

Registration Number C 92104

**AX REAL ESTATE LIMITED**

**Report and Financial Statements**

**for the period ended 31 October 2019**

# AX REAL ESTATE LIMITED

## Contents

	<b>Page</b>
Directors' Responsibilities	1
Independent Auditors' Report	2 - 4
Statement of Profit or Loss and Other Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 17

# **AX REAL ESTATE LIMITED**

## **Directors' Responsibilities**

---

The Maltese Companies Act (Cap. 386), 1995 requires the directors to prepare financial statements for each financial period which give a true and fair view of the state of the affairs of the entity and of the profit or loss of the entity for that period. In preparing these the directors are required to:

- adopt the going concern basis unless it is inappropriate to presume that the entity will continue in business;
- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- account for income and charges relating to the accounting period on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting period.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the entity and to enable them to ensure that the financial statements comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the entity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

# **AX REAL ESTATE LIMITED**

## **Independent Auditors' Report**

To the Members of AX Real Estate Limited

---

### **Opinion**

We have audited the accompanying financial statements of AX Real Estate Limited, which comprise the Statement of Financial Position as at 31 October 2019, and the Statement of Profit or Loss and Other Comprehensive Income, Statement of Changes in Equity and Cash Flow Statement for the period then ended, and a summary of significant accounting policies and other explanatory notes.

In our opinion, the financial statements give a true and fair view of the financial position of AX Real Estate Limited as of 31 October 2019 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU, and have been properly prepared in accordance with the Maltese Companies Act (Chap. 386).

### **Basis for Opinion**

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the entity in accordance with International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession Act in Malta, and we have fulfilled our ethical responsibilities in accordance with these requirements and the IESBA Code.

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

### **Basis of Accounting and Restriction on Distribution and Use**

We draw attention to note 2 to the financial statements, which describes the basis of accounting. The financial statements are prepared to assist the entity to comply with internal reporting requirements. As a result, the financial statements may not be suitable for another purpose. Our report is intended solely for the entity and should not be used by other parties.

### **Responsibilities of the directors**

The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance to International Financial Reporting Standards as adopted by the EU and for such internal controls as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements the directors are responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the entity or to cease operations, or have no realistic alternative but to do so.

# **AX REAL ESTATE LIMITED**

## **Independent Auditors' Report**

To the Members of AX Real Estate Limited

---

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an Auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the Directors' use of going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

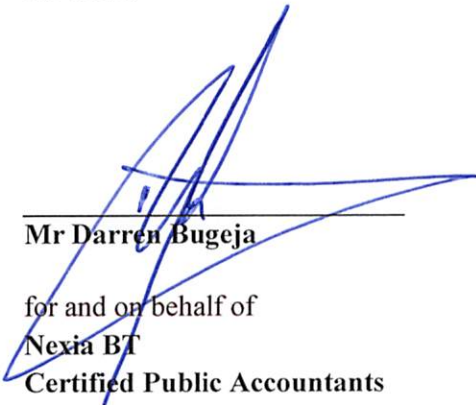
# **AX REAL ESTATE LIMITED**

## **Independent Auditors' Report**

To the Members of AX Real Estate Limited

---

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



---

**Mr Darren Bugeja**

for and on behalf of

**Nexia BT**

**Certified Public Accountants**

**The Penthouse, Suite 2**

**Capital Business Centre, Entrance C**

**Triq taz-Zwejt**

**San Gwann SGN 3000**

**Malta**

**Date : 20 February 2020**

# AX REAL ESTATE LIMITED

## Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 October 2019

---

	Notes	2019 (5 months) €
<b>Revenue</b>	<b>2</b>	19,355
Administrative expenses		<u>(1,273)</u>
<b>Profit before taxation</b>	<b>4</b>	18,082
Income tax	<b>5</b>	<u>(3,946)</u>
<b>Profit for the period</b>		<u>14,136</u>
<b>Total comprehensive income</b>		<u>14,136</u>

The notes on pages 9 to 17 form an integral part of these financial statements.


# AX REAL ESTATE LIMITED

## Statement of Financial Position

at 31 October 2019

	Notes	2019 €
<b>ASSETS</b>		
<b>Non-current assets</b>		
Investment property	6	5,216,051
Loans	7	9,465
		<u>5,225,516</u>
<b>Current assets</b>		
Trade and other receivables	8	18,682
<b>Total assets</b>		<u><u>5,244,198</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Capital and reserves</b>		
Called up issued share capital	9	1,200
Retained earnings		14,136
<b>Total equity</b>		<u>15,336</u>
<b>Non-current liabilities</b>		
Long-term borrowings	10	5,157,186
<b>Current liabilities</b>		
Trade and other payables	11	67,730
Current tax payable	12	3,946
		<u>71,676</u>
<b>Total liabilities</b>		<u>5,228,862</u>
<b>Total equity and liabilities</b>		<u><u>5,244,198</u></u>

The financial statements were approved and authorised for issue by the Board of Directors on 20 February 2020, and signed on its behalf by:

  
\_\_\_\_\_  
Ms Denise Micallef Xuereb  
Director

  
\_\_\_\_\_  
Mr Angelo Xuereb  
Director

The notes on pages 9 to 17 form an integral part of these financial statements.



# AX REAL ESTATE LIMITED

## Statement of Changes in Equity for the period ended 31 October 2019

---

	<b>Called-up issued share capital</b>	<b>Retained earnings</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Profit for the period	-	14,136	14,136
Other comprehensive income	-	-	-
Total comprehensive income	-	14,136	14,136
Issue of share capital	1,200	-	1,200
<b>At 31 October 2019</b>	<b>1,200</b>	<b>14,136</b>	<b>15,336</b>

# AX REAL ESTATE LIMITED

## Statement of Cash Flows

for the period ended 31 October 2019

---

	2019
	€
<b>Cash flows from operating activities</b>	
Profit before taxation	18,082
Working capital changes:	
Movement in trade and other receivables	(18,682)
Movement in trade and other payables	67,730
Net cash flows from operating activities	<u>67,130</u>
<b>Cash flows from investing activities</b>	
Net cash flows from investing activities	<u>-</u>
<b>Cash flows from financing activities</b>	
Movement in related party loan	(68,330)
Issue of share capital	1,200
Net cash flows from financing activities	<u>(67,130)</u>
<b>Movement in cash and cash equivalents</b>	<u><u>-</u></u>
<b>Reconciliation of net cash flow to movement in net funds</b>	
Movement in cash and cash equivalents	-
Cash and cash equivalents at start of period	-
Cash and cash equivalents at end of period	<u><u>-</u></u>

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

### 1. General information

AX Real Estate Limited is a limited liability company incorporated in Malta on 6 June 2019. The company owns and leases immovable property. Its registered office is at AX House Mosta Road Lija LJA 9010 Malta

### 2. Accounting policies

#### *Accounting convention and basis of preparation*

These financial statements are presented using the Euro, being the currency that reflects the economic substance of the underlying events and circumstances relevant to the entity. They are prepared under the historical cost convention as modified by the fair valuation convention where required by International Financial Reporting Standards, in accordance with the provisions of the Maltese Companies Act (Chap. 386), and the requirements of International Financial Reporting Standards as adopted by the EU. The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The preparation of financial statements in conformity with International Financial Reporting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the company's accounting policies (see Note 3 - Critical accounting estimates and judgements).

#### *New and revised standards that are effective for the current period*

In the current period, the entity has applied IFRS 9 Financial Instruments and the related consequential amendments to other International Financial Reporting Standards that are effective for periods that begin on or after 1 January 2018. IFRS 9 introduced new requirements for the classification and measurement of financial assets and introduced an 'expected credit loss' model for the impairment of financial assets.

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

In the current period, the entity has applied IFRS 15 Revenue from Contracts with Customers which is effective for periods that begin on or after 1 January 2018. IFRS 15 introduced a 5-step approach to revenue recognition.

### *New and revised standards that are issued but not yet effective*

IFRS 16, 'Leases' introduces a comprehensive model for the identification of lease arrangements and accounting treatments for both lessors and lessees. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals are recognised, with the exception of short-term and low-value leases. IFRS 16 will supersede the current lease guidance of IAS 17 and the related interpretations. The standard is mandatory for periods commencing on or after 1 January 2019.

The application of IFRS 16 will have no impact on the entity's financial statements.

### *Investment property*

Investment property is property held to earn rentals or for capital appreciation or both. Investment property is recognised as an asset when it is probable that the future economic benefits that are associated with the property will flow to the company, and the cost of the property can be reliably measured. Investment property is initially measured at cost, including transaction costs, less impairment losses. After initial recognition, investment property is stated at fair value less accumulated depreciation and less accumulated impairment losses.

Depreciation is provided at rates intended to write down the fair value of investment property over its expected useful life. The annual rates used are as follows:

Land and buildings - Nil on Land, 1% Straight Line on Buildings

### *Financial assets*

Loans and receivables are stated at fair value, net of any impairment. A provision for impairment of loans and receivables is established where there is objective evidence that the company will not be able to collect all amounts due according to the original terms of payment. Loans and receivables are considered for impairment on a case by case basis and any provision is based on the directors' assessment of the amount recoverable on each receivable. Any change on value of loans and receivables is recognised in the Statement of Profit or Loss and Other Comprehensive Income.

Financial assets are recognised when the entity becomes a party to the contractual provisions of a financial instrument. Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

### *Financial liabilities*

The company's financial liabilities include borrowings and trade and other payables, which are measured at amortised cost using the effective interest rate method.

Financial liabilities are recognised when the company becomes a party to the contractual agreements of the instrument. Any changes in fair value are reported in the Statement of Profit or Loss and Other Comprehensive Income.

Interest-related charges are recognised as an expense in the period in which they are incurred.

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

### *Share capital*

Ordinary shares are classified as equity.

Dividends are recognised in the period in which they are declared.

### *Impairment*

#### *Impairment testing for investment property*

For impairment assessment purposes, assets are grouped at the lowest levels for which there are largely independent cash inflows (cash-generating units). As a result, some assets are tested individually for impairment and some are tested at cash-generating unit level. These assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which asset's (or cash generating unit's) carrying amount exceeds its recoverable amount, which is higher of fair value less costs of disposal and value-in-use. These assets are subsequently reassessed for indications that an impairment loss previously recognised may no longer exist.

An impairment loss is reversed if there has been a change in the estimate used to determine the recoverable amount.

#### *Impairment of financial assets*

Impairment calculations for financial assets use forward-looking information to recognise expected credit losses - the 'expected credit loss (ECL) model'. Instruments within the scope of this impairment model include loans and other debt-type financial assets measured at amortised cost and FVOCI, trade receivables, contract assets recognised and measured under IFRS 15 and loan commitments and some financial guarantee contracts that are not measured at fair value through profit or loss. In applying this forward-looking approach, a distinction is made between: financial instruments that have not deteriorated significantly in credit quality since initial recognition or that have low credit risk (stage 1), financial instruments that have deteriorated significantly in credit quality since initial recognition and whose credit risk is not low (stage 2) and financial assets that have objective evidence of impairment at the reporting date (stage 3).

'12-month expected credit losses' are recognised for the first category and whole 'lifetime expected credit losses' are recognised for the second and third category. Measurement of the expected credit losses is determined by a probability-weighted estimate of credit losses over the expected life of the financial instrument.

### *Income tax*

Income tax on the profit or loss for the year comprises current and deferred tax. The tax expense is calculated on net income, adjusted for non-temporary differences between taxable and accounting income. The tax effect of temporary differences, arising from items brought into account in different periods for income tax and accounting purposes, is carried in the Statement of Financial Position as deferred tax debits or credits. Such deferred tax balances are calculated on the liability method taking into account the estimated tax that will be paid or recovered when the temporary differences reverse.

Deferred tax debits are only carried forward if there is a reasonable expectation of realisation. Deferred tax debits, arising from tax losses yet to be recovered, are only carried forward if there is a reasonable assurance and to the extent that future taxable income will be sufficient to allow the benefit of the tax loss to be realised or to the extent of the net credits in the deferred tax balance.

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

### *Foreign currencies*

The financial statements are presented in Euro, being both the company's functional and presentation currency. Transactions denominated in foreign currencies are translated into Euro at the rates of exchange in operation on the dates of the transactions. Monetary assets and liabilities expressed in foreign currencies are translated into Euro at the rates of exchange prevailing at the date of the Statement of Financial Position. Translation differences are dealt with through the Statement of Profit or Loss and Other Comprehensive Income in the period in which they arise.

### *Revenue*

Revenue represents the invoiced value of services rendered, net of taxes. Revenue from services rendered is recognised in proportion to the stage of completion of the transaction. Revenue is recognised either at a point in time or over time, when the entity satisfies performance obligations by providing the promised services to its customers.

### 3. Critical accounting estimates and judgements

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.

In the opinion of the directors, the accounting estimates and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS1 (revised).

### 4. Profit before taxation

**2019**  
**(5 months)**  
€

Profit before taxation is stated after charging:

Auditors' remuneration 1,000

### 5. Income tax

**2019**  
**(5 months)**  
€

Malta Income Tax :

Current - for the period 3,946

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

The accounting profit and the tax charge for the period are reconciled as follows:

	<b>2019</b>
	<b>€</b>
Profit before taxation	18,082
Tax thereon at 35%	6,329
Tax effect of permanent differences	(1,853)
Tax charge for the period	<u>3,946</u>

### 6. Investment property

	<b>Freehold land and buildings</b>
	<b>€</b>
<b>Fair value</b>	
Additions	5,216,051
At 31 October 2019	<u>5,216,051</u>

The fair value of the investment property as at 31 October 2019 is based on a valuation carried out by an independent architect. The architect is qualified and has experience in valuation of properties.

Details of the investment property and the information about the fair value hierarchy as at 31 October 2019 are as follows:

<b>Type of property</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Commercial property	5,216,051	-	5,216,051
<b>Total</b>	<b>5,216,051</b>	<b>-</b>	<b>5,216,051</b>

There were no transfers between the hierarchy levels during the year.

For investment property categorised under Level 2 of the fair value hierarchy, the following techniques and inputs were used:

<b>Type of property</b>	<b>Technique</b>	<b>Inputs</b>
Commercial property	Market approach	The value of the property is based on the selling price of a similar commercial property.

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements for the period ended 31 October 2019

---

### 7. Non current financial assets

	<b>Related party loans €</b>
Cost	
Additions	9,465
At 31 October 2019	<u>9,465</u>

#### *Related party loans*

Related party loans are unsecured, interest-free and have no fixed date of repayment. The entity determines the expected credit loss allowance on the related party loans based on a probability of default of 0.16% and a loss given default of 100%.

### 8. Trade and other receivables

	<b>2019 €</b>
Trade receivables	17,482
Other receivables	1,200
Financial assets	<u><u>18,682</u></u>



# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

### 9. Called up issued share capital

	2019
	€
<b>Authorised</b>	
1,200 Ordinary shares of €1 each	1,200
	<u>1,200</u>
<b>Called up issued and fully paid-up</b>	
1,200 Ordinary shares of €1 each	1,200
	<u>1,200</u>

Each ordinary share gives the right to one vote, participates equally in profits distributed by the company and carries equal rights upon the distribution of assets by the company in the event of a winding up.

### 10. Borrowings

	2019
	€
<b>Falling due in five years or more:</b>	
Related party loans	<i>Note</i> 5,157,186
	<u>5,157,186</u>
<b>Long-term borrowings</b>	<u>5,157,186</u>

#### *Related party loans*

Related party loans are unsecured, interest-free and have no fixed date of repayment.

### 11. Trade and other payables

	2019
	€
Indirect taxes	10,729
Accruals	11,750
Deferred income	45,251
	<u>67,730</u>

### 12. Current tax payable

	2019
	€
The tax provision is made up of :	
Provision for the period	3,946
	<u>3,946</u>

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements

for the period ended 31 October 2019

---

### 13. Risk management objectives and policies

The entity is exposed to credit risk, liquidity risk and market risk through its use of financial instruments which result from its operating and investing activities. The entity's risk management is coordinated by the directors and focuses on actively securing the entity's short to medium term cash flows by minimising the exposure to financial risks.

The most significant financial risks to which the entity is exposed to are described below.

#### *Credit risk*

The entity's credit risk is limited to the carrying amount of financial assets recognised at the date of the Statement of Financial Position, which are disclosed in Notes 7 and 8.

The company continuously monitors defaults of customers and other counterparts, and incorporates this information into its credit risk controls. The company's policy is to deal only with creditworthy counterparties.

None of the company's financial assets is secured by collateral or other credit enhancements.

#### *Liquidity risk*

The entity's exposure to liquidity risk arises from its obligations to meet financial liabilities, which comprise borrowings and trade and other payables. Prudent liquidity risk management includes maintaining sufficient cash and committed credit facilities to ensure the availability of an adequate amount of funding to meet the entity's obligations when they become due.

At 31 October 2019, there were no contractual maturities on the financial liabilities of the entity. Contractual maturities reflect gross cash flows, which may differ from the carrying values of financial liabilities at the date of the Statement of Financial Position.

#### *Foreign currency risk*

Most of the entity's transactions are carried out in Euro. Exposure to currency exchange rates arises from the entity's transactions in foreign currencies.

The entity's financial assets face minimal foreign currency risk since all sales are made receivable in Euro.

#### *Interest rate risk*

The entity's exposure to interest rate risk is limited as it does not have any borrowings bearing variable interest rates.

# AX REAL ESTATE LIMITED

## Notes to the Financial Statements for the period ended 31 October 2019

---

### 14. Related parties

The company had the following related party transactions.

	2019
	€
<i>Transactions with other related parties :</i>	
Transfer of property	2,156,051
Sales	8,021
	<hr/>
	2019
	€
<i>Transactions with parent company :</i>	
Transfer of property	3,060,000
	<hr/>

### 15. Ultimate controlling party

The parent and ultimate parent companies of AX Real Estate Limited are AX Holdings Limited and AX Group p.l.c. respectively, which are both incorporated in Malta. The individual financial statements of the company are incorporated in the group financial statements of AX Holdings Limited and AX Group P.L.C., the registered address of which is AX House, Mosta Road, Lija Lja 9010, Malta. The ultimate controlling party is Mr Angelo Xuereb, who holds a controlling interest in the equity of the ultimate parent company.

### 16. Capital management policies and procedures

The entity's capital management objectives are to ensure its ability to continue as a going concern and to provide an adequate return to shareholders by pricing commensurately with the level of risk, and maintaining an optimal capital structure to reduce the cost of capital. The entity monitors the level of debt, which includes borrowings and trade and other payables less cash and cash equivalents, against total capital on an ongoing basis.

# AX REAL ESTATE LIMITED

## Detailed Statement of Profit or Loss and Other Comprehensive Income for the period ended 31 October 2019

---

	2019	
	€	€
<b>Revenue</b>		19,355
<b>Administrative expenses</b>		
Audit	1,000	
Formation expenses	273	
	<u>          </u>	(1,273)
<b>Profit on ordinary activities before taxation</b>		<u>18,082</u>

**This page does not form part of the statutory financial statements.**