

Sudvel Limited

Annual Report and Financial Statements for the year ended 31 December 2017

Contents	Page
Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditors' Report	3 - 6
Statement of Comprehensive Income	7
Statement of Financial Position	8
Statement of Changes in Equity	9
Statement of Cash Flows	10
Notes to the Financial Statements	11 - 31
Schedules to the Financial Statements	32

Sudvel Limited

Directors' Report for the year ended 31 December 2017

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 2017.

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 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 2017, the Company generated a profit before tax of €4,339,659 (2016: €185,453). This increase is mainly due to fair value change in the investment property held by the Company and due to the increase in rental income.

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

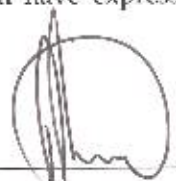
The Directors have prepared the Company's financial statements for the year ended 31 December 2017 in accordance with the International Financial Reporting Standards as adopted by the European Union, and the requirements of the Companies Act, Cap 386 of the Laws of Malta.

Auditors

A resolution to re-appoint HLB CA Falzon as auditors of the company will be proposed at the forthcoming annual general meeting. HLB 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 2018

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.

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 31, which comprise the statement of financial position as at 31 Diċembru 2017, 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 Diċembru 2017, 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.

Global in Reach Local in Touch

HLB CA Falzon, Central Office Buildings, Block A Level 1, Mosta Road, Lija LJA 9016, Malta
Tel: +356 2010 9800 / Email: info@hlbcamalta.com / www.hlbcamalta.com
VAT No. MT 2060 0311

HLB CA Falzon is a member of HLB International, a worldwide network of independent accounting firms and business advisers.

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 2017 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

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.

Global in Reach Local in Touch

HLB CA Falzon, Central Office Buildings, Block A Level 1, Mosta Road, Iija LJA 9016, Malta
Tel: +356 2010 9800 / Email: info@hlbcamalta.com / www.hlbcamalta.com
WT No. MT 2006 6811

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.

Global in Reach Local in Touch

HLB CA Falzon, Central Office Buildings, Block A Level 1, Mosta Road, Lija LJA 9016, Malta
Tel: +356 2010 9600 / Email: info@hlbcamalta.com / www.hlbcamalta.com
VAT No. MT 2080 9911

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

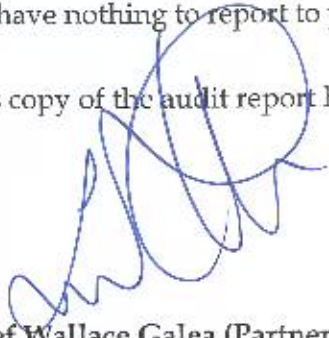
Report on other legal and regulatory requirements

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

18 April 2018

Global in Reach Local in Touch

HLB CA Falzon, Central Office Buildings, Block A Level 1, Mosta Road, Lija LJA 9016, Malta
Tel: +356 2010 9000 / Email: info@hlbcamalta.com / www.hlbcamalta.com
VAT No. MT 2080 0311

HLB CA Falzon is a member of HLB International, A world-wide network of independent accounting firms and business advisers.

Sudvel Limited

Statement of Comprehensive Income for the year ended 31 December 2017

	Note	Current €	2016 €
Rental income		512,627	83,447
Administrative expenses	5	(21,191)	(13,208)
Other income from construction works		352,274	-
Operating profit		843,710	70,239
Fair value change in investment property		3,589,787	180,566
Finance costs		(93,838)	(65,352)
Profit before tax		4,339,659	185,453
Income tax expense	7	(1,420,183)	(19,457)
Profit for the year		2,919,476	165,996
Other comprehensive income		-	-
Total comprehensive income for the year		2,919,476	165,996

The notes on pages 11 to 31 form part of these financial statements


Sudvel Limited

Statement of Financial Position as at 31 December 2017


	Note	Current €	2016 €
ASSETS			
Non-current assets			
Financial assets	8	-	40,332
Investment property	9	26,109,487	10,377,300
Deferred tax assets	14	612,229	773,837
Total non-current assets		<u>26,721,716</u>	<u>11,191,469</u>
Current assets			
Property for resale	10	3,112,518	3,112,331
Trade and other receivables	11	3,157,064	810,685
Financial assets	8	40,332	-
Cash and cash equivalents	17	120,436	9,933
Total current assets		<u>6,430,350</u>	<u>3,932,949</u>
Total assets		<u>33,152,066</u>	<u>15,124,418</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	15	500,000	1,165
Other reserve	16	10,003,941	7,672,729
Retained earnings		2,118,795	1,530,531
Total equity and reserves		<u>12,622,736</u>	<u>9,204,425</u>
Non-current liabilities			
Borrowings	12	11,091,466	4,318,737
Deferred tax liability	14	2,088,759	830,184
Total non-current liabilities		<u>13,180,225</u>	<u>5,148,921</u>
Current liabilities			
Current borrowings	12	1,831,111	-
Trade and other payables	13	5,517,994	771,072
Total current liabilities		<u>7,349,105</u>	<u>771,072</u>
Total liabilities		<u>20,529,330</u>	<u>5,919,993</u>
Total equity and liabilities		<u>33,152,066</u>	<u>15,124,418</u>

The notes on pages 11 to 31 form part of these financial statements

The financial statements on pages 7 to 31 were authorised for issue by the Board and were signed on its behalf by:


Mr. Martin Vella - Director

18 April 2018


Mr. Mark Vella - Director

Sudvel Limited

Statement of Changes in Equity for the year ended 31 December 2017

	Issued capital €	Other reserve €	Retained earnings €	Total €
Balance as at 1 January 2016	1,165	7,488,255	1,549,009	9,038,429
Profit for the year	-	-	165,996	165,996
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	165,996	165,996
Transfer of unrealised fair value gain on investment property, net of deferred tax	-	184,474	(184,474)	-
Balance as at 31 December 2016	1,165	7,672,729	1,530,531	9,204,425
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
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	2,919,476	2,919,476
Issue of share capital	498,835	-	-	498,835
Transfer of unrealised fair value gain on investment property, net of deferred tax	-	2,331,212	(2,331,212)	-
Balance as at 31 December 2017	500,000	10,003,941	2,118,795	12,622,736

The notes on pages 11 to 31 form part of these financial statements

Sudvel Limited

Statement of Cash Flows for the year ended 31 December 2017

	Note	Current €	2016 €
Cash flows from operating activities			
Profit before tax		4,339,659	185,453
Adjustments for:			
Fair value change in investment property		(3,589,787)	(180,566)
Working capital changes:			
Increase in property for resale		(187)	-
Increase in receivables		(2,346,379)	(794,823)
Increase in payables		4,660,182	219,371
Receipts from related company		57,475	-
Interest paid		(64,573)	(65,352)
Finance cost		93,838	65,352
Net cash from/(used in) operating activities		<u>3,150,228</u>	<u>(570,565)</u>
Cash flows from investing activities			
Payments to acquire investment property		(11,793,420)	(1,446,006)
Capitalisation of borrowing costs		(348,980)	(370,162)
Net cash used in investing activities		<u>(12,142,400)</u>	<u>(1,816,168)</u>
Cash flows from financing activities			
Issue of share capital		498,835	-
Advances from banks		5,967,962	-
Receipts from group companies		2,581,315	2,342,794
Net cash from financing activities		<u>9,048,112</u>	<u>2,342,794</u>
Increase/(decrease) in cash and cash equivalents		<u>55,940</u>	<u>(43,939)</u>
Cash and cash equivalents at beginning of year		9,933	53,872
Cash and cash equivalents at end of year	17	<u>65,873</u>	<u>9,933</u>

The notes on pages 11 to 31 form part of these financial statements

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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.

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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 an 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 2017

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 2017

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 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 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 2017

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 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 2017

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.

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.

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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.

The last market valuation was performed on 31 December 2017 and the Company recognised fair values of investment property (note 9).

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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 2017. 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 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Company has provided the information for both the current and the comparative period in note 19.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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 deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application has no effect on the Company's financial position and performance as the Company has no deductible temporary differences or assets that are in the scope of the amendments

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

Annual Improvements Cycle - 2014-2016

Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10-B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The application has no effect on the Company as the Company has no interest in other entities.

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.

<i>Description</i>	<i>Effective for annual periods beginning on or</i>
<i>Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
<i>Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts</i>	1 January 2018
<i>IFRS 9 Financial Instruments</i>	1 January 2018
<i>IFRS 15 Revenue from Contracts with Customers</i>	1 January 2018
<i>Amendments to IAS 40: Transfers of Investment Property</i>	1 January 2018
<i>IFRIC 22 Foreign Currency Transactions and Advance</i>	1 January 2018
<i>IFRS 16 Leases</i>	1 January 2019
<i>Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
<i>IFRIC 23 Uncertainty over Income Tax Treatments</i>	1 January 2019
<i>IFRS 17 Insurance Contracts</i>	1 January 2021

5. Expenses by nature

	Current	2016
	€	€
Auditors' remuneration	3,896	3,896
Director's salary (note 6)	10,440	-
Wages and employee benefits (note 6)	587	-
Other expenses	6,268	9,312
	<u>21,191</u>	<u>13,208</u>

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

Auditor's fee

Fees charged by the auditor for services rendered during the financial year ended 31 December 2017 and 2016 relate to the following:

	Current	2016
	€	€
Annual statutory audit	3,896	3,896

6. Payroll costs and personnel information

Payroll costs for the year comprised the following:

	Current	2016
	€	€
Wages and salaries (including director's remuneration)	10,440	-
Social security contributions	587	-
	11,027	-

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

	Current	2016
	No.	No.
Administration (including director)	1	-

7. Income tax

7.1 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.

	Current	2016
	€	€
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)
<i>Deferred Taxation (Note 14):</i> (Charge)/credit for year	(1,420,183)	776,131
Income tax charge for the year	(1,420,183)	(19,457)

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

7.2 Tax Reconciliation

	Current €	2016 €
Profit before tax	4,339,659	185,453
Taxation charge thereon	1,518,881	64,909
<i>Tax effect of:</i>		
- expenses non allowed for tax purposes	40,260	27,495
- income taxed at different rates	(35,884)	(5,841)
- fair value change of investment property	2,150	(67,106)
- unabsorbed tax losses	(105,224)	(795,588)
- group relief	-	795,588
Income tax expense for the year	1,420,183	19,457

7.3 Current taxation

Unrelieved tax losses carried forward for set off against future taxable income amount to €1,749,227. These are subject to agreement by the Inland Revenue Department.

8. Financial assets

	Current €	2016 €
Current financial assets:		
Loan to group company	40,332	-
Non-current borrowings		
Loan to group company	-	40,332

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 18. As at the reporting date, these financial assets are not impaired.

9. Investment property

	Current €	2016 €
Valuation		
As at 1 January	10,377,300	10,976,013
Transfer to property for resale (note 10)	-	(3,057,137)
Transfer from property for resale (note 10)	-	461,690
Additions	11,793,420	1,446,006
Capitalisation of borrowing costs	348,980	370,162
Fair value change in investment property	3,589,787	180,566
As at 31 December	26,109,487	10,377,300

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2017 was €348,980 (2016 : €370,162). The rate used to determine the amount of borrowing costs eligible for capitalisation ranges from 5.3% to 6% (2016: 5.3%), which is the EIR of the specific borrowing.

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 2017. The fair value movement was credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2017, 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 €22,519,700 (2016: €2,704,571). The investment property has been categorised to fall within level 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 18.

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.

Reconciliation of fair value:

	Land	Office properties	Commercial buildings	Residential properties
	€	€	€	€
As at 1 January 2016	3,437,137	2,000,993	5,537,883	-
Additions	-	-	1,446,006	-
Capitalisation of borrowing costs	-	-	370,162	-
Fair value change recognised in profit or loss	7,300	(160,993)	145,949	188,310
Transfer to property for resale (note 10)	(3,057,137)	-	-	-
Transfer from property for resale (note 10)	-	-	-	461,690
As at 31 December 2016	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

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

Valuation techniques and inputs

For Level 3 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 method:

Market prices based on database of valuations and 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 inputs	Range (weighted average)
Commercial buildings	DCF method	Estimated rental value per sqm per annum	2017: €21 - 175 (€98)
		per parking spaces per annum	2017: €438
		Discount rate	6.50% to 7.50%

Fair value measurement hierarchy:

As at 31 December 2017

	Level 1 €	Level 2 €	Level 3 €	Total €
Investment property	-	-	26,109,487	26,109,487
As at 31 December 2016				
Investment property	-	-	10,377,300	10,377,300

There were no transfers between Level 1 and Level 2 during 2017 and 2016.

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

10. Property for resale

	Current €	2016 €
Cost:		
As at 1 January	3,112,331	516,884
Additions	187	-
Transfer to investment property (note 9)	-	(461,690)
Transfer from investment property (note 9)	-	3,057,137
As at 31 December	<u>3,112,518</u>	<u>3,112,331</u>

11. Trade and other receivables

	Current €	2016 €
Trade receivables	289,535	29,122
Advance deposit	126,078	700,000
Indirect taxation	629,866	79,469
Accrued income	2,109,284	-
Prepayments	2,301	2,094
Total trade and other receivables	<u>3,157,064</u>	<u>810,685</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 €
2017	289,535	289,535	-	-
2016	29,122	29,122	-	-

Credit risk of trade receivables which explains how the Company manages and measures the credit quality of trade receivables are disclosed in note 18.

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

12. Borrowings

	Current €	2016 €
Current borrowings		
Bank overdraft	54,563	-
Bank loan	965,291	-
Amounts due to group companies	811,257	-
Total current borrowings	1,831,111	-
Non-current borrowings		
Bank loan	5,002,671	-
Amounts due to group companies	-	811,257
Amounts due to parent company	6,088,795	3,507,480
Total non-current borrowings	11,091,466	4,318,737
Total borrowings	12,922,577	4,318,737

The bank loan bears interest of 6% per annum and is secured by a general hypothec over the Company's assets, guarantees given by the parent company and directors and their spouses and by pledge over the Company's receivables and over insurance policies in the name of the company covering the property.

The bank overdraft is repayable on demand while the bank loan is repayable by 20 bullet repayments of €350,000 due on a quarterly basis, following a capital repayment moratorium of six months.

The amounts owed to the parent company bear interest at the rate of 5.3% (2016: 5.3%) per annum, are unsecured and repayable on demand. 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 18.

13. Trade and other payables

	Current €	2016 €
Current liabilities		
Amount received in advance	1,210,404	708,729
Trade payables	295,539	57,577
Other payables	9,000	-
Amount due to group company	72,811	-
Amount due to related company	57,475	-
Social security contributions	2,791	-
Accruals	3,869,974	4,766
Total current liabilities	5,517,994	771,072

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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 18.

14. Deferred taxation

Deferred tax liability	Current €	2016 €
As at 1 January	(830,184)	(834,092)
(Charge)/credit in the statement of comprehensive income (note 7)	(1,258,575)	3,908
As at 31 December	<u>(2,088,759)</u>	<u>(830,184)</u>
Tax effect of temporary differences relating to:		
Asset revaluations	<u>(2,088,759)</u>	<u>(830,184)</u>
Deferred tax asset		
	Current €	2016 €
As at 1 January	773,837	1,614
(Charge)/credit in the statement of comprehensive income (note 7)	<u>(161,608)</u>	<u>772,223</u>
As at 31 December	<u>612,229</u>	<u>773,837</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% (2016 : 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% (2016: 8%) of the transfer value.

The balance as at 31 December 2017 represents:

	Current €	2016 €
Tax effect of temporary differences relating to:		
Asset revaluations	(2,088,759)	(830,184)
Unrelieved tax losses	612,229	773,837
	<u>(1,476,530)</u>	<u>(56,347)</u>

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

15. Issued capital

	Current €	2016 €
Authorised:		
214,650 (2016 : 500) Ordinary shares of €2.329373 each	500,000	1,165
	<hr/>	<hr/>
	Current €	2016 €
Issued and fully called-up:		
214,650 (2016 : 500) Ordinary shares of €2.329373 each	500,000	1,165
	<hr/>	<hr/>

16. Other reserve

	Current €	2016 €
As at 1 January	7,672,729	7,488,255
Transfer of unrealised fair value gain	2,331,212	184,474
As at 31 December	<hr/> 10,003,941	<hr/> 7,672,729

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.

17. Cash and cash equivalents

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

	Current €	2016 €
Cash at bank	120,436	9,933
Bank overdraft (note 12)	(54,563)	-
	<hr/> 65,873	<hr/> 9,933

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

18. 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 12, the Company's borrowings are non-interest bearing.

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 including interest.

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
	<u>5,661,438</u>	<u>5,555,133</u>	<u>6,088,795</u>	<u>17,305,366</u>

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

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>

Fair value risk

As at 31 December 2017 and 2016, 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.

The fair value measurement hierarchy of the Company's investment property is disclosed in note 9.

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 2017 and 2016.

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

19. Changes in liabilities arising from financing activities

	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 companies	811,257	-	-	811,257
Amounts due to parent company	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

20. Capital commitments

At 31 December 2017 the Company had no commitments (2016: €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.

21. 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:

	Current €	2016 €
Within one year	1,623,424	79,873
After one year but not more than five years	7,908,063	49,231
After five years	5,794,712	-
As at 31 December	<u>15,326,199</u>	<u>129,104</u>

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2017

22. Related party transactions

Related party relationships

	Relationship	
Hal Mann Vella Group p.l.c.	Parent company and major shareholder	
The following companies and Sudvel Limited are related by virtue of having a common shareholder:		
	Percentage of shares held by common shareholder	
	Current	2016
	%	%
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

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

	Current	2016
	€	€
<i>Administrative expenses:</i>		
Finance cost charged by parent company	64,464	65,289
Capitalised borrowing cost charged by parent company	318,180	370,162

Balances with related parties are disclosed in note 8, 12 and 13.

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 2017, the company has not recorded any impairment of receivables relating to amounts owned by group company (2016: €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.

23. 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.

Sudvel Limited

Schedules to the Financial Statements

I. Administrative expenses

	Current €	2016 €
Directors' remuneration	10,440	-
Social security contributions and maternity fund	587	-
Fines and penalties	54	100
Bank charges	676	67
Professional fees	879	4,874
Guarantee fees	80	220
Registration fee	-	100
Licences and membership	800	70
Repairs and maintenance	3,687	3,642
Insurance	-	204
Telecommunication	92	35
Auditors' remuneration	3,896	3,896
	<u>21,191</u>	<u>13,208</u>

II. Other operating income

	Current €	2016 €
Fair value change in investment property	3,589,787	180,566
Other income from construction works	352,274	-
	<u>3,942,061</u>	<u>180,566</u>

III. Finance costs

	Current €	2016 €
Bank overdraft	97	63
Other interest	64,484	65,289
Bank loan interest	29,257	-
	<u>93,838</u>	<u>65,352</u>