Company Registration No.:- C 35806

Sudvel Limited

Annual Report and Financial Statements
for the year ended
31 December 2018

Contents | **Page**

SP | JWG

Sudvel Limited

Directors' Report
for the year ended 31 December 2018

The Board of Directors is hereby presenting its annual report together with the audited financial statements of the Company for the year ended 31 December 2018.

Directors

The Directors of the Company since the beginning of the year up to the date of this report were:

Mr. Martin Vella
Mr. Mark Vella

Principal activity

The Company is principally engaged in renting out of property, carrying the business of finance and holding of immovable property. The Company also acts as a guarantor to the Bond issue by Hal Mann Vella Group plc.

Review of business

During the year ended 31 December 2018, the Company generated a profit before tax of €1,595,742 (2017: €4,339,659). This decrease is mainly due to prior year fair value change in the investment property held by the Company.

Given the Company's financing structure and the positive net assets position attained by the company by the end of the current financial year, the directors consider the company's state of affairs as at the close of the financial year to be satisfactory.

Results

The results for the year are set out in the statement of comprehensive income on page 7.

Future Developments

The directors expect to attain and enhance the company's present level of revenue and continue to register positive results in the coming years.

Dividend

The Board of Directors does not propose a payment of a dividend.

Financial Reporting Framework

The Directors have prepared the Company's financial statements for the year ended 31 December 2018 in accordance with the International Financial Reporting Standards as adopted by the European Union, and the requirements of the Companies Act, Cap 386 of the Laws of Malta.

Auditors

By order of the Board:

Mr. Martin Vella - Director

Mr. Mark Vella - Director

Registered Office
Hal Mann Vella, The Factory,
Mosta Road, Lija LJA 9016
17 April 2019

Sudvel Limited

Statement of Directors' Responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the Directors of Sudvel Limited to prepare annual financial statements for each financial year which give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit or loss of the Company for the year in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union.

In preparing such financial statements, the Directors are required to:
- adopt the going concern basis unless it is inappropriate to presume that the company will continue in business;
- select suitable accounting policies and apply them consistently from one accounting year to another;
- make judgments and estimates that are reasonable and prudent; and
- account for income and charges relating to the accounting year on the accruals basis.

The Directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time, the financial position of the Company and to enable them to ensure that the financial statements have been properly prepared in accordance with the provisions of the Companies Act, Cap. 386 of the Laws of Malta.

The Directors are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set out on pages 7 to 41, which comprise the statement of financial position as at 31 December 2018, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2018, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386, Laws of Malta.

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 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 that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The Directors are responsible for the other information. The other information comprises of the Directors' Report, but does not include the financial statements and our Auditors' Report thereon.

Our opinion on the financial statements does not cover this information, including the Directors' Report.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Companies Act, Cap 386 of the Laws of Malta. Based on the work we have performed, in our opinion:

- the information given in the Directors' Report for the year ended 31 December 2018 is consistent with the financial statements ; and
- the Directors' Report has been prepared in accordance with the Companies Act (Cap.386)

In addition, in light of the knowledge and understanding of the Company and its environment, obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report.

Based on the work we have performed, we have nothing to report in this regard.

Responsibilities of the Directors and Those Charged with Governance
The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the Europeanian Union, and for such internal controls 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 to do so. Misstatements can arise from fraud or error and are considered material if, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

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 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.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

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

- Identify and assess the risk 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 ommissions, 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 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 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.

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.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be throught to bear on our independence, and where applicable, related safeguards.

Independent Auditors' Report
to the members of Sudvel Limited

Report on other legal and regulatory requirements

Under the Companies Act, Cap 386 of the Laws of Malta, we are required to report to you if, in our opinion :

- we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit ;
- proper books of account have been kept by the Company so far as appears from our examination thereof ;
- the Company's financial statements are not in agreement with the books of account ;
- if 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.

This copy of the audit report has been signed by:

Jozef Wallace Galea (Partner)
for and on behalf of HLB CA Falzon
Registered Auditors

17 April 2019

HLB CA Falzon, Central Office Building, Block A, Level 1, Mosta Road, Lija LJA 9016, Malta
TEL: +356 2010 9800 EMAIL: info@hlbmalta.com VAT NO: MT 2080 6811
PARTNERS: Jozef Wallace Galea, Alfred Falzon, Patrizio Prospero, Adrian Sultana.

Sudvel Limited

Statement of Comprehensive Income
for the year ended 31 December 2018

	Note	Current €	2017 €
Rental income	5	1,687,338	512,627
Gross profit		1,687,338	512,627
Administrative expenses	6	(59,233)	(21,191)
Profit on sale of property for resale	7	46,751	-
Other income from construction works	8	20,533	352,274
Operating profit		1,695,389	843,710
Fair value change in investment property	8	494,435	3,589,787
Finance costs	9	(594,082)	(93,838)
Profit before tax		1,595,742	4,339,659
Income tax expense	11	(370,348)	(1,420,183)
Profit for the year		1,225,394	2,919,476
Other comprehensive income		-	-
Total comprehensive income for the year		1,225,394	2,919,476

The notes on pages 11 to 41 form part of these financial statements

Sudvel Limited

Statement of Financial Position
as at 31 December 2018

	Note	Current €	2017 €
ASSETS			
Non-current assets			
Investment property	13	26,611,967	26,109,487
Deferred tax assets	17	360,271	612,229
Total non-current assets		26,972,238	26,721,716
Current assets			
Property for resale	14	55,616	3,112,518
Trade and other receivables	15	624,894	3,157,064
Financial assets	12	-	40,332
Cash and cash equivalents	20	361,308	120,436
Total current assets		1,041,818	6,430,350
Total assets		28,014,056	33,152,066
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	500,000	500,000
Other reserve	19	7,205,804	10,003,941
Retained earnings		6,139,431	2,118,795
Total equity and reserves		13,845,235	12,622,736
Non-current liabilities			
Borrowings	12	8,708,403	11,091,466
Deferred tax liability	17	1,896,760	2,088,759
Total non-current liabilities		10,605,163	13,180,225
Current liabilities			
Current borrowings	12	460,000	1,831,111
Trade and other payables	16	3,103,658	5,517,994
Total current liabilities		3,563,658	7,349,105
Total liabilities		14,168,821	20,529,330
Total equity and liabilities		28,014,056	33,152,066

The notes on pages 11 to 41 form part of these financial statements

The financial statements on pages 7 to 41 were authorised for issue by the Board and were signed on its behalf by:

Mr. Martin Vella - Director

17 April 2019

Mr. Mark Vella - Director

Sudvel Limited

Statement of Changes in Equity
for the year ended 31 December 2018

	Issued capital €	Other reserve €	Retained earnings €	Total €
Balance as at 1 January 2017	1,165	7,672,729	1,530,531	9,204,425
Profit for the year	-	-	2,919,476	2,919,476
Total comprehensive income for the year	-	-	2,919,476	2,919,476
Transfer of unrealised fair value gain on investment property, net of deferred tax	-	2,331,212	(2,331,212)	-
Issue of share capital	498,835	-	-	498,835
Balance as at 31 December 2017	500,000	10,003,941	2,118,795	12,622,736
Balance as at 1 January 2018	500,000	10,003,941	2,118,795	12,622,736
Effect of adoption of new accounting standards (note 21)	-	-	(2,895)	(2,895)
As restated	500,000	10,003,941	2,115,900	12,619,841
Profit for the year	-	-	1,225,394	1,225,394
Transfer of unrealised fair value gain on investment property, net of deferred tax	-	(2,798,137)	2,798,137	-
Total comprehensive income for the year	-	(2,798,137)	4,023,531	1,225,394
Balance as at 31 December 2018	500,000	7,205,804	6,139,431	13,848,130

The notes on pages 11 to 41 form part of these financial statements

Sudvel Limited

Statement of Cash Flows
for the year ended 31 December 2018

	Note	Current €	2017 €
Cash flows from operating activities			
Profit before tax		1,595,742	4,339,659
Adjustments for:			
Provision for estimated credit losses		5,155	-
Fair value change in investment property		(494,435)	(3,589,787)
Working capital changes:			
Decrease/(increase) in property for resale		3,056,902	(187)
Decrease/(increase) in receivables		2,524,120	(2,346,379)
(Decrease)/increase in payables		(2,386,126)	4,660,182
(Payments to)/receipts from related company		(57,475)	57,475
Interest paid		(258,528)	(64,573)
Finance cost		594,082	93,838
Taxation paid		(310,389)	-
Net cash from operating activities		4,269,048	3,150,228
Cash flows from investing activities			
Payments to acquire investment property		(8,045)	(11,793,420)
Capitalisation of borrowing costs		(30,800)	(348,980)
Net cash used in investing activities		(38,845)	(12,142,400)
Cash flows from financing activities			
Issue of share capital		-	498,835
(Repayment of bank loans)/advances from banks		(522,841)	5,967,962
Interest paid on loans		(275,489)	-
(Repayments to)/receipts from group companies		(3,136,438)	2,581,315
Net cash (used in)/from financing activities		(3,934,768)	9,048,112
Increase in cash and cash equivalents		295,435	55,940
Cash and cash equivalents at beginning of year		65,873	9,933
Cash and cash equivalents at end of year	20	361,308	65,873

The notes on pages 11 to 41 form part of these financial statements

Sudvel Limited

Notes to the Financial Statements
for the year ended 31 December 2018

1. Corporate information

Sudvel Limited is registered in Malta as a limited liability company under the Companies Act, Cap. 386 of the laws of Malta. The Company's registration number is C 35806.

2. Significant accounting policies

a) Basis of preparation

The Company's financial statements are prepared under the historical cost convention except for investment property that has been measured at fair value and are in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta. The financial statements are presented in Euro, which is the Company's functional currency.

b) Current versus non-current classification

The Company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:
- Expected to be realised or intended to be sold or consumed in the normal operating cycle;
- Held primarily for the purpose of trading;
- Expected to be realised within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date.

All other assets are classified as non-current.

A liability is current when:
- It is expected to be settled in the normal operating cycle;
- It is held primarily for the purpose of trading;
- It is due to be settled within twelve months after the reporting date; or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting date.

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Upon adoption of IFRS 9)

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are measured at amortised cost (debt instruments).

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:
-The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
-The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.
Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.
The Company's financial assets are amortised cost includes trade receivables, and receivables from related companies which are included under current financial assets.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised when:
- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets

Further disclosures relating to impairment of financial assets are also provided in notes to the financial statements.

The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans or borrowings or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.
Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 12.

Derecognition
A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Prior to Adoption of IFRS 9)

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or, available-for-sale financial assets as appropriate. All financial assets are recognized initially at fair value, plus in the case of financial assets not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

Subsequent measurement
For purposes of subsequent measurement, financial assets are classified in four categories: (a) Financial assets at fair value through profit or loss; (b) Loans and receivables; (c) Held-to-maturity investment and (d) Available-for-sale (AFS) financial assets.

The Company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired.

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.
The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'Administrative expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'Administrative expenses' in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash at bank and on hand, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading', or 'financial investment - available-for-sale' or 'financial assets designated at fair value through profit or loss'. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are on integral part of the EIR. The EIR amortisation is included in 'Finance income' in the statement of profit or loss. The gains and losses arising from impairment are recognised in the statement of profit of loss in 'Finance costs' for loans and in 'Cost of sales' or 'Other operating expenses' for receivables.

Derecognition of financial assets

A financial asset is derecognised where:
- the rights to receive cash flows from the asset have expired; or
- the Company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Impairment of financial assets

The Company assesses at the reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition, such as charges in arrears or economic conditions that correlate with defaults.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

Trade and other payables

Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

d) Investment property

Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Company, is classified as investment property. Investment property comprises freehold and leasehold land and buildings held under long-term operating leases.

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended. After initial recognition, investment property is carried at fair value representing open market value determined periodically. 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 periodically by 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. Fair value measurement on property under construction is only applied if the fair value is considered to be reliably measurable. 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.

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 the statement of comprehensive income 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.
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 its future expenditure other than those a rational market participant would take into account when determining the value of the property.

Changes in fair value are recognised in profit or loss. 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. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

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 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.

e) Property for resale

Property held for resale is included in the financial statements at the lower of cost and net realisable value. Cost comprises the purchase price of acquiring the property and other costs incurred to develop the property. Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

f) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at banks and on hand and short-term deposits with a maturity of three months or less, which are subject to an insignificant risk of changes in value.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash and short-term deposits as defined above, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

g) Share capital

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

h) 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.

i) 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. Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

j) Provisions

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the amount of the obligation can be made.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised as interest expense.

k) Taxation

The tax expense for the period comprises of deferred tax. Tax is recognized in the profit or loss, except when it relates to items recognized in other comprehensive income or directly in equity, in which case it is also dealt with in other comprehensive income or in equity, as appropriate.

Current income tax

Current income tax assets and liabilities for the current period are measured at the amount expected to be recovered or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantially enacted, at the reporting date. Current income tax relating to items recognised directly in equity is recognised in equity and not in the income statement.

Deferred income tax

Deferred tax is provided using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recongised for all temporary differences, except when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects niether the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax against current tax liabilites and the deferred taxes related to the same taxable entity and the same taxation authority.

Value Added Tax

Revenue, expenses and assets are recognised net of Value Added Tax, except:

- where the Value Added Tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case Value Added Tax is recognised as part of the acquisition of the asset or as part of the expense item, as applicable.
- where receivables and payables that are stated with the amount of Value Added Tax included.

The net amount of Value Added Tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

l) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains a lease if fulfillment of the arrangement is dependent on the use of a specific asset(s) and the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

The Company as a lessor

Leases in which the Company does not transfer all the risks and rewards of ownership of an asset are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

Rental income

Rental income from investment property is recognised in the profit or loss on a straight line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which use benefit derived from the lease asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

m) Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or contructing qualifying property, plant and equipment or investment property, are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended used. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed.

n) Fair value measurements and valuation processes

The Company measures non-financial assets such as investment property at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability or (b) in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Company.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient data are avaiable to measure at fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of investment property is disclosed in note 13.

3. Critical accounting estimates and judgements

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known. The most significant judgements and estimates are as follows:

Fair value of investment property

The Company carries its investment property at fair value, with changes in fair value being recognised in the profit or loss. This is based on market valuations performed by independent professional architects at least every two years. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of the investment property consisting of land and building is performed to reflect market conditions at the year-end date.

The last market valuation was performed on 30 September 2018 and the Company recognised fair values of investment property (note 13).

Operating lease commitments - Company as lessor

The Company has entered into commercial property leases on its investment properties. The Company has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Recognition of deferred tax assets

The extent to which deferred tax assets can be recognised is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forward can be utilised. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

Provision for expected credit losses of trade receivables

The Company uses a provision matrix to calculate ECLs for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in notes 12 and 21.

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2018. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.
The nature and the impact of each new standard and amendment is described below:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes International Accounting Standards (IAS) 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The standard requires entities to provide disclosures about the significant judgements made in determining the timing of satisfaction of performance obligations. The standard also specifies that an entity should estimate the amount of variable consideration to which it will be entitled.

The application has no material effect on the Company's financial position and performance.

IFRS 9, Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies but did not have a material impact on the financial statements. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated, thereby resulting in the following impact:

a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applied in accordance with IAS 39 and disclosures required in IFRS 7 are retained for the comparative periods.
b. The accounting policies for both the current period and the comparative periods, one applying IFRS 9 and one applying IAS 39 are disclosed in the notes to the financial statements.

c. As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with IAS 1, Presentation of Financial Statements.

Classification and Measurement
From 1 January 2018, under IFRS 9, the Company classifies its financial assets in the following measurement categories: (i) those to be measured subsequently at fair value (either through OCI, or through profit or loss), and (ii) those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI.
For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whethertheir cash flows are solely payment of principal and interest.

Debt instruments
Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments: (i) amortized cost; (ii) FVOCI; and (iii) FVTPL.

Assets that are held both for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses).

Assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost.

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss in the period in which it arises.

Equity instruments
The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognized in other gains (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

On 1 January 2018, the Company assessed which business model apply to the financial assets held and has classified its financial assets into the appropriate categories. There was no material impact on the resulting reclassification. Presented below is the impact of the adoption of IFRS 9 as 1 January 2018 on the Company's financial statements:

	IAS 39 Measurement category	IAS Carrying amount	IFRS 9 Carrying amount	IFRS 9 Measurement category
Financial assets:				
Trade and other receivables	Amortised cost	€ 289,535	€ 289,535	Amortised cost
Cash and cash equivalents	Amortised cost	€ 120,436	€ 120,436	Amortised cost
		€ 409,971	€ 409,971	
Financial liabilities:				
Trade and other payables	Amortised cost	€ 4,304,799	€ 4,304,799	Amortised cost
Borrowings	Amortised cost	€ 12,922,577	€ 12,922,577	Amortised cost
		€ 17,227,376	€ 17,227,376	

The difference between the carrying amount of trade and other receivables disclosed in the statements of financial position and the amount disclosed in this note pertains to advances, prepayments and amounts receivable from government agencies.

The difference between the carrying amount of trade and other payables disclosed in the statements of financial position and the amount disclosed in this note pertains to advances and amounts payable to government agencies.

The Company applied modified retrospective approach in the adoption of IFRS 9, thus comparative figures have not been restated. Had the Company adopted full retrospective approach, an estimated credit losses (ECL) of €2,895 would have been recognised in the statement of comprehensive income in order to restate the opening balances of 2018. This figure has instead been adjusted against opening retained earnings as required by IFRS 9 when opting to use the modified retrospective approach.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39.

Impairment

IFRS 9 requires that the Company record an allowance for ECL for all loans and other debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company applies the Simplified Approach permitted by IFRS, which requires expected lifetime losses to be recognised from initial recognition of the receivables. As at 1 January 2018, the Company assessed that there was no significant increase in the credit risk related to its financial assets. Accordingly, the Company assessed that there is no material impact on the financial statements.

Amendments to IFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a sharebased payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments are not relevant to the Company.

Amendments to IFRS 4, Insurance Contracts, Applying IFRS 9, Financial Instruments, with IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17, Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company.

Amendments to IAS 28, Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.

The amendments are not applicable to the Company since the Company has no investments in associates or joint ventures.

Amendments to IAS 40, Investment Property, Transfers of Investment Property
The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.

These amendments do not have material impact on the Company's financial statements since there was no transfer into or out of investment property made as at 31 December 2018 and 2017.

4.2 Standards issued but not yet effective
The standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Company's financial statements are disclosed below. The Company intends to adopt these standards, if applicable, when they become effective.

Description	*Effective for annual periods beginning on or*
IFRS 16 Leases	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021
Amendments to IFRS 9: Prepayment Features with Negative Compensation	1 January 2019
Amendments to IFRS 10 and IAS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	deferred
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements 2015-2017 Cycle (issued in December	1 January 2019
IFRS 3 Business Combinations	1 January 2019
IFRS 11 Joint Arrangements	1 January 2019
IAS 12 Income Taxes	1 January 2019
IAS 23 Borrowing Costs	1 January 2019

5. Rental income

	2018	2017
	€	€
Rental income	1,687,338	512,627

6. Expenses by nature

	2018 €	2017 €
Directors' remuneration (note 10)	41,948	10,440
Social security contributions and maternity fund (note 10)	2,416	587
Fines and penalties	532	54
Bank charges	1,583	676
Professional fees	654	879
Guarantee fees	80	80
Provision of estimated credit losses	2,260	-
Registration fee	800	800
Repairs and maintenance	4,896	3,687
Telecommunication	28	92
Auditors' remuneration	4,036	3,896
	59,233	21,191

Auditor's fee

Fees charged by the auditor for services rendered during the financial year ended 31 December 2018 and 2017 relate to the following:

	2018 €	2017 €
Annual statutory audit	4,036	3,896

Notes to the Financial Statements
for the year ended 31 December 2018

7. Profit on sale of property for resale

	Current €	2017 €
Proceeds from disposal	3,103,888	-
Cost of property	(3,057,137)	-
Profit on sale	46,751	-

8. Other income

	Current €	2017 €
Fair value change in investment property	494,435	3,589,787
Other income from construction works	20,533	352,274
	514,968	3,942,061

9. Finance costs

	Current €	2017 €
Bank overdraft	117	97
Intercompany interest	258,130	64,464
Other interest	289	20
Bank loan interest	335,546	29,257
	594,082	93,838

Notes to the Financial Statements
for the year ended 31 December 2018

10. Payroll costs and personnel information

Payroll costs for the year comprised the following:

	2018 €	2017 €
Wages and salaries (including director's remuneration) (note 6)	41,948	10,440
Social security contributions (note 6)	2,416	587
	44,364	11,027

The average number of persons (including the director) employed by the company during the year was as follows:

	2018 No.	2017 No.
Administration (including director)	1	1

11. Income tax

11.1 Tax charge on profit on ordinary activities

No provision for income tax has been made as the Company had no chargeable income during the current financial year.

	2018 €	2017 €
Income tax expense:		
Final withholding tax at 10%	(310,389)	-
Total current tax expense	(310,389)	-
Deferred Taxation (Note 17):		
Charge for year	(59,959)	(1,420,183)
Income tax charge for the year	(370,348)	(1,420,183)

11.2 Tax Reconciliation

	2018 €	2017 €
Profit before tax	1,595,742	4,339,659
Taxation charge thereon	558,510	1,518,881
Tax effect of:		
- expenses non allowed for tax purposes	977	40,260
- income taxed at different rates	175,912	(35,884)
- fair value change of investment property	(356,705)	2,150
- unabsorbed tax losses	(8,346)	(105,224)
Income tax expense for the year	370,348	1,420,183

11.3 Current taxation

Unrelieved tax losses carried forward for set off against future taxable income amount to €1,053,192. These are subject to agreement by the Inland Revenue Department.

Taxation recoverable is made up as follows:

	2018	2017
	€	€
As at 1 January	-	-
Current tax charge	310,389	-
	310,389	-
Payments:		
Final withholding tax (10%)	(310,389)	-
As at 31 December	-	-

12. Financial assets and financial liabilities

12.1 Financial assets

	2018	2017
	€	€
Current financial assets:		
Debt instruments measured at amortised cost:		
Trade and other receivables (note 15)	510,339	289,535
Loan to group company	-	40,332
Total debt instruments at amortised cost	510,339	329,867

The loan to group company is interest free, unsecured and payable on demand.

The Company's exposure to credit risk related to these loans and receivables is disclosed in note 21. As at the reporting date, these financial assets are not impaired.

12.2 Financial liabilities: Loans and liabilities

	Interest rate	Maturity	2018	2017
			€	€
Current loans and borrowings				
Bank overdraft (note 20)	2.35%	on demand	-	54,563
Bank loan	6%	2027	460,000	965,291
Amounts due to group companies		indefinite	-	811,257
			460,000	1,831,111
Non-current loans and borrowings				
Bank loan	6%	2027	4,985,121	5,002,671
Loans from parent company	5.3%	indefinite	3,723,282	6,088,795
			8,708,403	11,091,466

Other financial liabilities at amortised cost, other than loans and borrowings

Trade and other payables (note 16)	2,433,292	4,304,799

The amounts owed to parent undertaking are unsecured, bear 5.3% interest and have no fixed repayment date.

13. Investment property

	2018 €	2017 €
Valuation		
As at 1 January	26,109,487	10,377,300
Additions	8,045	11,793,420
Capitalisation of borrowing costs	-	348,980
Fair value change in investment property	494,435	3,589,787
As at 31 December	26,611,967	26,109,487

Fair value measurement of the Company's investment properties

Market valuations are performed by independent professional architects every two years or earlier whenever their fair values differ materially from their carrying amounts. In the year when a market valuation is not performed, an assessment of the fair value is performed to reflect market conditions at the year-end date.

An independent valuation of the Company's investment property, was performed by independent external valuers having experience in the location and type of property being valued to determine the fair value as at 31 December 2018. The fair value movement was credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2018, management also assessed whether there are any significant changes to the significant inputs of the valuation.

The Company's investment property consists mainly of plots, apartments and land and building for warehouses, offices and parking spaces, with a carrying amount of €26,611,967 (2017: €26,109,487). The investment property has been categorised to fall within levels 2 and 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 21.

The Company policy is to recognise transfers into and out of fair value hierarchy levels as of date of the event of change in circumstances that caused the transfer. There were no transfers between levels during the year. For all properties, their current use equates to the highest and best use.

Sudvel Limited

Notes to the Financial Statements
for the year ended 31 December 2018

Reconciliation of fair value:

	Land	Office properties	Commercial buildings	Residential properties
	€	€	€	€
As at 1 January 2017	387,300	1,840,000	7,500,000	650,000
Additions	-	-	11,793,420	-
Capitalisation of borrowing costs	-	-	348,980	-
Fair value change recognised in profit or loss	-	-	3,589,787	-
As at 31 December 2017	387,300	1,840,000	23,232,187	650,000
Additions	8,000	-	-	45
Reclassification	-	-	(220)	220
Fair value change recognised in profit or loss	9,700	460,000	-	24,735
As at 31 December 2018	405,000	2,300,000	23,231,967	675,000

Valuation techniques and inputs

The valuation was determined primarily by using the market comparison method for residential properties, and the discounted cash flow method (DCF) for commercial properties.

Comparison method:

Market prices based on database of valuations and of sales of properties in the relevant area;

Discounted cash flow (DCF) method:

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

Description of valuation techniques used and key inputs to valuation of investment properties:

	Valuation technique	Significant inputs	Range (weighted average) 2018	2017
Commercial buildings	DCF	Estimated rental value	4.5% - 7%	4.5%-7%
Office properties	DCF	Estimated rental value	6.5%-8.5%	6.5%-7.5%

For the other types of investment properties, the significant inputs used in the fair value measurement are pricing information provided by the independent valuers based on the property size and outlook, location and communal facilities.

14. Property for resale

	2018 €	2017 €
Cost:		
As at 1 January	3,112,518	3,112,331
Additions	235	187
Disposals	(3,057,137)	-
As at 31 December	55,616	3,112,518

15. Trade and other receivables

	2018 €	2017 €
Trade receivables	515,494	289,535
Provision for estimated credit losses	(5,155)	-
	510,339	289,535
Advance deposit	112,200	126,078
Indirect taxation	-	629,866
Accrued income	-	2,109,284
Prepayments	2,355	2,301
Total trade and other receivables	624,894	3,157,064

Trade receivables are unsecured and non-interest bearing.

As at 31 December 2017, the aging analysis of trade receivables is as follows:

	Total	< 30 days	Past due but not impaired 30 - 90 days	> 90 days
	€	€	€	€
2017	289,535	289,535	-	-

Credit risk of trade receivables which explains how the Company manages and measures the credit quality of trade receivables are disclosed in note 21.

16. Trade and other payables

	2018	2017
	€	€
Current liabilities		
Amount received in advance	433,617	1,210,404
Trade payables	313,134	295,539
Other payables	9,000	9,000
Amout due to group company	73,910	72,811
Amout due to related company	-	57,475
Indirect taxes and social security contributions	236,749	2,791
Accruals	2,037,248	3,869,974
Total current liabilities	3,103,658	5,517,994

Trade and other payables are unsecured and non-interest bearing.

The amounts owed to group and related companies are unsecured, interest free and repayable on demand.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 21.

17. Deferred taxation

Deferred tax liability

	2018	2017
	€	€
As at 1 January	(2,088,759)	(830,184)
Credit/(charge) in the statement of comprehensive income (note 11)	191,999	(1,258,575)
As at 31 December	(1,896,760)	(2,088,759)
Tax effect of temporary differences relating to:		
Asset revaluations	(1,896,760)	(2,088,759)

Deferred tax asset

	2018	2017
	€	€
As at 1 January	612,229	773,837
Charge in the statement of comprehensive income (note 11)	(251,958)	(161,608)
As at 31 December	360,271	612,229

Deferred income taxes are calculated on all 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 rate (and tax laws) that have been enacted by reporting date. The principal tax rate used is 35% (2017: 35%), with the exception of deferred taxation on the fair valuation of non depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 8% (2017: 8%) of the transfer value.

The balance as at 31 December 2018 represents:

	2018	2017
	€	€
Tax effect of temporary differences relating to:		
Asset revaluations	(1,905,106)	(2,088,759)
Unrelieved tax losses	368,617	612,229
	(1,536,489)	(1,476,530)

18. Issued capital

	2018	2017
	€	€
Authorised:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

	Current	2017
	€	€
Issued and fully called-up:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

19. Other reserve

	2018	2017
	€	€
As at 1 January	10,003,941	7,672,729
Transfer of unrealised fair value gain	-	2,331,212
Transfer to profit and loss account	(2,798,137)	-
As at 31 December	7,205,804	10,003,941

The other reserve represents changes in fair value of investment property, net of deferred tax movements, which are unrealised at the reporting date. These amounts are transferred from retained earnings to this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred to the retained earnings. The unrealised gain reserve is a non-distributable reserve.

20. Cash and cash equivalents

The cash and cash equivalents comprise the following statement of financial position amounts

	2018	2017
	€	€
Cash at bank	361,308	120,436
Bank overdraft (note 12)	-	(54,563)
	361,308	65,873

21. Financial risk management objectives and policies

The Company's principal financial assets comprise loans and receivables, trade and other receivables and cash and cash equivalents. Its principal financial liabilities comprise trade and other payables and borrowings.

The Company is exposed to market risk, credit risk, liquidity risk and fair value risk.

The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market prices comprise four types of risk: interest rate risk, currency risk, commodity price risk and other price risk. Financial instruments affected by market risk include borrowings. The Company is only exposed to interest rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Except as disclosed in note 12, the Company's borrowings are non-interest bearing. Borrowings issued at fixed rates consist primarily of bank loans and loan from parent undertaking.

Credit risk

Credit risk is the risk that a counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. The Company is exposed to credit risk from its operating activities (primarily trade receivables).

Customer credit risk is managed by the Company's management subject to the Company's establshed policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each individual's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at the reporting date on an individual basis. The Company exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

The Company banks only with local financial institutions of high quality standard or rating. The Company's operations are principally carried out in Malta and all of the Company's revenue originate from clients based in Malta.

Trade receivables

The following table details the risk profile of trade receivables based on the Company's provision matrix in accordance with the simplified approach set out in IFRS 9. As the Company's historical credit loss experience does not show signigicantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

	Trade receivables
Estimated credit loss rate	1%
Estimated gross carrying amount at default	515,494
Estimated credit loss	(5,155)

	Trade receivables
Estimated credit loss rate	1%
Estimated gross carrying amount at default	289,535
Estimated credit loss	(2,895)

Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Company's obligations.

The table below summarises the maturity profile of the company's financial liablities based on contractual undiscounted payments.

Year ended 31 December 2018

	> 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest bearing borrowings	460,000	1,960,000	3,025,121.00	5,445,121
Trade and other payables	2,596,131	-	-	2,596,131
Intercompany balances	73,910	-	3,723,282	3,797,192
	3,130,041	1,960,000	6,748,403	11,838,444

Year ended 31 December 2017

	> 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest bearing borrowings	1,353,848	5,555,133	-	6,908,981
Trade and other payables	4,177,304	-	-	4,177,304
Intercompany balances	130,286	-	6,088,795	6,219,081
	5,661,438	5,555,133	6,088,795	17,305,366

Fair value risk

As at 31 December 2018 and 2017, the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of loans and receivables and non-current borrowings are not materially different from their carrying amounts in the statement of financial position.

The Company used the following hierarchy for determining and disclosing the fair value of investment property by valuation technique:

Level 1: quoted (unadjusted) process in active markets for identical assets or liabilities;

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly; and

Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Fair value measurement hierarchy:

As at 31 December 2018

	Level 1	Level 2	Level 3	Total
	€	€	€	€
Investment property	-	1,080,000	25,531,967	26,611,967

As at 31 December 2017

	Level 1	Level 2	Level 3	Total
Investment property	-	-	26,109,487	26,109,487

Capital Risk management

Capital includes the equity attributable to the shareholders of the Company.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximise shareholder value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Company may adjust the dividend payment to the shareholder, return capital to the shareholder or issue new shares.

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

	2018	2017
	€	€
Interest-bearing loans and other borrowings	9,168,403	12,922,577
Trade and other payables (note 16)	2,433,292	4,304,799
less: cash and cash equivalents	(361,308)	(120,436)
Net debt	11,240,387	17,106,940
Equity	13,845,235	12,622,736
Net debt to equity ratio	0.86:1	1.45:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017 .

22. Supplemental cash flow information

Changes in liabilities arising from financing activities

	As at 1 January 2018	Cash flows	Non-cash changes: Issuance of share capital	As at 31 December 2018
	€	€	€	€
Bank loan	5,967,962	(522,841)	-	5,445,121
Amounts due to group companies	811,257	(811,257)	-	-
Amounts due to parent company	6,088,795	(2,365,513)	-	3,723,282
Total liabilities from financing activities	12,868,014	(3,699,611)	-	9,168,403

	As at 1 January 2017	Cash flows	Non-cash changes: Issuance of share capital	As at 31 December 2017
	€	€	€	€
Bank loan	-	5,967,962	-	5,967,962
Amounts due to group undertakings	811,257	-	-	811,257
Amounts due to parent undertaking	3,507,480	3,080,150	(498,835)	6,088,795
Total liabilities from financing activities	4,318,737	9,048,112	(498,835)	12,868,014

23. Operating lease commitments

Operating lease commitments – Company as lessor

The Company has entered into operating leases on its investment property consisting of certain office and manufacturing buildings. These leases have a term between 3 and 10 years. All leases include a clause to enable upward revision of the rental charge after a term between 3, 5 and 10 years as applicable.

Future minimum rental payable under non-cancellable operating leases as at 31 December are as follows:

	2018	2017
	€	€
Within one year	1,649,551	1,623,424
After one year but not more than five years	8,117,353	7,908,063
After five years	3,950,940	5,794,712
As at 31 December	13,717,844	15,326,199

24. Related party transactions

Related party relationships

	Relationship
Hal Mann Vella Group p.l.c.	Parent company and major shareholder

The following companies and Sudvel Limted are related by virtue of having a common shareholder:

	Percentage of shares held by common shareholder	
	Current	2017
	%	%
Hal Mann Vella Limited	100	100
Hal Mann International Ltd	100	100
Hal Mann Properties Ltd	99.99	99.99
Hal Mann (Letting) Ltd	99.99	99.99
Mavina Holiday Complex Ltd	100	100
Halmann Solar Limited	100	100

During the year, the following transactions were conducted with related parties:

	2018	2017
	€	€
Administrative expenses:		
Finance cost charged by parent company	-	64,464
Capitalised borrowing cost charged by parent company	-	318,180

Balances with related parties are disclosed in note 12, 16 and 16.

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the reporting period are unsecured and interest free, except for amount due to parent company which bear interest of 5.3% per annum. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2018, the company has not recorded any impairment of receivables relating to amounts owned by group company (2017: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates. The related company and the company are related by virtue of having common control.

25. Ultimate controlling party

The parent and ultimate holding undertaking of Sudvel Limited is Hal Mann Vella Group plc, a company registered in Malta, with its registered address at The Factory, Mosta Road, Lija, LJA 9016.

26. Comparative information

Certain amounts from previously reported financial statements have been reclassified to bring them in line with the current year's presentation.