EXALCO PROPERTIES LIMITED

Annual Report and Financial Statements
31 December 2020

Company Registration Number: C11273

Independent auditor's report

To the Shareholders of Exalco Properties Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Exalco Properties Limited as at 31 December 2020, 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 Properties Limited's financial statements, set out on pages 4 to 23, comprise:

- the statement of financial position as at 31 December 2020;
- the income statement for the year then 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 Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

Independent auditor's report - *continued*

To the Shareholders of Exalco Properties 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 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 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- 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 Properties 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 which, to the best of our knowledge and belief, we require for our audit.

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

Other matter – use of this report

Our report, including the opinion, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving this opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

Stefan Bonello
Partner

22 April 2021

Statement of financial position

	Notes	As at 31 December 2020 €	2019 €
ASSETS			
Non-current assets			
Property, plant and equipment	2	**445,270**	448,554
Investment property	3	**60,839,970**	60,900,081
Trade and other receivables	4	**2,486,361**	2,482,061
Total non-current assets		**63,771,601**	63,830,696
Current assets			
Trade and other receivables	4	**1,177,411**	1,008,259
Cash and cash equivalents		**4,137,761**	1,906,826
Total current assets		**5,315,172**	2,915,085
Total assets		**69,086,773**	66,745,781

Statement of financial position (continued)

	Notes	As at 31 December 2020 €	2019 €
EQUITY AND LIABILITIES			
Equity			
Share capital		**2,840,000**	2,840,000
Revaluation and Other reserves	5	**30,322,095**	30,322,095
Retained earnings		**6,796,518**	4,889,797
Total equity		**39,958,613**	38,051,892
LIABILITIES			
Non-current liabilities			
Borrowings	6	**20,518,463**	20,537,533
Deferred tax	7	**4,684,590**	4,684,590
Trade and other payables	8	**716,333**	645,387
Total non-current liabilities		**25,919,386**	25,867,510
Current liabilities			
Borrowings	6	**387,589**	379,419
Trade and other payables	8	**2,214,261**	1,900,018
Current tax payable		**606,924**	546,942
Total current liabilities		**3,208,774**	2,826,379
Total liabilities		**29,128,160**	28,693,889
Total equity and liabilities		**69,086,773**	66,745,781

The notes on pages 8 to 23 are an integral part of these financial statements.

The financial statements on pages 4 to 23 were authorised for issue by the board on 22 April 2021 and were signed on its behalf by:

Mr. Alexander Montanaro
Director

Mr. Jean Marc Montanaro
Director

Income statement

	Notes	2020 €	2019 €
		Year ended 31 December	
Revenue	9	**4,768,719**	4,334,597
Direct operating expenses		**(1,025,502)**	(966,391)
Administrative expenses		**(334,432)**	(359,789)
Operating profit	10	**3,408,785**	3,008,417
Finance income		**32**	76,192
Finance costs		**(926,068)**	(946,320)
Profit before tax		**2,482,749**	2,138,289
Tax expense	13	**(576,028)**	(546,126)
Profit for the year		**1,906,721**	1,592,163

The notes on pages 8 to 23 are an integral part of these financial statements.

Statement of changes in equity

	Notes	Share capital €	Revaluation reserve €	Retained earnings €	Total equity €
Balance at 1 January 2019		2,840,000	30,328,032	3,397,634	36,565,666
Release of revaluation reserve upon disposal of investment property	5	-	(5,937)	-	(5,937)
Total income recognised directly in equity					
Profit for the year		-	-	1,592,163	1,592,163
Dividends	14	-	-	(100,000)	(100,000)
Balance as at 31 December 2019		**2,840,000**	**30,322,095**	**4,889,797**	**38,051,892**
Balance as at 1 January 2020		2,840,000	30,322,095	4,889,797	38,051,892
Total income recognised directly in equity					
Profit for the year		-	-	1,906,721	1,906,721
Balance as at 31 December 2020		**2,840,000**	**30,322,095**	**6,796,518**	**39,958,613**

The notes on pages 8 to 23 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 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.

In view of the current situation brought about by the COVID-19 pandemic, the company recognises that the key risk and uncertainty arises from the company's tenants failing to meet their financial commitments as per the lease agreements and from the company's obligations to meet its financial liabilities, which principally comprise borrowings and trade and other payables, when they fall due.

The company's management has carried out an assessment which shows that it will be in a position to meet its financial liabilities when they fall due. This assessment, which is an on-going process, considers the risks and uncertainties the company currently and potentially faces as the situation evolves and identifies measures that may be taken by management as appropriate from time to time to curb any negative impact on the company's operations and its liquidity and hence its financial position and equity.

The risk of recoverability of receivables is mitigated by the fact that rental income falls due for settlement in advance and, furthermore, the company holds security deposits from tenants as disclosed in Note 8. Management remains committed to take all appropriate steps to mitigate the potential negative impact that may be felt by the company and its operations as a consequence of the pandemic, either directly or as a result of the impact that may be felt by the company's customer base.

To this effect the board of directors have concluded that the company's business to be a going concern and able to finance its operations in the coming year.

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 administrative expenses .

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 are recognised in profit or loss as incurred, in accordance with accounting policy 1.16.

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.

1. Summary of significant accounting policies (continued)

1.3 Property, plant and equipment (continued)

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	1
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.

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 1.5).

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 commercial property, 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 or loss in accordance with accounting policy 1.16.

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.

1. Summary of significant accounting policies (continued)

1.4 Investment property (continued)

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.

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 1.5).

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 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. Summary of significant accounting policies (continued)

1.5 Impairment of non-financial assets

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.

1.6 Financial assets

(a) Classification

The company classifies its financial assets 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 (notes 1.7 and 1.8).

(b) 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. Summary of significant accounting policies (continued)

1.6 Financial assets (continued)

(c) 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. 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 1.7.

1.7 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 1.6(c)). 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)

1.8 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.

1.9 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.

1.10 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.

1.11 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.

1.12 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 1.10. 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.

1.13 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. Summary of significant accounting policies (continued)

1.14 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.

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.

1.15 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 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.

1.16 Borrowing costs

Borrowing costs are recognised in profit or loss as incurred.

1. Summary of significant accounting policies (continued)

1.17 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 2020				
Cost (or valuation)	448,743	482,759	22,742	954,244
Accumulated depreciation	(2,658)	(481,730)	(21,302)	(505,690)
Net book amount	446,085	1,029	1,440	448,554
Year ended 31 December 2020				
Opening net book amount	446,085	1,029	1,440	448,554
Depreciation charge	(1,329)	(515)	(1,440)	(3,284)
Closing net book amount	**444,756**	**514**	-	**445,270**
At 31 December 2020				
Cost (or valuation)	448,743	482,759	22,742	954,244
Accumulated depreciation	(3,987)	(482,245)	(22,742)	(508,974)
Net book amount	**444,756**	**514**	-	**445,270**

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

	2020 €	2019 €
At 31 December		
Cost	**132,912**	132,912
Accumulated depreciation	**(4,652)**	(3,323)
Net book amount	**128,260**	129,589

The directors are of the opinion that the carrying amount of property, plant and equipment as at 31 December 2020 does not differ materially from that which would be determined using the open market value approach.

3. Investment property

	€
At 1 January 2020	
Valuation	62,147,402
Accumulated depreciation	(1,247,321)
Net book amount	60,900,081
Year ended 31 December 2020	
Opening net book amount	60,900,081
Additions	277,058
Depreciation charge	(337,169)
Closing net book amount	**60,839,970**
At 31 December 2020	
Cost	62,424,460
Accumulated depreciation	(1,584,490)
Net book amount	**60,839,970**

The investment property was last revalued on 31 December 2017. The fair value comprises open market value approved by the directors on the basis of 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 directors are of the opinion that the carrying amount of investment property as at 31 December 2020 does not differ materially from that which would be determined using fair values that take account of the above considerations.

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

	2020	2019
	€	€
At 31 December		
Cost	**25,820,250**	25,543,192
Accumulated depreciation	**(1,584,480)**	(1,247,321)
Net book amount	**24,235,770**	24,295,871

Investment property with a carrying amount of €25,484,630 is held as security by the trustee of the bondholders, as per trust agreement dated 13 August 2018 (Note 6).