



Santumas Shareholdings plc

*Amalgamated
with Marsascala Development Limited, Santumas Contractors Limited
and Calpabrin Properties (Investments) Limited*

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COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Santumas Shareholdings plc pursuant to the Malta Financial Services Authority Listing Rules.

Quote

The Board of Directors of Santumas Shareholdings plc has today, the 18th August 2017, approved the audited financial statements for the financial year ended 30th April 2017. The Board resolved that these audited financial statements be submitted for the approval of the shareholders at the forthcoming Annual General Meeting which is scheduled for Friday, 27th October 2017. A Preliminary statement of annual results is being attached herewith. The financial statements can also be viewed on the company's website www.santumasmalta.com

The Board of Directors further resolved to recommend for the approval of the Annual General Meeting:

A bonus share issue of one (1) share for every two (2) shares held which will be allotted to shareholders on the company's share register as at close of business on Friday, 1st December 2017. The bonus issue will be funded by a capitalisation of reserves amounting to €609,508.

Application will be made for the necessary authorisations concerning the listing of the bonus share issue on the Malta Stock Exchange.

Unquote

Michael Formosa Gauci
Company Secretary

18th August 2017

Directors: C. Testaferrata Moroni Viani; A. P. Demajo, E. Firman BA, DBA, FCMA; P.P. Testaferrata Moroni Viani, N. Tabone B. Acc (Hons), FCCA, MIA; M. Galea MIA, FCCA, CPAA.

SANTUMAS SHAREHOLDINGS PLC

Annual Report and Financial Statements

30 April 2017

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DIRECTORS' AND COMPANY INFORMATION

REGISTRATION

Santumas Shareholdings plc was registered as a public limited liability company under the Companies Act, Cap. 386 of the Laws of Malta on 24 December 1997 with company registration number C35. The Company held a Collective Investment Scheme license from the Malta Financial Services Authority in terms of the Investment Services Act, 1994 until 9 October 2014. As at this date, the Company surrendered its license as a Collective Investment Scheme (CIS) and de-listed its shares on the Malta Stock exchange as a CIS. On the same date Santumas Shareholdings plc was admitted to listing on the Malta Stock Exchange as a Property Company.

DIRECTORS

Mr. Anthony P. Demajo (Chairman)
41, G'Mangia Hill, Pietà, Malta

Mr. Peter Paul Testaferrata Moroni Viani
Casa Testaferrata, J. Howard Street, Naxxar, Malta

Mr. Christopher Testaferrata Moroni Viani
Villa Ammermann, Mdina Road, Balzan, Malta

Mr. Norbert Tabone
"Jeanor", Nerik Xerri Street, Kirkop, Malta

Mr. Mario P. Galea
35, Triq tal-Mielah, High Ridge, St. Andrews, Swieqi, Malta

Mr. Michael Pace Ross
34, "Iris", Santa Marija Gardens, Triq iż-Żebbug, Mellieħa, Malta

SECRETARY

Mr. Michael Formosa Gauci, B.A. (Acc.) Bus. Manag.
T6 F10, Favray Court,
Tigne Point, Sliema, Malta

REGISTERED OFFICE

Britannia House/1, 9, Old Bakery Street, Valletta, Malta

AUDITOR

Ernst & Young Malta Limited
Certified Public Accountants
Regional Business Centre
Achille Ferris Street
Msida MSD 1751
Malta

DIRECTORS' AND COMPANY INFORMATION - continued

LEGAL ADVISORS

R. Frendo Randon & Associates
222, Merchants Street
Valletta
Malta

Camilleri Preziosi Advocates
Level 3, Valletta Buildings
South Street
Valletta
Malta

Refalo & Zammit Pace Advocates
61, St. Paul Street
Valletta
Malta

Dr. Peter Caruana Galizia
56, Melita Street
Valletta
Malta

BANKERS

HSBC Bank Malta plc
166, Archbishop Street
Valletta
Malta

Bank of Valletta plc
Republic Street
Valletta
Malta

AUDIT COMMITTEE

Mr. Mario P. Galea (Chairman)
35, Triq tal-Mielah, High Ridge, St. Andrews, Swieqi, Malta

Mr. Norbert Tabone
'Jeanor', Triq Nerik Xerri, Kirkop, Malta

Mr. Michael Pace Ross
34, "Iris", Santa Marija Gardens, Triq iż-Żebbug, Mellieħa, Malta

BACKGROUND

The Company was formed as the Malta New Issues Investment Co. Limited on 29 April 1963. The Company's name was changed on 11 May 1965 to Malta Shareholdings Limited when the Company was converted to a public company with the objects of carrying on the business of a finance trust in all branches. The name was changed again on 29 September 1978 to Santumas Shareholdings Limited. The Company's objects also provided for property development, with the main property development being the Santumas Estate at Marsascala.

Calpabrin Properties (Investments) Limited merged into Santumas Shareholdings Limited on 2 April 1987 and Marsascala Development Limited and Santumas Contractors Limited merged into Santumas Shareholdings Limited on 15 December 1989.

On 9 May 1996, the Company was licensed as a Collective Investment Scheme under the Investment Services Act, Cap. 370 of the Laws of Malta by the Malta Financial Services Centre. The Company was registered as a public limited liability company under the Companies Act, Cap. 386 of the Laws of Malta on 24 December 1997, thereby changing its name to Santumas Shareholdings plc.

On 12 December 2003, the Company's shares were accepted for listing on the Malta Stock Exchange.

On 9 October 2014, the Company surrendered its license as a Collective Investment Scheme (CIS) and de-listed its shares on the Malta Stock Exchange as a CIS. On the same date, Santumas Shareholding plc was admitted to listing on the Malta Stock Exchange as a Property Company.

DIRECTORS' REPORT

The Directors submit their annual report and the audited financial statements of Santumas Shareholdings plc (the "Company") for the year ended 30 April 2017.

PRINCIPAL ACTIVITY

The principal activity of the Company during the year continued to be the carrying out of investment activities in the form of a listed Property Company. Being a listed Company involves obligations to comply with the Code of Principles of Good Governance ("the Code") as contained in Appendix 5.1 to Chapter 5 of the Listing Rules. Although the Code does not prescribe mandatory rules, it recommends principles of good practice. Compliance with the Code is considered to be in the best interests of the Company and all shareholders and the Company's activities therefore have been conducted within the outlined principles of good practice.

FINANCIAL RESULTS AND REVIEW OF THE BUSINESS

The local economy continued to perform well over the year resulting in a growth rate well ahead of the average growth rate in the rest of Europe. This positive performance has been reflected in the local equity market which has seen a rise of 3.49% in the Malta Stock Exchange Index in the year to 30 April 2017. This uplift in the MSE index has produced an increase in the value of the Company's equity portfolio resulting in significant unrealised gain of EUR303,424 (2016: EUR711,362) for the year under review.

The Statement of Comprehensive Income is set out on page 17. The profit before tax for the year amounted to EUR1,830,546 (2016: EUR2,374,028). There was a tax charge of EUR243,155 (2016: EUR250,296). The net profit for the year ended 30 April 2017 was therefore EUR1,587,391 (2016: EUR2,123,732).

The results for the year have been materially affected by the redemption of one particular ground rent which resulted in a net income of EUR900,541. Despite, the material realised gain from this transaction, the results for 2017 are not materially different from the profits shown for the financial year ending 30 April 2016, in view of the unrealised profits booked following the increase in fair value of investment properties in the financial year ended 30 April 2016, part of which has been realised in the financial year ending 30 April 2017.

Dividend income over the twelve months has seen a 15% decrease (2016: 20% increase) over the corresponding period due to lower dividend payouts by the locally listed Companies. This was more than compensated for by an increase in the income from the sale of rights on properties on the Santumas Estate in Marsascala.

Administrative expenses are broadly in line with those of previous years. Total expenses for the period increased by EUR16,789 which increase is mainly driven by the increase in the Directors' remuneration as approved during the 2016 AGM.

The Financial Position of the Company strengthened compared to prior year. The Net Assets of the Company increased by EUR1.6 million which increase is mainly attributable to an increase in financial assets at fair value through profit and loss and the higher cash deposits.

PROPERTY

During the year under review the Company completed the purchase of a flat immediately overlying the current property owned by the Company in Paceville Avenue, Paceville. It is the Company's intention to combine the two properties into one single retail/catering outlet which will then be made available to the rental market. The requisite permits have been applied for and once in hand conversion works will commence immediately.

The Company recognised an increase in fair value of its investment property and revaluation on leasehold improvements based on valuations performed by independent architects. In line with this, the Company's property holdings excluding ground rents were professionally valued on 30 April 2017 at EUR2,854,000 (2016: EUR2,551,400) with a corresponding unrealised gain of EUR102,945 (2016: EUR73,500) as at 30th April 2017.

DIRECTORS' REPORT - continued

MALTA STOCK EXCHANGE

Trading in company shares on the local market remained thin with a total of 117,848 shares changing hands throughout the year. As at 30 April 2017 the Company's share price stood at EUR1.75 (30 April 2016: EUR1.07 after adjusting the share price for the bonus issue and shares split) and stood at EUR2.149 as at 31 July 2017.

NET ASSET VALUE

As at 30 April 2017, the Net Asset Value of the Company per share stood at EUR2.591 as compared to EUR2.231 at 30 April 2016. The Net Asset Value has been calculated using the same methodology used to calculate the Earnings per Share. Thus in order to arrive at the Net Asset Value, both the bonus issue allocated on 18th November 2016 and the share split that was effective on 25th November 2016 have been taken into consideration accordingly. As at 31 July 2017, the share price stood at EUR2.149 this being a discount of 17.06% to the net asset value per share.

FUTURE OUTLOOK

Although the last two years have yielded extremely positive results this was in both cases principally the result of one off events which will not be repeated in the short term. As a consequence a degree of prudence, particularly in the payout of dividends, is required going forward so as to enable the Company to continue to grow its net asset base thereby securing its long term viability.

PRINCIPAL RISKS

The Company's principal risks are further disclosed in Note 20 dealing with management of risks as supplemented by Note 3 relating to significant accounting estimates and judgements in applying accounting policies.

DIVIDENDS

The Directors do not propose any dividend for the year, however are proposing for approval at the forthcoming AGM a bonus issue of one share for every two shares held which will be funded by a capitalisation of reserves amounting to EUR609,508.

DIRECTORS

The Directors for the year ended 30 April 2017 are listed on page 2.

DIRECTORS' INTERESTS

As at 30 April 2017, the Directors' interests, direct and indirect, in the ordinary share capital of the Company were:

Directors	Number of Shares	Nominal value of shareholding EUR	Percentage shareholding %
* Mr. P.P. Testaferrata Moroni Viani			
* Mr. C. Testaferrata Moroni Viani	1,909,696	525,166	43.08
Mr. A.P. Demajo	302,912	83,300	6.83
Mr. C. Testaferrata Moroni Viani	98,974	27,218	2.23
Mr. P.P. Testaferrata Moroni Viani	21,400	5,886	0.48
Totals	2,332,982	641,570	52.62

DIRECTORS' REPORT - continued

DIRECTORS' INTERESTS – continued

As at 30 April 2016, the Directors' interests, direct and indirect, in the ordinary share capital of the Company were:

Directors	Number of Shares	Nominal value of shareholding EUR	Percentage shareholding %
* Mr. P.P. Testaferrata Moroni Viani			
* Mr. C. Testaferrata Moroni Viani	868,044	477,424	43.08
Mr. A.P Demajo	137,687	75,728	6.83
Mr. C. Testaferrata Moroni Viani	44,988	24,743	2.23
Mr. P.P. Testaferrata Moroni Viani	9,727	5,350	0.48
Totals	1,060,446	583,245	52.62

* The indirect interests of Mr. Peter Paul Testaferrata Moroni Viani and Mr. Christopher Testaferrata Moroni Viani shown above against their joint name arise due to shareholdings in the same companies that directly or indirectly have an interest in the number of shares shown.

No Director has a contract of service with the Company. The Company has not entered into any commitments on behalf of, or made any loans to, the Directors.

STATEMENT OF DIRECTORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors are required by the Companies Act (Cap. 386 of the Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards ("IFRSs") as adopted by the European Union ("EU"), which give a true and fair view of the state of affairs of the Company at the end of each financial year and of the profit or loss of the Company for the year then ended. In preparing the financial statements, the Directors should:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable;
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Company will continue in business as a going concern;
- account for income and charges relating to the accounting year on the accruals basis;
- value separately the components of asset and liability items; and
- report comparative figures corresponding to those of the preceding accounting year.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386 of the Laws of Malta). This responsibility includes designing, implementing and maintaining such internal control 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. 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.

The Directors confirm that, to the best of their knowledge:

- the financial statements give a true and fair view of the financial position of the Company as at 30 April 2017, and of its financial performance and its cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company face.

DIRECTORS' REPORT - continued

GOING CONCERN

The Directors, as required by Listing Rule 5.62 have considered the Company's operational performance, the Statement of Financial Position as at year end as well as the business plans for the coming year, and that they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements.

POST BALANCE SHEET EVENTS

There were no important events or transactions which took place after the financial reporting date which would require disclosure or adjustment to the financial statements.

INFORMATION PURSUANT TO LISTING RULE 5.64

Share capital information is disclosed in note 15. The issued share capital consists of one class of ordinary shares with equal voting rights attached and freely transferable. The list of shareholders holding 5% or more of the equity share capital is disclosed in this annual report.

Pursuant to the Company's Articles of Association, the appointment of Directors to the Board is reserved exclusively to the Company's shareholders (in line also with general and commonly accepted practice in Malta). The appointment/removal of Directors requires the majority of the members present at the annual general meeting.

The Company cannot issue shares that would dilute substantial interest without the prior consent of the shareholders. The Directors are empowered to wholly allot for cash shares that does not exceed the authorised share capital of the Company.

It is hereby declared that as at 30 April 2017, information required under Listing Rules 5.64.2, 5.64.4, 5.64.5, 5.64.6, 5.64.7, 5.64.10 and 5.64.11 are not applicable to the Company.

AUDITORS

Ernst & Young Malta Limited have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed to the Company at the forthcoming annual general meeting.

RISK WARNING

The Company is not a normal trading, manufacturing or services company but a specialized Property Company whose assets are not immediately realisable. As a consequence, the price of its shares and the income (if any) there from can go down as well as up and investors may not realize the amount of their initial investment. Past performance is no guide to future performance.

The Directors' Report was approved by the Board of Directors and was signed on its behalf by:


Mr. Anthony P. Demajo
Chairman


Mr. Mario P. Galea
Director

18 August 2017

CORPORATE GOVERNANCE STATEMENT

Given that the Company's securities are traded on the Malta Stock Exchange, the Company is now subject to The Code of Principles of Good Governance ("the Code") applicable to listed companies. The adoption of the Code is not mandatory but listed companies are required under the Listing Rules issued by the Listing Authority to include a Statement of Compliance with the Code in their Annual Report, accompanied by a report of the independent auditor.

The Board has considered the principles embodied in the Code and noted the Code's recommended practices. During the year under review the Company has been in compliance with the Code to the extent that is considered adequate bearing in mind the size and nature of the Company's operations. Instances of divergence from the code are disclosed and explained below.

PRINCIPLE 1-5: BOARD OF DIRECTORS

The Company's Board is composed of four non-executive Directors and one independent non-executive Director under the Chairmanship of Mr. Anthony P. Demajo. The Board is entrusted with the overall direction and management of the Company, including the establishment of strategies for future development and the approval of any proposed property acquisitions and developments. The Company is a Property Company which does not require a complex management structure, accordingly, the role of the Chairman and the Chief Executive Officer are combined. The Board has indicated Mr. Mario P. Galea as the independent non-executive member.

Its responsibilities also involve the overseeing of the Company's internal control procedures and financial performance, and review of business risks facing the Company, ensuring that these are adequately identified, evaluated, managed and minimised. All Directors have access to independent financial advice at the expense of the Company should they require.

During the year under review the Board met five times to discuss the operations and strategy of the Company. The attendance of Directors to the Board meetings is listed below.

Mr. Anthony P. Demajo	5
Mr. Peter Paul Testaferrata Moroni Viani	5
Mr. Christopher Testaferrata Moroni Viani	5
Mr Norbert Tabone	5
Mr Mario P. Galea	5
Mr. Michael Pace Ross	5

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

The Company's management ensures that it provides Directors with relevant information to enable them to effectively contribute to Board decisions. All Directors have access to independent financial advice at the expense of the Company should they require.

PRINCIPLE 8: BOARD COMMITTEES

Investment Committee

The Investment committee is responsible for overseeing the maintenance, investment and reinvestment of the Company's assets covering both the Company's property holdings and its equity and bond portfolio. Whilst actively managing the securities portfolio, any property investment decisions are referred back to the Board who always take the final decision on any property related matters. The Committee is chaired by Mr. Anthony P. Demajo and has Mr. Christopher Testaferrata Moroni Viani and Mr. Michael Formosa Gauci as members.

CORPORATE GOVERNANCE STATEMENT - continued

PRINCIPLE 8: BOARD COMMITTEES - continued

Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities in dealing with issues of risk, control and governance and to oversee and review the financial reporting process, financial policies and internal control structure. The Committee also oversees the conduct of the external audit and acts to facilitate communication between the Board, management and the auditors. In addition the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party to ensure that the execution of any such transaction is at arm's length and on a commercial basis and ultimately in the best interests of the Company.

The Audit Committee, which is composed of one independent non-executive Director and two non-executive Directors, meets regularly in terms of the Code. During the year under review Mr. Mario P. Galea served as Chairman and Mr Norbert Tabone together with Mr Michael Pace Ross served as members. Mr. Michael Formosa Gauci acted as secretary to the Audit Committee. The Committee has met on four occasions during the financial year end under review.

The Board, in terms of Listing Rule 5.118, has indicated Mr. Mario P. Galea as the independent non-executive member of the Audit Committee who is considered to be competent in accounting and auditing in view of his considerable experience at a senior level in the audit and advisory field.

PRINCIPLE 9 AND 10: RELATIONS WITH SHAREHOLDERS

The Directors consider that the Board properly serves the legitimate interests of all stakeholders in the Company through representation of the shareholders on the Board. Shareholders are also given the opportunity to ask questions at the AGM or submit written questions in advance. The Chairman makes arrangements for the chairman of the Audit Committee to be available to answer questions, if necessary.

The Board ensures that there is sufficient communication with all stakeholders through regular statements on the MSE website and information on areas such as corporate governance and financial statements to be found on the Company website at www.santumasmalta.com

PRINCIPLE 11: CONFLICTS OF INTEREST

The Directors, members of the Board sub-committee of the Company are or may be involved as Directors or shareholders of or consultants to other companies which deal in similar investments as the Company. Should an actual or potential conflict arise during the tenure of the directorship, a Director will disclose and record the conflict in full and in time to the Board of Directors. Such Director will not participate in discussions concerning matters in which he has a conflict of interest unless the Board finds no objection to the presence of such Director. In any event, the Director will refrain from voting on the matter.

The Audit Committee of the Company has the task of ensuring that any potential conflicts of interest that may arise at any moment, pursuant to these different roles held by Directors, are handled in the best interest of the Company and according to law. The independent non-executive Director on the Audit Committee provides an effective measure to ensure that transactions vetted by the Audit Committee are determined on an arms-length basis.

PRINCIPLE 12: CORPORATE SOCIAL RESPONSIBILITY

The Company seeks to adhere to sound principles of corporate social responsibility by conducting its operations in an ethical manner. The Board is mindful of the environment and its responsibility within the community in which it operates.

CORPORATE GOVERNANCE STATEMENT - continued

INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

This information is being provided in terms of Listing Rule 5.97.4.

The Company is a Property company which does not require an elaborate management structure. The Board of Directors is responsible for the general management of the Company whilst the day to day management has been delegated to the Company Secretary and certain functions to the Board sub-committees. The Directors believe that the current organisational structures are adequate for the current activities of the Company. The Directors will maintain these structures under continuous review to ensure that they meet the changing demands of the business.

GENERAL MEETINGS

This information is being provided in terms of Listing Rule 5.97.6.

The manner in which the general meeting is conducted is outlined in Articles of the company's Articles of Association, subject to the provisions of the Companies Act, Cap.386 of the Laws of Malta.

All shareholders registered in the Shareholders' Register on the Record Date as defined in the Listing Rules, have the right to attend, participate and vote in the general meeting. A shareholder or shareholders holding not less than 5% in nominal value of all the shares entitled to vote at the general meeting may request the Company to include items on the agenda of a general meeting and/or table draft resolutions for items included in the agenda of a general meeting. Such requests are to be received by the Company at least forty six (46) days before the date set for the relative general meeting.

A shareholder who cannot participate in the general meeting can appoint a proxy by written or electronic notification to the Company. Every shareholder represented in person or by proxy is entitled to ask questions which are pertinent and related to items on the agenda of the general meeting and to have such questions answered by the Directors or such persons as the Directors may delegate for that purpose.

NON-COMPLIANCE WITH THE CODE

PRINCIPLE 1-5: BOARD OF DIRECTORS

As detailed above under the heading "Internal Control and Risk Management System" the size of the Company and its level of activity do not justify an elaborate management structure. The Board of Directors are actively involved in the general management of the Company and therefore fully cognisant of all its activities.

PRINCIPLE 6: INFORMATION AND PROFESSIONAL DEVELOPMENT

Full adherence by the Company with the provisions of Principle 6 of the Code is not deemed necessary taking into account the size, nature and operations of the Company. The Company does not feel the need to establish and/or implement a succession plan for senior management in light of its existing organisational structures though such structure will be kept under continuous review so as to meet the changing demands of the business.

PRINCIPLE 7: EVALUATION OF THE BOARD'S PERFORMANCE

Under the present circumstances, the Board does not consider it necessary to appoint a committee to carry out a performance evaluation of its role as the Board's performance is always under the scrutiny of the shareholders.

CORPORATE GOVERNANCE STATEMENT - continued

NON-COMPLIANCE WITH THE CODE - continued

PRINCIPLE 8: COMMITTEES

The Company does not have a Remuneration Committee as recommended by Principle 8. The Company does not have any employees other than the Company Secretary and a full time employee engaged to carry out general secretarial duties. In such circumstances it is felt that any remuneration related matters are best dealt with by the Board.

The Company does not have a Nomination Committee as recommended by Principle 8. Appointments to the Board of Directors of the Company are determined by shareholders of the Company in accordance with the Company's Memorandum and Articles of Association. The Company considers that the members of the Board provide the level of skill, knowledge and experience expected in terms of the code.

Approved by the Board of Directors on 18th August 2017 and signed on its behalf by:



Mr. Anthony P. Demajo
Chairman



Mr. Mario P. Galea
Director

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Santumas Shareholdings plc

Report on the audit of the separate financial statements

Opinion

We have audited the separate financial statements ("financial statements") of Santumas Shareholdings plc (the "Company"), set on pages 17 to 45 which comprise the Statement of Financial Position as at 30 April 2017 and the Statement of Comprehensive Income, the 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 30 April 2017, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRSs") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

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 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in the audit of the financial statements of the current period. These matters were addressed in the context of the audit of the financial statements as a whole, and in forming the auditor's opinion thereon, and we do not provide a separate opinion on these matters. For the matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the '*Auditor's responsibilities for the audit of the financial statements*' section of our report, including in relation to this matter. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matter below, provides the basis for our audit opinion on the accompanying financial statements.

Valuation of investment property

The investment properties represent a significant part of the total assets (36%) of the Company and is valued at fair value for an amount of €4.4million.

Management is determining fair value of its investment property on an annual basis. For all investment property except for ground rents, management has used the valuation carried out by external valuers as at 30 April 2017. For the valuation of ground rents, management used the capitalization method by applying a discount factor to the future rental cashflows. The valuation of the investment property at fair value is highly dependent on estimates and assumptions such as market knowledge and historical transactions (comparable method) and rental value and discount rates (capitalization method).

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Santumas Shareholdings plc- continued

Report on the audit of the separate financial statements - continued

Key audit matters – continued

Valuation of investment property - continued

Given the size, complexity and sensitivity of the valuation of investment property and the information provided by means of disclosure in Note 10 of these financial statements in relation to the main assumptions used in the valuation, we addressed this as a key audit matter.

Our audit procedures focused on the evaluation of the assumptions and estimates, made by the management of the Company and the external valuers, in the valuation methodology about the appropriateness of the property related data supporting the fair value of the investment properties. We also considered the independence and expertise of the external valuers. We included a valuation specialist on our team for evaluating the assumptions and estimates used. We also assessed the disclosures relating to the assumptions used in the valuation.

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

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. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Audit Committee for the financial statements

The Directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRSs and the requirements of the Companies Act, and for such internal control 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 but to do so.

The Audit Committee is responsible for overseeing the Company's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Santumas Shareholdings plc- continued

Report on the audit of the separate financial statements - continued

Auditor's 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 financial statements.

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 risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's 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 auditor's 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 Audit Committee 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 the Audit Committee 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 thought to bear on our independence, and where applicable, related safeguards.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Santumas Shareholdings plc- continued

Report on the audit of the separate financial statements - continued

Auditor's responsibilities for the audit of the financial statements - continued

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We are required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' report has been prepared in accordance with the Companies Act.

In addition, in the 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. We have not nothing to report in this regard.

We also have responsibilities under the Companies Act to report to you if in our opinion:

- Proper accounting records have not been kept;
- The financial statements are not in agreement with the accounting records;
- We have not received all the information and explanations we require for our audit.

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

Matters on which we are required to report by the Listing Rules

The Listing Rules issued by the Malta Listing Authority require the Directors to prepare and include in their Annual Report, a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the Directors.

We read the Statement of Compliance and consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the Annual Report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the Annual Report.

We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's governance procedures or its risk and control procedures.

INDEPENDENT AUDITOR'S REPORT

To the Shareholders of Santumas Shareholdings plc- continued

Report on the audit of the separate financial statements - continued

Report on other legal and regulatory requirements

In our opinion, the Corporate Governance Statement set out on pages 8 to 11 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Under the Listing Rules we also have the responsibility to review the statement made by the Directors, set out on page 7, that the business is a going concern, together with supporting assumptions or qualifications as necessary.

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



*The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

18 August 2017

SANTUMAS SHAREHOLDINGS PLC
Annual Financial Statements for the year ended 30 April 2017

STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 April 2017

	Notes	2017 EUR	2016 EUR
REVENUE			
Investment income	4	1,549,267	406,452
Increase in fair values of financial assets	12	303,424	711,362
Increase in fair value of investment properties	10	102,945	1,364,437
Total revenue		1,955,636	2,482,251
EXPENSES			
Administrative expenses	6	124,882	108,093
Finance costs	5	208	130
Total expenses		125,090	108,223
Profit before tax		1,830,546	2,374,028
Income tax expense	8	(243,155)	(250,296)
Profit for the year		1,587,391	2,123,732
Other comprehensive income not to be reclassified to profit or loss in subsequent periods			
Revaluation of property, net of tax		7,328	20,434
Total comprehensive income for the year		1,594,719	2,144,166
Profit per share	9	0.36	0.48

The accounting policies and explanatory notes on pages 21 to 45 form an integral part of the financial statements.

SANTUMAS SHAREHOLDINGS PLC
Annual Financial Statements for the year ended 30 April 2017

STATEMENT OF FINANCIAL POSITION
as at 30 April 2017

	Notes	2017 EUR	2016 EUR
ASSETS			
Non-current assets			
Investment properties	10	4,411,034	4,447,052
Property, plant and equipment	11	110,000	108,000
Financial assets at fair value through profit or loss	12	6,400,206	5,405,763
		10,921,240	9,960,815
Current assets			
Receivables	13	93,433	71,021
Cash and cash equivalents	14	1,125,265	505,173
		1,218,698	576,194
TOTAL ASSETS		12,139,938	10,537,009
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	15	1,219,017	1,108,194
Share premium	16	262,746	262,746
Revaluation reserve	16	75,339	70,012
Other reserves	16	4,732,196	4,661,518
Retained earnings	16	5,195,242	3,787,351
		11,484,540	9,889,821
Non-current liabilities			
Deferred tax liability	17	438,458	454,162
Current liabilities			
Payables	18	178,533	183,341
Income tax payable		38,407	9,685
		216,940	193,026
Total liabilities		655,398	647,188
Total equity and liabilities		12,139,938	10,537,009
Net asset value per share	19	2.591	2.231

The accounting policies and explanatory notes on pages 21 to 45 form an integral part of the financial statements.

The financial statements on pages 17 to 45 were authorised for issue by the Board of Directors on 18 August 2017 and signed on its behalf by:


Mr. Anthony P. Demajo
Chairman


Mr. Mario P. Galea
Director

SANTUMAS SHAREHOLDINGS PLC
Annual Financial Statements for the year ended 30 April 2017

STATEMENT OF CHANGES IN EQUITY
for the year ended 30 April 2017

	Issued capital EUR	Share premium EUR	Revaluation reserve EUR	Other reserves EUR	Retained earnings EUR	Total EUR
FINANCIAL YEAR ENDED 30 April 2017						
At 1 May 2016	1,108,194	262,746	70,012	4,661,518	3,787,351	9,889,821
Profit for the year	-	-	-	-	1,587,391	1,587,391
Other comprehensive income	-	-	7,328	-	-	7,328
Total comprehensive income	-	-	7,328	-	1,587,391	1,594,719
Re-domination of shares (Note 15)	-	-	-	-	-	-
Bonus shares (Note 15)	110,823	-	-	-	(110,823)	-
Depreciation transfer for land and building, net of tax	-	-	(2,001)	-	2,001	-
Fair value realisation of ground rents, net of tax	-	-	-	(307,910)	307,910	-
Increase in fair value of financial assets	-	-	-	300,873	(300,873)	-
Increase in fair value of investment property net of deferred tax	-	-	-	77,715	(77,715)	-
At 30 April 2017	1,219,017	262,746	75,339	4,732,196	5,195,242	11,484,540
FINANCIAL YEAR ENDED 30 APRIL 2016						
At 1 May 2015	1,007,444	262,746	51,500	2,925,789	3,498,176	7,745,655
Profit for the year	-	-	-	-	2,123,732	2,123,732
Other comprehensive income	-	-	20,434	-	-	20,434
Total comprehensive income	-	-	20,434	-	2,123,732	2,144,166
Re-domination of shares (Note 15)	-	-	-	-	-	-
Bonus shares (Note 15)	100,750	-	-	-	(100,750)	-
Depreciation transfer for land and building, net of tax	-	-	(1,922)	-	1,922	-
Fair value realisation of ground rents, net of tax	-	-	-	1,161,843	(1,161,843)	-
Increase in fair value of financial assets	-	-	-	507,736	(507,736)	-
Increase in fair value of investment property net of deferred tax	-	-	-	66,150	(66,150)	-
At 30 April 2016	1,108,194	262,746	70,012	4,661,518	3,787,351	9,889,821

The accounting policies and explanatory notes on pages 21 to 45 form an integral part of the financial statements.

SANTUMAS SHAREHOLDINGS PLC
Annual Financial Statements for the year ended 30 April 2017

STATEMENT OF CASH FLOWS
for the year ended 30 April 2017

	Notes	2017 EUR	2016 EUR
Operating activities			
Profit before tax		1,830,546	2,374,028
Adjustments to reconcile profit before tax to net cash flows			
Non-cash:			
Depreciation of property, plant and equipment	11	5,455	5,870
Increase in fair value of financial assets	12	(303,424)	(711,362)
Increase in fair value of investment properties	10	(102,945)	(1,364,437)
Gain on redemption of ground rent	4	(1,015,868)	(13,693)
Finance costs	5	208	130
Interest income	4	(29,426)	(21,398)
Dividend income	4	(256,476)	(301,462)
<i>Working capital adjustments:</i>			
Increase in receivables		(14,472)	(636)
(Decrease)/increase in payables		(4,808)	13,708
Interest income received		27,900	21,856
Dividend income received		118,829	290,557
Income tax paid		(144,753)	(117,138)
Net cash flows generated from operating activities		110,766	176,023
Investing activities			
Purchase of financial assets		(645,297)	(275,876)
Purchase of investment property	10	(199,655)	-
Redemption of ground rents		1,354,486	7,977
Net cash flows used in investing activities		509,534	(267,899)
Financing activities			
Interest paid	5	(208)	(130)
Net cash flows used in financing activities		(208)	(130)
Net decrease in cash and cash equivalents		620,092	(92,006)
Cash and cash equivalents at 1 May		505,173	597,179
Cash and cash equivalents at 30 April	14	1,125,265	505,173

The accounting policies and explanatory notes on pages 21 to 45 form an integral part of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Santumas Shareholdings PLC (the “Company”) is a public limited company incorporated and domiciled in Malta whose shares are publicly traded. The registered office is located at Britannia House /1, 9 Old Bakery Street, Valletta VLT 1450, Malta.

The principal activity of the Company was to carry out investment activities as a Collective Investment Scheme as licensed by the Malta Financial Services Authority.

On 9 October 2014, the Company has surrendered its license as a collective investment scheme (CIS) and de-listed its shares on the Malta Stock Exchange as a CIS. On the same date, Santumas Shareholding plc was admitted to listing on the Malta Stock Exchange as a Property Company.

2.1 BASIS OF PREPARATION AND STATEMENT OF COMPLIANCE

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union (EU).

The financial statements are prepared under the historical cost convention, except for leasehold property under property, plant and equipment, investment properties and financial assets at fair value through profit and loss that have been measured at fair value. The financial statements are presented in euros (EUR).

Statement of compliance

These financial statements are prepared in accordance with International Financial Reporting Standards as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta.

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

Standards, interpretations and amendments to published standards as adopted by the European Union effective during the year ended 30 April 2017

- IFRS 10, IFRS 12 and IAS 28 (Amendments) Investment Entities: Applying the consolidation exception (effective for financial years beginning 1 January 2016)
- IFRS 11 (Amendments) Accounting for acquisitions of interests in joint operations (effective for financial years on or after 1 January 2016)
- IAS 16 and IAS 38 - Clarification of acceptable methods of depreciation and amortization (effective for financial years on or after 1 January 2016)
- IAS 1 (Amendments) Disclosure initiative (effective for financial years beginning 1 January 2016)
- IAS 16 and IAS 41 - Bearer Plants (effective for financial years on or after 1 January 2016)
- IAS 27 (Amendments) - Equity method in separate financial statements (effective for financial years on or after 1 January 2016)
- Annual Improvements to IFRSs 2012-2014 Cycle

The amendments to IAS 1 clarify, rather than significantly change, existing IAS1 requirements. The amendments clarify the materiality requirements in IAS1; that specific line items in the Statement of Comprehensive Income and the Statement of Financial Position may be disaggregated; that entities have flexibility as to the order in which they present the notes to the financial statements; and that the share of Other Comprehensive Income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss. Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the Statement of Financial Position and the Statement of Other Comprehensive Income.

The adoption of the standards, interpretations or amendments above did not have an impact on the financial statements or performance of the Company.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments to published standards as adopted by the European Union that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

- IFRS 9 - Financial instruments (effective for financial years beginning on or after 1 January 2018)
- IFRS 15 - Revenue from contracts with customers (Clarifications) (effective for financial years beginning on or after 1 January 2018)

The changes resulting from these standards, other than those described below, are not expected to have a material effect on the financial statements of the Company.

IFRS 15 was issued in May 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under IFRS 15 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in IFRS 15 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under IFRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The company is currently assessing the impact of IFRS 15 and plans to adopt the new standard on the required effective date.

IFRS 9, 'Financial Instruments' introduces a logical approach for the classification of financial assets driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments. As part of IFRS 9 the IASB has introduced a new, expected loss impairment model that will require more timely recognition of expected credit losses. Specifically, the new Standard requires entities to account for expected credit losses from when financial instruments are first recognised and it lowers the threshold for recognition of full lifetime expected losses. IFRS 9 also introduces a substantially-reformed model for hedge accounting with enhanced disclosures about risk management activity. The new model represents a substantial overhaul of hedge accounting that aligns the accounting treatment with risk management activities. The standard is effective for periods beginning on or after 1 January 2018. The Company will assess the effect that the standard will have on the financial statements in due course.

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet endorsed by the EU

Except as explained below, the changes resulting from these standards are not expected to have a material effect on the financial statements of the Company:

- IFRS 14 - Regulatory deferral accounts (effective for financial years beginning on or after 1 January 2016)
- IFRS 16 – Leases (effective for financial years beginning on or after 1 January 2019)
- IFRS 17 – Insurance Contracts (effective for financial years beginning on or after 1 January 2021)
- IFRS 10 and IAS 28 (Amendments) Sale or contributions of assets between an investor and its associate or joint venture (this project has been postponed by the IASB until further notice)
- IAS 12 (Amendments) – Recognition of deferred tax assets for unrealised losses (effective for financial years on or after 1 January 2017)
- IAS 7 (Amendments) Disclosure Initiative (effective for financial years beginning 1 January 2017)
- IFRS 15 - Revenue from contracts with customers (Clarifications) (effective for financial years beginning on or after 1 January 2018)

NOTES TO THE FINANCIAL STATEMENTS - continued

2.2 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES – continued

Standards, interpretations and amendments issued by the International Accounting Standards Board (IASB) but not yet endorsed by the EU– continued

- IFRS 2 (Amendments) – Classification and Measurement of Share-based Payment Transactions (effective for financial years on or after 1 January 2018)
- IFRS 4 (Amendments) – Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts (effective for financial years on or after 1 January 2018)
- Annual Improvements to IFRS standards 2014-2016 Cycle (effective for financial years on or after 1 January 2017 and 1 January 2018)
- IFRIC 22 Foreign Currency Transactions and Advance Consideration (effective for financial years on or after 1 January 2018)
- Amendments to IAS 40: Transfers of Investment Property (effective for financial years on or after 1 January 2018)
- IFRIC 23 Uncertainty over Income Tax Treatments (effective for financial years on or after 1 January 2018)

IFRS 16 was issued in January 2016 and it replaces 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. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for finance leases under IAS 17. The standard includes two recognition exemptions for lessees – leases of 'low-value' assets (e.g., personal computers) and short-term leases (i.e., leases with a lease term of 12 months or less). At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset.

Lessees will be also required to re-measure the lease liability upon the occurrence of certain events (e.g., a change in the lease term, a change in future lease payments resulting from a change in an index or rate used to determine those payments). The lessee will generally recognise the amount of the re-measurement of the lease liability as an adjustment to the right-of-use asset.

Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 also requires lessees and lessors to make more extensive disclosures than under IAS 17.

IFRS 16 is effective for annual periods beginning on or after 1 January 2019. Early application is permitted, but not before an entity applies IFRS 15. A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach. The standard's transition provisions permit certain reliefs.

The company is currently assessing the impact of IFRS 16 and plans to adopt the new standard on the required effective date.

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant accounting policies used in the preparation of these financial statements are set out below:

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue is reliably measured. The following specific revenue criteria must also be met before revenue is recognised:

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Revenue recognition – continued

Interest income

Interest income is included in the Statement of Comprehensive Income on an accruals basis using the effective interest rate method that is the rate that exactly discounts estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset.

Investment income

Ground rents and other rents are included in the Statement of Comprehensive Income on an accrual basis.

Dividend income is included in the Statement of Comprehensive Income when the right to receive the payment is established.

Upon disposal of investment properties consisting of land, leasehold property and ground rents capitalised, the difference between the proceeds from disposal and the carrying amount is recognised as a gain or loss through the Statement of Comprehensive Income.

Taxes

Current income tax

Current income tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted by the reporting date.

Deferred income tax

Deferred taxation is provided using the liability method, on temporary differences, at the reporting date, arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination, and at the time of transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries and an associate, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

Under this method the Company is required to make provision for deferred income taxes on the revaluation of certain non-current assets. Such deferred tax is charged or credited directly to the Statement of Comprehensive Income and is charged or credited directly to equity if the tax relates to items that are credited or charged in the same or a different period, directly to equity.

Deferred tax assets are recognised only to the extent that future taxable profit will be available such that realisation of the related tax benefit is probable.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Foreign currency translation

The financial statements are presented in Euro, which is the Company's functional and presentation currency. Transactions in foreign currencies are initially recorded at the functional currency rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the year-end date. All differences are taken to the Statement of Comprehensive Income. Non monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Fair value measurement

The Company measures financial instruments, such as investment properties, leasehold properties under property and equipment and financial assets at fair value through profit or loss at fair value at each balance sheet 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 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:

- In the principal market for the asset or liability, or
- 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 to the Company.

The fair value of an asset or a 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 a 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 is available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities
- Level 2 - Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable
- Level 3 - Valuation techniques for which the lowest level of input that is significant to the fair value measurement is unobservable

For assets that are recognised in the financial statements on a recurring basis, the Company determines whether transfers have occurred between levels in hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period. External valuers are involved for valuation of investment properties and leasehold properties at least every two years or earlier whenever their fair values differ materially from their carrying amounts.

For the purpose of fair value disclosures, the Company has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

NOTES TO THE FINANCIAL STATEMENTS - continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investment properties consisting of land, buildings and leasehold property

Investment properties, consisting of properties not occupied by the Company and held to earn rentals and for capital appreciation, are regarded as long term investments. All investments are measured initially at cost, being the fair value of the consideration given, including acquisition charges associated with the investment. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day to day servicing of an investment property. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the year-end date. This is based on market valuations 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. Gains or losses on changes in the fair values of investment properties are taken to the Statement of Comprehensive Income in accordance with IAS 40 "Investment Properties". Unrealised gains are subsequently transferred to other reserves in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

Investment properties are derecognised when either 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. Any gains or losses on the retirement or disposal of an investment property are recognised in the Statement of Comprehensive Income in the year of retirement or disposal.

Investment properties consisting of ground rents capitalised

On 30 April 1990, the Directors capitalised the ground rents. The value of this asset was included with long term assets with a resultant increase in the capitalisation reserve included within other reserves.

Subsequent to initial recognition, investment properties are measured at fair value using the Capitalisation approach. The capitalisation rate for non-revisable ground rents is determined by reference to local legislation whilst the capitalisation rate for revisable ground rents is based on inputs that reflect the current market conditions.

Property, plant and equipment

Property, plant and equipment are initially recorded at cost. Leasehold property is subsequently measured at revalued amount, being its fair value at the date of revaluation less depreciation and impairment. All other property, plant and equipment, are subsequently stated at cost amounts less accumulated depreciation and accumulated impairment in value, if any.

Leasehold premises consists of property that is occupied by the Company as its offices.

It is Company policy to carry out a professional market valuation of leasehold every two years or earlier which is frequently enough to ensure that the fair value of the revalued asset does not differ materially from its carrying amount. To the extent that a revaluation results in an increase in the carrying amount of the asset, the increase is credited to the revaluation reserve within equity. To the extent that a revaluation results in a decrease in the carrying amount of the asset, the decrease is charged against the revaluation reserve to the extent that the decrease does not exceed the amount held in the revaluation reserve in respect of that same asset; any excess of the decrease is taken to the Statement of Comprehensive Income. The accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Depreciation of property, plant and equipment

Depreciation is provided on property, plant and equipment, other than leasehold property, at rates calculated to write off the cost, less estimated residual value based on prices prevailing at the date of acquisition, of each asset on a straight line basis over the expected useful life.

The annual rates used for this purpose are:

	%
Fixtures and fittings	15.0
Equipment	33.3
Improvements to premises	10.0

Depreciation is provided on leasehold property to write off the valuation on a straight line basis over the remaining period of the lease.

Each year, the difference between the depreciation based on the revalued carrying amount of the asset (the depreciation charged to the Statement of Comprehensive Income) and depreciation based on the asset's original cost, is transferred from the revaluation reserve to retained earnings.

Impairment of non-financial assets

The Company assesses at each reporting date whether there are indications of impairment for all non-financial assets. If any such amount exists, or when impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to the recoverable amount.

Investments and other financial assets

Financial assets within the scope of IAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Company determines the classification of its financial assets on initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year end. The Company classifies its financial assets as fair value through profit or loss and loans and receivables. The Company does not hold financial assets classified as held-to-maturity and available-for-sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss includes financial assets held for trading and financial assets designated upon initial recognition as at fair value through profit or loss.

Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments or a financial guarantee contract. Gains or losses on investments held for trading are recognised in the Statement of Comprehensive Income.

The Company assesses whether embedded derivatives are required to be separated from host contracts when the Company first becomes party to the contract. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Investments and other financial assets - continued

Receivables

Receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable.

Receivables are recognized and carried at cost.

Fair value

The fair value of investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on the reporting date. For investments where there is no active market, fair value is determined using valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; discounted cash flow analysis or other valuation models.

Derecognition

A financial asset is primarily derecognised 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.

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 Comprehensive Income.

Impairment of financial assets

The Company assesses at each reporting date whether a financial asset or group of financial assets is impaired.

Assets carried at amortised cost

If there is objective evidence that an impairment loss on assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future expected credit losses that have not been incurred) discounted at the financial asset's original effective interest rate (i.e. the effective interest rate computed at initial recognition). The carrying amount of the asset is reduced through use of an allowance account. The amount of the loss shall be recognised in the Statement of Comprehensive Income.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed, to the extent that the carrying value of the asset does not exceed its amortised cost at the reversal date. Any subsequent reversal of an impairment loss is recognized in the Statement of Comprehensive Income.

NOTES TO THE FINANCIAL STATEMENTS – continued

2.3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

Impairment of financial assets - continued

Assets carried at amortised cost - continued

In relation to receivables, a provision for impairment is made when there is objective evidence (such as the probability of insolvency or significant financial difficulties of the debtor) that the Company will not be able to collect all of the amounts due under the original terms of the invoice. The carrying amount of the receivable is reduced through use of an allowance account. Impaired debts are derecognised when they are assessed as uncollectible.

Cash and cash equivalents

Cash and cash equivalents are composed of cash at bank and short term deposits. For the purposes of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents, as defined above, net of outstanding bank overdrafts.

Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the Statements of Financial Position when there is currently a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

Trade and settlement date accounting

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

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 obligation can be made.

Contingent liabilities and contingent assets are not recognised. A contingent liability is disclosed unless the possibility of an outflow of resources embodying economic benefits is remote. A contingent asset is disclosed where an inflow of economic benefits is probable.

Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred.

Employee benefits

The Company contributes towards the State pension in accordance with local legislation. Short-term employee benefit obligations are measured on undiscounted basis and recognised as an expense in the Statement of Comprehensive Income in the period they are incurred.

Events after the reporting date

Events after the reporting date are those events, favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Adjusting events require the Company to adjust the amounts recognised in its financial statements while non-adjusting events do not require any adjustments to the amounts recognised in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS – continued

3. SIGNIFICANT ACCOUNTING JUDGEMENTS, ESTIMATES AND ASSUMPTIONS

In preparing the financial statements, the Directors are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment 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:

Revaluation of property, plant and equipment and fair value of investment properties

The Company carries its investment properties at fair value, with changes in fair value being recognised in the Profit and Loss Account. In addition, it measures land and buildings, including leasehold properties, at revalued amounts with changes in fair value being recognised in Other Comprehensive Income. This is based on market valuations performed by independent professional architects at least every two years or earlier whenever their fair values differ materially from their carrying amounts. In a year when market valuations are not performed by the independent professional architect, an assessment of the fair value of investment properties consisting of land and building is performed to reflect market conditions at the year-end date.

The last market valuation was performed in April 2017 and the Company recognised fair values of investment properties and revaluations of property, plant and equipment (notes 10 and 11).

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

4. INVESTMENT INCOME

	2017	2016
	EUR	EUR
Dividends income	256,476	301,462
Interest income	29,426	21,398
Ground rents	35,191	29,975
Other income (note i)	212,306	39,924
Gain on redemption of ground rents (note ii)	1,015,868	13,693
	1,549,267	406,452

(i) Other income includes income from the sale of rights on properties.

(ii) During the year, a lessee redeemed one significant ground rent on which the Company earned net income upon redemption of EUR900,541.

5. FINANCE COSTS

	2017	2016
	EUR	EUR
Interest on bank overdrafts	208	130

NOTES TO THE FINANCIAL STATEMENTS - continued

6. EXPENSES BY NATURE

	2017	2016
	EUR	EUR
Staff costs (note 7a)	43,024	39,135
Auditor's remuneration		
- current year	13,570	11,800
- under-accrual in prior year	5,310	-
Depreciation of property, plant and equipment (note 11)	5,455	5,870
Registration fees	8,805	5,248
Directors' remuneration	13,115	-
Professional and legal fees	15,157	14,533
Other administrative expenses	20,446	31,507
Total administrative expenses	124,882	108,093

Professional fees also include remuneration payable to the Company's auditors as follows:

	2017	2016
	EUR	EUR
Tax compliance	3,536	1,298
Other non-audit services	-	-

7. EMPLOYEE INFORMATION

a. Staff costs

The total employment costs were as follows:

	2017	2016
	EUR	EUR
Salaries	39,980	36,628
Social security costs	3,044	2,507
	43,024	39,135

b. Staff numbers

The average number of persons employed by the Company during the year was as follows:

	2017	2016
	Number	Number
Administration	2	2

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NOTES TO THE FINANCIAL STATEMENTS - continued

8. INCOME TAX EXPENSE

The components of income tax expense for the year ended 30 April are:

	2017 EUR	2016 EUR
Income tax expense		
Current income tax charge	259,059	121,250
Deferred tax charge (note 17)	(15,904)	129,046
Income tax expense	<u>243,155</u>	<u>250,296</u>

The income tax on profit differs from the theoretical income tax expense that would apply on the Company's profit before tax using the applicable tax rate in Malta of 35% (2016: 35%) as follows:

	2017 EUR	2016 EUR
Profit before tax	<u>1,830,546</u>	<u>2,374,028</u>
Theoretical tax expense at 35%	640,691	830,910
Tax effect of		
- income subject to lower tax rate	(323,553)	(366,311)
- gains not subject to tax	(107,045)	(250,852)
- expenses not deductible for tax purposes	43,781	39,272
- investment income not subject to further tax	(3,219)	(2,723)
- others	(7,500)	-
Income tax expense	<u>243,155</u>	<u>250,296</u>

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NOTES TO THE FINANCIAL STATEMENTS – continued

9. PROFIT PER SHARE

The profit per share of EUR0.36 (2016: EUR0.48) is calculated on the profit for the year attributable to the ordinary shareholders, divided by the average number of ordinary shares in issue and ranking for dividend during the year.

	2017	2016
	EUR	EUR
Profit for the year	1,587,391	2,123,732
	2017	2016
	Number*	Number*
Ordinary shares in issue	4,432,788	4,432,788
	2017	2016
	EUR	EUR
Profit per share	0.36	0.48

* The bonus issue and share split (note 15) has increased the number of shares in issue as ordinary shares were issued to existent shareholders for no additional consideration. Such additional shares were treated as having been in issue for the whole year and included in the EPS calculation of all earlier periods presented so as to give a comparable result.

10. INVESTMENT PROPERTIES

	Land and buildings EUR	Ground rents capitalisation EUR	Total EUR
At 30 April 2015	2,477,900	612,692	3,090,592
Redemptions	-	(7,977)	(7,977)
Increase in fair value	73,500	1,290,937	1,364,437
At 30 April 2016	2,551,400	1,895,652	4,447,052
Redemptions	-	(338,618)	(338,618)
Additions	199,655	-	199,655
Increase in fair value	102,945	-	102,945
At 30 April 2017	2,854,000	1,557,034	4,411,034

Land and Buildings include leasehold properties with a carrying amount of EUR65,000 (2016: EUR58,600). Leasehold property is classified as investment properties when the property is held for capital appreciation and for which a market exists.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT PROPERTIES - CONTINUED

a. Land and building

Fair value

Market valuations, with respect to investment property excluding ground rents, 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. For the valuation of ground rents, management on an annual basis reviews the major inputs used in the calculation of the fair value in line with local legislation and market conditions.

An independent valuation of the Company's investment property, land and buildings, was performed by valuers to determine the fair value as at 30 April 2017. The fair value movements were credited to profit and loss and subsequently transferred to other reserves under equity. As at 30 April 2017, management also assessed whether there are any significant changes to the significant inputs of the valuation.

The Company's investment property land and buildings consists mainly of plots of land with a carrying amount of EUR2,197,500 (2016: EUR2,152,800) together with other commercial buildings with a carrying amount of EUR656,500 (2016: EUR398,600). The investment property that has been valued using the comparable method has been categorised to fall within level 2 of the fair valuation hierarchy whilst investment property valued using the capitalisation method is classified within level 3 of the aforementioned hierarchy. The different levels in the fair value hierarchy have been defined in Note 10c.

The Company's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or 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.

Valuation techniques and inputs

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

	Comparable method EUR 2017	Capitalisation method EUR 2017	Total EUR 2017
Plots of land	2,197,500	-	2,197,500
Commercial buildings	65,000	591,500	656,500
	2,262,500	591,500	2,854,000

Comparable method:

Market prices

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

Capitalisation method:

Future rental cash inflows

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

Capitalisation rates

based on actual location, size and quality of the properties and taking into account market data at the valuation date.

NOTES TO THE FINANCIAL STATEMENTS – continued

10. INVESTMENT PROPERTIES – continued

a. Land and building – continued

Valuation techniques and inputs- continued

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

	Fair value EUR	Range of significant unobservable Capitalisation rate
30 April 2017	591,500	4% - 5%
30 April 2016	340,000	4% - 5%

b. Ground rents

Ground rents on property are received annually into perpetuity. Ground rent income relates to ground rent capitalisation.

These ground rents are redeemable and the ground rent capitalisation represents the redemption amount or the present value of the expected cash flows. The valuation of ground rents is determined by the capitalisation method, as explained for land and buildings. The capitalisation rate for non-revisable ground rents is determined by reference to local legislation whilst the capitalisation rate for revisable ground rents is based on inputs that reflect the current market conditions.

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

	Fair value EUR	Range of significant unobservable Capitalisation rate
30 April 2017	1,557,034	3% - 5%
30 April 2016	1,895,652	3% - 5%

c. Fair Value hierarchy

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

Level 1: quoted (unadjusted) prices 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 values are observable, either directly or indirectly

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

	Total EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Fair value as at 30 April 2017	4,411,034	-	2,262,500	2,148,534
Fair value as at 30 April 2016	4,447,052	-	2,211,400	2,235,652

For each valuation of investment property classified under as Level 3, annual rent or ground rent and capitalisation rate have been determined to be the significant unobservable inputs. The higher the annual rent or ground rent, the higher the fair value will be and conversely the lower the annual rent or ground rent, the lower the fair value. The lower the capitalisation rate, the higher the fair value will be and conversely the higher the capitalisation rate, the lower the fair value.

NOTES TO THE FINANCIAL STATEMENTS - continued

11. PROPERTY, PLANT AND EQUIPMENT

	Leasehold buildings and improvements EUR	Fixtures fittings and equipment EUR	Total EUR
Cost or valuation			
At 1 May 2015	108,234	35,479	143,713
Revaluation	22,740	-	22,740
Transfer*	(4,858)	-	(4,858)
At 30 April 2016	126,116	35,479	161,595
Revaluation	7,455	-	7,455
Transfer*	(2,905)	-	(2,905)
At 30 April 2017	130,666	35,479	166,145
Depreciation			
At 1 May 2015	17,104	35,479	52,583
Charge for the year	5,870	-	5,870
Transfer*	(4,858)	-	(4,858)
At 30 April 2016	18,116	35,479	53,595
Charge for the year	5,455	-	5,455
Transfer*	(2,905)	-	(2,905)
At 30 April 2017	20,666	35,479	56,145
Net book value			
At 30 April 2017	110,000	-	110,000
At 30 April 2016	108,000	-	108,000

* This transfer relates to the accumulated depreciation as at the revaluation date that was eliminated against the gross carrying amount of the revalued asset.

Leasehold buildings were acquired in the financial year ended 30 April 1993 at a cost of EUR34,097. The remaining life of the lease is 36 years. The Company uses the revaluation model for leasehold buildings.

These leasehold buildings were last revalued in April 2017 at EUR110,000. An independent valuation of the leasehold buildings was performed by same valuers for investment property land and building. The valuation for this commercial building was determined by the comparable method. It has been categorised to fall within Level 2 of the fair valuation hierarchy. There were no transfers between levels during the year. The different levels in the fair value hierarchy have been defined in Note 12.

Had leasehold buildings not been included in the financial statements at revaluation less accumulated depreciation, the carrying amount at 30 April 2017, based on cost less accumulated depreciation charged on cost, would have been EUR19,895 (2016: EUR20,463).

Fully depreciated fixtures, fittings and equipment are still in use.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial assets at fair value through profit or loss is made up of financial assets designated as such upon initial recognition. This designation results in more relevant information because this group of financial assets is managed and its performance is evaluated on a fair value basis.

	2017 EUR	2016 EUR
Non-current	6,400,206	5,405,763

The table below analyses the nature of the financial assets:

	2017 EUR	2016 EUR
Equity securities	3,822,554	2,982,231
Bonds	728,715	735,646
Managed funds	1,848,937	1,687,886
	6,400,206	5,405,763

a) Fair values:

	2017 EUR	2016 EUR
Local		
Quoted on the Malta Stock Exchange	6,368,424	5,373,981
Unquoted	31,782	31,782
	6,400,206	5,405,763

Fair value hierarchy

The Company uses the following hierarchy for determining and disclosing the fair value of financial instruments by valuation technique:

Level 1: quoted (unadjusted) prices 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 values are observable, either directly or indirectly

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

	Total EUR	Level 1 EUR	Level 2 EUR	Level 3 EUR
Fair value as at 30 April 2017	6,400,206	4,519,487	1,848,937	31,782
Fair value as at 30 April 2016	5,405,763	3,686,005	1,687,886	31,782

Included with the financial assets classified as Level 2, is a Professional Investor Fund, the price of which started being quoted annually as from October 2014. Observable inputs that may otherwise be a Level 1 input will be rendered Level 2 if the information relates to a market that is not active. Accordingly, this investment was transferred from Level 1 in the fair value hierarchy to Level 2 during the financial year end 2015.

NOTES TO THE FINANCIAL STATEMENTS - continued

12. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS - continued

The fair value of financial assets classified as Level 3 was determined by reference to the net asset value of Companies. During the year the Company recognised fair value gains of EUR3,717 (2016: Nil) with respect to financial assets classified as Level 3 in the fair value hierarchy. No dividend income was received during 2017 and 2016 from these investments. There were no movements in the holding of these investments during 2017 and 2016.

b) Acquisition cost:

	2017 EUR	2016 EUR
Local		
Quoted on the Malta Stock Exchange	4,363,512	4,363,089
Unquoted	16,894	16,894
	<u>4,380,406</u>	<u>4,379,983</u>

c) Movement in Fair Value as recorded in the Statement of Comprehensive Income:

	2017 EUR	2016 EUR
Local		
Quoted on the Malta Stock Exchange	303,424	711,362
Unquoted	-	-
	<u>303,424</u>	<u>711,362</u>

13. RECEIVABLES

	2017 EUR	2016 EUR
Ground rent receivables (note i)	34,497	28,799
Dividends receivable	35,086	28,745
Accrued income	3,743	2,217
Other receivables	20,107	11,260
	<u>93,433</u>	<u>71,021</u>

(i) Ground rents are received annually and are non-interest bearing. Ground rents receivable are past due but not impaired. The ageing analysis is as follows:

Total	Past due but not impaired				
	<1 year	1-2 years	2-5 years	>5 years	
2017	34,497	17,564	3,531	6,487	6,915
2016	28,799	8,480	4,857	8,400	7,062

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NOTES TO THE FINANCIAL STATEMENTS - continued

14. CASH AND CASH EQUIVALENTS

Cash and cash equivalents included in the Statement of Cash Flows comprise the following Statement of Financial Position amounts:

	2017	2016
	EUR	EUR
Cash at bank	1,125,265	505,173

15. SHARE CAPITAL

	2017	2016
	EUR	EUR
Authorised 8,500,000 (April 2016: 4,235,222) ordinary shares of EUR0.275 (April 2016: EUR0.55) each	2,337,500	2,329,372

Issued, called up and fully paid 4,432,788 (April 2016: 2,014,898) ordinary shares of EUR0.275 (April 2016: EUR0.55) each	1,219,017	1,108,194
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	2017	2016
	No. of shares	No. of shares
At beginning of the year	2,014,898	1,831,716
Bonus Issue (note i)	201,496	183,182
Effect of share split (note ii)	2,216,394	-
At end of year	4,432,788	2,014,898

- (i) During the year, the company issued 201,496 (2016: 183,182) ordinary shares of EUR0.55 (2016: EUR0.55) by way of a bonus issue resulting in an increase of EUR110,823 (2016: EUR100,750).
- (ii) Subsequent to the bonus issue, the new total number of shares in issue of 2,216,394 were subject to a share split thereby doubling the number of shares in issue to 4,432,788 fully paid up shares with a nominal value of EUR0.275 per share. Both the bonus issue and the share split have been approved by the shareholders during the AGM held on the 14 October 2016.

NOTES TO THE FINANCIAL STATEMENTS - continued

16. RESERVES

Share premium

The share premium account represents the excess over the nominal value of proceeds from the issue of shares in the Company's capital at a value above nominal value. This reserve is not available for distribution.

Revaluation reserve

This reserve arises from the revaluation of leasehold property. This reserve is not available for distribution.

Other reserves

Other reserves represent unrealised gains on investment properties, and fair value gains on financial assets that are not available for distribution.

Retained earnings

In accordance with the Company's articles of association applicable until 9 October 2014, unclaimed dividends shall be forfeited in favour of the Company after the lapse of twelve years. Unclaimed dividends that have been forfeited are being transferred to retained earnings.

17. DEFERRED TAX LIABILITY

The liability for deferred taxation for the year is analysed as follows:

	2017 EUR	2016 EUR
At beginning of the year	454,162	322,842
(Credited)/charged to profit and loss (note 8)	(15,904)	129,046
Charged to Other Comprehensive Income	200	2,274
At end of year	438,458	454,162

Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2016: 35%), property tax of 10% or 8% (2016: 10% or 8%) and withholding tax of 15% (2016: 15%). Deferred income tax as at 30 April relates to the following:

	2017 EUR	2016 EUR
Revaluation of leasehold property	11,000	10,800
Fair value of investment properties	426,897	443,029
Interest receivable	561	333
	438,458	454,162

NOTES TO THE FINANCIAL STATEMENTS – continued

18. PAYABLES

	2017	2016
	EUR	EUR
Ground rent payables (note i)	82,401	99,755
Accruals and deferred income	30,099	25,633
Other payables (note ii)	66,033	57,953
	<u>178,533</u>	<u>183,341</u>

(i) Ground rents are paid on demand once they are due and are non-interest bearing. Ground rents are settled upon receipt of claim.

(ii) Ground rents payables and other payables are repayable on demand.

19. NET ASSET VALUE PER SHARE

The net asset value per share is calculated by dividing the net asset value by the number of ordinary shares in issue. As at 30 April 2017 the net asset value per share stood at EUR2.59 (30 April 2016: EUR2.23).

Net asset value per share is computed by dividing the net assets by the average number of shares in issue. Any increase in shares by way of bonus issue is treated as having been in issue for the whole year and included in the NAV calculation of all earlier periods presented.

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Company has various financial assets such as financial assets at fair value through profit and loss, receivables and cash at bank, which arise directly from its operations. The Company's principal financial liabilities are composed of payables.

The Company did not enter into derivative transactions. It is, and has been throughout the year, the Company's policy that no trading in derivatives shall be undertaken.

The main risks arising from the Company's financial instruments are credit risk, liquidity risk and market risk (which is composed of foreign exchange currency risk, interest rate risk and equity price risk). The Board of Directors reviews and agrees policies for managing each of these risks which are summarised below.

NOTES TO THE FINANCIAL STATEMENTS - continued

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Credit risk

Credit risk is the risk that counterparty will not meet its obligation under a financial instrument leading to a financial loss. The Company is exposed to credit risk from its operating activities primarily from investments classified as fair value through profit or loss, receivables and deposits with banks.

The Company trades only with recognised and creditworthy third parties. Credit risk relating to financial assets is addressed through careful selection of the issuers of securities bought by the Company. The Company obtains expert technical advice from its stockbrokers and monitors the markets for changes in the credit status of companies in which securities are held.

The maximum exposure to credit risk at the reporting date is the carrying value of bonds as disclosed in notes 12 and each class of financial assets as disclosed in notes 13 and 14. The Directors are of the opinion that these amounts are recoverable in full. Cash at bank are placed with quality financial institutions. Other than ground rents receivable, mentioned in the following paragraph, none of the financial assets are neither past due nor impaired. Therefore, the Company has no significant concentration of credit risk.

No provisions have been made against ground rent receivables since the Company is entitled to enforce these amounts on the basis of contracts on which the property giving rise to the ground rents is available as a security.

The Company's exposure to concentration of risk as at 30 April 2017, arising from financial instruments exceeding 10% of the Net Asset Value of the Company with the same counterparty, amounted to EUR1,848,937 (16.0% of NAV) and EUR1,521,068 (13.2% of NAV) and EUR1,869,456 (16.2% of NAV). As at 30 April 2016 these exposures amounted to EUR1,687,886 (17.1% of NAV) and EUR834,708 (8.4% of NAV) and EUR1,580,768 (16.0% of NAV).

Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due. The Company monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of its financial liabilities and projected cash flows from operations.

The Company's objective is to maintain a balance between continuity of funding and flexibility through the use of potential borrowing facilities and payables.

Market risk

Market risk is the risk that the fair value of financial assets will fluctuate due to changes in the market variables such as exchange rates, interest rates and equity prices.

Foreign exchange currency risk

The Company has sterling denominated cash in bank equivalent to EUR2,274 (2016: EUR2,462) and transactional currency exposures arising from its US dollar denominated financial assets at fair value through profit or loss with a carrying amount equivalent EUR109,652 (2016: EUR88,676). The Company monitors movements in the currencies in which these assets are held although they do not significantly affect the Company's Statement of Financial Position.

Interest rate risk

The bank overdrafts are subject to rates of interest determined by the banks, which may be revised at the banks' discretion depending on movements in banks' base rates. The Company's favourable bank balances earn interest at rates determined by the banks. In view of the Company's marginal net cash and cash equivalents, the amount of interest rates risk is not considered to be significant.

NOTES TO THE FINANCIAL STATEMENTS - continued

20. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES - continued

Market risk - continued

Interest rate risk - continued

The Company's financial assets are not significantly influenced by changes in interest rates since most holdings are equity and managed funds. A reasonably possible change in interest rates is not expected to have a significant effect on the fair value of fixed interest rate bonds.

Equity price risk

Equity price risk is the risk that the fair values of equities decrease as the result of changes in the levels of equity indices and the value of individual stocks.

The effect on the Statement of Comprehensive Income (as a result of a change in the fair value of equity instruments held at fair value through profit or loss at year end) due to a reasonably possible change in the Malta Stock Exchange index, with all other variables held constant is as follows:

	Change in equity price %	Effect on profit before tax EUR'000
2017	4/-4	256/-256
2016	4/-4	216/-216

Fair value measurement

At 30 April 2017 and 30 April 2016, the carrying amounts of receivables, cash at bank, and payables approximated their fair values. Refer to Notes 10, 11 and 12 for fair value techniques and the following fair value measurement hierarchy of investment property, property plant and equipment, and financial assets at fair value through profit or loss.

Capital management

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 capital structure, the Company may adjust dividend payments to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or process during the year ended 30 April 2017 and 30 April 2016.

SANTUMAS SHAREHOLDINGS PLC
Annual Financial Statements for the year ended 30 April 2017

NOTES TO THE FINANCIAL STATEMENTS - continued

21. SHAREHOLDINGS

As at 30 April 2017

a. Substantial direct interests

Shareholder	Number of shares	Nominal value of shareholding EUR	Percentage shareholding %
Mercury plc	1,804,312	496,185	40.7
Mr. Anthony P. Demajo	302,912	83,300	6.8
Archdiocese of Malta	292,448	80,423	6.6
Rizzo Farrugia & Co (STK) Ltd obo clients	174,964	48,115	3.9
	<u>2,574,636</u>	<u>708,023</u>	<u>58.0</u>

Size of Shareholding	Shareholders number	Shareholders percentage	Shares number	Shares percentage
1 - 500	41	17.45	9,604	0.2
501 - 1,000	35	14.89	25,510	0.6
1,001 - 5,000	83	35.32	201,034	4.5
5,001 and over	76	32.34	4,196,640	94.7
	<u>235</u>	<u>100</u>	<u>4,432,788</u>	<u>100</u>

As at 30 April 2016

a. Substantial direct interests

Shareholder	Number of shares	Nominal value of shareholding EUR	Percentage shareholding %
Mercury plc	820,142	451,078	40.7
Mr. Anthony P. Demajo	137,687	75,728	6.8
Archdiocese of Malta	132,931	73,112	6.6
Rizzo Farrugia & Co (STK) Ltd obo clients	73,872	40,630	3.7
	<u>1,164,632</u>	<u>640,548</u>	<u>57.8</u>

Size of Shareholding	Shareholders number	Shareholders percentage	Shares number	Shares percentage
1 - 500	78	33.1	18,890	0.9
501 - 1,000	37	15.7	27,193	1.4
1,001 - 5,000	79	33.5	180,145	8.9
5,001 and over	42	17.7	1,788,670	88.8
	<u>236</u>	<u>100</u>	<u>2,014,898</u>	<u>100</u>

NOTES TO THE FINANCIAL STATEMENTS - continued

22. RELATED PARTY TRANSACTIONS

The Directors are considered by the Company to be Key Management Personnel. The Directors' remuneration are disclosed in Note 6 of these financial statements.

23. CONTINGENT LIABILITY

The Company has received a notice from the Commissioner of Inland Revenue pursuant to the exemption order of 4 September 2010, in which notice it is allegedly indicated that a tax balance of EUR155,156 is due. According to the Company's records, the amount claimed is under dispute in its entirety.

24. DIVIDENDS

During the year, the company issued 201,496 (2016: 183,182) ordinary shares of EUR0.55 (2016: EUR0.55) by way of a bonus issue, which capitalisation amounted to EUR110,823 (2016: EUR100,750).

The Directors do not propose any dividends for the financial year ended 30 April 2017, however a bonus issue of one share for every two shares held, which will be funded by a capitalisation of reserves amounting to EUR609,508 will be proposed for approval at the forthcoming AGM.

SUPPLEMENTARY STATEMENTS

	Statement Number
Operating Account	I
Investments	II
Analysis of Company Portfolio	III
Five Year Statements	IV
Five Year Key Figures and Ratios	V

OPERATING ACCOUNT

	2017	2016
	EUR	EUR
INVESTMENT INCOME		
Dividends income	256,476	301,462
Interest income	29,426	21,398
Ground rents	35,191	29,975
Other interest and income	212,306	39,924
Gain on redemption of ground rents	1,015,868	13,693
	<u>1,549,267</u>	<u>406,452</u>
ADMINISTRATIVE EXPENSES		
Salaries and NI contribution	43,024	39,135
Directors' remuneration	13,115	-
Malta Stock Exchange fees	7,605	4,048
Advertising and Promotional expenses	4,111	4,701
Telecommunications	1,640	1,838
Water and Electricity	1,243	1,365
Stationery and Postages	2,008	2,561
Insurances	498	775
Professional and Legal fees	15,157	14,533
Auditor's remuneration		
- current year	13,570	11,800
- under-accrual in prior year	5,310	-
Travelling expenses	5,368	7,163
Computer operating and leasing expenses	2,649	1,790
Annual registration fee	1,200	1,200
Sundry expenses	2,929	11,314
Depreciation of property, plant and equipment	5,455	5,870
	<u>(124,882)</u>	<u>(108,093)</u>
FINANCE COSTS	(208)	(130)
OPERATING PROFIT	<u>1,424,177</u>	<u>298,229</u>

INVESTMENTS

LOCAL QUOTED

Banks

Bank of Valletta Plc
HSBC Bank Malta Plc
FIMBank Plc

Investment Funds

Amalgamated Investments Sicav Plc

Government

Malta Government Stocks

Telecommunications

Loqus Holdings Plc
GO Plc

Breweries and Beverages

Simonds Farsons Cisk Plc

Insurance

Mapfre Middlesea Plc
Citadel Insurance Plc

Marina Services

Grand Harbour Marina Plc

Airlines and Airports

Malta Int. Airport Plc

Postal Services

MaltaPost Plc

Property Company

Malta Properties Company Plc

Oil and Gas

Medserv Plc

Retail

PG Plc

LOCAL UNQUOTED

Investment funds

The Malta Development Fund Limited

Insurance

Citadel Insurance Plc

ANALYSIS OF COMPANY PORTFOLIO

	2017 Market value EUR	2017 % of total	2016 Market value EUR	2016 % of total	2015 Market value EUR	2015 % of total
FINANCIAL ASSETS						
<i>Included under Financial assets at fair value through profit and loss</i>						
Banks	2,374,912	21.75	1,998,980	20.07	1,748,853	23.05
Investment Funds	1,866,014	17.09	1,704,227	17.11	1,392,985	18.36
Government Stocks	333,070	3.05	338,835	3.40	343,090	4.52
Telecommunication Services	436,890	4.00	429,898	4.32	351,001	4.63
Breweries and Beverages	267,659	2.45	194,477	1.95	109,113	1.44
Insurance	328,856	3.01	312,441	3.14	180,141	2.37
Marine Services	13,455	0.12	12,600	0.13	13,300	0.18
Airlines and Airports	352,750	3.23	261,000	2.62	207,600	2.74
Postal Services	102,500	0.94	83,214	0.84	58,749	0.77
Property Company	103,400	0.95	70,091	0.70	-	-
Retail	14,500	0.13	-	-	-	-
Oil and Gas	206,200	1.88	-	-	-	-
Total financial assets	6,400,206	58.60	5,405,763	54.28	4,404,832	58.06
PROPERTY						
<i>Included under Investment Properties and Property, plant and equipment</i>						
Development land	2,322,500	21.27	2,034,600	20.43	1,966,700	25.92
Land	466,500	4.27	458,200	4.60	448,400	5.91
Leasehold properties	65,000	0.60	58,600	0.59	62,800	0.83
Ground rents	1,557,034	14.26	1,895,652	19.03	612,692	8.08
Office	110,000	1.00	108,000	1.08	91,130	1.20
Total property	4,521,034	41.40	4,555,052	45.73	3,181,722	41.94
TOTAL PORTFOLIO	10,921,240	100	9,960,815	100	7,586,554	100

	2017 % of total	2016 % of total	2015 % of total
GEOGRAPHICAL DISTRIBUTION OF FINANCIAL ASSETS			
Malta	100.00	100.00	100.00

FIVE YEAR STATEMENTS
FOR THE YEARS ENDED 30 APRIL 2013 TO 30 April 2017

INCOME STATEMENTS

	2017	2016	2015	2014	2013
	EUR	EUR	EUR	EUR	EUR
Investments and similar income	1,549,267	406,452	379,202	360,650	242,586
Profit/(loss) before taxation	1,830,546	2,374,028	515,545	714,569	593,175
Taxation	(243,155)	(250,296)	(70,543)	(145,815)	(78,200)
Profit/(loss) for the year	1,587,391	2,123,732	445,002	568,754	514,975

STATEMENTS OF FINANCIAL POSITION

	2017	2016	2015	2014	2013
	EUR	EUR	EUR	EUR	EUR
Non-current assets					
Investment properties	4,411,034	4,447,052	3,090,592	3,097,200	2,456,160
Property, plant and equipment	110,000	108,000	91,130	95,800	99,158
Financial assets at fair value through profit and loss	6,400,206	5,405,763	4,404,832	3,918,368	3,635,626
	10,921,240	9,960,815	7,586,554	7,111,368	6,190,944
Current assets					
Financial assets at fair value through profit and loss	-	-	-	-	-
Other current assets	1,218,698	576,194	657,151	743,094	1,125,253
	1,218,698	576,194	657,151	743,094	1,125,253
Current liabilities	(216,940)	(193,026)	(175,208)	(193,046)	(171,326)
Net current assets	1,001,758	383,168	481,943	550,048	953,927
Non-current liabilities	(438,458)	(454,162)	(322,842)	(362,418)	(323,275)
Total equity	11,484,540	9,889,821	7,745,655	7,298,998	6,821,596

**FIVE YEAR KEY FIGURES AND RATIOS
FOR THE YEARS ENDED 30 APRIL 2013 TO 30 April 2017**

KEY FIGURES AND RATIOS

	2017	2016	2015	2014	2013
Number of shares in issue ¹	4,432,788	2,014,898	1,831,716	1,665,176	1,665,176
Earnings / (loss) per share (cents) ²	35.81	47.91	10.04	12.83	11.62
Return on capital employed (%) ³	13.82	21.47	5.75	7.79	7.55
Dividend cover (times) ⁴	-	-	-	-	-
Net asset value per share (EUR) ⁵	2.59	2.23	1.75	1.65	1.54

Notes

- 1 Actual number of shares in issue.
- 2 Earnings per share is computed by dividing the profit/(loss) for the year by the average shares in issue. Any increase in shares by way of bonus issue is treated as having been in issue for the whole year and included in the EPS calculation of all earlier periods presented.
- 3 Return on capital employed is calculated by dividing the profit/(loss) for the year by the shareholders' funds at the end of the year.
- 4 Dividend cover is calculated by dividing the profit/(loss) for the year by the gross dividends for the year.
- 5 Net asset value per share is computed by dividing the net assets by the average number of shares in issue. Any increase in shares by way of bonus issue is treated as having been in issue for the whole year and included in the NAV calculation of all earlier periods presented.