

**Sudvel Limited**  
**Annual Report and Financial Statements**  
**for the year ended**  
**31 December 2016**

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# Sudvel Limited

## Directors' Report for the year ended 31 December 2016

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 2016.

### Directors

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

Mr. Martin Vella - Appointed on 25 July 2016  
Mr. Mark Vella - Appointed on 19 October 2016  
Mr. Vincent Vella - Resigned on 25 July 2016  
Mrs. Mary Vella - Resigned on 19 October 2016

### Principal activity

The Company is principally engaged in 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 2016, the Company generated a profit before tax of €185,453 (2015: €22,533). The increase in profit before tax this year is mainly due to 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 Company signed a lease agreement with Transport Malta in January 2017 for the lease of property being developed on Company property.

### 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 2016 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

A resolution to re-appoint CA Falzon as auditors of the company will be proposed at the forthcoming annual general meeting. CA Falzon have expressed their willingness to continue in office.

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

18 April 2017

# **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.



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## **Independent Auditors' Report to the members of Sudvel Limited**

### **Report on the Audit of the Financial Statements**

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set out on pages 7 to 30, which comprise the statement of financial position as at 31 December 2016, 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.

### **Opinion**

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2016, 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.

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 2016 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.



CERTIFIED PUBLIC ACCOUNTANTS  
Since 1967

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## **Independent Auditors' Report to the members of Sudvel Limited**

### ***Responsibilities of the Directors***

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 European 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.

### ***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.



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### **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 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 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.



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**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:

Alfred Falzon (Partner)  
for and on behalf of CA Falzon  
Registered Auditors

18 April 2017

# Sudvel Limited

## Statement of Comprehensive Income for the year ended 31 December 2016

|                                                | Note | Current<br>€   | 2015<br>€      |
|------------------------------------------------|------|----------------|----------------|
| Rental income                                  |      | 83,447         | 80,323         |
| Administrative expenses                        | 5    | (13,208)       | (6,767)        |
| <b>Operating profit</b>                        |      | <u>70,239</u>  | <u>73,556</u>  |
| Fair value change in investment property       |      | 180,566        | -              |
| Finance costs                                  |      | (65,352)       | (51,023)       |
| <b>Profit before tax</b>                       |      | <u>185,453</u> | <u>22,533</u>  |
| Income tax (expense)/credit                    | 6    | (19,457)       | 388,452        |
| <b>Profit for the year</b>                     |      | <u>165,996</u> | <u>410,985</u> |
| Other comprehensive income                     |      | -              | -              |
| <b>Total comprehensive income for the year</b> |      | <u>165,996</u> | <u>410,985</u> |

The notes on pages 11 to 30 form part of these financial statements



# Sudvel Limited

## Statement of Financial Position as at 31 December 2016

|                                      | Note | Current<br>€      | 2015<br>€         |
|--------------------------------------|------|-------------------|-------------------|
| <b>ASSETS</b>                        |      |                   |                   |
| <b>Non-current assets</b>            |      |                   |                   |
| Financial assets                     | 7    | 40,332            | 25,000            |
| Investment property                  | 8    | 10,377,300        | 10,976,013        |
| Deferred tax assets                  | 13   | 773,837           | 1,614             |
| <b>Total non-current assets</b>      |      | <b>11,191,469</b> | <b>11,002,627</b> |
| <b>Current assets</b>                |      |                   |                   |
| Property for resale                  | 9    | 3,112,331         | 516,884           |
| Trade and other receivables          | 10   | 810,685           | 15,862            |
| Cash and cash equivalents            | 16   | 9,933             | 53,872            |
| <b>Total current assets</b>          |      | <b>3,932,949</b>  | <b>586,618</b>    |
| <b>Total assets</b>                  |      | <b>15,124,418</b> | <b>11,589,245</b> |
| <b>EQUITY AND LIABILITIES</b>        |      |                   |                   |
| <b>Equity</b>                        |      |                   |                   |
| Issued capital                       | 14   | 1,165             | 1,165             |
| Other reserve                        | 15   | 7,672,729         | 7,488,255         |
| Retained earnings                    |      | 1,530,531         | 1,549,009         |
| <b>Total equity and reserves</b>     |      | <b>9,204,425</b>  | <b>9,038,429</b>  |
| <b>Non-current liabilities</b>       |      |                   |                   |
| Borrowings                           | 11   | 4,318,737         | 1,165,023         |
| Deferred taxation                    | 13   | 830,184           | 834,092           |
| <b>Total non-current liabilities</b> |      | <b>5,148,921</b>  | <b>1,999,115</b>  |
| <b>Current liabilities</b>           |      |                   |                   |
| Trade and other payables             | 12   | 771,072           | 551,701           |
| <b>Total current liabilities</b>     |      | <b>771,072</b>    | <b>551,701</b>    |
| <b>Total liabilities</b>             |      | <b>5,919,993</b>  | <b>2,550,816</b>  |
| <b>Total equity and liabilities</b>  |      | <b>15,124,418</b> | <b>11,589,245</b> |

The notes on pages 11 to 30 form part of these financial statements

The financial statements on pages 7 to 30 were authorised for issue by the Board and were signed on its behalf by

Mr. Martin Vella - Director

18 April 2017

Mr. Mark Vella - Director

# Sudvel Limited

## Statement of Changes in Equity for the year ended 31 December 2016

|                                                                                       | Issued<br>capital<br>€ | Other reserve<br>€ | Retained<br>earnings<br>€ | Total<br>€       |
|---------------------------------------------------------------------------------------|------------------------|--------------------|---------------------------|------------------|
| <b>Balance as at 1 January 2015</b>                                                   |                        |                    |                           |                  |
| Opening balance                                                                       | 1,165                  | 7,488,255          | 1,138,024                 | 8,627,444        |
| Profit for the year                                                                   | -                      | -                  | 410,985                   | 410,985          |
| Other comprehensive income                                                            | -                      | -                  | -                         | -                |
| <b>Total comprehensive income for the year</b>                                        | -                      | -                  | 410,985                   | 410,985          |
| <b>Balance as at 31 December 2015</b>                                                 | <u>1,165</u>           | <u>7,488,255</u>   | <u>1,549,009</u>          | <u>9,038,429</u> |
| <b>Balance as at 1 January 2016</b>                                                   |                        |                    |                           |                  |
| Opening balance                                                                       | 1,165                  | 7,488,255          | 1,549,009                 | 9,038,429        |
| Profit for the year                                                                   | -                      | -                  | 165,996                   | 165,996          |
| Other comprehensive income                                                            | -                      | -                  | -                         | -                |
| <b>Total comprehensive income for the year</b>                                        | -                      | -                  | 165,996                   | 165,996          |
| Transfer of unrealised fair value gain on<br>investment property, net of deferred tax | -                      | 184,474            | (184,474)                 | -                |
| <b>Balance as at 31 December 2016</b>                                                 | <u>1,165</u>           | <u>7,672,729</u>   | <u>1,530,531</u>          | <u>9,204,425</u> |

The notes on pages 11 to 30 form part of these financial statements

# Sudvel Limited

## Statement of Cash Flows for the year ended 31 December 2016

|                                                         | Note | Current<br>€       | 2015<br>€        |
|---------------------------------------------------------|------|--------------------|------------------|
| <b>Cash flows from operating activities</b>             |      |                    |                  |
| Profit before tax                                       |      | 185,453            | 22,533           |
| Adjustments for:                                        |      |                    |                  |
| Fair value change in investment property                |      | (180,566)          | -                |
| Working capital changes:                                |      |                    |                  |
| Increase in property for resale                         |      | -                  | (55,194)         |
| (Increase)/decrease in receivables                      |      | (794,823)          | 15,586           |
| Increase in payables                                    |      | 219,371            | 511,015          |
| Interest paid                                           |      | (65,352)           | (51,023)         |
| Finance cost                                            |      | 65,352             | 51,023           |
| <b>Net cash (used in)/from operating activities</b>     |      | <b>(570,565)</b>   | <b>493,940</b>   |
| <b>Cash flows from investing activities</b>             |      |                    |                  |
| Payments to acquire investment property                 |      | (1,816,168)        | -                |
| Receipts from sale of investment property               |      | -                  | (549,859)        |
| Advances to group company                               |      | (15,332)           | -                |
| <b>Net cash used in investing activities</b>            |      | <b>(1,831,500)</b> | <b>(549,859)</b> |
| <b>Cash flows from financing activities</b>             |      |                    |                  |
| Repayments to group companies                           |      | (8,435)            | (20,619)         |
| Receipts from parent company                            |      | 2,366,561          | 124,063          |
| <b>Net cash from financing activities</b>               |      | <b>2,358,126</b>   | <b>103,444</b>   |
| <b>(Decrease)/increase in cash and cash equivalents</b> |      | <b>(43,939)</b>    | <b>47,525</b>    |
| Cash and cash equivalents at beginning of year          |      | 53,872             | 6,347            |
| <b>Cash and cash equivalents at end of year</b>         | 16   | <b>9,933</b>       | <b>53,872</b>    |

The notes on pages 11 to 30 form part of these financial statements

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 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. Principal 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.

#### c) Financial assets

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.

## Notes to the Financial Statements for the year ended 31 December 2016

### *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.

### *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 or 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.

### **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.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

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.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 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) 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 'Distribution costs'.

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 'Distribution costs' in the profit or loss.

### g) 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.

### h) Impairment of non-financial assets

Assets (including goodwill) that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation 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 purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### i) 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.

### j) 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.

### k) 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 income statement over the period of the borrowings using the effective interest rate method.

### l) 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.

### m) 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.

### n) Taxation

The tax expense for the period comprises of current and 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.



# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### *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 recognised 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 neither 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 liabilities 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.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### o) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for services provided in the normal course of business, net of Value Added Tax and discounts, where applicable. Revenue is recognised to the extent that it is probable that future economic benefits will flow to the company and these can be measured reliably.

The following recognition criteria must also be met before revenue is recognised:

- 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.

### p) 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.

### q) Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing 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 use. 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.

## 3. Significant accounting judgements, estimates and assumptions

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.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

The last market valuation was performed on 31 December 2016 and the Company recognised fair values of investment property (note 8).

### *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.

In the opinion of the management, except for the above, the accounting estimates, assumptions and judgements made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as significant in terms of the requirements of IAS 1 (revised) – ‘Presentation of Financial Statements’.

## 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 2016. 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:

#### *Amendments to IAS 1 Disclosure Initiative*

The amendments to IAS 1 clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1
- That specific line items in the statement(s) of profit or loss and other comprehensive income and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016. These amendments do not have any impact on the Company.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 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.

#### *IFRS 9 Financial Instruments*

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Company expects no significant impact on its financial statements.

#### *IFRS 15 Revenue from Contracts with Customers*

IFRS 15 was issued in May 2014 and establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognised 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2016, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in April 2016 and will monitor any further developments.

#### *IFRS 16 Leases*

IFRS 16 introduces a single, on-balance sheet lease accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e. lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases – Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. Subject to endorsement by the EU, the standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### *IAS 7 Disclosure Initiatives - Amendments to IAS7*

The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Subject to endorsement by the EU, these amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Company.

### *IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12*

The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include recovery of some assets for more than their carrying amount.

Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other component of equity. Entities applying this relief must disclose the fact. Subject to endorsement by the EU, these amendments are effective for annual period beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact to the Company.

## 5. Expenses by nature

|                        | Current<br>€  | 2015<br>€    |
|------------------------|---------------|--------------|
| Auditors' remuneration | 3,896         | 2,124        |
| Other expenses         | 9,312         | 4,643        |
|                        | <u>13,208</u> | <u>6,767</u> |

### *Auditor's fee*

Fees charged by the auditor for services rendered during the financial year ended 31 December 2016 and 2015 relate to the following:

|                        | Current<br>€ | 2015<br>€    |
|------------------------|--------------|--------------|
| Annual statutory audit | <u>3,896</u> | <u>2,124</u> |

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 6. Income tax

#### 6.1 Tax (charge)/credit 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.

|                                                                                                                                                                                                         | Current<br>€    | 2015<br>€      |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------|----------------|
| Consideration payable by the Company in respect of the tax benefit to the Company, attaching to tax losses surrendered by a subsidiary company under the Group Relief provisions of the Income Tax Act. | (795,588)       | (24,104)       |
| <i>Deferred Taxation (Note 13):</i>                                                                                                                                                                     |                 |                |
| Credit for year                                                                                                                                                                                         | 776,131         | 412,556        |
| <b>Income tax (charge)/credit for the year</b>                                                                                                                                                          | <b>(19,457)</b> | <b>388,452</b> |

#### 6.2 Tax Reconciliation

|                                                 | Current<br>€  | 2015<br>€        |
|-------------------------------------------------|---------------|------------------|
| Profit before tax                               | 185,453       | 22,533           |
| Taxation charge thereon                         | 64,909        | 7,887            |
| <i>Tax effect of:</i>                           |               |                  |
| - expenses non allowed for tax purposes         | 27,495        | -                |
| - income taxed at different rates               | (5,841)       | (7,887)          |
| - fair value change of investment property      | (67,106)      | (410,942)        |
| - unabsorbed tax losses                         | (795,588)     | (1,614)          |
| - group relief                                  | 795,588       | 24,104           |
| <b>Income tax expense/(credit) for the year</b> | <b>19,457</b> | <b>(388,452)</b> |

#### 6.3 Current taxation

Unrelieved tax losses carried forward for set off against future taxable income amount to €2,210,962. These are subject to agreement by the Inland Revenue Department.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 7. Financial assets

|                       | Current | 2015   |
|-----------------------|---------|--------|
|                       | €       | €      |
| Loan to group company | 40,332  | 25,000 |

The loan to group company is interest free, unsecured and has no fixed repayment date.

The Company's exposure to credit risk related to these loans and receivables is disclosed in note 17. As at the reporting date, these financial assets are not impaired.

### 8. Investment property

|                                            | Current     | 2015       |
|--------------------------------------------|-------------|------------|
|                                            | €           | €          |
| <b>Cost / Valuation</b>                    |             |            |
| As at 1 January                            | 10,976,013  | 10,426,154 |
| Transfer to property for resale (note 9)   | (3,057,137) | -          |
| Transfer from property for resale (note 9) | 461,690     | -          |
| Additions                                  | 1,816,168   | 549,859    |
| Fair value change in investment property   | 180,566     | -          |
| As at 31 December                          | 10,377,300  | 10,976,013 |

#### *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 TBA periti and JB Architects to determine the fair value as at 31 December 2016. The fair value movement were credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2016, 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 with a carrying amount of €2,704,571 (2015: €3,487,758). The investment property has been categorised to fall within level 2 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 17.

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 2016

### Valuation techniques and inputs

For Level 2 fair value of the investment property, the valuation was determined primarily by the comparable method together with the discounted cash flow method which are based on directly or indirectly observable inputs which do not require a significant level of adjustments.

|                        | Comparable<br>method<br>2016<br>€ | Discounted<br>cash flow<br>method<br>2016<br>€ | Total<br>2016<br>€ |
|------------------------|-----------------------------------|------------------------------------------------|--------------------|
| Land                   | 387,300                           | -                                              | 387,300            |
| Office properties      | -                                 | 1,840,000                                      | 1,840,000          |
| Commercial buildings   | 7,500,000                         | -                                              | 7,500,000          |
| Residential properties | 650,000                           | -                                              | 650,000            |
|                        | <u>8,537,300</u>                  | <u>1,840,000</u>                               | <u>10,377,300</u>  |

#### Comparable method:

Market prices

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

#### Discounted cash flow method:

Future rental cash inflows

based on the actual location, type and quality of the properties and external evidence such as current market rents for similar properties;

Discount rate

based on the long term pre-tax risk-free rate of return, inflation and on specific risk premium for the individual property being valued, taking into account factors such as property illiquidity, management limitations, type, size and location of property, competition, future uncertainty, counterparty risks and resource risks at the valuation date.

Information about fair value measurements using significant unobservable inputs (Level 3):

|                   | Fair value | Significant unobservable<br>inputs                           | 2016          |
|-------------------|------------|--------------------------------------------------------------|---------------|
| Office properties | €1,840,000 | Estimated rental value per<br>sqm per annum<br>Discount rate | €134<br>6.50% |



# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 9. Property for resale

|                                            | Current<br>€     | 2015<br>€      |
|--------------------------------------------|------------------|----------------|
| <b>Cost:</b>                               |                  |                |
| As at 1 January                            | 516,884          | 461,690        |
| Additions                                  | -                | 55,194         |
| Transfer to investment property (note 8)   | (461,690)        |                |
| Transfer from investment property (note 8) | 3,057,137        | -              |
| As at 31 December                          | <u>3,112,331</u> | <u>516,884</u> |

### 10. Trade and other receivables

|                                          | Current<br>€   | 2015<br>€     |
|------------------------------------------|----------------|---------------|
| Trade receivables                        | 29,122         | 10,015        |
| Advance deposit                          | 700,000        | -             |
| Indirect taxation                        | 79,469         | 5,847         |
| Prepayments                              | 2,094          | -             |
| <b>Total trade and other receivables</b> | <u>810,685</u> | <u>15,862</u> |

Trade receivables are unsecured and non-interest bearing.

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

|      | Total  | < 30 days | Past due but not impaired |           |
|------|--------|-----------|---------------------------|-----------|
|      |        |           | 30 - 90 days              | > 90 days |
|      | €      | €         | €                         | €         |
| 2016 | 29,122 | 29,122    | -                         | -         |
| 2015 | 10,015 | 10,015    | -                         | -         |

Credit risk of trade receivables which explains how the Company manages and measures the credit quality of trade receivables are disclosed in note 17.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 11. Borrowings

|                                | Current<br>€     | 2015<br>€        |
|--------------------------------|------------------|------------------|
| <b>Non-current borrowings</b>  |                  |                  |
| Amounts due to group companies | 811,257          | 24,104           |
| Amounts due to parent company  | 3,507,480        | 1,140,919        |
| <b>Total borrowings</b>        | <u>4,318,737</u> | <u>1,165,023</u> |

The amounts owed to the parent company bear interest at 5.3% (2015: 5.3%) per annum, are unsecured and have no fixed repayment date. The amounts owed to group companies are unsecured, interest free and have no fixed repayment date.

The Company's exposure to interest rate and liquidity risk is disclosed in note 17.

### 12. Trade and other payables

|                                  | Current<br>€   | 2015<br>€      |
|----------------------------------|----------------|----------------|
| <b>Current liabilities</b>       |                |                |
| Amount received in advance       | 708,729        | 533,265        |
| Trade payables                   | 57,577         | 15,871         |
| Accruals                         | 4,766          | 2,565          |
| <b>Total current liabilities</b> | <u>771,072</u> | <u>551,701</u> |

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

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 17.

### 13. Deferred taxation

| Deferred tax liability                                   | Current<br>€     | 2015<br>€        |
|----------------------------------------------------------|------------------|------------------|
| As at 1 January                                          | (834,092)        | (1,245,034)      |
| Credit in the statement of comprehensive income (note 6) | 3,908            | 410,942          |
| As at 31 December                                        | <u>(830,184)</u> | <u>(834,092)</u> |
| <b>Tax effect of temporary differences relating to:</b>  |                  |                  |
| Asset revaluations                                       | <u>(830,184)</u> | <u>(834,092)</u> |

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### Deferred tax asset

|                                                          | Current<br>€   | 2015<br>€    |
|----------------------------------------------------------|----------------|--------------|
| As at 1 January                                          | 1,614          | -            |
| Credit in the statement of comprehensive income (note 6) | 772,223        | 1,614        |
| As at 31 December                                        | <u>773,837</u> | <u>1,614</u> |

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% (2015 : 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% (2015: 8%) of the transfer value.

The balance as at 31 December 2016 represents:

|                                                  | Current<br>€    | 2015<br>€        |
|--------------------------------------------------|-----------------|------------------|
| Tax effect of temporary differences relating to: |                 |                  |
| Asset revaluations                               | (830,184)       | (834,092)        |
| Unrelieved tax losses                            | 773,837         | 1,614            |
|                                                  | <u>(56,347)</u> | <u>(832,478)</u> |

## 14. Issued capital

|                                       | Current<br>€ | 2015<br>€    |
|---------------------------------------|--------------|--------------|
| <b>Authorised:</b>                    |              |              |
| 500 Ordinary shares of €2.329373 each | <u>1,165</u> | <u>1,165</u> |
|                                       | Current<br>€ | 2015<br>€    |
| <b>Issued and fully called-up:</b>    |              |              |
| 500 Ordinary shares of €2.329373 each | <u>1,165</u> | <u>1,165</u> |

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 15. Other reserve

|                                        | Current<br>€     | 2015<br>€        |
|----------------------------------------|------------------|------------------|
| As at 1 January                        | 7,488,255        | 7,488,255        |
| Transfer of unrealised fair value gain | 184,474          | -                |
| As at 31 December                      | <u>7,672,729</u> | <u>7,488,255</u> |

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.

### 16. Cash and cash equivalents

The cash and cash equivalents comprise the following statement of financial position amount:

|              | Current<br>€ | 2015<br>€     |
|--------------|--------------|---------------|
| Cash at bank | <u>9,933</u> | <u>53,872</u> |

### 17. 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 and liquidity 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 11, the Company's borrowings are non-interest bearing.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### *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) and from its financing activities including deposits with banks.

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.

### *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 liabilities based on contractual undiscounted payments.

#### Year ended 31 December 2016

|                          | > 1 year      | 1 to 5 years | > 5 years        | Total            |
|--------------------------|---------------|--------------|------------------|------------------|
|                          | €             | €            | €                | €                |
| Trade and other payables | 62,343        | -            | -                | 62,343           |
| Intercompany balances    | -             | -            | 4,318,737        | 4,318,737        |
|                          | <u>62,343</u> | <u>-</u>     | <u>4,318,737</u> | <u>4,381,080</u> |

#### Year ended 31 December 2015

|                          | > 1 year      | 1 to 5 years | > 5 years        | Total            |
|--------------------------|---------------|--------------|------------------|------------------|
|                          | €             | €            | €                | €                |
| Trade and other payables | 18,436        | -            | -                | 18,436           |
| Intercompany balances    | -             | -            | 1,165,023        | 1,165,023        |
|                          | <u>18,436</u> | <u>-</u>     | <u>1,165,023</u> | <u>1,183,459</u> |

### *Fair value risk*

As at 31 December 2016 and 2015, 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.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

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.

### Year ended 31 December 2016

|                     | Level 1 | Level 2   | Level 3   | Total      |
|---------------------|---------|-----------|-----------|------------|
|                     | €       | €         | €         | €          |
| Investment property | -       | 8,537,300 | 1,840,000 | 10,377,300 |

### Year ended 31 December 2015

|                     | Level 1 | Level 2 | Level 3    | Total      |
|---------------------|---------|---------|------------|------------|
|                     | €       | €       | €          | €          |
| Investment property | -       | -       | 10,976,013 | 10,976,013 |

### *Capital 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 2016 and 2015 .

## 18. Capital commitments

At 31 December 2016, the Company had commitments of €7 million (2015: €7 million) relating to the development of land to create a mixed office/commercial development, with underlying car-parking. These commitments were authorized by the board of directors and already contracted for.

# Sudvel Limited

## Notes to the Financial Statements for the year ended 31 December 2016

### 19. 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 5 years. All leases include a clause to enable upward revision of the rental charge after a term between 3 and 5 years as applicable.

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

|                                             | Current<br>€   | 2015<br>€      |
|---------------------------------------------|----------------|----------------|
| Within one year                             | 76,873         | 64,698         |
| After one year but not more than five years | 49,231         | 118,080        |
| As at 31 December                           | <u>126,104</u> | <u>182,778</u> |

### 20. Related party transactions

Related party relationships

Hal Mann Vella Group p.l.c.

**Relationship**  
Parent company and major  
shareholder

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

|                            | Percentage of shares held<br>by common shareholder |       |
|----------------------------|----------------------------------------------------|-------|
|                            | Current                                            | 2015  |
| Hal Mann Vella Limited     | 100                                                | 100   |
| Hal Mann International Ltd | 100                                                | 100   |
| Hal Mann (Letting) Ltd     | 99.99                                              | 99.99 |
| Mavina Holiday Complex Ltd | 100                                                | 100   |
| SMG Mode Ltd               | 100                                                | 100   |

### 21. 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.

### 22. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current year's presentation.

# Sudvel Limited

## Schedules to the Financial Statements

### I. Administrative expenses

|                         | Current<br>€  | 2015<br>€    |
|-------------------------|---------------|--------------|
| Fines and penalties     | 100           | -            |
| Bank charges            | 67            | 50           |
| Professional fees       | 4,874         | 2,486        |
| Guarantee fees          | 220           | -            |
| Registration fee        | 100           | 100          |
| Licences and membership | 70            | 1,660        |
| Repairs and maintenance | 3,642         | 347          |
| Insurance               | 204           | -            |
| Telecommunication       | 35            | -            |
| Auditors' remuneration  | 3,896         | 2,124        |
|                         | <u>13,208</u> | <u>6,767</u> |

### II. Finance costs

|                                   | Current<br>€  | 2015<br>€     |
|-----------------------------------|---------------|---------------|
| Bank overdraft and other interest | 63            | -             |
| Other interest                    | 65,289        | 51,023        |
|                                   | <u>65,352</u> | <u>51,023</u> |