C11273

EXALCO GROUP LIMITED

Annual Report and Financial Statements
31 December 2017

Company Registration Number: C11273

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Independent auditor's report

To the Shareholders of Exalco Group Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Exalco Group Limited's financial statements give a true and fair view of the company's financial position as at 31 December 2017, and of the company's financial performance for the year then ended in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-sized Entities) Regulations, 2015 and the Schedule accompanying and forming an integral part of those Regulations (GAPSME); and
- the financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Exalco Group Limited's financial statements, set out on pages 4 to 22, comprise:

- the statement of financial position as at 31 December 2017;
- the income statement for the year then ended;
- the statement of changes in equity for the year ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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 *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Capt. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

Independent auditor's report - continued

To the Shareholders of Exalco Group Limited

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with GAPSME and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

Auditor's 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 auditor's 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 judgment 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 company'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 the 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 company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's report. However, future events or conditions may cause the company 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.

Independent auditor's report - continued

To the Shareholders of Exalco Group 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.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:

- Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

We have nothing to report to you in respect of these responsibilities.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Stefan Bonello
Partner

11 May 2018

Statement of financial position

	Notes	As at 31 December 2017 €	As at 31 December 2016 restated €
ASSETS			
Non-current assets			
Property, plant and equipment	2	456,323	127,871
Investment property	3	53,715,454	32,834,196
Investments in subsidiaries	4	-	14,974
Total non-current assets		54,171,777	32,977,041
Current assets			
Trade and other receivables	5	1,000,558	1,881,574
Cash and cash equivalents		212,771	682,095
Total current assets		1,213,329	2,563,669
Total assets		55,385,106	35,540,710

Statement of financial position - continued

	Notes	As at 31 December 2017 €	2016 € restated
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,840,000**	2,840,000
Revaluation reserve	6	**30,270,332**	15,351,835
Retained earnings		**2,357,742**	3,677,577
Total equity		**35,468,074**	21,869,412
LIABILITIES			
Non-current liabilities			
Borrowings	7	**10,609,078**	8,634,268
Deferred tax liabilities	8	**4,650,990**	1,534,534
Trade and other payables	9	**551,693**	379,287
Total non-current liabilities		**15,811,761**	10,548,089
Current liabilities			
Borrowings	7	**1,660,643**	1,439,223
Trade and other payables	9	**2,146,658**	1,445,659
Current tax liabilities		**297,970**	238,327
Total current liabilities		**4,105,271**	3,123,209
Total liabilities		**19,917,032**	13,671,298
Total equity and liabilities		**55,385,106**	35,540,710

The notes on pages 8 to 22 are an integral part of these financial statements.

The financial statements on pages 4 to 22 were authorised for issue by the board on 11 May 2018 and were signed on its behalf by:

Mr. Alexander Montanaro
Director

Mr. Jean Marc Montanaro
Director

Income statement

	Notes	Year ended 31 December 2017 €	2016 € restated
Revenue	10	**2,731,386**	2,190,735
Direct operating expenses		**(747,104)**	(494,998)
Administrative expenses		**(195,339)**	(233,845)
Other gains/(losses) – net	11	**-**	18,948
Operating profit	12	**1,788,943**	1,480,840
Finance income		**67**	116
Finance costs		**(537,833)**	(512,624)
Profit before tax		**1,251,177**	968,332
Tax expense	15	**(332,998)**	(283,703)
Profit for the year		**918,179**	684,629

The notes on pages 8 to 22 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Revaluation reserve €	Retained earnings €	Total equity €
Balance 1 January 2016					
- as previously reported		2,400,000	14,968,323	3,905,481	21,273,804
- effect of prior year adjustment	3	-	-	(472,533)	(472,533)
- as restated		2,400,000	14,968,323	3,432,948	20,801,271
Total income recognised directly in equity					
- as previously reported		-	-	1,112,507	1,112,507
- effect of prior year adjustments	3,6	-	383,512	(427,878)	(44,366)
Profit for the year - restated		-	383,512	684,629	1,068,141
Capitalisation of profits		440,000	-	(440,000)	-
Balance at 31 December 2016		2,840,000	15,351,835	3,677,577	21,869,412
Balance at 1 January 2017					
- as previously reported		2,400,000	14,968,323	4,577,988	22,386,311
- effect of prior year adjustments	3,6	-	383,512	(900,411)	(516,899)
- as restated		2,840,000	15,351,835	3,677,577	21,869,412
Revaluation gains on investment property, net of deferred tax	3,8	-	14,918,497	-	14,918,497
Total income recognised directly in equity					
Profit for the year		-	-	918,179	918,179
Dividends	16	-	-	(2,238,014)	(2,238,014)
Balance at 31 December 2017		**2,840,000**	**30,270,332**	**2,357,742**	**35,468,074**

The notes on pages 8 to 22 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these individual financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The financial statements have been prepared in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2015 (GAPSME), and the requirements of the Maltese Companies Act (Cap. 386). These financial statements have been prepared under the historical cost convention as modified by the revaluation of land and buildings.

As from 1 January 2017, the company rectified its accounting policies related to depreciation of buildings within the Property, plant and equipment and Investment property categories. Following this rectification, the carrying value of these non-current assets had to be restated. The resulting change in the accounting treatment had a material effect on the company's financial statements and comparative information has been restated accordingly. This has necessitated the restatement of the opening non-current asset balances as at 1 January 2016. Comparative figures for 2016 have been adjusted accordingly. This rectification decreased the company's profit after tax for the financial year ended 31 December 2016 by €518,899. The impact of this rectification was also reflected in the statement of changes in equity. This rectification decreased the company reserves as at 1 January 2016 by €472,533.

The revaluation reserve as at 31 December 2016 figures was also restated by €383,512 to include deferred tax movements of which were previously credited to retained earnings (Note 6). This rectification increased the company's profit after tax for the financial year ended 31 December 2016 by €383,512.

As at 31 December 2017, the company had net current liabilities of €2,891,942 (2016: €559,540). These financial statements have been prepared on a going concern basis, which assumes that the company will continue in operational existence for the foreseeable future. The validity of this assumption depends on the continued support given by the shareholder. The shareholder confirmed that he will ensure that the company will be able to meet its liabilities as and when they fall due.

1.2 Foreign currency translation

(a) Functional and presentation currency

The company's financial results and financial position are measured in the functional currency, i.e. euro ("€"), which is the currency of the primary economic environment in which the company operates. These financial statements are presented in euro ("€"), i.e. the presentation currency, which is the currency in which the company's share capital is denominated.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation - continued

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the income statement within 'finance income or cost'. All other foreign exchange gains and losses are presented in the income statement within 'other income/(expense)'.

1.3 Property, plant and equipment

All property, plant and equipment is initially recorded at cost. Land and buildings, comprising mainly offices, are shown at fair value, less subsequent depreciation for buildings. Valuations are carried out on a regular basis such that the carrying amount of property does not differ materially from that which would be determined using fair values at the end of the reporting period. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset.

All other property, plant and equipment is subsequently stated at historical cost less depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs recognised in profit and loss in accordance with accounting policy 1.17.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited directly to a revaluation reserve in shareholders' equity. Decreases that offset previous increases of the same asset are charged against the revaluation reserve directly in equity; all other decreases are charged to profit or loss.

Land is not depreciated as it is deemed to have an indefinite life. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows:

	%
Buildings	0.5
Lifts and escalators	15
Furniture, fixtures, fittings and equipment	10
Motor vehicles	20
Computer and other equipment	25

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

1. **Summary of significant accounting policies** - continued

1.3 Property, plant and equipment - continued

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.4 Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the company. Property that is being constructed or developed for future use as investment property is classified as property, plant and equipment and stated at cost until construction or development is complete, at which time it is reclassified and subsequently accounted for as investment property.

Investment property is measured initially at its historical cost, including related transaction costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs are recognised in profit and loss in accordance with accounting policy 1.17.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the company and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

After initial recognition, investment property is carried at fair value, representing open market value determined annually, less subsequent depreciation for buildings, and impairment. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually by the directors with the assistance of professional valuers. Investment property that is being redeveloped for continuing use as investment property or for which the market has become less active continues to be measured at fair value. The fair value of investment property reflects, among other things, rental income from current leases and assumptions about rental income from future leases in the light of current market conditions. The fair value also reflects, on a similar basis, any cash outflows that could be expected in respect of the property.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Increases in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss; with any remaining increase recognised directly in equity in a revaluation reserve. Any resulting decrease in the carrying amount of the property is initially charged directly to equity against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

1. **Summary of significant accounting policies** - continued

1.4 Investment property - continued

Land is not depreciated as it is deemed to have an indefinite life. The capitalised cost of buildings is amortised using the straight-line method over the respective useful lives. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

A property's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 1.6).

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the company decides to dispose of an investment property without development, the company continues to treat the property as an investment property. Similarly, if the company begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost or valuation and accumulated depreciation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as a revaluation as described above.

Where an investment property undergoes a change in use, evidenced by commencement of development with a view to sale, the property is transferred to inventories. A property's deemed cost for subsequent accounting as inventories is its fair value at the date of change in use.

1.5 Investment in subsidiary

Investment in subsidiary are accounted for by the cost method of accounting, i.e. at cost less impairment. If applicable, cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. Cost also includes directly attributable costs of the investment. Provisions are recorded where, in the opinion of the director, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the impairment is identified.

The results of the subsidiary are reflected in these financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1. **Summary of significant accounting policies** - continued

1.6 Impairment of investment in subsidiary and non-financial assets

Investment in subsidiary and non-financial assets that are subject to amortisation are reviewed 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 the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Financial assets

1.7.1 Classification

The company classifies its financial assets, other than investment in subsidiary in the loans and receivables category. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments on initial recognition and re-evaluates this designation at every reporting date.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise trade and other receivables and cash and cash equivalents in the statement of financial position (Note 1.8 and 1.9).

1.7.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. All financial assets are initially recognised at fair value plus transaction costs.

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.7.3 Impairment

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The company first assesses whether objective evidence of impairment exists.

1. **Summary of significant accounting policies** - continued

1.7 Financial assets - continued

1.7.3 Impairment - continued

The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation; and
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group.

The company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment loss. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in profit or loss. Impairment testing of trade receivables is described in Note 1.8.

1.8 Trade and other receivables

Trade receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.7.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

1. **Summary of significant accounting policies** - continued

1.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. Cash and cash equivalents include cash in hand, deposits held at call with banks, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the statement of financial position.

1.10 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.11 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Financial liabilities are recognised initially at fair value, including transaction costs. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.12 Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred, and subsequently measured in accordance with the policy described in Note 1.11. On derecognition, any difference between the carrying amount and the redemption or settlement amount is recognised in profit or loss.

Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

1.14 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

1.15 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised directly in equity. In this case, the tax is also recognised directly in equity.

1. **Summary of significant accounting policies** - continued

1.15 Current and deferred tax - continued

Deferred tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.16 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the sale of services in the ordinary course of the company's activities. Revenue is recognised upon performance of services, and is stated net of sales tax, returns, rebates and discounts.

The company recognises revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the company's activities as described below.

Rentals receivable, short-term lets receivable and premia charged to tenants of immoveable property are recognised in the period when the property is occupied. Premia are taken to profit or loss over the period of the leases to which they relate.

Revenue from services related to complex management is generally recognised in the accounting period in which the services are provided, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

Interest income is recognised for all interest-bearing instruments using the effective interest method.

1.17 Borrowing costs

Borrowing costs are recognised in profit and loss as incurred.

1.18 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the company's financial statements in the period in which the dividends are approved by the company's shareholders.

2. Property, plant and equipment

	Office buildings €	Furniture, fixtures, fittings and equipment €	Motor vehicles €	Total €
At 1 January 2017				
Cost (or valuation)	-	596,292	42,518	638,810
Accumulated depreciation	-	(480,700)	(30,239)	(510,939)
Net book amount	-	115,592	12,279	127,871
Year ended 31 December 2017				
Opening net book amount	-	115,592	12,279	127,871
Additions	-	901,591	-	901,591
Disposals	-	-	(19,776)	(19,776)
Depreciation charge	-	(130,235)	(4,699)	(134,934)
Depreciation released on disposals		-	19,776	19,776
Transfers from/(to)	-			
investment property	448,743	(886,948)	-	(438,205)
Closing net book amount	448,743	-	7,580	456,323
At 31 December 2017				
Cost (or valuation)	448,743	610,935	22,742	1,082,420
Accumulated depreciation	-	(610,935)	(15,162)	(626,097)
Net book amount	**448,743**	**-**	**7,580**	**456,323**

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 **€**	2016 €
At 31 December		
Cost	**132,912**	-
Accumulated depreciation	**(665)**	-
Net book amount	**132,247**	-

3. Investment property

	€
At 1 January 2016	
Valuation - as previously reported	**33,351,095**
Accumulated depreciation - effect of prior year adjustment	**(516,899)**
Net book amount - as restated	**32,834,196**
Year ended 31 December 2017	
Opening net book amount	**32,834,196**
Additions	**2,505,320**
Net transfers from property, plant and equipment (Note 2)	**438,205**
Transferred to advanced deposits	**(28,000)**
Fair value gains (Notes 6, 8)	**18,034,953**
Depreciation charge	**(69,220)**
Closing net book amount	**53,715,454**
At 31 December 2017	
Valuation	**54,301,573**
Accumulated depreciation	**(586,119)**
Net book amount	**53,715,454**

The investment property was revalued on 31 December 2017 with an increase in value of €18,034,953. The fair value comprises open market values approved by the directors on the basis of a professional valuation prepared by a professionally qualified independent valuer, Mr. Stephen Mangion (A.&C.E) of Mangion, Mangion & Partners. The revaluation reserve net of applicable deferred income taxes has been credited to 'revaluation reserve' in shareholders' equity.

The 2016 figures were restated to conform with GAPSME and included accumulated depreciation amounting to €516,899 on the buildings portion, which was not being accounted for in prior years. This impacted the company's profit before tax for 2016 by €44,366 and retained earnings as at 31 December 2015 by €472,533.

If the investment property were stated on the historical cost basis, the amounts would be as follows:

	2017	2016 restated
	€	€
At 31 December		
Cost	**16,902,916**	14,530,506
Accumulated depreciation	**(586,119)**	(516,899)
Net book amount	**16,316,797**	14,013,607

4. Investment in subsidiary

	€
Year ended 31 December 2017	
At 1 January	**14,974**
Disposals	**(14,974)**
At 31 December	-

During 2017, the company disposed the investment in subsidiary to the shareholder. The company did not prepare consolidated financial statements for the year ended 31 December 2017 as it availed of the size exemption option set in Article 173 of the Maltese Companies Act (Cap. 386).

5. Trade and other receivables

	2017	2016
	€	€
Current		
Trade receivables	**330,221**	276,350
Amounts owed by related parties	**628,399**	1,577,364
Other receivables	**4,482**	3,426
Prepayments and accrued income	**37,456**	24,434
	1,000,558	1,881,574

Amounts owed by related parties are unsecured, interest free and repayable on demand. As of 31 December 2017 and 2016 amounts owed by related parties, were fully performing and hence do not contain impaired assets.

6. Revaluation reserve

	€
Balance at 1 January 2016	**14,968,323**
- effect of prior year adjustment - restated	**383,512**
Balance at 31 December 2016 - restated	**15,351,835**
Balance at 1 January 2017	
- as previously reported	**14,968,323**
- effect of prior year adjustment	**383,512**
- as restated	**15,351,835**
Revaluation gains net of deferred tax (Notes 3,8)	**14,918,497**
As at 31 December 2017	**30,270,332**

The 2016 figures were restated to include €383,512 revaluation gains, which where previously credit to retained earnings instead of the revaluation reserve.

7. Borrowings

	2017	2016
	€	€
Non-current		
Bank loans	**10,026,384**	8,466,270
Shareholders' loan	**582,694**	167,998
	10,609,078	8,634,268
Current		
Bank loans	**926,573**	821,624
Bank overdraft	**734,070**	617,599
	1,660,643	1,439,223

An amount of €6,103,447 (2016: €7,013,378) on bank loans representing long-term borrowings, are payable after more than 5 years.

The company's banking facilities as at 31 December 2017 amounted to €15,326,074.

8. Deferred tax liabilities

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2016: 35%), with the exception of deferred taxation on the fair valuation of property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 8% or 10% of the transfer value.

The movement on the deferred tax account is as follows:

	2017	2016
	€	€
At beginning of year	**1,534,534**	1,917,764
Recognised directly in equity		
Deferred income taxes on revaluation gain on investment property arising during the year (Note 3)	**3,116,456**	(383,230)
At end of year	**4,650,990**	1,534,534

The balance at 31 December represents:

	2017	2016
	€	€
Temporary differences arising on fair valuation of investment property	**4,650,990**	1,534,534

The recognised deferred tax assets and liabilities are expected to be recovered or settled principally after more than twelve months.

9. Trade and other payables

	2017 €	2016 €
Trade payables	**221,762**	249,572
Deposits received from clients	**665,336**	419,838
Indirect taxes and social security costs	**262,702**	226,509
Accruals and deferred income	**1,548,551**	929,027
	2,698,351	1,824,946
Non-current	**551,693**	379,287
Current	**2,146,658**	1,445,659
	2,698,351	1,824,946

10. Revenue

	2017 €	2016 €
Rental operations	**2,219,989**	1,811,368
Management operations	**511,397**	379,367
	2,731,386	2,190,735

11. Other gains/(losses) – net

Other gains/(losses) – net includes:

	2017 €	2016 €
Realised foreign exchange differences	-	3,272
Unrealised foreign exchange differences	-	15,676

12. Operating profit

Operating profit is stated after charging the following:

	2017 €	2016 €
Payroll costs (Note 13)	**89,462**	67,934
Depreciation	**204,156**	82,933
Annual statutory audit fees	**10,000**	2,000
Repairs and maintenance costs	**453,486**	322,869

13. Employee benefit expense

	2017 €	2016 €
Wages and salaries	**89,462**	67,934

The average number of persons employed by the company during the financial reporting period was:

	2017	2016
	5	5

14. Directors emoluments

	2017 €	2016 €
Salaries and other emoluments	**80,193**	18,410

Included in the directors emoluments there is an amount of €48,000 paid to the ultimate beneficiary owner.

15. Tax expense

	2017 €	2016 € restated
Current tax expense:		
on taxable income subject to tax @ 15%	**332,998**	283,421
Deferred taxation	**-**	282
	332,998	283,703

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2017 €	2016 € restated
Profit before tax	**1,251,177**	968,332
Tax on profit at 35%	**437,912**	338,916
Property tax rules on rental income	**(207,427)**	(55,495)
Disallowed expenses	**69,810**	-
Unrecognised deferred tax	**32,703**	-
	332,998	283,421

The 2016 figures were restated to include adjustments noted in Note 3 and Note 6 to these financial statements.

16. Dividends

	2017 €	2016 €
Final dividends paid on ordinary shares:		
Gross	**2,632,956**	-
Tax at source at 15%	**(394,942)**	-
	2,238,014	-

17. Related party transactions

The ultimate controlling party of Exalco Group Limited is Mr. Alexander Montanaro. Companies which are owned by Mr. Alexander Montanaro are related parties since these companies have an ultimate common controller. Year end balances with related parties are disclosed in Note 5 to these financial statements.

Transactions with these related parties are disclosed in Notes 4 and 14 to these financial statements.

18. Statutory information

Exalco Group Limited is a limited liability company and is incorporated in Malta. The registered office is The Cornerstone Business Centre, Level 4, 16 September Square, Mosta, MST 1180, Malta.

19. Comparative information

Comparative figures disclosed in the main components of these financial statements have been reclassified to conform with the current year's presentation format for the purpose of fairer presentation.

The company rectified its accounting policies related to depreciation of buildings within the Property, plant and equipment and Investment property categories, with effect from 1 January 2017. This has necessitated the restatement of the opening balances as at 1 January 2016. The comparative financial information for 2016 has been adjusted accordingly.

The revaluation reserve as at 31 December 2016 figures was also restated to include deferred tax movements of which were previously credited to retained earnings.