Company Registration No.: C 35806

Sudvel Limited

Annual Report and Financial Statements
for the year ended
31 December 2022

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Sudvel Limited
Directors' Report
for the year ended 31 December 2022

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 2022.

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 2022, the Company generated a profit before tax of €949,281 (2021: €850,628).
Given the Company's financing structure and the positive net assets position attained by the Company by the end of the current financial year, the Directors consider the Company's state of affairs as at the close of the financial year to be satisfactory.

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

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

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

Financial Reporting Framework
The Directors have prepared the Company's financial statements for the year ended 31 December 2022 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
27 April 2023

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

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set out on pages 7 to 41, which comprise the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act, Cap 386, Laws of Malta.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

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

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

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

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 2022 is consistent with the financial statements ; and
- the Directors' Report has been prepared in accordance with the Companies Act (Cap.386)

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

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

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

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative to do so. 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.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

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.

- 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. In particular, it is difficult to evaluate all of the implications that the geopolitical conflict between Russia and Ukraine will have on the Company's trade, customers and suppliers, and the disruption to the business and the overall economy.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the members of Sudvel Limited

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

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 not been kept by the Company so far as appears from our examination thereof ;

- the Company's financial statements are not in agreement with the books of account ;

- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report ;

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

This copy of the audit report has been signed by:

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

27 April 2023

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TEL: +356 2010 9800 EMAIL: info@hlbmalta.com VAT NO: MT 2080 6811
PARTNERS: Jozef Wallace Galea, Alfred Falzon, Patrizio Prospero, Fiona Buttigieg.

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

Sudvel Limited

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2022

	Note	2022	2021
		€	€
Rental income	5	1,691,519	1,689,505
Gross profit		1,691,519	1,689,505
Administrative expenses	6	(516,886)	(360,858)
Other income from construction works	7	7,145	14,726
Operating profit		1,181,778	1,343,373
Fair value change in investment property	7	205,792	-
Finance costs	8	(438,289)	(492,745)
Profit before tax		949,281	850,628
Income tax expense	10	(269,693)	(256,138)
Profit for the year		679,588	594,490
Other comprehensive income		-	-
Total comprehensive income for the year		679,588	594,490

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

Sudvel Limited

Statement of Financial Position
as at 31 December 2022

	Note	2022	2021
		€	€
ASSETS			
Non-current assets			
Investment property	12	28,226,200	27,841,300
Deferred tax assets	16	368,617	368,617
Total non-current assets		28,594,817	28,209,917
Current assets			
Property for resale	13	55,616	55,616
Trade and other receivables	14	535,080	582,050
Cash and cash equivalents	19	390,088	718,600
Total current assets		980,784	1,356,266
Total assets		29,575,601	29,566,183
EQUITY AND LIABILITIES			
Equity			
Issued capital	17	500,000	500,000
Other reserve	18	7,762,004	7,572,675
Retained earnings		8,489,534	7,999,275
Total equity and reserves		16,751,538	16,071,950
Non-current liabilities			
Borrowings	11	8,398,104	9,125,374
Deferred tax liability	16	2,319,938	2,305,187
Total non-current liabilities		10,718,042	11,430,561
Current liabilities			
Current borrowings	11	580,000	565,000
Trade and other payables	15	1,524,807	1,494,691
Taxation due	10	1,214	3,981
Total current liabilities		2,106,021	2,063,672
Total liabilities		12,824,063	13,494,233
Total equity and liabilities		29,575,601	29,566,183

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

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

Mr. Martin Vella - Director

Mr. Mark Vella - Director

27 April 2023

Sudvel Limited

Statement of Changes in Equity
for the year ended 31 December 2022

	Note	Issued capital €	Other reserve €	Retained earnings €	Total €
Balance as at 1 January 2021		500,000	7,572,675	7,404,785	15,477,460
Profit for the year		-	-	594,490	594,490
Balance as at 31 December 2021		500,000	7,572,675	7,999,275	16,071,950
Balance as at 1 January 2022		500,000	7,572,675	7,999,275	16,071,950
Profit for the year		-	-	679,588	679,588
Transfer of unrealised fair value gain on investment property, net of deferred tax	18	-	189,329	(189,329)	-
Balance as at 31 December 2022		500,000	7,762,004	8,489,534	16,751,538

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

Sudvel Limited

Statement of Cash Flows
for the year ended 31 December 2022

	Note	2022	2021
		€	€
Cash flows from operating activities			
Profit before tax		949,281	850,628
Adjustments for:			
Provision for estimated credit losses		4,630	10
Fair value change in investment property		(205,792)	-
Working capital changes:			
Decrease in receivables		43,040	135,325
Increase in payables		37,114	318,209
Interest paid		(300,778)	(348,833)
Finance cost		438,289	492,745
Taxation paid		(257,709)	(654,897)
Net cash from/(used in) operating activities		708,075	793,187
Cash flows from investing activities			
Payments to acquire investment property		(179,108)	(26,745)
Net cash used in investing activities		(179,108)	(26,745)
Cash flows from financing activities			
Repayment of bank loans		(447,660)	(109,499)
Interest paid on loans		(128,945)	(168,960)
Payments to group company		(15,564)	(182,298)
Payments to parent company		(264,610)	(352,807)
Net cash (used in)/from financing activities		(856,779)	(813,564)
Effect of ECL on cash in banks		(700)	92
(Decrease)/increase in cash and cash equivalents		(327,812)	(47,122)
Cash and cash equivalents at beginning of year		718,600	765,722
Cash and cash equivalents at end of year	19	390,088	718,600

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

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

2.1 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.

Impact of geopolitical tension between Russia and Ukraine

Following the escalation of the geopolitical tensions in Russia and Ukraine from February 2022, the Company has gone through a process of assessing any potential exposures, with no material exposure identified. Whilst, the Company has no direct exposure to these jurisdictions, management will continue to monitor the situation, particularly in terms of the wider macroeconomic implications.

There were no other material events affecting the Company which occurred after the reporting date.

2.2 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.

2.3 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 2022 and 2021, 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 2022 and 2021, 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 2022 and 2021, 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 11 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.

2.4 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 30 December 2022 and next revaluation date will be for 31 December 2024.

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.

2.5 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.

2.6 Trade and other receivables

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

Trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for estimated credit losses (ECL's). See note 2.3 for further information on the impairment of these trade receivables.

A specific provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the profit or loss within 'Administrative expense'.

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

Prepayments comprise payments made in advance in respect of expenditure relating to the subsequent financial year and accrued income is income relating to the current period, which will not be invoiced until after the end of the current reporting date.

2.7 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.

2.8 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.

2.9 Dividend distribution

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

2.10 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.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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 12.

Sudvel Limited

Notes to the Financial Statements
for the year ended 31 December 2022

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.

Market valuation was performed on 30 December 2022 and the Company recognised fair values of investment property (note 12).

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 20.

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2022. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

The nature and the impact of each new standard and amendment is described below:

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is a contract under which the unavoidable of meeting the obligations under the contract costs (i.e., the costs that the Compnay cannot avoid because it has the contract) exceed the economic benefits expected to be received under it.

The amendments specify that when assessing whether a contract is onerous or loss-making, an entity needs to include costs that relate directly to a contract to provide goods or services including both incremental costs (e.g., the costs of direct labour and materials) and an allocation of costs directly related to contract activities (e.g., depreciation of equipment used to fulfil the contract and costs of contract management and supervision). General and administrative costs do not relate directly to a contract and are excluded unless they are explicitly chargeable to the counterparty under the contract.

These amendments had no impact on the financial statements of the Company as it did not have onerous contracts in scope of IAS 37 as at the reporting date.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace a reference to a previous version of the IASB's *Conceptual Framework* with a reference to the current version issued in March 2018 without significantly changing its requirements.

Combinations to avoid the issue of potential 'day 2' gains or losses arising for liabilities and contingent liabilities that would be within the scope of IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* or IFRIC 21 *Levies*, if incurred separately. The exception requires entities to apply the criteria in IAS 37 or IFRIC 21, respectively, instead of the Conceptual Framework, to determine whether a present obligation exists at the acquisition date.

The amendments also add a new paragraph to IFRS 3 to clarify that contingent assets do not qualify for recognition at the acquisition date.

These amendments had no impact on the financial statements of the Company as there were no contingent assets, liabilities or contingent liabilities within the scope of these amendments that arose during the period.

Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16 Leases

The amendment prohibits entities from deducting from the cost of an item of property, plant and equipment (PPE), any proceeds of the sale of items produced while bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Instead, an entity recognises the proceeds from selling such items, and the costs of producing those items, in profit or loss.

These amendments had no impact on the financial statements as the Company does not have any PPE as at the reporting date.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

The amendment permits a subsidiary that elects to apply paragraph D16(a) of IFRS 1 to measure cumulative translation differences using the amounts reported in the parent's consolidated financial statements, based on the parent's date of transition to IFRS, if no adjustments were made for consolidation procedures and for the effects of the business combination in which the parent acquired the subsidiary. This amendment is also applied to an associate or joint venture that elects to apply paragraph D16(a) of IFRS 1.

These amendments had no impact on the financial statements as the Company does not hold any investment in subsidiary as at the reporting date.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

The amendment clarifies the fees that an entity includes when assessing whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. There is no similar amendment proposed for IAS 39 *Financial Instruments: Recognition and Measurement.*

In accordance with the transitional provisions, the Company applies the amendment to financial liabilities that are modified or exchanged on or after the beginning of the annual reporting period in which the entity first applies the amendment (the date of initial application). These amendments had no impact on the financial statements of the Company as there were no modifications of the Company's financial instruments during the period.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirement in paragraph 22 of IAS 41 that entities exclude cash flows for taxation when measuring the fair value of assets within the scope of IAS 41.

These amendments had no impact on the financial statements of the Company as it did not have assets in scope of IAS 41 as at the reporting date.

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 after***
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	1 January 2023
Deferred Tax related to Assets and Liabilities arising from a Single Transaction - Amendments to IAS 12	1 January 2023

5. Rental income

	2022	2021
	€	€
Rental income	1,691,519	1,689,505

6. Expenses by nature

	2022	2021
	€	€
Director's remuneration (note 9)	60,583	80,602
Social security contributions and maternity fund (note 9)	2,007	2,601
Fines and penalties	1,275	631
Bank charges	4,966	7,319
Professional fees	309,932	2,045
Guarantee fees	80	80
Provision of estimated credit losses	4,630	10
Registration fee	800	800
Repairs and maintenance	81,038	240,032
Water and electricity	47,291	22,673
Telecommunication	248	29
Auditors' remuneration	4,036	4,036
	516,886	360,858

Auditor's fee

Fees charged by the auditor for services rendered during the financial year ended 31 December 2022 and 2021 relate to the following:

	2022	2021
	€	€
Annual statutory audit	4,036	4,036

7. Other income

	2022	2021
	€	€
Fair value change in investment property (note 12)	205,792	-
Other income from construction works	7,145	14,726
	212,937	14,726

8. Finance costs

	2022	2021
	€	€
Bank overdraft	-	537
Other interest	300,778	323,659
Bank loan interest	137,511	168,549
	438,289	492,745

9. Payroll costs and personnel information

Payroll costs for the year comprised the following:

	2022	2021
	€	€
Wages and salaries (including director's remuneration) (note 6)	60,583	80,602
Social security contributions (note 6)	2,007	2,601
	62,590	83,203

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

	2022	2021
	No.	No.
Administration (including director)	1	1

Sudvel Limited

Notes to the Financial Statements
for the year ended 31 December 2022

10. Income tax

10.1 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.

	2022	2021
	€	€
Income tax expense:		
Final withholding tax at 15%	(253,728)	(253,369)
Current tax charge	(1,214)	(3,350)
Total current tax expense	(254,942)	(256,719)
Deferred Taxation (Note 16):		
Credit/(charge) for year	(14,751)	581
Income tax charge for the year	(269,693)	(256,138)

10.2 Tax Reconciliation

	2022	2021
	€	€
Profit before tax	949,281	850,628
Taxation charge thereon	332,248	297,720
Tax effect of:		
- expenses non allowed for tax purposes	333,116	296,691
- income taxed at different rates	(323,511)	(338,273)
- fair value change of investment property	(72,027)	-
- overprovision of prior year tax charge	(133)	-
Income tax expense for the year	269,693	256,138

10.3 Current taxation

Taxation due is made up as follows:

	2022	2021
	€	€
As at 1 January	3,981	402,159
Over provision for tax	(133)	-
Current tax charge	255,075	256,719
	258,923	658,878
Payments:		
Settlement tax	(3,981)	(401,528)
Final withholding tax - rental	(253,728)	(253,369)
	(257,709)	(654,897)
As at 31 December	1,214	3,981

Notes to the Financial Statements
for the year ended 31 December 2022

11. Financial assets and financial liabilities

11.1 Financial assets

	2022	2021
	€	€
Current financial assets:		
Debt instruments measured at amortised cost:		
Trade and other receivables (note 14)	523,289	555,128
Total debt instruments at amortised cost	523,289	555,128

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

11.2 Financial liabilities: Loans and liabilities

	Interest rate	Maturity	2022	2021
			€	€
Current loans and borrowings				
Bank loan	3.5%	2027	580,000	565,000
			580,000	565,000
Non-current loans and borrowings				
Bank loan	3.5%	2027	3,472,841	3,935,501
Loans from parent company	5.3%	indefinite	4,925,263	5,189,873
			8,398,104	9,125,374
Other financial liabilities at amortised cost, other than loans and borrowings				
Trade and other payables (note 15)			969,058	977,617

The amounts owed to parent undertaking are unsecured, bear 5.3% interest and have no fixed repayment date but is not expected to be settled within a year.

12. Investment property

	2022	2021
	€	€
Valuation		
As at 1 January	27,841,300	27,814,555
Additions	179,108	26,745
Fair value change in investment property	205,792	-
As at 31 December	28,226,200	27,841,300

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 2022. The fair value movement was credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2022, 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 €28,020,408 (2021: €27,841,300). 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 20.

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 2021	510,000	2,431,683	24,197,872	675,000
Additions	-	23,245	3,500	-
As at 31 December 2021	510,000	2,454,928	24,201,372	675,000
Additions	-	37,808	125,950	15,350
Fair value change recognised in profit or loss	21,200	37,264	132,678	14,650
As at 31 December 2022	531,200	2,530,000	24,460,000	705,000

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)**
			2022
Commercial buildings	DCF	Estimated rental value	7%-7.5%
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.

13. Property for resale

	2022	**2021**
	€	**€**
Cost:		
As at 1 January and 31 December	55,616	55,616

14. Trade and other receivables

	2022	Restated 2021
	€	€
Trade receivables	504,305	530,860
Accrued income	23,646	25,000
less allowance for estimated credit losses for:		
Trade receivables	(4,450)	(725)
Accrued income	(212)	(7)
	523,289	555,128
Prepayments	11,791	26,922
Total trade and other receivables	535,080	582,050

Trade receivables are unsecured, non-interest bearing and are generally on terms of 60 days.

Credit risk of trade receivables which explains how the Company manages and measures the credit quality of trade receivables are disclosed in note 20.

15. Trade and other payables

	2022	2021
	€	€
Current liabilities		
Amount received in advance	435,106	434,524
Trade payables	505,618	507,413
Amout due to group company	166,734	182,298
Indirect taxes and social security contributions	120,643	82,550
Accruals	296,706	287,906
Total current liabilities	1,524,807	1,494,691

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

The amounts owed to group company are unsecured, non-interest bearing and repayable on demand.

The Company's exposure to liquidity risk related to trade and other payables is disclosed in note 20.

Notes to the Financial Statements
for the year ended 31 December 2022

16. Deferred taxation

16.1 Deferred tax liability

	2022	2021
	€	€
As at 1 January	(2,305,187)	(2,305,768)
(Charge)/credit in the statement of comprehensive income (note 10)	(14,751)	581
As at 31 December	(2,319,938)	(2,305,187)

Tax effect of temporary differences relating to:

Asset revaluations	(2,319,938)	(2,305,187)

16.2 Deferred tax asset

	2022	2021
	€	€
As at 1 January and 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% (2021: 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% (2021: 8%) of the transfer value.

The balance as at 31 December 2022 represents:

	2022	2021
	€	€
Tax effect of temporary differences relating to:		
Asset revaluations	(1,953,503)	(1,937,039)
Estimated credit losses	2,223	602
Accrued income	(41)	(133)
	(1,951,321)	(1,936,570)

17. Issued capital

	2022	2021
	€	€
Authorised:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

	2022	2021
	€	€
Issued and fully paid-up:		
214,650 Ordinary shares of €2.329373 each	500,000	500,000

18. Other reserve

	2022	2021
	€	€
As at 1 January	7,572,675	7,572,675
Transfer of unrealised fair value gain, net of tax	189,329	-
As at 31 December	7,762,004	7,572,675

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.

19. Cash and cash equivalents

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

	2022	2021
	€	€
Cash at bank	391,778	719,590
Provision for estimated credit losses (note 20)	(1,690)	(990)
	390,088	718,600

20. 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 11, 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.

Year ended 31 December 2022

	Receivables		
	Trade receivables	**Accrued income**	**Total**
Approach in measuring ECL	*General*	*General*	
Probability of Default	1.19%	1.19%	
Loss Given Default	75%	75%	
Estimated gross carrying amount at default	504,305	23,646	527,951
Estimated credit losses	(4,450)	(212)	(4,662)

Year ended 31 December 2021

	Receivables		
	Trade receivables	**Accrued income**	**Total**
Approach in measuring ECL	*General*	*General*	
Probability of Default	0.04%-2.27%	2.27%	
Loss Given Default	75%	75%	
Estimated gross carrying amount at default	530,860	25,000	555,860
Estimated credit losses	(725)	(7)	(732)

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Other financial assets at amortised cost

Other financial assets at amortised cost include loans to group companies and joint ventures. The estimated credit loss provision for other financial assets at amortised cost as at 31 December 2022 and 2021 is as follows:

	Cash in banks	
	2022	**2021**
	€	**€**
Estimated gross carrying amount at default	391,778	719,590
Estimated credit loss	(1,690)	(990)

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 2022

	> 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest bearing borrowings	580,000	2,760,000	712,841	4,052,841
Trade and other payables	922,967	-	-	922,967
Intercompany balances	166,734	4,925,263	-	5,091,997
	1,669,701	7,685,263	712,841	10,067,805

Year ended 31 December 2021

	> 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest bearing borrowings	565,000	2,600,000	1,335,501	4,500,501
Trade and other payables	877,869	-	-	877,869
Intercompany balances	-	5,189,873	-	5,189,873
	1,442,869	7,789,873	1,335,501	10,568,243

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Fair value risk

As at 31 December 2022 and 2021, 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 2022				
Investment property	-	1,236,200	26,990,000	28,226,200
As at 31 December 2021				
Investment property	-	1,185,000	26,656,300	27,841,300

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 2022 and 2021.

	2022	2021
	€	€
Interest-bearing loans and other borrowings (note 11)	8,978,104	9,690,374
Trade and other payables (note 15)	969,058	977,617
less: cash and cash equivalents (note 19)	(390,088)	(718,600)
Net debt	9,557,074	9,949,391
Equity	16,751,538	16,071,950
Net debt to equity ratio	0.57:1	0.62:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2022 and 2021 .

21. Supplemental cash flow information

Changes in liabilities arising from financing activities

	As at 1 January 2022	**Cash flows**	**As at 31 December 2022**
	€	**€**	**€**
Bank loan	4,500,501	(447,660)	4,052,841
Amounts due to parent company	5,189,873	(264,610)	4,925,263
Total liabilities from financing activities	9,690,374	(712,270)	8,978,104

	As at 1 January 2021	**Cash flows**	**As at 31 December 2021**
	€	**€**	**€**
Bank loan	4,610,000	(109,499)	4,500,501
Amounts due to parent company	5,542,680	(352,807)	5,189,873
Total liabilities from financing activities	10,152,680	(462,306)	9,690,374

22. 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:

	2022	2021
	€	€
Within one year	1,630,474	1,666,969
After one year but not more than five years	5,818,051	7,445,210
After five years	9,117	12,432
As at 31 December	7,457,642	9,124,611

23. Related party transactions

Related party relationships

	Relationship
Hal Mann Vella Group p.l.c.	Parent company and major shareholder
Hal Mann Vella Limited	Affiliates (under common control)

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

	Percentage of shares held by common shareholder	
	2022	2021
	%	%
Hal Mann Vella Limited	100	100

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

	2022	2021
	€	€
Administrative expenses:		
Finance cost charged by parent company	300,778	323,659

Balances with related parties are disclosed in notes 11 and 15.

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 17 November 2014, the Company executed a guaranty agreement with HSBC for the Parent Company’s bond issuance amounting to €30 million bearing an interest at 5.27% per annum on the nominal value payable in arrears every 6th of November. The redemption date of the bond is on 6 November 2024.

24. 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.