

## ***COMPANY ANNOUNCEMENT***

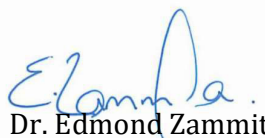
The following is a Company Announcement issued by AX Group p.l.c. pursuant to the Listing Rules, as issued by the Listing Authority:

### **Quote**

#### **Half-yearly financial report as at 30<sup>th</sup> April 2020**

The Board of Directors of AX Group p.l.c. (the "Issuer"), during its meeting of the 23<sup>rd</sup> June 2020, has considered and approved the Issuer's half-yearly financial report as at 30<sup>th</sup> April 2020. A copy is attached to this company announcement, and is available for viewing at the Issuer's registered office and on the following online link to the Issuer's web portal: <https://axgroup.mt/investment/>.

### **Unquote**



Dr. Edmond Zammit Laferla  
***Company Secretary***

23 June 2020

Company Announcement  
AXG13/2020

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AX Group p.l.c.  
C 12271  
Half-yearly financial  
report

30 April 2020



### *Mission Statement*

*“We strive to leverage our entrepreneurial skills to deliver high quality innovative developments. This is achieved by inspiring our people to learn from our past, and to embrace the future with courage and optimism.”*

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## Interim Directors' Report

The Directors present their report and the consolidated financial statements for the six month period ended 30 April 2020.

### PRINCIPAL ACTIVITIES

The AX Group is principally engaged in four business segments namely care, construction, development and hospitality. The Group comprises of 33 companies that own and manage property for its' operational businesses and for rental and investment purposes.

### REVIEW OF THE BUSINESS

The Board of Directors is pleased to present the financial results for the six month period ended 30 April 2020.

The trading activity before COVID-19 for the period under review was characterised by strong business performance and increases in revenue and profits in all the Group's businesses particularly in the hospitality division.

During the period under review, the Group registered total revenue of €17.5 million, a decrease of €3.4 million over the same period last year. Operating profit fell from €1 million in 2019 to a loss of €0.6 million during this period, with the loss before taxation increasing from €1.8 million to €3 million.

In December 2019 the AX Group successfully raised €25 million by way of two bond issues that are listed on the Malta Stock Exchange. Both issues were oversubscribed and the proceeds of the issues have been used as indicated in the prospectus to acquire two properties, one in Merchants Street, Valletta and the other in Marsa as well as to repay bank loans and for general corporate funding purposes.

The Group advanced work on a number of key investment projects, principally its mixed use development at Targa Gap in Mosta, and the Falcon House development in Sliema. At period end the construction of the property at Targa Gap had been completed and the finishing of the residential apartments and offices were at an advanced stage. The construction works at Falcon House were also well advanced.

An important milestone was achieved on the 30 April 2020 when an outline development permit for the Group's property in Verdala, Rabat was

obtained. This permit allows the construction of a hotel and residential apartments on this key site. The Group's balance sheet remains sound with a low gearing. The equity at the end of this reporting period stood at Euro224 million.

#### FINANCIAL KEY PERFORMANCE INDICATORS

€ millions	30 April 2020	30 April 2019
Revenue	€17.6	€20.9
Operating profit/(loss)	(€0.7)	€1
Loss before tax	(€3m)	(€1.4)
EBITDA	€2.4	€3.8
Operating profit/(loss) margin (%)	-4%	5%
Interest cover (times)	1.49	2.62
Gearing (%)	22%	19%

#### OUTLOOK FOR THE REST OF THE FINANCIAL YEAR AFTER THE REPORTING PERIOD.

On the 11th March 2020 the World Health Organisation declared the Coronavirus (COVID-19) outbreak to be a pandemic. Many governments around the world introduced unprecedented measures intended to contain the spread of the virus. Over the span of a few weeks, the health authorities in Malta imposed measures to quarantine overseas travellers, imposed self isolation on Maltese residents returning from abroad, as well as introduced measures in care institutions, the shuttering of bars and restaurants, gyms among other measures.

Social distancing and stay at home regulations were also enacted. As one can expect these measures taken by Governments around the world caused significant disruption in business, which in turn resulted in a sudden and very profound contraction in economic activity.

The subsequent months of the period under review saw the Care business continue to operate but with significantly higher cost structures due to the precautionary measures that were taken to safeguard the residents at Hilltop Gardens and the Simblija Care Home. AX Construction also continued to operate with little disruption but with higher operating costs structures.

The Hospitality Division was constrained to close all the AX Group's hotels, restaurants and bars and other operating outlets. This resulted in the loss of all revenue for the month of April which continued into May and the early part of June. The Hospitality sector is the largest

business sector within the AX Group and hence, the present and future impact of the COVID-19 situation shall have a material impact on profitability and results.

The AX Group's investment in Valletta Cruise Port p.l.c. was also impacted by the pandemic. Cruise lines cancelled all trips planned for most of the year. The retail outlets bars and restaurants were all compelled to close resulting in loss of rental income.

The Group took immediate steps to curtail costs and suspended certain investment that had yet to be started and was not deemed to be critical. Employees in the hospitality division were asked to work reduced hours and those who were unable to work for various reasons were put on the Government wage supplement scheme.

Senior Management and head office employees were also asked to take an effective pay cut. Measures were taken to defer the repayment of bank loans.

The Group launched a number of important initiatives to restructure the administrative and operational practices for all its businesses. The three month period of effective lockdown have been used to streamline processes, change the way we are organised so as to be more efficient, requiring less human resources and produce more timely management information through our IT systems. We expect that these initiatives

will give immediate economic benefits to the Group once business resumes.

The main consequence of the pandemic is the uncertainty and difficulty of reasonably forecasting business in the coming year. While business in the Construction, Care and Development sectors has picked up in recent weeks, the measures to ease restrictions that impacted the hospitality sector have only started to be lifted. Management has secured a good share of the local market for the restaurants it has reopened as well as for its lidos, but the occupancy of its guest rooms remains negligible.

With the planned reopening of Malta International Airport in July we expect tourist arrivals to increase again which will in turn improve the hospitality revenues. The degree to which this will increase is very difficult to predict. It is clear at the time of writing that certain of Malta's key source markets will retain some restrictions on passenger movement. In

particularly the United Kingdom, France and Italy will retain some restrictions on movement from specific areas.

The Group plans to reopen its hotels gradually as demand increases and will initially open one property in each of the three geographical locations on the island. We will react to market forces as opportune. A key element supporting the ability to operate at these low levels is the Government wage supplement which has been confirmed until the end of September 2020. Without this crucial support, the AX Group would be constrained to lay off a number of employees in the hospitality division.

The Group is intensifying its efforts to sell immovable property which has always been earmarked for resale. This includes the apartments at Targa Gap, Mosta and Falcon House, Sliema as well as certain other non-core properties.

AX Construction was recently awarded a number of contracts mostly for restoration works, that will ensure that it meets its budgets for 2020.

Likewise since the restriction of admissions to care homes has been lifted by Government, occupancy at the Simblija Care Home has increased again in line with our expectations. It is too early for the AX Group to reliably estimate the financial impact of the situation and the effect on its all year operational results. In

particular it is impossible to predict with any reasonable certainty the manner that the pandemic will progress during the rest of 2020 and the early part of 2021. While we expect the travel industry to take a few years to fully return to the pre-COVID 19 situation, much will depend on forces and factors beyond the AX Group's control.

The Board of Directors has carefully evaluated whether it is prudent or otherwise to estimate the financial impact, if any, that the pandemic may have on the future carrying value of its properties. The board concluded on the basis of research and independent advice that it was not reasonable to undertake any adjustments in this reporting period for any impairment in the value of its assets consequent to the COVID-19 crisis. The Group's management will continue to evaluate and monitor ongoing developments and will do what is necessary at the right time to reflect any adjustments if necessary in the carrying value of its assets.



The AX Group has ensured that the safety and wellbeing of AX Group employees, customers, tenants, residents and any workers or professionals directly or indirectly engaged by the Group in its properties has been highest on our agenda and will continue to do so going forward. The Board will keep the situation under close review and will respond to any material changes in circumstance as necessary. The Board will keep stakeholders fully informed of any matters that require disclosure.

#### GOING CONCERN

Following a review of the Group's financial affairs and after careful consideration of the COVID-19 pandemic developments already referred to in the previous section, the directors are satisfied that, at the time of approving the Interim Consolidated Financial Statements, it is appropriate to adopt the going concern basis in preparing the financial statements.



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**Angelo Xuereb**  
Chairman

*By Order of the Board*  
23 June 2020



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**Michael Warrington**  
Director

## Condensed Consolidated Statement of Comprehensive Income

Six months ended 30 April 2020

	Notes	30 April 2020 (unaudited)	30 April 2019 (unaudited)
		€	€
Revenue	6	17,566,930	20,937,003
Other operating income		136,048	145,487
Staff costs	8,9	(8,269,156)	(8,620,474)
Other operating costs		(6,956,393)	(8,664,596)
Depreciation		(3,134,207)	(2,774,499)
<b>Operating profit/(loss)</b>		<b>(656,778)</b>	<b>1,022,921</b>
Share of results of associates		(771,692)	(965,768)
Net finance costs		(1,666,586)	(1,448,508)
<b>Loss before taxation</b>		<b>(3,095,056)</b>	<b>(1,391,355)</b>
Taxation	10	66,569	(454,477)
<b>Loss/Total Comprehensive Loss after tax for the period</b>		<b>(3,028,487)</b>	<b>(1,845,832)</b>
<b>Attributable to:</b>			
Owners of the parent		(3,057,004)	(1,816,825)
Non-controlling interest		28,517	(29,007)
		<b>(3,028,487)</b>	<b>(1,845,832)</b>
<i>Earnings Per Share</i>		<i>(2.60)</i>	<i>(1.58)</i>

## Condensed Consolidated Statement of Financial Position

As at 30 April 2020

	30 April 2020 (unaudited)	31 October 2019 (audited)
<b>ASSETS AND LIABILITIES</b>		
<b>Non-current assets</b>	€	€
Property, plant and equipment	261,656,536	257,748,673
Investment property	60,505,078	58,804,763
Loans receivable	462,000	457,228
Investment in associate	6,788,565	6,832,761
	<b>329,412,179</b>	<b>323,843,425</b>
<b>Current assets</b>		
Inventories	4,900,784	3,054,921
Trade and other receivables	6,564,513	12,714,190
Cash at bank and in hand	12,562,618	2,172,096
	<b>24,027,915</b>	<b>17,941,207</b>
<b>Total assets</b>	<b>353,440,094</b>	<b>341,784,632</b>
<b>Current liabilities</b>		
Trade and other payables	13,292,752	19,257,730
Bank borrowings	982,668	2,633,355
	<b>14,275,420</b>	<b>21,891,085</b>
<b>Non current liabilities</b>		
Other payables	14,681,725	13,456,255
Bank borrowings	9,235,463	12,560,687
Debt securities in issue	64,193,250	39,518,498
Other financial liabilities	455,000	577,270
Deferred tax liabilities	26,558,565	26,711,679
	<b>115,124,003</b>	<b>92,824,389</b>
<b>Total liabilities</b>	<b>129,399,423</b>	<b>114,715,474</b>
<b>Net assets</b>	<b>224,040,671</b>	<b>227,069,158</b>

Condensed Consolidated  
Statement of Financial Position  
*(Continued)*

As at 30 April 2020

	30 April 2020 (unaudited)	31 October 2019 (audited)
	€	€
<b>EQUITY</b>		
Share capital	1,164,687	1,164,687
Revaluation reserve	196,707,758	196,526,102
Other reserves	616,095	616,095
Capital reserves	3,948,666	3,948,666
Retained earnings	20,016,337	23,254,997
	<b>222,453,543</b>	<b>225,510,547</b>
Non-controlling interest	1,587,128	1,558,611
<b>Total equity</b>	<b>224,040,671</b>	<b>227,069,158</b>

## Condensed Consolidated Statement of Changes in Equity

Six months ended 30 April 2020

	Share capital	Revaluation reserve	Other reserves	Capital reserves	Retained earnings	Attributable to equity holders of the parent	Non-controlling interest	Total
<i>(Unaudited)</i>	€	€	€	€	€	€	€	€
<b>At 1 November 2018 as restated</b>	<b>1,164,687</b>	<b>181,793,301</b>	<b>616,095</b>	<b>3,948,666</b>	<b>23,530,079</b>	<b>211,052,828</b>	<b>1,503,458</b>	<b>212,556,286</b>
Profit for the period	-	-	-	-	(1,816,825)	(1,816,825)	(29,007)	<b>(1,845,832)</b>
Other comprehensive income for the period, net of tax	-	-	-	-	-	-	-	-
<i>Total comprehensive income for the period</i>	-	-	-	-	<i>(1,816,825)</i>	<i>(1,816,825)</i>	<i>(29,007)</i>	<i>(1,845,832)</i>
On loss of control	-	(400,000)	-	-	20,465	(379,535)	-	<b>(379,535)</b>
Dividends paid	-	-	-	-	(3,600,000)	(3,600,000)	-	<b>(3,600,000)</b>
Other movement	-	-	-	-	-	-	-	-
Revaluation of investment property, net of tax	-	-	-	-	-	-	-	-
<b>At 30 April 2019</b>	<b>1,164,687</b>	<b>181,393,301</b>	<b>616,095</b>	<b>3,948,666</b>	<b>18,133,719</b>	<b>205,256,468</b>	<b>1,474,451</b>	<b>206,730,919</b>
<b>As at 1 November 2019</b>	<b>1,164,687</b>	<b>196,526,102</b>	<b>616,095</b>	<b>3,948,666</b>	<b>23,254,997</b>	<b>225,510,547</b>	<b>1,558,611</b>	<b>227,069,158</b>
Profit/(loss) for the year	-	-	-	-	(3,057,004)	(3,057,004)	28,517	(3,028,487)
Other comprehensive income/(loss) for the period, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the period	-	-	-	-	(3,057,004)	(3,057,004)	28,517	(3,028,487)
Dividends paid	-	-	-	-	-	-	-	-
Movement of deferred tax on immovable property	-	181,656	-	-	(181,656)	-	-	-
<b>As at 30 April 2020</b>	<b>1,164,687</b>	<b>196,707,758</b>	<b>616,095</b>	<b>3,948,666</b>	<b>20,016,337</b>	<b>222,453,543</b>	<b>1,587,128</b>	<b>224,040,671</b>

## Condensed Consolidated Statement of Cash Flow

Six months ended 30 April 2020

	30 April 2020 (unaudited)	30 April 2019 (unaudited)
	€	€
<b>Cash flows from operating activities</b>		
Loss before tax	<b>(3,095,056)</b>	<b>(1,391,355)</b>
Adjustments for:		
Depreciation	3,134,207	2,774,499
Share of results of associate	771,692	965,768
Bond issue costs amortised	31,079	30,909
Capitalisation of bond issue costs	(356,327)	-
Movement in expected credit loss	83,009	-
Interest expense	1,666,586	1,448,508
Accumulated loss/(profits) written off on loss of control	-	(539,535)
Operating profit/(loss) before working capital changes	2,235,190	3,288,794
(Increase) / Decrease in inventories	(1,845,863)	199,573
(Increase) / Decrease in trade and other receivables	6,149,677	3,666,986
Increase / (Decrease) in trade and other payables	(4,822,517)	74,551
<b>Operating profit/(loss)</b>	<b>1,716,487</b>	<b>7,229,904</b>
Net interest paid	(1,666,586)	(1,448,508)
Taxation paid	(86,540)	(1,887,065)
<b>Net cash flows (used in)/from operating activities</b>	<b>(36,639)</b>	<b>3,894,331</b>
<b>Cash flows (used in)/from investing activities</b>		
Purchase of property, plant and equipment	(7,042,070)	(5,447,012)
Net payments to (acquire)/disposal of investment property (Acquisitions)/disposal of financial assets	(1,700,315)	(58,195)
Loan to a related party	-	489,659
Capitalisation of dividend from associate	(4,772)	-
	(727,500)	-
<b>Net cash flows used in investing activities</b>	<b>(9,474,657)</b>	<b>(5,015,548)</b>
<b>Cash flows (used in)/from financing activities</b>		
Increase / (Decrease) on bank borrowings and other loans	<b>(4,975,911)</b>	(1,299,960)
Bond issue proceeds	<b>25,000,000</b>	-
Increase / (Decrease) in other loans	<b>(122,270)</b>	-
Dividends paid	-	(3,600,000)
<b>Net cash flows (used in)/from financing activities</b>	<b>19,901,819</b>	<b>(4,899,960)</b>
Net movement in cash and cash equivalents	10,390,522	(6,021,177)
Cash and cash equivalents at the beginning of the period	2,172,096	6,293,441
<b>Cash and cash equivalents at end of the period</b>	<b>12,562,618</b>	<b>272,264</b>

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 1. General information

The interim condensed consolidated financial statements (“Interim Financial Statements”) of the Group for the six months ended 30 April 2020 were authorised for issue in accordance with a resolution of the directors on 23 June 2020.

AX Group p.l.c. (C 12271) is a limited liability company incorporated in Malta. The company is a holding company of AX Holdings Group. Its registered office is at AX House, Mosta Road, Lija LJA 9010, Malta.

### 2. Basis of Preparation

The financial information of the Group as at 30 April 2020 and for the six months then ended reflect the financial position and the performance of AX Group p.l.c. and all its subsidiaries. The comparative amounts reflect the position of the Group as included in the audited financial statements ended 31 October 2019 and the unaudited results for the period ended 30 April 2019.

These Interim Financial Statements for the six months ended 30 April 2020 are being published in terms of Listing Rule 5.74 issued by the Listing Authority, and have been prepared in accordance with International Accounting Standard 34 Interim Financial Reporting and the applicable Listing Rules. In terms of Listing Rule 5.75.5 the Directors are stating that this financial information has not been audited or reviewed by the Group’s independent auditors.

The Interim Financial Statements do not include all the information and disclosures required in the annual financial statements and should be read in conjunction with the Group’s annual financial statements as at 31 October 2019, which form the basis for these Interim Financial Statements. These Interim Financial Statements are intended to provide an update on the latest complete set of annual financial statements and accordingly they focus on new activities, events and circumstances, including events related to the Covid-19 outbreak which have become evident in the first half of 2020.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 3. Application of new or revised International Financial Reporting Standards

The Group has initially adopted IFRS 16 Leases in the current period from 1 November 2019. The nature and effect of changes from the initial application of this standard are disclosed below.

A number of other new amendments and interpretations are effective from 1 November 2019, but do not have a material effect on the interim condensed consolidated financial statements of the Group.

#### 3.1 IFRS 16 *Leases*

IFRS 16 Leases supersedes IAS 17 Leases and related interpretations. The new standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for most leases under a single on-balance sheet model, eliminating the distinction between operating and finance leases.

Lessor accounting under IFRS 16 remains substantially unchanged from IAS 17 except for a requirement to provide enhanced disclosures and for the reassessment of subleases by an intermediate lessor. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17, whereas intermediate lessors are required to reassess subleases that were classified as operating leases applying IAS 17 and are ongoing at the date of initial application on the basis of the remaining contractual terms and conditions of the head lease and sublease at that date in terms of the transitional provisions of IFRS 16. The Group has determined that such leases continue to be classified as operating leases. Hence, IFRS 16 did not have a material impact for leases where the Group is a lessor.



## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 4. Significant Accounting policies

The Interim Financial Statements as of 30 April 2020 have been prepared using the same accounting policies and methods of computation as those on which the preceding annual consolidated financial statements as of 31 October 2019 were based, with the exception of those resulting from the initial application of IFRS 16 Leases as of 1 November 2020, as outlined below.

The changes in accounting policies in these Interim Financial Statements are also expected to be reflected in the Group's consolidated financial statements as at and for the year ending 31 October 2020.

#### 4.1 Leases

##### *Accounting policy applicable before 1 November 2019*

Leases were classified as finance leases whenever the terms of the lease transferred substantially all the risks and rewards incidental to ownership to the lessee. All other leases were classified as operating leases. Lease classification was made at inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal provisions of the lease.

Where the Company was a lessee, rentals payable under operating leases less the aggregate benefit of incentives received from the lessor, were recognised as an expense in profit or loss on a straight-line basis over the lease term unless another systematic basis was more representative of the time pattern of the users' benefit.

Where the Company was a lessor, rentals receivable under operating leases were recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis was more representative of the time pattern in which use benefit derived from the leased asset was diminished.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 4.1 Leases (continued)

*Accounting policy applicable from 1 November 2019*

#### The Group as a lessee

For any contract entered into by the Group, it considers whether the contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'.

To apply this definition the Group assesses whether the contract meets three key evaluations which are (1) whether the contract contains an identified asset; (2) whether the Group has the right to obtain substantially all of the economic benefits from use throughout the period of use; and (3) whether the Group has the right to direct the use of the identified asset throughout the period of use.

At lease commencement date, the Group recognises a right-of-use asset and a lease liability on the balance sheet.

The Group measures the lease liability at the lease commencement date at the present value of the lease payments unpaid at that date, discounted using the interest rate implicit in the lease (if that rate is readily determined) or the Group's incremental borrowing rate.

Lease payments included in the measurement of the lease liability are made up of fixed payments (including in substance fixed) less any incentives receivable, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments arising from purchase options or termination penalties reasonably certain to be exercised.

Variable lease payments not included in the measurement of the lease liability are recognised in profit or loss (unless the costs are included in the carrying amount of another asset) in the period in which the event or condition that triggers those payments occurs.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 4.1 Leases (continued)

The right-of-use asset is initially measured at cost, which is made up of the initial measurement of the lease liability, any initial direct costs incurred by the Group, an estimate of any costs to dismantle and remove the asset at the end of the lease, and any lease payments made at or before the lease commencement date.

Right-of-use assets are subsequently measured using the cost model. The Group depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The Group also assesses the right-of-use asset for impairment when such indicators exist.

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Group will account for short-term leases and leases of low-value assets using the recognition exemptions. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these will be recognised as an expense in profit or loss on a straight-line basis over the lease term or another systematic basis that is more representative of the pattern of the lessee's benefit.

#### *The Group as a lessor*

The Group's accounting policy under IFRS 16 has not changed from the comparative period.

As a lessor the Group classifies its leases as either operating or finance leases. A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating lease if it does not.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### *The Group as a lessor (continued)*

Lease classification is made at inception of the lease, which was the earlier of the date of the lease agreement and the date of commitment by the parties to the principal terms and conditions of the lease.

Rentals receivable under operating leases are recognised as income in profit or loss on a straight-line basis over the lease term unless another systematic basis is more representative of the pattern in which use benefit derived from the leased asset is diminished.

### 5. Critical accounting estimates and judgements

In preparing these Interim Financial Statements, management has made judgements and estimates that affect the application of accounting policies and that can significantly affect the amounts recognised. The significant judgements made in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those described in the last annual financial statements.

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

### 6. Revenue

In the following table, revenue is disaggregated by revenue category

	1 November 2019 to 30 April 2020 €	1 November 2018 to 30 April 2019 €
Construction works, building materials and management services	3,098,157	2,981,355
Hospitality and entertainment	10,038,711	12,952,108
Healthcare	3,000,989	2,728,305
Rental income	380,605	316,581
Dividend Income	1,048,468	1,958,654
<b>Total Revenue</b>	<b>17,566,930</b>	<b>20,937,003</b>

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

Group revenue for the period under review decreased by €3,370,073, or 16% when compared to same period last year. The decline in revenue is attributable to the effect of COVID-19 pandemic primarily on the hospitality division wherein revenue decreased by €2,913,397, or 22%, when compared to the first six months of last year. In addition, the dividend income from the Group's investment in Valletta Cruise Port plc decreased by €910,186 when compared to same period last year. On the other hand, the construction and healthcare divisions registered a growth of 4% and 10% respectively.

Revenue falling under IFRS 15 Revenue from contracts with customers is recognised as follows:

Timing of revenue recognition	1 November 2019 to 30 April 2020 €	1 November 2018 to 30 April 2019 €
<b>At a point in time:</b>		
Hospitality and entertainment	4,598,986	5,397,755
Healthcare	664,323	578,914
<b>Over time:</b>		
Construction works, building materials and management services	3,098,157	2,981,355
Healthcare	1,509,705	1,371,690
Hospitality and entertainment	5,439,725	7,554,353
<b>Revenue from contracts with customers</b>	<b>15,310,896</b>	<b>17,884,067</b>
Rental income from operating leases in which the Group is a lessor (accounted under IFRS 16)	1,207,566	1,094,282
Dividend Income	1,048,468	1,958,654
<b>Total Revenue</b>	<b>17,566,930</b>	<b>20,937,003</b>

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 7. Segment reporting

In accordance with IFRS8, the Group presents operating segments based on the internal reporting to the board of directors, which is the Group's chief operating decision maker.

<b>30 April 2020 (unaudited)</b>	<b>Hospitality</b>	<b>Construction</b>	<b>Healthcare</b>	<b>Real Estate &amp; Property rentals</b>	<b>Administration, Finance &amp; Investment</b>	<b>Total</b>
<b>Revenue</b>	<b>10,038,711</b>	<b>5,226,465</b>	<b>3,000,989</b>	<b>380,605</b>	<b>1,457,094</b>	<b>20,103,864</b>
Less inter segmental sales	-	(2,128,308)	-	-	(408,626)	(2,536,934)
	<b>10,038,711</b>	<b>3,098,157</b>	<b>3,000,989</b>	<b>380,605</b>	<b>1,048,468</b>	<b>17,566,930</b>
Other operating income	-	-	-	136,048	-	136,048
Staff costs	(4,545,282)	(1,175,809)	(1,537,384)	-	(1,010,681)	(8,269,156)
Other operating costs	(3,972,760)	(1,259,712)	(1,009,720)	(159,086)	(555,115)	(6,956,393)
<b>EBITDA</b>	<b>1,520,669</b>	<b>662,636</b>	<b>453,885</b>	<b>357,567</b>	<b>(517,328)</b>	<b>2,477,429</b>
Depreciation						(3,134,207)
Share of results of associates						(771,692)
Net finance costs						(1,666,586)
<b>Loss before taxation</b>						<b>(3,095,056)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### Segmented reporting *(Continued)*

30 April 2019 unaudited	Hospitality	Construction	Healthcare	Real Estate & Property rentals	Administration, Finance & Investment	Total
<b>Revenue</b>	<b>12,952,108</b>	<b>4,103,323</b>	<b>2,728,305</b>	<b>316,581</b>	<b>2,419,688</b>	<b>22,520,005</b>
Less inter segmental sales	-	(1,121,968)	-	-	(461,034)	(1,583,002)
	<b>12,952,108</b>	<b>2,981,355</b>	<b>2,728,305</b>	<b>316,581</b>	<b>1,958,654</b>	<b>20,937,003</b>
Other operating income	-	-	-	145,487	-	145,487
Staff costs	(5,224,713)	(1,021,333)	(1,378,813)	-	(995,615)	(8,620,474)
Other operating costs	(4,785,728)	(2,001,868)	(786,065)	(268,336)	(822,599)	(8,664,596)
<b>EBITDA</b>	<b>2,941,667</b>	<b>(41,846)</b>	<b>563,427</b>	<b>193,732</b>	<b>140,440</b>	<b>3,797,420</b>
Depreciation						(2,774,499)
Share of results of associates						(965,768)
Net finance costs						(1,448,508)
<b>Loss before taxation</b>						<b>(1,391,355)</b>

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 8. Labour costs and employee information

The average number of employees (including the directors) directly employed during the period were:

	The Group	
	1 November 2019 to 30 April 2020	1 November 2019 to 30 April 2019
Management and administration	116	117
Operations	485	416
	<b>601</b>	<b>533</b>

### 9. Government Grants

Due to the Covid-19 pandemic the Government of Malta has issued a number of support measures with the aim to provide economic assistance to businesses which had their operations significantly impacted. Among the various measures, AX Group p.l.c qualified to benefit from the Covid Wage Supplement which classifies businesses in two categories. Those that suffered drastic effects from the Covid-19 crisis fell under Annex A and benefitted from EUR 800 monthly per full-time employee, whereas those companies that have been adversely affected fell under Annex B and were eligible for EUR 160 monthly per full-time employee. A number of subsidiaries of the Group met the required criteria of Annex A and therefore were eligible for EUR 800 monthly per full-time employee.

In the reporting period the Group received EUR 341,700 in government grants under the Covid Wage Supplement. These amounts were deducted from the line item 'Staff Costs' in the Condensed Consolidated Statement of Comprehensive Income.

### 10. Income Tax

The interim period income tax is based on the Maltese corporate tax rate of 35%. Income taxes for the interim reporting period represent a best estimate of the weighted average annual income tax rate expected for the full financial year.



## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 11. Tangible Fixed Assets

During the reporting period the Group acquired tangible fixed assets amounting to EUR 7,042,070 (2019: EUR 5,447,012)

Following the disruption in operations due to the spread of the pandemic to the Maltese islands, the Group has been following the ongoing developments and given the high level of uncertainty it believes that it is premature to carry out a reassessment of the Group's underlying assets. The Group is closely monitoring the situation and will if it is deemed necessary adjust the carrying value of its tangible fixed assets once sufficient and reliable data is available in order to make reasonable assumptions and judgements on the estimated future cash flows and discount rates.

### 12. Investment property

During the reporting period the company capitalised Eur1,352,219 representing the construction cost incurred in the ongoing development of the mixed use development in Mosta in addition to Eur367,520 in respect of further acquisition of commercial property. No further movement was experienced during the reporting period in respect of investment property.

### 13. Financial Assets and Financial Liabilities

The Group's financial assets and financial liabilities comprise loans receivables, trade and other receivables, cash at bank and in hand; as well as trade and other payables, Bank borrowings, other financial liabilities and Debt securities in issue. All of these financial assets and financial liabilities are classified as measured at amortised cost (AC). Investments in associates are accounted for using the equity method.

#### Fair Values

At 30 April 2020 and 31 October 2019 carrying amounts of the Group's current financial assets and current financial liabilities approximated their fair values due to their short nature of these financial instruments.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

The fair values of non-current financial assets and non-current financial liabilities that are not measured at fair value, are not materially different from their carrying amounts.

The fair values of financial assets measured at amortised cost classified as non-current assets amounted to Eur462,000 (31 October 2019: Eur457,228) at the end of the reporting period.

### 14. Contingencies and Capital Commitments

There were no major changes in contingent assets and liabilities and they remain in essence as reported in the Group's annual financial statements of 2019.

At 30 April 2020, the Group had capital commitments of approximately Eur4 million in respect of the construction and finishing of a mixed use development in Mosta which is expected to be finalised by the end of 2020.

### 15. Related Party Disclosure

Transactions with related parties are subject to review by the Audit Committee in terms of the Listing Rules, ensuring that such transactions are carried out on an arm's length basis and are for the benefit of the AX Group. Transactions between the Company and its subsidiaries have been eliminated on consolidation.

### 16. Dividends

During the interim period, no dividend was paid to the shareholders of the company whereas in the comparative period EUR 3,600,000 were paid.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

### 17. Seasonality

The normalised revenue and earnings before interest, tax and depreciation (EBITDA) of the first six months of the year generally represent around 38% and 22% of the total annual revenue and EBITDA of the Group, respectively. It is expected that such percentages will significantly change during the financial year 2020 in view of the disruption caused by the COVID-19 pandemic.

### 18. Events after the Reporting Period

In May 2020, one of the subsidiaries of the Group acquired two parcels of land in Marsa measuring in aggregate approximately 7,600m<sup>2</sup> for a consideration of Eur6.9 million. The acquisition was funded from the proceeds of a bond issue in terms of a prospectus dated 22 November 2019.

## Notes to the Interim Condensed Consolidated Financial Statements

Six months ended 30 April 2020

We confirm that to the best of our knowledge:

- a) the condensed consolidated financial statements give a true and fair view of the financial position of the Group as at 30 April 2020, and the financial performance and cash flows for the period then ended, in accordance with International Financial Reporting Standards as adopted by the EU applicable to interim financial reporting (IAS 34); and
- b) the Interim Directors' Report includes a fair review of the information required in terms of Listing Rules 5.81 to 5.84.



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**Angelo Xuereb**  
Chairman



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**Michael Warrington**  
Director