 43).
[10] https://nso.gov.mt/en/News_Releases/Documents/2021/04/News2021_069.pdf

CHART III: Development Permits for Dwellings (number of units)



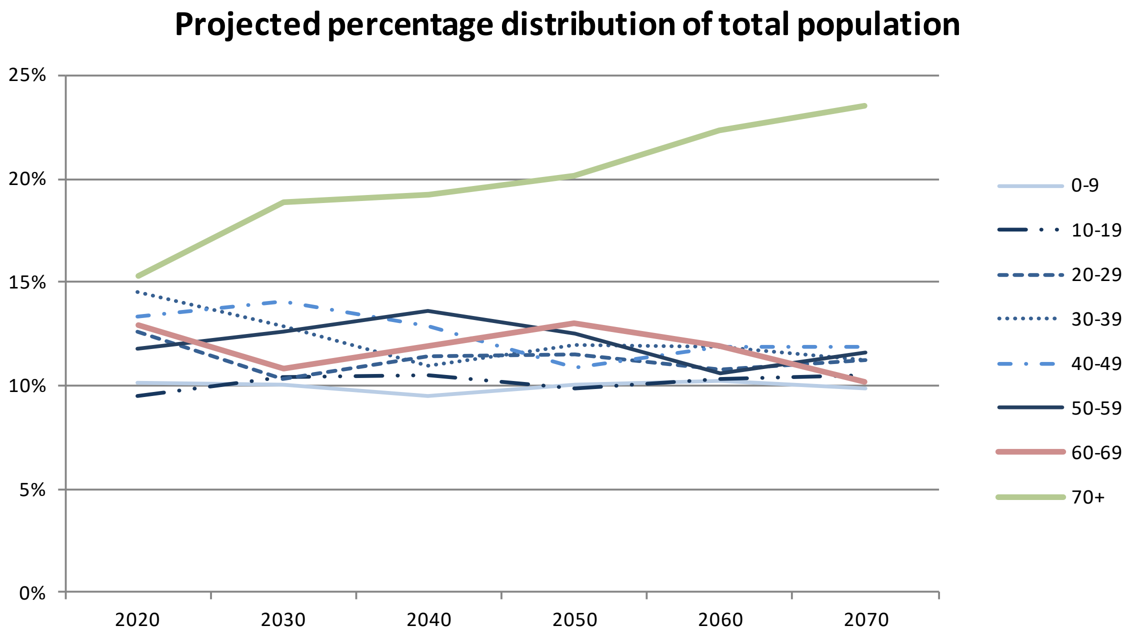
Although the construction industry was not part of the containment measures taken by Government to stem the spread of COVID-19, this sector was impacted indirectly as market sentiment changed from an optimistic outlook to a more cautious one. More clarity on the impact of this pandemic on the economy will be required before investors can regain confidence to pursue sizable development opportunities.

With regard to commercial property in Malta, related market data is not currently available and thus 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.

Going into 2021, there are still multiple uncertainties over COVID-19 and its impact on people's health, freedom of movement and the global economy. Vaccine rollouts, travel restrictions and return to workplace policies remain major barriers and accordingly, it is too early to reliably determine the full impact of the pandemic on the commercial property sector in Malta. It is probable that commercial rent rates will trend lower in the near term and may continue in this trajectory until there is a return to normality coupled with a better outlook in terms of demand for such property.

6.2.6 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[11], the percentage of the Maltese population over 60 years of age is expected to increase 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

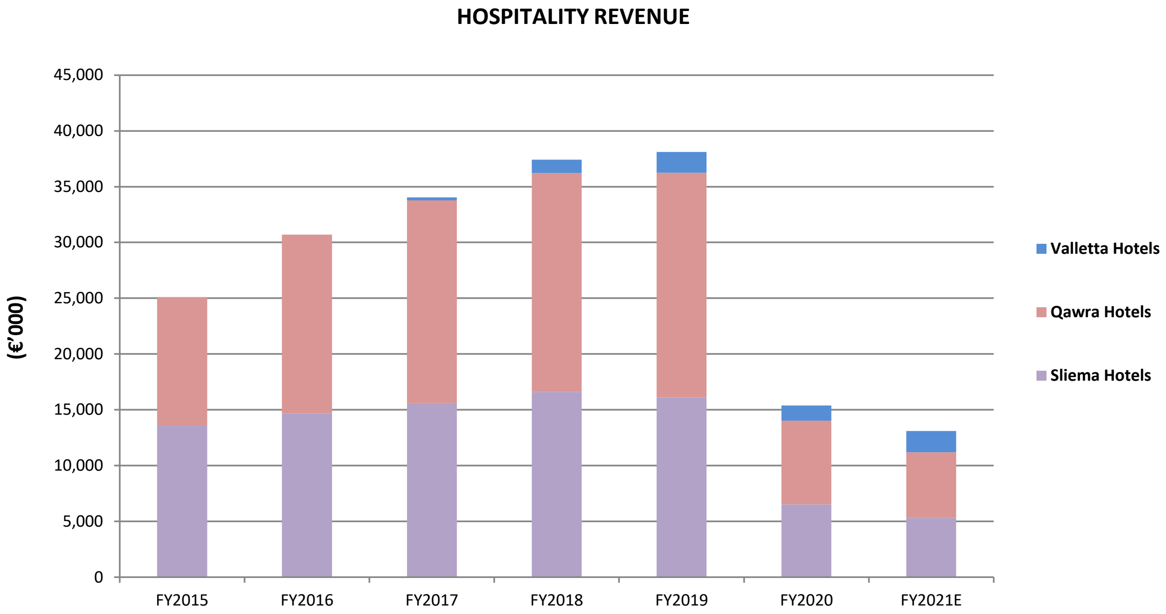
[11] https://nso.gov.mt/en/publicatons/Publications_by_Unit/Documents/C5_Population%20and%20Migration%20Statistics/Demographic_Review_2014.pdf

6.3 HOSPITALITY & ENTERTAINMENT

6.3.1 Financial Information – Sector Analysis

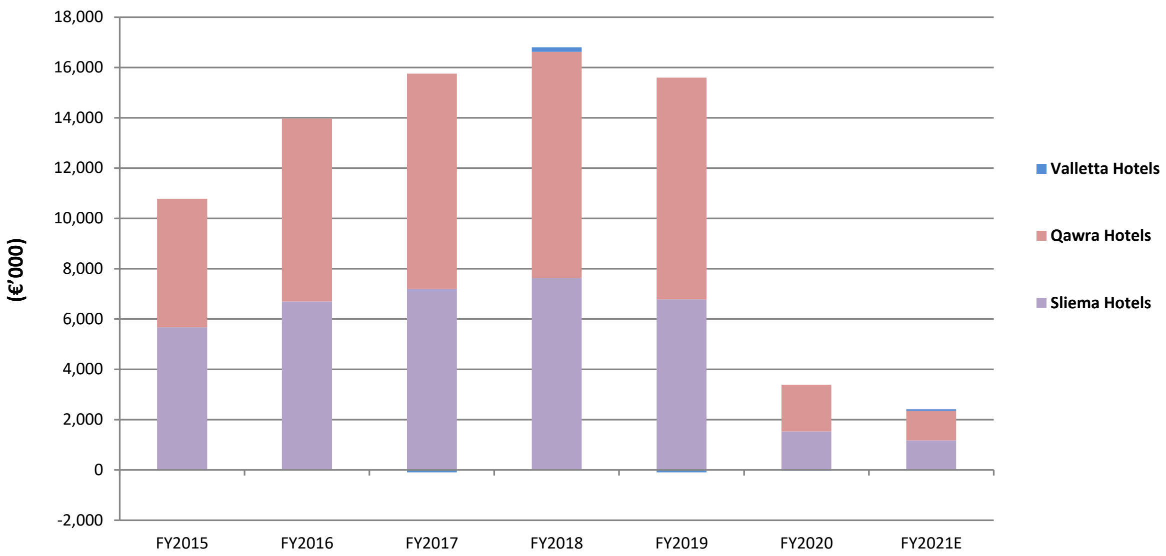
Hospitality & Entertainment	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**	**FY2021 Forecast**
Turnover (€'000)	**38,936**	**38,115**	**15,378**	**13,094**
Sliema Hotels	16,594	16,098	6,536	5,311
Qawra Hotels	19,643	20,152	7,488	5,875
Valletta Hotels	1,178	1,865	1,355	1,908
Tal-Kaptan Restaurants	1,521			
Gross Operating Profit (€'000)	**16,901**	**15,498**	**3,350**	**2,406**
Sliema Hotels	7,633	6,782	1,529	1,166
Qawra Hotels	8,989	8,818	1,859	1,175
Valletta Hotels	180	(102)	(38)	65
Tal-Kaptan Restaurants	99			
Gross Operating Profit Margin (%)	**43%**	**41%**	**22%**	**18%**
Sliema Hotels	46%	42%	23%	22%
Qawra Hotels	46%	44%	25%	20%
Valletta Hotels	15%	-5%	-3%	3%
Tal-Kaptan Restaurants	6%			

Source: Management information.



Source: Management information.

HOSPITALITY GROSS OPERATING PROFIT



Source: Management information.

As can be observed from the above financial table and charts, performance in FY2020 was significantly impacted by the pandemic. The Group's hospitality sector performed ahead of management's expectations during the initial 4 months of the financial year (November 2019 to February 2020), while no activity was registered in the subsequent 3 months (March to May 2020) as all hotels and catering outlets were completely shut down. Despite re-opening in June 2020, the level of business activities was low in view of the ongoing safety measures in place and global travel restrictions.

As for FY2021, revenue and gross operating profit generated during the first 6 months of the financial year has been low. Management expects the gradual lifting of restrictions in June 2021 and revenues are projected to increase gradually throughout the summer months. Accordingly, revenue for FY2021 is expected to amount to €13.1 million compared to €15.4 million in FY2020 (-15%), while gross operating profit is estimated to amount to €2.4 million in FY2021 compared to €3.4 million in the prior year (-28%).

A description of the Group's hotels and an overview of the historical financial performance thereof is provided in sections 6.3.2 to 6.3.7 below.

6.3.2 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. The carrying amount of the Hotel as at 31 October 2020 is €41.8 million (FY2019: €46.8 million).

Operational Performance

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

The Palace Hotel	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Revenue (€'000)	10,355	9,665	4,361
Occupancy level (%)	92	84	41
Average room rate (€)	136	137	90
Revenue per available room (RevPAR) (€)	197	184	83
Benchmark performance			
Occupancy level (%)	74	73	n/a
Average room rate (€)	162	171	n/a
Revenue per available room (RevPAR) (€)	180	186	n/a
Revenue Generating Index	1.09	0.99	n/a

In **FY2018**, revenue generated by the hotel amounted to €10.4 million, a marginal increase of €0.3 million (+2%) over the comparable year.

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.

In comparison to the Hotel's competitive set, The Palace registered higher occupancy levels of 92% in 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 FY2019. Benchmark performance indicators were not available for FY2020.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and minimal operational activity during the 8-month period from March 2020 to October 2020. During the said period, occupancy level halved to 41% (FY2019: 84%) and revenue declined by 55% to €4.4 million (FY2019: €9.7 million).

6.3.3 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 2020 is €30.2 million (FY2019: €34.3 million).

Operational Performance

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

Victoria Hotel	FY2018 Actual	FY2019 Actual	FY2020 Actual
Revenue (€'000)	6,239	6,433	2,174
Occupancy level (%)	90	92	34
Average room rate (€)	96	97	75
Revenue per available room (RevPAR) (€)	120	124	42
Benchmark performance			
Occupancy level (%)	82	80	n/a
Average room rate (€)	93	91	n/a
Revenue per available room (RevPAR) (€)	98	95	n/a
Revenue Generating Index	1.23	1.31	n/a

Source: Management information.

During **FY2018**, revenue increased by 14% compared to FY2017, to €6.2 million, an increase of €0.7 million when compared to FY2017. A further increase in revenue of €0.2 million was registered in **FY2019** and amounted to €6.4 million.

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. Benchmark performance indicators were not available for FY2020.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and minimal operational activity during the 8-month period from March 2020 to October 2020. During the said period, revenue decreased by 66% from €6.4 million in FY2019 to €2.2 million, reflective of the low occupancy level achieved in FY2020 (34% vs 92% in FY2019).

6.3.4 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; the Luzzu Complex; and various food and beverage operations. 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 2020 is €69.4 million (FY2019: €76.1 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	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Revenue (€'000)	16,658	17,278	6,115
Occupancy level (%)	84	83	35
Average room rate (€)	71	69	43
Revenue per available room (RevPAR) (€)	101	105	37
Benchmark performance			
Occupancy level (%)	82	82	n/a
Average room rate (€)	79	72	n/a
Revenue per available room (RevPAR) (€)	95	97	n/a
Revenue Generating Index	1.06	1.08	n/a

Source: Management information.

During **FY2018**, revenue increased by €1.4 million (+9%), from €15.3 million in FY2017 to €16.7 million. Revenue increased y-o-y by €0.6 million (+4%) in **FY2019** and amounted to €17.3 million.

In FY2018 and FY2019, the Hotel's occupancy level as well as RevPAR were higher in each of the said years when compared to benchmark. Accordingly, the hotel achieved a revenue generating index above par in both years (FY2018: 1.06; FY2019: 1.08).

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and minimal operational activity during the 8-month period from March 2020 to October 2020. Achieved revenue for the financial year was lower on a comparable basis by 65% and amounted to €6.1 million (FY2019: €17.3 million), while occupancy level reached 35% compared to 83% in FY2019.

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.

6.3.5 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 2020 is €19.4 million (FY2019: €24.0 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	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Revenue (€'000)	2,985	2,874	1,372
Occupancy level (%)	78	78	44
Average room rate (€)	90	84	67
Revenue per available room (RevPAR) (€)	89	86	41
Benchmark performance			
Occupancy level (%)	82	82	n/a
Average room rate (€)	79	72	n/a
Revenue per available room (RevPAR) (€)	95	97	n/a
Revenue Generating Index	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.

Revenue generated in **FY2018** and **FY2019** was broadly similar at *circa* €3.0 million. 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.

The financial information for **FY2020** mainly comprises timeshare income, rentals and non-timeshare revenue for the periods November 2019 to March 2020 and June 2020 to October 2020. During the period, revenue decreased by 52% from €2.9 million in FY2019 to €1.4 million in FY2020 with achieved occupancy level of 44% (FY2019: 78%).

6.3.6 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 ("**SJBH**")). 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 2020 is €6.0 million (FY2019: €6.5 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	**FY2018 Actual**	**FY2019 Actual**	**FY2020 Actual**
Revenue (€'000)	1,178	1,174	415
Occupancy level (%)	75	81	33
Average room rate (€)	157	139	103
Revenue per available room (RevPAR) (€)	170	169	59

Source: Management information.

FY2018 was the first full year of operation for SJBH during which the hotel generated €1.2 million in revenue. SJBH achieved an occupancy level of 75% and average room rate amounted to €157. The performance during **FY2019** was broadly unchanged when compared to the prior year.

No available benchmarks are yet available for boutique hotels.

The financial information for **FY2020** mainly reflects the Hotel's performance during the shoulder months (November 2019 to February 2020) and minimal operational activity during the 8-month period from March 2020 to October 2020. During the year, revenue amounted to €0.4 million, being 65% lower when compared to a year earlier (FY2019: €1.2 million).

6.3.7 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 2020 is €13.3 million (FY2019: €11.0 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 FY2020:

Rosselli Hotel	**FY2019 Actual**	**FY2020 Actual**
Revenue (€'000)	691	940
Occupancy level (%)	66	28
Average room rate (€)	178	164
Revenue per available room (RevPAR) (€)	171	102

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 minimal operational activity during the 8-month period from March 2020 to October 2020. Revenue for the year was higher on a comparable basis by €249,000 to €940,000 mainly due to the catering operations. The hotel reported an occupancy of 28% in FY2020 compared to 66% in FY2019.

6.3.8 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	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Turnover (€'000)	**8,146**	**4,858**	**6,040**	**6,699**
Construction works	7,327	4,540	5,360	6,044
Restoration projects	819	318	680	655
Gross operating profit (€'000)	740	472	586	753
Gross operating profit margin (%)	9	10	10	11

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 afore-mentioned 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 and FY2020, the main projects consisted of the restoration and construction works at the Old Farsons Brewhouse and Farsons Canopy, restoration works at the Old University Building in Valletta, the development of a property (comprising 2 floors of office space, 8 apartments and 1 penthouse) behind Falcon House, Sliema, and the construction of the multi-use complex situated in Mosta (known as TG Complex).

An increase of €2.5 million in construction activity was registered in FY2018 from a year earlier, wherein the Group generated revenue amounting to €7.3 million (FY2017: €4.8 million). The y-o-y increase 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 increased by €0.8 million or 18% to €5.4 million (FY2019: €4.5 million). During the year, the Group's construction division was mainly involved in the completion of the Targa Gap Complex and the development of Falcon House, Sliema (both of which relate to Group projects and thus are not reflected in the consolidated income statement). It is expected that revenue in FY2021 will increase by 13% from the prior year to €6.0 million.

During the years under review, the AX Group has been involved in a number of restoration projects and generated revenue amounting to €0.8 million and €0.3 million in FY2018 and FY2019 respectively. In FY2020, revenue from this sector increased to €0.7 million on account of restoration works relating to the Malta Maritime in Birgu and a stretch of the Senglea bastions. The same projects have continued during FY2021 and should generate revenue for the Group of €0.7 million.

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, the Old University Building in Valletta and is-Suq tal-Belt.

6.5 REAL ESTATE & RENTAL INCOME

6.5.1 Financial Information – Sector Analysis

Real Estate & Rental Income	FY2018 Actual	FY2019 Actual	FY2020 Actual	FY2021 Forecast
Turnover (€'000)	**2,840**	**545**	**1,421**	**9,279**
Real estate	2,198	-	750	8,256
Rental income	642	545	671	1,023
Gross operating profit (€'000)	2,158	410	971	5,528
Gross operating profit margin (%)	76	75	68	60

Source: Management information.

6.5.2 Overview of Sector Activity

Property development is 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.

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 completed the Targa Gap Complex. The Group's head office occupies 2 floors, while commercial space at ground floor level is available for lease to third parties. The property also comprises 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, 3 units were sold in FY2020 and another 5 units have been sold in FY2021. Furthermore, 3 units are currently subject to promise of sale agreements and final deeds are expected to be signed during the current financial year. An additional unit is projected to be sold in FY2021 (aggregate of 9 units).

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, the latter of which are subject to promise of sale agreements. The Group expects to conclude the deeds of sale of the said residential units (8 apartments and 1 penthouse) during the current financial year. As such, revenue from the sale of 9 units at Falcon House and 9 units at Targa Gap Complex is expected to amount to €8.3 million (FY2020: €0.8 million).

The Group is projecting to generate rental income of €1.0 million in FY2021 compared to €671,000 in the prior year. The y-o-y increase in revenue is expected to be generated from new leases of the offices at ground floor level and apartments, both situated at Targa Gap Complex.

Other properties leased to third parties include: Hardrocks warehouses, Palazzo Capua, Lija 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 Simblija Care Home & Hilltop Gardens Retirement Village ("**Care & Retirement Home**") is located in the area known as "Tas-Simblija", limits of Naxxar, and occupies an area of *circa* 17,000m^2. The property 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 2020 amounted to €45.2 million (FY2019: €46.2 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 Care & Retirement Home consists of 133 self-catering residential units (independent living) including common areas, amenities and landscaping and a 155-bed nursing home.

The residential units are fully occupied through 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 2018 to 31 October 2020, and the projections for the year ending 31 October 2021.

Simblija Care Home & Hilltop Gardens Retirement Village	FY2018 Actual €'000	FY2019 Actual €'000	FY2020 Actual €'000	FY2021 Forecast €'000
Residences & other income	2,076	2,341	2,492	2,547
Nursing home	2,687	3,340	3,385	3,571
Total Revenue	**4,763**	**5,681**	**5,877**	**6,118**
Direct costs	(3,087)	(3,027)	(3,119)	(3,145)
Other costs	(1,440)	(1,593)	(1,877)	(1,885)
EBITDA	**236**	**1,061**	**881**	**1,088**

Source: Management information.

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. Revenue for **FY2020** increased marginally from €5.7 million in FY2019 to €5.9 million, while EBITDA decreased from €1.1 million in FY2019 to €0.9 million in FY2020 mainly on account of increased operating costs due to the pandemic. It is projected that revenue will increase in **FY2021** by 4% (y-o-y) to €6.2 million. This increase is expected to be broadly reflected at EBITDA level since management anticipates that direct and other costs will remain unchanged in FY2021 when compared to the prior year.

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 31 websites owned by the Group as well as 58 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.

Since March 2020, earnings from the Group's hospitality operations have been adversely impacted by the coronavirus epidemic due to a temporary decline in travel demand. The Group is expecting a gradual return to normality as from June 2021 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. 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 has submitted detailed plans to the Planning Authority.

The Group also has an outline development permit to construct additional floors at the AX Seashells Resort at Suncrest which should add a further 166 rooms to the hotel's existing room complement, and another outline development permit for the redevelopment of the AX Sunny Coast Resort and Spa, Qawra.

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.

The Group is currently exploring financing alternatives including the option of approaching the market to raise the necessary finance to carry out the Verdala and Suncrest developments.

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 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 to make 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 has consolidated 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, 41M Limited (C39402) 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 high-end office building. The Valletta Project is set to be completed in 2022 and will offer an intelligently designed, service-led workspace solution, which reflects evolving attitudes towards the role and functionality of a modern office.

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
2021 – 2023	The extension of AX Seashells Resort at Suncrest, Qawra – The Group plans to develop additional floors at the AX Seashells Resort at Suncrest and adding a total of 166 rooms. The entire hotel and lido area is also planned to be refurbished and redecorated.	Full outline development permit received	*circa* €40 million
2021 – 2025	Verdala Site, Rabat - The Group plans to develop a boutique hotel and 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 FY24. The Group also plans to develop luxury apartments on the same site, earmarked for sale to third parties. Development of the said apartments is projected to be completed during FY25.	Outline permit received. The Group has submitted the relevant application for a full development permit.	*circa* €50 million
2022 – 2023	Development of office space in Floriana – The Group entered into a promise of sale agreement for the acquisition of a property in Floriana which is earmarked for development of office space with the intention to lease same to third parties. The acquisition is planned to be completed in FY22 and the development is planned to commence shortly after.	The Group has submitted the relevant planning permit application.	*circa* €8 million
2024 – 2025	The extension of the Hilltop Gardens Retirement Village - The Group plans on adding 50 units for lease or rental at the Hilltop Gardens Retirement Village.	Permit application submitted – pending approval	*circa* €8 million
2028 – 2029	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.	Outline development permit in hand	*circa* €40 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 2018 to 31 October 2020. The financial information for the year ending 31 October 2021 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 with little disruption but with higher operating cost structures. The division's order book slowed down during the first few months of the pandemic, but demand has since picked up at a strong pace.
- 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 continues to operate but with significantly higher cost structures due to the precautionary measures that were taken to safeguard the residents at Hilltop Gardens Retirement Village and the Simblija Care Home.

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.

A key element supporting the ability to operate at these low levels is the Government wage supplement. Without this critical support, the AX Group would have to reconsider its commitment to retain the employees in its hospitality division on full pay.

Prior Period Reclassifications and Restatements

Reclassifications and restatements have been identified which are treated as corrections of prior period errors and corrected retrospectively. As a result, comparative information has been restated as further described below.

	Adjustment	As previously reported €'000	Re-statement €'000	As restated €'000
Effect on amounts as at 1 November 2018				
Property, plant and equipment	**b**	235,045	8,496	243,541
Current tax liabilities	**c**	3,663	(1,734)	1,929
Deferred tax liabilities	**e**	24,823	(308)	24,515
Non-controlling interest	**d**	1,504	(450)	1,054
Revaluation reserve	**a**	181,793	2,506	184,299
Capital reserve	**a**	3,949	(3,949)	-
Retained earnings	**ALL**	23,724	12,431	36,155
Effect on amounts for the year ended 30 October 2019				
Consolidated statement of financial position				
Property, plant and equipment	**b**	257,749	10,003	267,752
Current tax liabilities	**c**	2,348	(1,734)	614
Retained earnings	**b**	23,255	12,109	35,364
Consolidated income statement				
Depreciation	**b(ii)**	6,258	322	6,580
Other comprehensive income				
Fair value movement on property, plant and equipment	**(bi)**	17,745	1,830	19,575

a) **Reserves** – A reclassification between the other reserve, capital reserve, revaluation reserve, non-controlling interest and retained earnings was required to rectify the calculations of these reserves as at 1 November 2018 and 31 October 2019.

b) **Property, plant and equipment** –

(i) Up to 1 November 2018 and 31 October 2019, accumulated depreciation was being partially eliminated (rather than fully eliminated) at the date of the revaluation. The restatement has an effect on the carrying amount of land and buildings, revaluation reserve and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and other comprehensive income for the year ended 31 October 2019;

(ii) Up to 1 November 2018 and 31 October 2019, the Group was providing depreciation on land and buildings at 1% on a straight-line basis on the combined value of land and buildings, as opposed to at 2% on a straight-line basis on the value of the buildings. The restatement has an effect on the carrying amount of land and buildings and retained earnings up to 1 November 2018 and on the carrying amount of land and buildings and on depreciation charge for the year ended 31 October 2019.

c) **Taxation** – Up to 1 November 2018, the Group's tax charge was incorrectly calculated resulting in an overstatement with a corresponding overstatement in current tax liabilities. The restatement has an effect on retained earnings and current tax liabilities as at 1 November 2018. This error was carried forward to 31 October 2019.

d) **Minority interest** – Minority interest up to 1 November 2018 was overstated, with a corresponding effect in retained earnings.

e) **Deferred tax liabilities** – Deferred tax liabilities up to 1 November 2018 was incorrectly calculated resulting in an overstatement, with a corresponding effect in retained earnings.

AX Group p.l.c. - Consolidated Income Statement				
for the year ended 31 October	**2018**	**2019**	**2020**	**2021**
	Actual	**Restated**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
Revenue	56,776	52,218	29,056	35,495
Net operating expenses	(35,832)	(35,583)	(26,436)	(28,841)
EBITDA	**20,944**	**16,635**	**2,620**	**6,654**
Depreciation	(5,348)	(6,580)	(7,087)	(6,513)
Investment property revaluation	26,589	-	-	-
Share of results of associated undertaking	3	(666)	(321)	515
Loss on disposal of investment in subsidiary	-	(3)	-	-
Finance income	1	-	-	-
Finance costs	(3,007)	(2,998)	(3,442)	(3,734)
Profit/(loss) before tax	**39,182**	**6,388**	**(8,230)**	**(3,078)**
Taxation	(8,228)	(1,831)	340	140
Profit/(loss) after tax	**30,954**	**4,557**	**(7,890)**	**(2,938)**
Other comprehensive income				
Gain/(loss) on property revaluation	13,136	19,574	(14,922)	-
Taxation	(1,384)	(2,293)	1,532	-
	11,752	**17,281**	**(13,390)**	**-**
Total comprehensive income/(expense)	**42,706**	**21,838**	**(21,280)**	**(2,938)**

AX Group p.l.c. - Earnings before interest, tax, depreciation and amortisation ("EBITDA")				
for the year ended 31 October	**2018**	**2019**	**2020**	**2021**
	Actual	**Restated**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
EBITDA has been calculated as follows:				
Operating profit/(loss)	15,596	10,055	(4,467)	141
Add back				
Depreciation	5,348	6,580	7,087	6,513
EBITDA	**20,944**	**16,635**	**2,620**	**6,654**

Key Accounting Ratios	FY2018 Actual	FY2019 Restated	FY2020 Actual	FY2021 Projection
Operating profit margin *(EBITDA/revenue)*	37%	32%	9%	19%
Interest cover (times) *(EBITDA/finance cost)*	6.97	5.55	0.76	1.78
Net profit margin *(Profit after tax/revenue)*	55%	9%	-27%	-8%
Earnings per share (€) *(Profit after tax/number of shares)*	26.58	3.91	-6.77	-2.52
Return on equity *(Profit after tax/shareholders' equity)*	15%	2%	-4%	-1%
Return on capital employed *(EBITDA/total assets less current liabilities)*	7%	5%	1%	2%
Return on assets *(Profit after tax/total assets)*	10%	1%	-2%	-1%

Source: MZ Investment Services Ltd

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 €6.4 million compared to €39.2 million a year earlier. The decline of €32.8 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 €4.6 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 €21.8 million, a decrease of €20.9 million from the prior year (FY2018: €42.7 million).

In **FY2020**, revenue of the Group decreased by €23.1 million (-44%), from €52.2 million in FY2019 to €29.1 million in FY2020, largely on account of the adverse impact of the pandemic on the Group's hospitality sector and on Valletta Cruise Port (an associate company) whereby most of the cruise calls were cancelled and food & beverage activities at the Valletta Waterfront were significantly curtailed. In contrast, revenue generated from construction increased by €1.2 million (+24% y-o-y) to €6.0 million. Furthermore, the Group reported an amount of €750,000 from the sale of property (FY2019: nil). Income from the healthcare sector was broadly unchanged at €5.9 million.

As a consequence, EBITDA decreased by €14.0 million (-84%) to €2.6 million (FY2019: €16.6 million). After accounting for depreciation of €7.1 million (FY2019: €6.6 million), finance costs of €3.4 million (FY2019: €3.0 million), and share of associate's losses of €0.3 million (FY2019: €0.7 million), the Group registered a loss before tax of €8.2 million compared to a profit of €6.4 million in FY2019.

Loss after tax amounted to €7.9 million in FY2020 compared to a profit of €4.6 million in FY2019, an adverse variance of €12.4 million. During the year, the Group reversed €14.9 million of revaluation surplus on land and buildings (net of deferred tax amounted to €13.4 million). Total comprehensive expense in FY2020 amounted to €21.3 million (FY2019: total comprehensive income of €21.8 million).

In FY2020, the operating profit margin declined from 32% a year earlier to 9%, whilst interest cover was below 1 at 0.76 times compared to 5.55 times in FY2019. Such deterioration in performance ratios illustrates the adverse impact of COVID-19 on the Group's hospitality sector.

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.

Revenue in **FY2021** is projected to increase by €6.4 million or +22% (y-o-y) to €35.5 million (FY2020: €29.1 million) primarily due to income expected to be generated from the sale of residential units at Targa Gap Complex and Falcon House. In contrast, revenue from hospitality is forecasted to decrease by €2.3 million compared to the prior year. As a result, EBITDA is expected to increase from €2.6 million in FY2020 to €6.7 million in FY2021, and EBITDA margin should improve from 9% in FY2020 to 19%. Pursuant to the gradual re-opening of the travel and tourism market this summer, the Group expects its share of results of Valletta Cruise Port to turn positive and thereby convert a loss of €0.3 million in FY2020 to a profit of €0.5 million. Overall, the Group is projecting a loss for the year amounting to €2.9 million compared to a loss of €7.9 million in FY2020.

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	**2018 Actual €'000**	**2019 Restated €'000**	**2020 Actual €'000**	**2021 Projection €'000**
Net cash from operating activities	15,164	14,091	(588)	3,748
Net cash from investing activities	(4,890)	(13,425)	(20,653)	(7,200)
Net cash from financing activities	(10,190)	(5,384)	19,500	6,987
Net movement in cash and cash equivalents	**84**	**(4,718)**	**(1,741)**	**3,535**
Cash and cash equivalents at beginning of year	6,209	6,293	1,575	(166)
Cash and cash equivalents at end of year	**6,293**	**1,575**	**(166)**	**3,369**

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 FY2020, net cash from operating activities decreased from €14.1 million in FY2019 to -€0.6 million, mainly in view of the significant decline in hospitality activities during the year. In the projected year, the AX Group expects to generate €3.7 million principally from property sales and construction operations.

Net cash from investing activities principally relate to the acquisition and disposal of properties and annual capital expenditure on the Group properties. 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 €8.6 million was utilised on capital expenditure. With respect to FY2021, the Group is projecting to utilise €7.2 million for the purposes of acquiring properties and to undertake development works and other capital expenditure.

Financing activities principally comprise movement on bank and other borrowings, issuance of debt securities and payment of dividends. In FY2020, the Group raised €25 million from the issue of bonds in terms of the prospectus dated 22 November 2019 and repaid €4.4 million of bank borrowings. The remaining balance represents bond issue expenses and dividends paid. For FY2021, the Group has projected net cash inflows from borrowings of €7.0 million.

AX Group p.l.c.				
Statement of Financial Position	**31 Oct'18**	**31 Oct'19**	**31 Oct'20**	**31 Oct'21**
	Actual	**Restated**	**Actual**	**Projection**
	€'000	**€'000**	**€'000**	**€'000**
ASSETS				
Non-current assets				
Property, plant & equipment	235,045	267,752	250,055	251,683
Investment property	58,722	58,805	75,646	54,890
Investments in associates	7,499	6,833	6,512	7,027
Deferred tax asset & other non-current assets	-	457	-	-
	301,266	**333,847**	**332,213**	**313,600**
Current assets				
Inventories	2,370	3,055	4,968	23,607
Trade & other receivables	13,046	12,714	8,248	7,027
Current tax asset	-	-	1,041	-
Cash at bank and in hand	6,852	2,172	2,187	3,369
	22,268	**17,941**	**16,444**	**34,003**
Total assets	**323,534**	**351,788**	**348,657**	**347,603**
EQUITY				
Share capital	1,165	1,165	1,165	1,165
Reserves	186,358	201,477	186,507	186,507
Retained earnings	23,724	35,364	28,765	25,859
Non-controlling interest	1,503	1,109	1,012	979
	212,750	**239,115**	**217,449**	**214,510**
LIABILITIES				
Non-current liabilities				
Borrowings & debt securities	53,149	52,656	71,049	78,316
Trade & other payables	11,591	13,456	13,903	14,077
Deferred tax liabilities	24,823	26,403	24,695	24,362
	89,563	**92,515**	**109,647**	**116,755**
Current liabilities				
Borrowings	2,919	3,165	5,830	3,288
Trade & other payables	18,302	16,993	15,731	13,050
	21,221	**20,158**	**21,561**	**16,338**
Total liabilities	**110,784**	**112,673**	**131,208**	**133,093**
Total equity and liabilities	**323,534**	**351,788**	**348,657**	**347,603**

Key Accounting Ratios	FY2018 Actual	FY2019 Restated	FY2020 Actual	FY2021 Projection
Gearing ratio *(Net debt/net debt and shareholders' equity)*	19%	18%	26%	27%
Gearing ratio 2 (times) *(Net debt/shareholders' equity)*	0.23	0.22	0.34	0.36
Net debt to EBITDA (years) *(Net debt/EBITDA)*	2.35	3.23	28.51	11.76
Net assets per share (€) *(Net asset value/number of shares)*	181	204	186	183
Liquidity ratio (times) *(Current assets/current liabilities)*	1.05	0.89	0.76	2.08

Source: MZ Investment Services Ltd

Total assets as at 31 October 2020 amounted to €348.7 million and principally comprise assets described in section 5 of this report. Investments is associates mainly represent a 36% shareholding in Valletta Cruise Port p.l.c. In FY2020, investment property increased by €16.8 million on account of acquisition of properties situated in Marsa and Valletta. Trade & other receivables decreased from €12.7 million in FY2019 to €8.2 million in view of the temporary closure and curtailment of the hospitality operations.

Total liabilities increased by €18.5 million in FY2020 compared to the prior year to €131.2 million. The main movement was in borrowing & debt securities.

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 were applied for general corporate funding purposes.

The gearing ratio of the AX Group increased from 18% in FY2019 to 26% due to the increase in debt securities. The liquidity ratio weakened to 0.76 times (from 0.89 times in FY2019) primarily on account of the disruption to operations caused by the pandemic.

As at 31 October 2020, the Group had undrawn banking facilities amounting to €15.9 million, which includes an €8 million loan granted under the Company Guarantee Scheme by the Government of Malta through the Malta Development Bank. The purpose of the loan is to cover working capital requirements and shortfall in cashflow resulting from the impact of the COVID-19 pandemic.

In **FY2021**, property, plant & equipment is projected to increase by €1.6 million (y-o-y), which shall comprise additions of €8.1 million less annual depreciation charges of €6.5 million. The value of that part of the Verdala site earmarked for the development of residential units, estimated at €19.8 million, will be reclassified from investment property to inventories. In total liabilities, borrowings are expected to increase by €4.7 million from €76.9 million in FY2020 to €81.6 million.

11. VARIANCE ANALYSIS

The following financial information relates to the variance analysis between the projected financial information for the year ended 31 October 2020 included in the prior year's Financial Analysis Summary dated 23 June 2020 and the audited consolidated financial statements for the year ended 31 October 2020.

AX Group p.l.c. - Consolidated Income Statement for the year ended 31 October 2020	**Actual €'000**	**Projection €'000**	**Variance €'000**
Revenue	29,056	29,199	(143)
Net operating expenses	(26,436)	(25,966)	(470)
EBITDA	**2,620**	**3,233**	**(613)**
Depreciation	(7,087)	(6,401)	(686)
Share of results of associated undertaking	(321)	(714)	393
Finance income	-	185	(185)
Finance costs	(3,442)	(3,521)	79
Loss before tax	**(8,230)**	**(7,218)**	**(1,012)**
Taxation	340	1,186	(846)
Loss after tax	**(7,890)**	**(6,032)**	**(1,858)**
Other comprehensive income			
Gain/(loss) on property revaluation	(14,922)	-	(14,922)
Taxation	1,532	-	1,532
	(13,390)	**-**	**(13,390)**
Total comprehensive expense	**(21,280)**	**(6,032)**	**(15,248)**

As presented in the above table, revenue generated by the Group in FY2020 was lower than expected by €143,000.

The loss for the year was higher than projected by €1.86 million, due to an adverse variance in EBITDA, depreciation charge, finance income and taxation, partly mitigated by better than expected results of associated undertaking.

The net loss on property revaluation amounting to €13.4 million was not reflected in the forecast results. As a result, total comprehensive expense was higher than expected by €15.2 million to €21.3 million.

AX Group p.l.c.
Statement of Financial Position

At 31 October 2020	Actual	Projection	Variance
	€'000	€'000	€'000
ASSETS			
Non-current assets			
Property, plant & equipment	250,055	261,755	(11,700)
Investment property	75,646	70,916	4,730
Investments in associates	6,512	6,849	(337)
Deferred tax asset & other non-current assets	-	462	(462)
	332,213	**339,982**	**(7,769)**
Current assets			
Inventories	4,968	4,613	355
Trade & other receivables	8,248	5,294	2,954
Current tax asset	1,041	-	1,041
Cash at bank and in hand	2,187	(358)	2,545
	16,444	**9,549**	**6,895**
Total assets	**348,657**	**349,531**	**(874)**
EQUITY			
Share capital	1,165	1,165	-
Reserves	186,507	201,090	(14,583)
Retained earnings	28,765	17,180	11,585
Non-controlling interest	1,012	1,602	(590)
	217,449	**221,037**	**(3,588)**
LIABILITIES			
Non-current liabilities			
Borrowings & debt securities	71,049	73,944	(2,895)
Trade & other payables	13,903	13,402	501
Deferred tax liabilities	24,695	27,641	(2,946)
	109,647	**114,987**	**(5,340)**
Current liabilities			
Borrowings	5,830	1,481	4,349
Trade & other payables	15,731	12,026	3,705
	21,561	**13,507**	**8,054**
Total liabilities	**131,208**	**128,494**	**2,714**
Total equity and liabilities	**348,657**	**349,531**	**(874)**

There was no material change in total assets as at 31 October 2020, which stood at €348.7 million. Within total assets, property, plant & equipment was lower by €11.7 million following a reversal in revaluation reserve. On the other hand, investment property, trade & other receivables and cash at bank were significantly higher than expected (in aggregate, €10.2 million).

Equity was impacted by a decrease in revaluation reserve of €14.6 million, which was partly compensated for by the positive impact of prior period reclassifications and restatements to retained earnings of €11.6 million

Borrowings and trade & other payables were higher than expected by €1.45 million and €4.2 million respectively, while deferred tax liabilities were lower than projected by €2.9 million.

AX Group p.l.c. - Cash Flow Statement for the year ended 31 October 2020	**Actual €'000**	**Projection €'000**	**Variance €'000**
Net cash from operating activities	(588)	(95)	(493)
Net cash from investing activities	(20,653)	(22,521)	1,868
Net cash from financing activities	19,500	20,086	(586)
Net movement in cash and cash equivalents	**(1,741)**	**(2,530)**	**789**
Cash and cash equivalents at beginning of year	1,575	1,575	-
Cash and cash equivalents at end of year	**(166)**	**(955)**	**789**

Actual net movement in cash and cash equivalents was higher than projected by €789,000. Net operating cashflow was lower than expected by €0.5 million, mainly on account of favourable working capital movements.

The variance in net cash from investing activities was positive by €1.9 million due to the curtailment of capital expenditure. As to financing activities, net funding requirements was lower than projected by €586,000.

12. FINANCIAL INFORMATION RELATING TO AX INVESTMENTS PLC

The principal activity of AX Investments p.l.c. ("**AXI**") is to carry on the business of a finance and investment company within the Group. AXI has outstanding debt securities listed hereunder which are guaranteed by AX Group p.l.c. Prior to a merger which took effect on 24 March 2021, the said debt securities were guaranteed by AX Holdings Limited.

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

The following financial information is extracted from the audited financial statements of AX Investments p.l.c. (the "**AXI**") for the three years ended 31 October 2018 to 31 October 2020. The financial information for the year ending 31 October 2021 has been provided by Group management.

AX Investments p.l.c. Income Statement **for the year ended 31 October**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Rental income	238	238	238	238
Admnistrative expenses	(180)	(179)	(160)	(160)
Results from operating activities	**58**	**59**	**78**	**78**
Share of profit of associated undertaking	864	443	(1,580)	-
Net interest income	503	473	360	250
Profit (loss) before tax	**1,425**	**975**	**(1,142)**	**328**
Taxation	(488)	(307)	411	(105)
Profit (loss) for the year	**937**	**668**	**(731)**	**223**

AX Investments p.l.c. Cash Flow Statement **for the year ended 31 October**	**2018** **Actual** **€'000**	**2019** **Actual** **€'000**	**2020** **Actual** **€'000**	**2021** **Forecast** **€'000**
Net cash from operating activities	626	439	327	398
Net cash from investing activities	(831)	(233)	(324)	-
Net cash from financing activities	-	(255)	-	-
Net movement in cash and cash equivalents	**(205)**	**(49)**	**3**	**398**
Cash and cash equivalents at beginning of year	258	53	4	7
Cash and cash equivalents at end of year	**53**	**4**	**7**	**405**

AX Investments p.l.c. Statement of Financial Position as at 31 October	**2018 Actual €'000**	**2019 Actual €'000**	**2020 Actual €'000**	**2021 Forecast €'000**
ASSETS				
Non-current assets				
Property, plant & equipment	8	10	4	-
Investment property	9,025	9,025	9,025	9,025
Investments in associates	13,930	14,373	12,793	12,793
Loans & receivables	42,314	42,474	42,328	42,328
	65,277	**65,882**	**64,150**	**64,146**
Current assets				
Trade and other receivables	-	-	486	470
Cash at bank and in hand	53	4	7	405
	53	**4**	**493**	**875**
Total assets	**65,330**	**65,886**	**64,643**	**65,021**
EQUITY				
Share capital	5,000	5,000	5,000	5,000
Reserves	848	848	848	848
Retained earnings	12,815	13,415	12,684	12,907
	18,663	**19,263**	**18,532**	**18,755**
LIABILITIES				
Non-current liabilities				
Debt securities	39,665	39,727	39,789	39,851
Trade & other payables	185	-	-	-
Deferred tax liabilities	4,891	5,022	4,468	4,561
	44,741	**44,749**	**44,257**	**44,412**
Current liabilities				
Trade & other payables	1,926	1,874	1,854	1,854
	1,926	**1,874**	**1,854**	**1,854**
Total liabilities	**46,667**	**46,623**	**46,111**	**46,266**
Total equity and liabilities	**65,330**	**65,886**	**64,643**	**65,021**

Income Statement

The AXI is a fully owned subsidiary of AX Group p.l.c. (previously AX Holdings Limited) and is principally engaged to act as a finance and investment company. Rental income has been constant for the last 3 years at €238,000, and primarily derived from the lease of Palazzo Capua to a related party.

Share of results of associated undertaking relates to the holding of 19.91% in Suncrest Hotels p.l.c., the owner of the Seashells Resort at Suncrest. During FY2018, AXI's share of the associate's profits amounted to €864,000, but decreased to €443,000 in the subsequent year. Due to the losses incurred by the associated entity following the restrictions imposed by the authorities on the hospitality sector to protect people and contain the pandemic, the share of results in FY2020 amounted to a loss of €1.6 million.

Net interest income reflects the net difference between interest receivable from advances to Group companies and interest payable on bonds in issue. In FY2020, net interest income amounted to €360,000 compared to €473,000 in the prior year.

Overall, AXI reported a loss for FY2020 of €731,000 compared to a profit of €668,000 in FY2019.

In **FY2021**, AXI is projected to generate a profit of €223,000 compared to a loss registered in FY2020 of €0.7 million. The main y-o-y movement relates to the share of results of associated undertaking whereby management has projected that the loss of €1.6 million incurred in FY2020 will not be repeated in FY2021.

Cash Flow Statement

Net cash flows from operating activities mainly comprise rental income, administrative expenses, movements in trade & other receivables and payables, interest paid and received, and taxation paid. On a net basis, operational cash flows in FY2020 amounted to €327,000 compared to €439,000 in FY2019. It is estimated that net operating cash inflows in FY2021 will amount to €398,000.

Cash flows from investing and financing activities primarily include movements in amounts due/from related parties. In the last financial year, net cash outflows amounted to €324,000 compared to €233,000 in FY2019.

No movements were registered in financial activities during FY2020 (FY2019: net cash outflow amounting to €255,000).

Statement of Financial Position

The assets of AXI principally include the ownership of Palazzo Capua valued at €9.0 million (FY2019: €9.0 million), the 19.91% shareholding in Suncrest Hotels p.l.c. amounting to €12.8 million (FY2019: €14.4 million), and the on-lending of bond proceeds to related parties which amounted to €42.3 million in FY2020 (FY2019: €42.5 million).

The liabilities of AXI mainly comprise debt securities listed on the Official List of the Malta Stock Exchange of €39.8 million (FY2019: €39.7 million) and deferred taxation amounting to €4.5 million (FY2019: €5.0 million).

No material movements in assets and, or liabilities have been projected for FY2021 compared to FY2020.

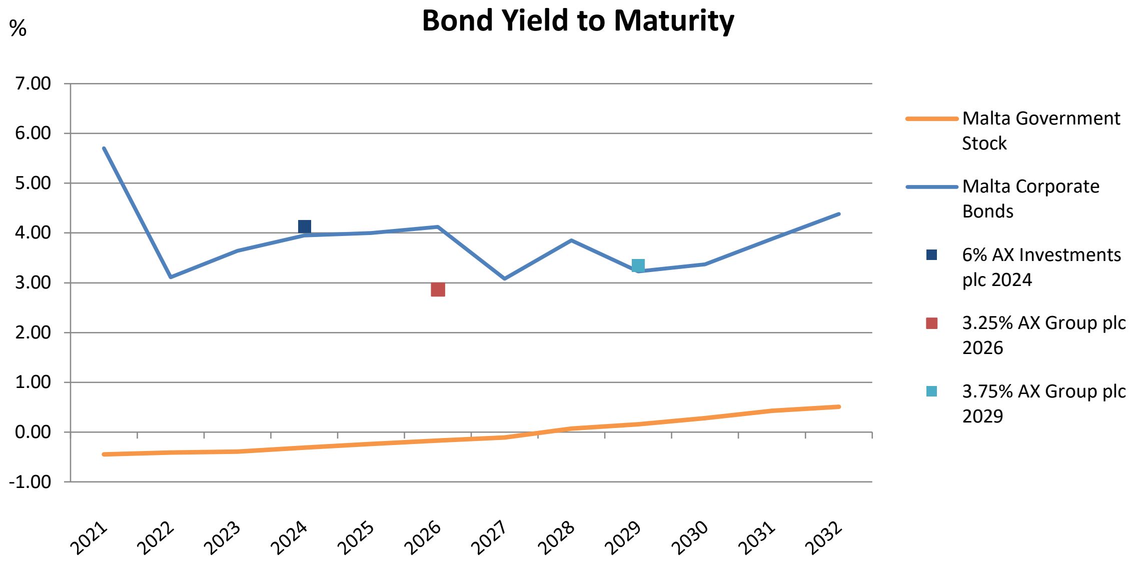
PART 3 – COMPARABLES

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	5.70	3.01	1,687,198	897,147	37.31
3.65% GAP Group plc Secured € 2022	30,049,800	3.11	2.22	87,886	11,155	77.98
6.00% Pendergardens Developments plc Secured € 2022 Series	21,886,300	3.21	3.75	81,524	28,343	37.45
4.25% GAP Group plc Secured € 2023	19,247,300	2.77	2.22	87,886	11,155	77.98
5.30% United Finance Plc Unsecured € Bonds 2023	8,500,000	3.64	1.44	36,921	8,038	70.88
5.80% International Hotel Investments plc 2023	10,000,000	5.36	3.01	1,687,198	897,147	37.31
6.00% AX Investments Plc € 2024	**40,000,000**	**4.13**	**0.76**	**348,657**	**217,449**	**25.57**
6.00% International Hotel Investments plc € 2024	35,000,000	5.28	3.01	1,687,198	897,147	37.31
5.30% Mariner Finance plc Unsecured € 2024	35,000,000	3.95	4.81	95,310	47,100	48.85
5.00% Hal Mann Vella Group plc Secured € 2024	30,000,000	3.48	2.67	117,625	45,146	53.77
5.10% 1923 Investments plc Unsecured € 2024	36,000,000	4.58	3.30	137,275	45,063	30.57
4.25% Best Deal Properties Holding plc Secured € 2024	14,994,000	3.08	-	27,453	4,128	81.72
3.7% GAP Group plc Secured € 2023-2025 Series 1	21,000,000	2.98	2.22	87,886	11,155	77.98
5.75% International Hotel Investments plc Unsecured € 2025	45,000,000	4.92	3.01	1,687,198	897,147	37.31
5.10% 6PM Holdings plc Unsecured € 2025	13,000,000	4.62	7.33	160,836	54,602	29.84
4.50% Hili Properties plc Unsecured € 2025	37,000,000	4.00	1.65	150,478	57,635	56.47
4.35% Hudson Malta plc Unsecured € 2026	12,000,000	4.12	6.47	48,019	6,405	81.08
4.25% Corinthia Finance plc Unsecured € 2026	40,000,000	3.81	2.53	1,859	960,153	37.33
4.00% International Hotel Investments plc Secured € 2026	55,000,000	3.89	3.01	1,687,198	897,147	37.31
3.75% Premier Capital plc Unsecured € 2026	65,000,000	3.33	8.99	273,233	57,082	60.43
4.00% International Hotel Investments plc Unsecured € 2026	60,000,000	3.85	3.01	1,687,198	897,147	37.31
3.25% AX Group plc Unsec Bds 2026 Series I	**15,000,000**	**2.86**	**0.76**	**348,657**	**217,449**	**25.57**
4.35% SD Finance plc Unsecured € 2027	65,000,000	4.06	6.86	324,427	137,612	28.31
4.00% Eden Finance plc Unsecured € 2027	40,000,000	3.08	6.42	199,265	113,124	28.12
4.00% Stivala Group Finance plc Secured € 2027	45,000,000	3.25	4.92	225,284	123,107	38.32
3.85% Hili Finance Company plc Unsecured € 2028	40,000,000	3.85	3.87	628,916	110,128	77.11
3.65% Stivala Group Finance plc Secured € 2029	15,000,000	3.23	4.92	225,284	123,107	38.32
3.80% Hili Finance Company plc Unsecured € 2029	80,000,000	3.81	3.87	628,916	110,128	77.11
3.75% AX Group plc Unsec Bds 2029 Series II	**10,000,000**	**3.34**	**0.76**	**348,657**	**217,449**	**25.57**

08-Apr-21

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



Source: Malta Stock Exchange, Central Bank of Malta, MZ Investment Services Ltd 8 April 2021

To date, there are no corporate bonds which have a redemption date beyond 2032. The Malta Government Stock yield curve has also been included since it is the benchmark risk-free rate for Malta.

The 2024 bonds are trading at a yield of 4.13%, which is *circa* 18 basis points above other corporate bonds maturing in the same year. The premium over FY2024 Malta Government Stock is 444 basis points.

The 2026 bonds are trading at a yield of 2.86%, which is *circa* 126 basis points below other corporate bonds maturing in the same year. The premium over FY2026 Malta Government Stock is 303 basis points.

The 2029 bonds are trading at a yield of 3.34%, which is *circa* 11 basis points higher when compared to other corporate bonds maturing in 2029. The premium over FY2029 Malta Government Stock is 318 basis points.

PART 4 – EXPLANATORY DEFINITIONS

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

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

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