Company Registration No.:- C 35806

Sudvel Limited

Annual Report and Financial Statements
for the year ended
31 December 2019

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Sudvel Limited

Directors' Report
for the year ended 31 December 2019

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 2019.

Directors

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

Mr. Martin Vella
Mr. Mark Vella

Principal activity

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

Review of business

During the year ended 31 December 2019, the Company generated a profit before tax of €1,052,329 (2018: €1,595,742). This decrease is mainly due to prior year fair value change in the investment property held by the Company.

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

Results

The results for the year are set out in the statement of comprehensive income on page 9.

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.

Sudvel Limited

Directors' Report
for the year ended 31 December 2019

Post balance sheet event

Subsequent to year-end 2019, the Coronavirus (COVID-19) outbreak has expanded into a pandemic and has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors. In response to this coronavirus outbreak, on 9 March 2020, the Office of the Prime Minister of Malta has taken preventative and protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Following this, temporary closures of non-essential businesses have been ordered.

The impact of the COVID-19 crisis to the Company has resulted to deferral of lease payments from tenants. As a result of these developments, the measures taken by the Company were considered as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year then ended 31 December 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter.

This situation is rapidly changing and additional impacts to the business may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the Company’s results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

The Company continues to follow closely the recommendations and directions issued by the authorities both locally and overseas. In this regard, the Company is monitoring developments in connection with the spread and continues to evaluate the impact of the pandemic on the operations and financial performance as the 2020 financial year unfolds.

Financial Reporting Framework

The Directors have prepared the Company's financial statements for the year ended 31 December 2019 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

28 April 2020

Sudvel Limited

Statement of Directors' Responsibilities

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

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

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

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

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set out on pages 9 to 43, which comprise the statement of financial position as at 31 December 2019, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, 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 Matter - The impact of uncertainties due to the global Coronavirus pandemic on our audit

Uncertainties related to the consequential economic effects of the Coronavirus pandemic are relevant to understanding our audit of the financial statements. All audits assess and challenge the reasonableness of estimates made by the directors, such as recoverability of trade and other receivables and related undertaking, and related disclosures and the appropriateness of the going concern basis of preparation of the financial statements. All of these depend on assessments of the future economic environment and the Group’s future prospects and performance.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

The Coronavirus outbreak is one of the most significant economic events for the World, and at the date of this report its effects are subject to unprecedented levels of uncertainty of outcomes consequences, with the full range of possible effects unknown. We applied a standardised firm-wide approach in response to that uncertainty when assessing the Company's [or Group's] future prospects and performance. However, no audit should be expected to predict the unknowable factors or all possible future implications for a company and this is particularly the case in relation to the economic effects of the pandemic.

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 2019 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.

Independent Auditors' Report
to the members of Sudvel Limited

Responsibilities of the Directors and Those Charged with Governance

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the Europeanian Union, and for such internal controls as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so. Misstatements can arise from fraud or error and are considered material if, individual or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these.

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

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional ommissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

Independent Auditors' Report
to the members of Sudvel Limited

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditors' Report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditors' Report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

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.

Independent Auditors' Report
to the members of Sudvel Limited

This copy of the audit report has been signed by:

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

28 April 2020

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

Sudvel Limited

Statement of Comprehensive Income
for the year ended 31 December 2019

	Note	Current	2018
		€	€
Rental income	5	1,690,478	1,687,338
Gross profit		1,690,478	1,687,338
Administrative expenses	6	(178,561)	(59,233)
Other income from construction works	8	87,723	20,533
Profit on sale of property for resale	7	-	46,751
Operating profit		1,599,640	1,695,389
Fair value change in investment property	8	-	494,435
Finance costs	9	(547,311)	(594,082)
Profit before tax		1,052,329	1,595,742
Income tax expense	11	(392,301)	(370,348)
Profit for the year		660,028	1,225,394
Other comprehensive income		-	-
Total comprehensive income for the year		660,028	1,225,394

The notes on pages 11 to 43 form part of these financial statements

Sudvel Limited

Statement of Financial Position
as at 31 December 2019

	Note	Current	2018
		€	€
ASSETS			
Non-current assets			
Investment property	13	26,739,598	26,611,967
Deferred tax assets	17	368,617	368,617
Total non-current assets		27,108,215	26,980,584
Current assets			
Property for resale	14	55,616	55,616
Trade and other receivables	15	559,667	624,894
Cash and cash equivalents	20	188,531	361,308
Total current assets		803,814	1,041,818
Total assets		27,912,029	28,022,402
EQUITY AND LIABILITIES			
Equity			
Issued capital	18	500,000	500,000
Other reserve	19	7,205,804	7,205,804
Retained earnings		6,799,459	6,139,431
Total equity and reserves		14,505,263	13,845,235
Non-current liabilities			
Borrowings	12	7,964,332	8,708,403
Deferred tax liability	17	2,273,476	1,905,106
Total non-current liabilities		10,237,808	10,613,509
Current liabilities			
Current borrowings	12	520,260	460,000
Trade and other payables	16	2,624,767	3,103,658
Taxation due	11	23,931	-
Total current liabilities		3,168,958	3,563,658
Total liabilities		13,406,766	14,177,167
Total equity and liabilities		27,912,029	28,022,402

The notes on pages 11 to 43 form part of these financial statements

The financial statements on pages 7 to 43 were authorised for issue by the Board and were signed on its behalf by:

Mr. Martin Vella - Director

Mr. Mark Vella - Director

28 April 2020

Sudvel Limited

Statement of Changes in Equity
for the year ended 31 December 2019

	Issued capital €	Other reserve €	Retained earnings €	Total €
Balance as at 1 January 2018	500,000	10,003,941	2,118,795	12,622,736
Effect of adoption of new accounting standards (note 21)	-	-	(2,895)	(2,895)
As restated	500,000	10,003,941	2,115,900	12,619,841
Profit for the year	-	-	1,225,394	1,225,394
Transfer of unrealised fair value gain on investment property, net of deferred tax	-	(2,798,137)	2,798,137	-
Total comprehensive income for the year	-	(2,798,137)	4,023,531	1,225,394
Balance as at 31 December 2018	500,000	7,205,804	6,139,431	13,845,235
Balance as at 1 January 2019	500,000	7,205,804	6,139,431	13,845,235
Profit for the year	-	-	660,028	660,028
Balance as at 31 December 2019	500,000	7,205,804	6,799,459	14,505,263

The notes on pages 11 to 43 form part of these financial statements

Sudvel Limited

Statement of Cash Flows
for the year ended 31 December 2019

	Note	Current	2018
		€	€
Cash flows from operating activities			
Profit before tax		1,052,329	1,595,742
Adjustments for:			
Provision for estimated credit losses		(4,449)	5,155
Fair value change in investment property		-	(494,435)
Working capital changes:			
Decrease in property for resale		-	3,056,902
Decrease in receivables		69,676	2,524,120
Decrease in payables		(493,927)	(2,386,126)
Payments to related company		-	(57,475)
Interest paid		(230,788)	(258,528)
Finance cost		547,311	594,082
Taxation paid		-	(310,389)
Net cash from operating activities		940,152	4,269,048
Cash flows from investing activities			
Payments to acquire investment property		(127,631)	(8,045)
Capitalisation of borrowing costs		-	(30,800)
Net cash used in investing activities		(127,631)	(38,845)
Cash flows from financing activities			
Issue of share capital		-	-
Repayment of bank loans		(445,121)	(522,841)
Interest paid on loans		(301,487)	(275,489)
Repayments to group companies		(238,950)	(3,136,438)
Net cash used in financing activities		(985,558)	(3,934,768)
(Decrease)/increase in cash and cash equivalents		(173,037)	295,435
Cash and cash equivalents at beginning of year		361,308	65,873
Cash and cash equivalents at end of year	20	188,271	361,308

The notes on pages 11 to 43 form part of these financial statements

Notes to the Financial Statements
for the year ended 31 December 2019

1. Corporate information

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

2. Significant accounting policies

a) Basis of preparation

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

b) Current versus non-current classification

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

All other assets are classified as non-current.

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

The Company classifies all other liabilities as non-current.

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

c) Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

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

In order for a financial asset to be classified and measured at amortised cost or FVOCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level. Financial assets with cash flows that are not SPPI are classified and measured at fair value through profit or loss, irrespective of the business model.

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

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

Subsequent measurement

For purposes of subsequent measurement, financial assets in these financial statements are classified in four categories:

- financial assets at amortised cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL

Financial assets at amortised cost

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and receivables from related companies which are included under current financial assets.

Financial assets at FVOCI (debt instruments)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As at 31 December 2019 and 2018, the Company has no debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Company can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under IAS 32 Financial Instruments: Presentation and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at 31 December 2019 and 2018, the Company has no equity instruments at FVOCI.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.
This category includes derivative instruments and listed equity investments which the Company had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at 31 December 2019 and 2018, the Company has no financial assets at FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Company's statement of financial position) when:
- 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) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

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

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

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

For cash in banks and trade and other receivables, the Company applies a general approach in calculating ECLs. Therefore, the Company tracks changes in credit risk, and recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. This is being done by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The following are the key elements in the calculation of ECLs:

a. Probability of Default (PD)	The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognised.
b. Exposure at Default (EAD)	The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
c. Loss Given Default (LGD)	The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

The mechanics of the ECL method are summarised below:

Stage 1:	The 12-month ECL is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Company calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.
Stage 2:	When a financial asset has shown a significant increase in credit risk since origination, the Company records an allowance for the lifetime ECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.
Stage 3:	For financial asset considered as credit-impaired, the Company recognises the lifetime ECL. The method is similar to that for Stage 2 financial assets, with the PD set at 100%.

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

Financial liabilities

Initial recognition and measurement

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

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

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

Subsequent measurement
For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVTPL
- financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at FVTPL
Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Company that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Company has not designated any financial liability as at FVTPL.

Financial liabilities at amortised cost (loans and borrowings)
This is the category most relevant to the Company. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the EIR method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to **note 12** to the financial statements.

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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

Investment property is measured initially at its historical cost, including related transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended. After initial recognition, investment property is carried at fair value representing open market value determined periodically. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Company uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

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

Professional valuers perform market valuations at least every two years, last revaluation date was as at December 31, 2018 and next revaluation date will be for December 31, 2020.

The Company directors performed an assessment wherein the book value of land and buildings properly reflect the market value of the Company's investment property as at December 31, 2019.

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

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

Changes in fair value are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition.

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

e) Property for resale

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

f) Cash and cash equivalents

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

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

g) Share capital

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

h) Dividend distribution

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

Notes to the Financial Statements
for the year ended 31 December 2019

i) Trade and other payables

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

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

j) Provisions

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

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

k) Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

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

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

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

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

l) Leases

Upon adoption of IFRS 16 Leases

The Company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company as a lessor

Leases in which the Company does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and 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.

Prior to adoption of IFRS 16 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.

Rental income

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

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.

m) Borrowing costs

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

n) Fair value measurements and valuation processes

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

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

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

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

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

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

3. Critical accounting estimates and judgements

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

Fair value of investment property

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

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

Operating lease commitments - Company as lessor

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

Recognition of deferred tax assets

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

Provision for expected credit losses of trade receivables

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

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.
The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in notes 12 and 21.

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

The Group applied IFRS 16 Leases for the first time. The nature and effect of the changes as a result of adoption of this new accounting standard is described below.

Several other amendments and interpretations apply for the first time in 2019, but do not have an impact on the financial statements of the Company. The Company has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

IFRS 16 Leases
IFRS 16 supersedes 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. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

Lessor accounting under IFRS 16 is substantially unchanged from IAS 17. Lessors will continue to classify leases as either operating or finance leases using similar principles as in IAS 17. Therefore, IFRS 16 did not have an impact for leases where the Group is the lessor.

The Company adopted IFRS 16 using the modified retrospective method of adoption with the date of initial application of 1 January 2019. Under this method, the standard is applied retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application. The Company elected to use the transition practical expedient to not reassess whether a contract is, or contains a lease at 1 January 2019. Instead, the Company applied the standard only to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 at the date of initial application.
In accordance with the transitional provisions of IFRS 16, comparative figures have not been restated, thereby resulting in the following impact:

a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applies, as well as disclosures required in accordance with IAS 17 are retained for the comparative periods.

b. The accounting policies for both the current period and the comparative periods, one applying IFRS 16 and one applying IAS 17, are disclosed in the notes to the financial statements.

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

Since the Company is the lessor, there is no significant impact in the Company's financial statements which pertains to the effect of adoption IFRS 16 as at 1 January 2019.

Measurement of ECL on trade receivables
The Company reassessed its ECL model with respect to trade receivabels. The Company had previously applied the simplified approach whereby a loss allowance based on lifetime ECLs was recognized. The Company had established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

On 1 January 2019, the Company elected to change the said approach as the Company believes that the general approach provides a better estimate of ECL on trade receivables. Therefore, the Company tracks changes in credit risk, and recognizes a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition.

The Company applied the general approach prospectively. While IAS 8 *Changes in Accounting Policies* requires changes in accounting policies to be applied retrospectively, the Company assessed that the effect of retrospective application of the general approach is immaterial.

IFRIC Interpretation 23 Uncertainty over Income Tax Treatment
The Interpretation addresses the accounting for income taxes when tax treatments involve uncertainty that affects the application of IAS 12 Income Taxes. It does not apply to taxes or levies outside the scope of IAS 12, nor does it specifically include requirements relating to interest and penalties associated with uncertain tax treatments. The Interpretation specifically addresses the following:
- Whether an entity considers uncertain tax treatments separately
- The assumptions an entity makes about the examination of tax treatments by taxation authorities
- How an entity determines taxable profit (tax loss), tax bases, unused tax losses, unused tax credits and tax rates
- How an entity considers changes in facts and circumstances

The Company determines whether to consider each uncertain tax treatment separately or together with one or more other uncertain tax treatments and uses the approach that better predicts the resolution of the uncertainty. The Company applies significant judgement in identifying uncertainties over income tax treatments.
Upon adoption of the Interpretation, the Company considered whether it has any uncertain tax positions.. The Company determined, based on its tax compliance, that it is probable that its tax treatments will be accepted by the taxation authorities. The Interpretation did not have an impact on the consolidated financial statements of the Company.

Amendments to IFRS 9: Prepayment Features with Negative Compensation

Under IFRS 9, a debt instrument can be measured at amortised cost or at FVOCI provided that the contractual cash flows are 'solely payments of principal and interest on the principal amount outstanding' (the SPPI criterion) and the instrument is held within the appropriate business model for that classification. The amendments to IFRS 9 clarify that a financial asset passes the SPPI criterion regardless of an event or circumstance that causes the early termination of the contract and irrespective of which party pays or receives reasonable compensation for the early termination of the contract. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IAS 19: Plan Amendment, Curtailment or Settlement

The amendments to IAS 19 address the accounting when a plan amendment, curtailment or settlement occurs during a reporting period. The amendments specify that when a plan amendment, curtailment or settlement occurs during the annual reporting period, an entity is required to determine the current service cost for the remainder of the period after the plan amendment, curtailment or settlement, using the actuarial assumptions used to remeasure the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event. An entity is also required to determine the net interest for the remainder of the period after the plan amendment, curtailment or settlement using the net defined benefit liability (asset) reflecting the benefits offered under the plan and the plan assets after that event, and the discount rate used to remeasure that net defined benefit liability (asset).

The amendments had no impact on the consolidated financial statements of the Group as it did not have any plan amendments, curtailments, or settlements during the period.

Amendments to IAS 28: Long-term interests in associates and joint ventures

The amendments clarify that an entity applies IFRS 9 to long-term interests in an associate or joint venture to which the equity method is not applied but that, in substance, form part of the net investment in the associate or joint venture (long-term interests). This clarification is relevant because it implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

The amendments also clarified that, in applying IFRS 9, an entity does not take account of any losses of the associate or joint venture, or any impairment losses on the net investment, recognised as adjustments to the net investment in the associate or joint venture that arise from applying IAS 28 Investments in Associates and Joint Ventures.

These amendments had no impact on the consolidated financial statements as the Group does not have longterm interests in its associate and joint venture.

Annual Improvements 2015-2017 Cycle

<u>IFRS 3 Business Combinations</u>

The amendments clarify that, when an entity obtains control of a business that is a joint operation, it applies the requirements for a business combination achieved in stages, including remeasuring previously held interests in the assets and liabilities of the joint operation at fair value. In doing so, the acquirer remeasures its entire previously held interest in the joint operation.

An entity applies those amendments to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where joint control is obtained.

<u>IFRS 11 Joint Arrangements</u>
An entity that participates in, but does not have joint control of, a joint operation might obtain joint control of the joint operation in which the activity of the joint operation constitutes a business as defined in IFRS 3. The amendments clarify that the previously held interests in that joint operation are not remeasured.

An entity applies those amendments to transactions in which it obtains joint control on or after the beginning of the first annual reporting period beginning on or after 1 January 2019, with early application permitted.

These amendments had no impact on the consolidated financial statements of the Group as there is no transaction where a joint control is obtained.

<u>IAS 12 Income Taxes</u>
The amendments clarify that the income tax consequences of dividends are linked more directly to past transactions or events that generated distributable profits than to distributions to owners. Therefore, an entity recognises the income tax consequences of dividends in profit or loss, other comprehensive income or equity according to where it originally recognised those past transactions or events.

An entity applies the amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted. When the entity first applies those amendments, it applies them to the income tax consequences of dividends recognised on or after the beginning of the earliest comparative period.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

<u>IAS 23 Borrowing Costs</u>
The amendments clarify that an entity treats as part of general borrowings any borrowing originally made to develop a qualifying asset when substantially all of the activities necessary to prepare that asset for its intended use or sale are complete.

The entity applies the amendments to borrowing costs incurred on or after the beginning of the annual reporting period in which the entity first applies those amendments. An entity applies those amendments for annual reporting periods beginning on or after 1 January 2019, with early application permitted.

Since the Group's current practice is in line with these amendments, they had no impact on the consolidated financial statements of the Group.

4.2 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or*
Amendments to IFRS 3: Definition of a Business	1 January 2020
Amendments to IAS 1 and IAS 8: Definition of Material	1 January 2020
IFRS 17 Insurance Contracts	1 January 2021

5. Rental income

	2019	**2018**
	€	**€**
Rental income	1,690,478	1,687,338

6. Expenses by nature

	2019	**2018**
	€	**€**
Directors' remuneration (note 10)	42,049	41,948
Social security contributions and maternity fund (note 10)	2,492	2,416
Fines and penalties	-	532
Bank charges	7,626	1,583
Professional fees	310	654
Guarantee fees	-	80
Provision of estimated credit losses	(4,449)	2,260
Registration fee	800	800
Repairs and maintenance	64,926	4,896
Water and electricity	60,772	-
Telecommunication	(1)	28
Auditors' remuneration	4,036	4,036
	178,561	59,233

Auditor's fee

Fees charged by the auditor for services rendered during the financial year ended 31 December 2019 and 2018 relate to the following:

	2019	**2018**
	€	**€**
Annual statutory audit	4,036	4,036

Notes to the Financial Statements
for the year ended 31 December 2019

7. Profit on sale of property for resale

	Current	2018
	€	€
Proceeds from disposal	-	3,103,888
Cost of property	-	(3,057,137)
Profit on sale	-	46,751

8. Other income

	Current	2018
	€	€
Fair value change in investment property	-	494,435
Other income from construction works	87,723	20,533
	87,723	514,968

9. Finance costs

	Current	2018
	€	€
Bank overdraft	220	117
Intercompany interest	230,575	258,130
Other interest	-	289
Bank loan interest	316,516	335,546
	547,311	594,082

Notes to the Financial Statements
for the year ended 31 December 2019

10. Payroll costs and personnel information

Payroll costs for the year comprised the following:

	2019 €	2018 €
Wages and salaries (including director's remuneration) (note 6)	42,049	41,948
Social security contributions (note 6)	2,492	2,416
	44,541	44,364

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

	2019 No.	2018 No.
Administration (including director)	1	1

11. Income tax

11.1 Tax charge on profit on ordinary activities

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

	2019 €	2018 €
Income tax expense:		
Final withholding tax at 10%	-	(310,389)
Current tax charge	(23,931)	-
Total current tax expense	(23,931)	(310,389)
Deferred Taxation (Note 17):		
Charge for year	(368,370)	(59,959)
Income tax charge for the year	(392,301)	(370,348)

11.2 Tax Reconciliation

	2019 €	2018 €
Profit before tax	1,052,329	1,595,742
Taxation charge thereon	368,315	558,510
Tax effect of:		
- expenses non allowed for tax purposes	255,075	977
- income taxed at different rates	(118,333)	175,912
- fair value change of investment property	-	(356,705)
- unabsorbed tax losses	(112,756)	(8,346)
Income tax expense for the year	392,301	370,348

11.3 Current taxation

Taxation due is made up as follows:

	2019	2018
	€	€
As at 1 January	-	-
Current tax charge	23,931	310,389
	23,931	310,389
Payments:		
Final withholding tax (10%)	-	(310,389)
As at 31 December	23,931	-

12. Financial assets and financial liabilities

12.1 Financial assets

	2019	2018
	€	€
Current financial assets:		
Debt instruments measured at amortised cost:		
Trade and other receivables (note 15)	552,331	510,339
Total debt instruments at amortised cost	552,331	510,339

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

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

12.2 Financial liabilities: Loans and liabilities

	Interest rate	Maturity	2019	2018
			€	€
Current loans and borrowings				
Bank overdraft (note 20)	2.35%	on demand	260	-
Bank loan	6%	2027	520,000	460,000
Amounts due to group companies		indefinite	-	-
			520,260	460,000
Non-current loans and borrowings				
Bank loan	6%	2027	4,480,000	4,985,121
Loans from parent company	5.3%	indefinite	3,484,332	3,723,282
			7,964,332	8,708,403

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

Trade and other payables (note 16)	2,055,260	2,433,292

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

13. Investment property

	2019 €	2018 €
Cost		
As at 1 January	26,611,967	26,109,487
Additions	127,631	8,045
Fair value change in investment property	-	494,435
As at 31 December	26,739,598	26,611,967

Fair value measurement of the Company's investment properties

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

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

The Company's investment property consists mainly of plots, apartments and land and building for warehouses, offices and parking spaces, with a carrying amount of €26,739,598 (2018: €26,611,967). The investment property has been categorised to fall within levels 2 and 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 21.

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

Reconciliation of fair value:

	Land	Office properties	Commercial buildings	Residential properties
	€	€	€	€
As at 1 January 2018	387,300	1,840,000	23,232,187	650,000
Additions	8,000	-	-	45
Capitalisation of borrowing costs	-	-	(220)	220
Fair value change recognised in profit or loss	9,700	460,000	-	24,735
As at 31 December 2018	405,000	2,300,000	23,231,967	675,000
Additions	103,425	24,206	-	-
As at 31 December 2019	508,425	2,324,206	23,231,967	675,000

Valuation techniques and inputs

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

Comparison method:

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

Discounted cash flow (DCF) method:

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

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

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

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

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

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

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

14. Property for resale

	2019	2018
	€	€
Cost:		
As at 1 January	55,616	3,112,518
Additions	-	235
Disposals	-	(3,057,137)
As at 31 December	55,616	55,616

15. Trade and other receivables

	2019	2018
	€	€
Trade receivables	553,037	515,494
Provision for estimated credit losses	(706)	(5,155)
	552,331	510,339
Advance deposit	-	112,200
Accrued income	7,336	-
Prepayments	-	2,355
Total trade and other receivables	559,667	624,894

Trade receivables are unsecured and non-interest bearing.

As at 31 December 2019, the aging analysis of trade receivables is as follows:

	Total	< 30 days	Past due but not impaired 30 - 90 days	Past due but not impaired > 90 days
	€	€	€	€
2019	553,037	553,037	-	-
2018	515,494	515,494	-	-

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

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16. Trade and other payables

	2019	2018
	€	€
Current liabilities		
Amount received in advance	433,350	433,617
Trade payables	703,502	313,134
Other payables	9,000	9,000
Amout due to group company	-	73,910
Indirect taxes and social security contributions	136,157	236,749
Accruals	1,342,758	2,037,248
Total current liabilities	2,624,767	3,103,658

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

The amounts owed to group and related companies are unsecured, bears interest at 5.3% and repayable on demand.

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

17. Deferred taxation

Deferred tax liability

	2019	2018
	€	€
As at 1 January	(1,905,106)	(2,088,759)
(Charge)/credit in the statement of comprehensive income	(368,370)	183,653
As at 31 December	(2,273,476)	(1,905,106)
Tax effect of temporary differences relating to:		
Asset revaluations	(2,273,476)	(1,905,106)

Deferred tax asset

	2019	2018
	€	€
As at 1 January	368,617	612,229
Charge in the statement of comprehensive income (note 11)	-	(243,612)
As at 31 December	368,617	368,617

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% (2018: 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% (2018: 8%) of the transfer value.

Notes to the Financial Statements
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The balance as at 31 December 2019 represents:

	2019 €	2018 €
Tax effect of temporary differences relating to:		
Asset revaluations	(1,905,106)	(1,905,106)
Unrelieved tax losses	-	368,617
Estimated credit losses	247	-
	(1,904,859)	(1,536,489)

18. Issued capital

	2019 €	2018 €
Authorised:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

	Current €	2018 €
Issued and fully called-up:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

19. Other reserve

	2019 €	2018 €
As at 1 January	7,205,804	10,003,941
Transfer to profit and loss account	-	(2,798,137)
As at 31 December	7,205,804	7,205,804

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

20. Cash and cash equivalents

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

	2019 €	2018 €
Cash at bank	188,531	361,308
Bank overdraft (note 12)	(260)	-
	188,271	361,308

21. Financial risk management objectives and policies

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

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

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

Market risk

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

Interest rate risk

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

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

Credit risk

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

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

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

Trade receivables

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

	Trade receivables 2019
Estimated gross carrying amount at default	553,037
Estimated credit loss	(706)

	Trade receivables 2018
Estimated gross carrying amount at default	515,494
Estimated credit loss	(5,155)

Liquidity risk

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

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

Year ended 31 December 2019

	> 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Interest bearing borrowings	520,000	2,340,000	2,140,000	5,000,000
Trade and other payables	2,211,469	-	-	2,211,469
Intercompany balances	-	3,484,332	-	3,484,332
	2,731,469	5,824,332	2,140,000	10,695,801

Year ended 31 December 2018

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

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Fair value risk

As at 31 December 2019 and 2018, the carrying amounts of trade and other receivables, cash and cash equivalents, trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair value of loans and receivables and non-current borrowings are not materially different from their carrying amounts in the statement of financial position.

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

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

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

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

Fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2018				
Investment property	-	1,080,000	25,531,967	26,611,967

Capital Risk management

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018.

	2019	2018
	€	€
Interest-bearing loans and other borrowings	8,484,332	9,168,403
Trade and other payables (note 16)	2,055,260	2,433,292
less: cash and cash equivalents	(188,531)	(361,308)
Net debt	10,351,061	11,240,387
Equity	14,505,263	13,845,235
Net debt to equity ratio	0.86:1	1.45:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2019 and 2018 .

22. Supplemental cash flow information

Changes in liabilities arising from financing activities

	As at 1 January 2019	Cash flows	As at 31 December 2019
	€	€	€
Bank loan	5,445,121	(445,121)	5,000,000
Amounts due to parent company	3,723,282	(238,950)	3,484,332
Total liabilities from financing activities	9,168,403	(684,071)	8,484,332

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

23. Operating lease commitments

Operating lease commitments – Company as lessor

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

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

	2019	2018
	€	€
Within one year	479,935	1,649,551
After one year but not more than five years	1,802,063	8,117,353
After five years	1,053,584	3,950,940
As at 31 December	3,335,582	13,717,844

24. Post balance sheet event

Subsequent to year-end 2019, the Coronavirus (COVID-19) outbreak has expanded into a pandemic and has negatively impacted various industries across the business spectrum, causing a cutback in business operations across many sectors. In response to this coronavirus outbreak, on 9 March 2020, the Office of the Prime Minister of Malta has taken preventative and protective actions, such as imposing restrictions on travel and business operations and advising or requiring individuals to limit or forego their time outside of their homes. Following this, temporary closures of non-essential businesses have been ordered.

The impact of the COVID-19 crisis to the Company has resulted to deferral of lease payments from tenants. As a result of these developments, the measures taken by the Company were considered as a non-adjusting subsequent event, which does not impact its financial position and performance as of and for the year then ended 31 December 2019. However, it could have a material impact on its 2020 financial results and even periods thereafter.

This situation is rapidly changing and additional impacts to the business may arise that we are not aware of currently. While the disruption is currently expected to be temporary, there is uncertainty around the duration. The ultimate impact of the pandemic on the Company's results of operations, financial position, liquidity or capital resources cannot be reasonably estimated at this time.

The Company continues to follow closely the recommendations and directions issued by the authorities both locally and overseas. In this regard, the Company is monitoring developments in connection with the spread and continues to evaluate the impact of the pandemic on the operations and financial performance as the 2020 financial year unfolds.

25. Related party transactions

Related party relationships

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

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

	Percentage of shares held by common shareholder	
	Current	**2018**
	%	%
Hal Mann Vella Limited	100	100
Hal Mann International Ltd	100	100
Hal Mann Properties Ltd	99.99	99.99
Hal Mann (Letting) Ltd	99.99	99.99
Mavina Holiday Complex Ltd	100	100
Halmann Solar Limited	100	100

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

	2019	2018
	€	€
Administrative expenses:		
Finance cost charged by parent company	230,575	258,130

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

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the reporting period are unsecured and interest free, except for amount due to parent company which bear interest of 5.3% per annum. On August 24, 2018, the Company executed a guaranty agreement with HSBC for the Parent Company's bond issuance amounting to €30 million payable equally in 10 annual installments bearing an interest at 5% per annum. The redemption date of the bond is on November 6, 2024.

For the year ended 31 December 2019, the company has not recorded any impairment of receivables relating to amounts owned by group company (2018: 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.

26. 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 owning 100% of the issued share capital.

27. Comparative information

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