

Sudvel Limited

Annual Report and Financial Statements for the year ended 31 December 2014

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Certified Public Accountants

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VM/4S/2548/AF/E

Sudvel Limited

Directors' Report for the year ended 31 December 2014

The Board of Directors is hereby presenting its annual report together with the audited financial statements of the company for the year ended 31 December 2014.

Directors

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

Mr. Vincent Vella

Mrs. Mary Vella

Principal activity

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

Review of business

During the year ended 31 December 2014, the company generated a profit before tax of €1,289,469 compared to the profit before tax of €38,895 generated during the year ended 31 December 2013.

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

Results

The results for the year are set out in the statement of comprehensive income on page 5.

Future Developments

The Company expects to attain and enhance its present level of revenue and continue to register positive results in the coming years.

Dividend

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

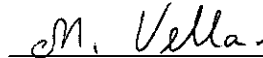
Auditors

The Auditors HLB Falzon & Falzon, have intimated their willingness to be reappointed. A resolution for their reappointment will be proposed at the annual general meeting.

By order of the Board:



Mr. Vincent Vella - Director



Mrs. Mary Vella - Director

Registered Office

Hal Mann Vella, The Factory,
Mosta Road,
Lija LJA 9016

6 April 2015

Sudvel Limited

Statement of Directors' Responsibilities

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

In preparing such financial statements, the Directors are required to:

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

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

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



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Independent Auditors' Report to the shareholders of Sudvel Limited

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set on pages 5 to 24, which comprise the statement of financial position as at 31 December 2014, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

As described in the Statement of Directors' Responsibilities on page 2 the Directors are responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of International Financial Reporting Standards as adopted by the European Union and the requirements of the Companies Act, Cap. 386 of the Laws of Malta, and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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**Independent Auditors' Report
to the shareholders of Sudvel Limited
continued**

Opinion

In our opinion, the financial statements:

- give a true and fair view of the financial position of the Company as of 31 December 2014, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and
- have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

Report on other legal and regulatory requirements

We have responsibilities under the Companies Act, Cap. 386 of the Laws of Malta, to report to you if in our opinion:

- the information given in the Directors' Report is not consistent with the financial statements;
- adequate 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;
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

Alfred Falzon C.P.A., F.I.A., F.C.C.A., C.S.A.
HLB Falzon & Falzon
Certified Public Accountants

6 April 2015

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Sudvel Limited

Statement of Comprehensive Income for the year ended 31 December 2014

	Note	Current €	2013 €
Rental income		73,640	45,027
Administrative expenses	5	(3,304)	(6,132)
Operating profit		70,336	38,895
Fair value change on investment property		1,219,133	-
Profit before tax		1,289,469	38,895
Income tax expense	6	(166,915)	(12,608)
Profit for the year		1,122,554	26,287
Other comprehensive income		-	-
Total comprehensive income for the year, net of tax		1,122,554	26,287

The notes on pages 9 to 24 form part of these financial statements

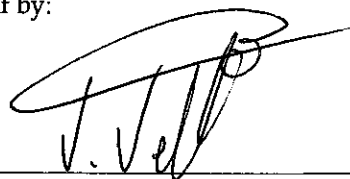
Sudvel Limited

Statement of Financial Position as at 31 December 2014

	Note	Current €	2013 €
ASSETS			
Non-current assets			
Other non-current financial assets	7	25,000	25,000
Investment property	8	10,426,154	9,207,021
Total non-current assets		10,451,154	9,232,021
Current assets			
Property for resale	9	461,690	-
Trade and other receivables	10	31,448	1,125
Cash and cash equivalents	16	6,347	398
Total current assets		499,485	1,523
Total assets		10,950,639	9,233,544
EQUITY AND LIABILITIES			
Equity			
Issued capital	14	1,165	1,165
Revaluation reserve on investment property	15	7,488,255	7,488,255
Retained earnings		1,138,024	15,470
Total equity		8,627,444	7,504,890
Non-current liabilities			
Long-term borrowings	11	1,037,475	585,655
Deferred taxation	13	1,245,034	1,098,738
Total non-current liabilities		2,282,509	1,684,393
Current liabilities			
Trade and other payables	12	40,686	31,653
Current taxation due	6	-	12,608
Total current liabilities		40,686	44,261
Total liabilities		2,323,195	1,728,654
Total equity and liabilities		10,950,639	9,233,544

The notes on pages 9 to 24 form part of these financial statements

The financial statements on pages 5 to 24 were authorised for issue by the Board and were signed on its behalf by:



Mr. Vincent Vella - Director

6 April 2015



Mrs. Mary Vella - Director

Sudvel Limited

Statement of Changes in Equity for the year ended 31 December 2014

	Issued capital €	Revaluation reserve on investment property €	Retained earnings €	Total €
Balance as at 1 January 2013				
Opening balance	1,165	7,488,255	(10,817)	7,478,603
Profit for the year	-	-	26,287	26,287
Other comprehensive income	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	26,287	26,287
Balance as at 31 December 2013	<u>1,165</u>	<u>7,488,255</u>	<u>15,470</u>	<u>7,504,890</u>
Balance as at 1 January 2014				
Opening balance	1,165	7,488,255	15,470	7,504,890
Profit for the year	-	-	1,122,554	1,122,554
Other comprehensive income	-	-	-	-
Total comprehensive income for the year, net of tax	-	-	1,122,554	1,122,554
Balance as at 31 December 2014	<u>1,165</u>	<u>7,488,255</u>	<u>1,138,024</u>	<u>8,627,444</u>

The notes on pages 9 to 24 form part of these financial statements

Sudvel Limited

Statement of Cash Flows for the year ended 31 December 2014

	Note	Current €	2013 €
Cash flows from operating activities			
Profit before tax		1,289,469	38,895
Adjustments for:			
Gain arising on change in fair value of investment property		(1,219,133)	-
Working capital changes:			
Increase in receivables		(30,323)	(1,125)
Increase in payables		9,033	30,587
Taxation paid		(12,608)	-
Net cash from operating activities		<u>36,438</u>	<u>68,357</u>
Cash flows from investing activities			
Payments to acquire investment property		-	(50,867)
Advances to group undertaking		-	(25,000)
Net cash used in investing activities		<u>-</u>	<u>(75,867)</u>
Cash flows from financing activities			
(Payments to)/receipts from parent undertaking		(45,619)	1,282
Receipts from group undertaking		15,130	5,489
Net cash (used in)/from financing activities		<u>(30,489)</u>	<u>6,771</u>
Increase/(decrease) in cash and cash equivalents		5,949	(739)
Cash and cash equivalents at beginning of year		398	1,137
Cash and cash equivalents at end of year	16	<u>6,347</u>	<u>398</u>

The notes on pages 9 to 24 form part of these financial statements

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2014

1. Corporate information

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

2. Principal accounting policies

a) Basis of accounting

The company's financial statements are prepared under the historical cost convention, as modified by the fair value gain of investment property and are in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta.

b) Other non-current financial assets

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All financial assets are recognised initially, at fair value, plus, in the case of financial assets not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial assets or financial liabilities. The company determines the classification of its financial assets after initial recognition and, where allowed and appropriate, re-evaluates this designation at each financial year-end.

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. After initial measurement, loans and receivables are subsequently measured at amortised cost using the effective interest rate method, less allowance for impairment. Gains and losses are recognised in the statement of comprehensive income when the financial assets are either derecognised or impaired or through the amortisation process.

Derecognition of financial assets

A financial asset is derecognised where:

- the rights to receive cash flows from the asset have expired; or
- the company has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and
- either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Sudvel Limited

c) Impairment of financial assets

The company assesses at the end of each reporting period whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about the certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition.

d) Offsetting of financial instruments

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

e) Investment property

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

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

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

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

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

Sudvel Limited

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

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

f) Property for resale

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

g) Trade and other receivables

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

Trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

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

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the statement of comprehensive income within 'administrative expenses'.

When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against 'administrative expenses' in the statement of comprehensive income.

h) Cash and cash equivalents

Cash and short-term deposits in the statement of financial position comprise cash at bank.

For the purpose of the statement of cashflows, cash and cash equivalents consist of cash and short-term deposits as defined above.

Sudvel Limited

i) Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

j) Share capital

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

k) Dividend distribution

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

l) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the statement of comprehensive income over the period of the borrowings using the effective interest rate method.

m) Trade and other payables

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

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

n) Provisions

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

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

Sudvel Limited

o) Leases

The determination of whether an arrangement is (or contains) a lease is based on the substance of the arrangement at the inception of the lease. The arrangement is, or contains a lease if fulfilment of the arrangement is dependent on the use of a specific asset(s) and the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

Leases in which the company does not transfer all the risks and rewards of ownership of an assets are classified as operating leases. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and are recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

p) Taxation

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

Current income tax

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

Deferred income tax

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

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss.

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

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

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

Sudvel Limited

Value Added Tax

Revenue, expenses and assets are recognised net of Value Added Tax, except:

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

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

q) Revenue recognition

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

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

- Rental income : Rental income from investment property is recognised in the profit or loss on a straight line basis over the term of the lease.

r) Fair value measurements and valuation processes

The company measures its investment property at fair value at the end of each reporting period. In estimating the fair value of the investment property, the company uses market-observable data to the extent this is available. External valuers are involved for valuation of investment property.

Information about the valuation techniques and inputs used in determining the fair value of the investment property is disclosed in note 8.

3. Judgements in applying accounting policies and key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Revaluation of investment property

The company carries its investment property at fair value, with changes in fair value being recognised in the statement of profit or loss. The company engaged an independent valuation specialist to assess fair value as at 23 June 2014. A valuation method based on open market model was used.

The key assumptions used to determine the fair value of the property is provided in Note 8.

4. Changes in Accounting policies and disclosures

The company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2014.

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

Impairment of assets - Amendments to IAS 36

This amendment addresses the disclosure of information about the recoverable amount of impaired assets if that amount is based on fair value less costs of disposal.

Annual Improvements 2010-2012 Cycle

In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, and it clarifies in the Basis for Conclusions that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 has no impact on the Company.

Standards issued but not yet effective

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

IFRS 15 Revenue from Contracts with Customers

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 2017 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.

5. Expenses by nature

	Current €	2013 €
Other expenses	3,304	6,132

Sudvel Limited

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2014 and 2013 relate to the following:

	Current €	2013 €
Annual statutory audit	705	672
Tax advisory and compliance services	185	185
	<u>890</u>	<u>857</u>

6. Income tax

Tax expense on profit on ordinary activities

	Current €	2013 €
<i>Income tax expense:</i>		
Current tax charge	-	(12,608)
Total current tax expense	-	(12,608)
Consideration payable by the company in respect of the tax benefit to the company, attaching to tax losses surrendered by a subsidiary company under the Group Relief provisions of the Income Tax Act.	(20,619)	-
<i>Deferred Taxation (Note 13):</i>		
expense for year	(146,296)	-
Income tax expense for the year	<u>(166,915)</u>	<u>(12,608)</u>

Tax Reconciliation

	Current €	2013 €
Profit before tax	<u>1,289,469</u>	<u>38,895</u>
Income tax expense thereon	451,314	13,613
- expenses non allowed for tax purposes	(425,540)	2,146
- income taxed at different rates	(5,155)	(3,151)
- fair value change of investment property	146,296	-
Income tax expense for the year	<u>166,915</u>	<u>12,608</u>

Sudvel Limited

Current taxation

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

Taxation due is made up as follows:

	Current €	2013 €
As at 1 January	12,608	-
Current tax expense	-	12,608
	<u>12,608</u>	<u>12,608</u>
<i>Payments:</i>		
Settlement tax	(12,608)	-
	<u>(12,608)</u>	<u>-</u>
As at 31 December	<u>-</u>	<u>12,608</u>

7. Other non-current financial assets

	Current €	2013 €
<i>Loans and receivables:</i>		
Loan to group undertaking	25,000	25,000
	<u>25,000</u>	<u>25,000</u>
Total non-current financial assets	<u>25,000</u>	<u>25,000</u>

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

Sudvel Limited

8. Investment property

	Current €	2013 €
Fair value		
As at 1 January	9,207,021	9,156,154
Additions	-	50,867
Fair value change on investment property	1,219,133	-
As at 31 December	<u>10,426,154</u>	<u>9,207,021</u>

Fair value measurement of the Group's investment properties

As at 31 December 2014, the fair value of the Company's investment property has been arrived at on the basis of a valuation carried out on the 23 June 2014 by Messrs TBA periti, independent valuers not related to the Company. Messrs TBA periti have appropriate recognised professional qualifications and experience in the location and category of the property being valued. The fair value was determined on the basis of open market value taking cognisance of the specific location of the properties, their size and development potential.

Fair value hierarchy disclosures for investment property are disclosed in Note 17.

Part of the above property has been leased out by the company under an operating lease to third parties in accordance to its lease agreement.

The company's investment property consist of:-

- Plot of land measuring circa 5,200m² which the Group intends to develop, utilising part of the Bond proceeds, to construct a mixed use commercial building which will make available for lease circa 14,000m² of commercial space. Construction works on the development are expected to be completed within 21 months from receipt of the necessary permits.
- Part ownership (50% shareholding) of a warehouse complex (known as 'Il-Binja l-Gdida) consisting of a two storey building and parking area having a foot print of circa 1,200m². The property is situated in Pantar Road, Lija, Malta. During 2013, part of this property was leased to three tenants, for periods ranging between 5 to 10 years. The basement level has been left vacant as it is being utilised by the Group.
- Part ownership (50% shareholding) of a quarry in Naxxar and a parcel of land located in Lija. Together, as at 31 December 2013 were valued at €3.43million.

The investment property is subject to a special hypothec to secure the bond issue by its parent undertaking for the sum of €30,000,000 and relative payment of the annual coupon rate as well as the repayment of the capital.

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If the investment property was stated on the historical cost basis, the amounts would be as follows:

	Current €	2013 €
As at 31 December		
Cost	620,028	620,028
Accumulated depreciation	(115,867)	(103,466)
	<u>504,161</u>	<u>516,562</u>

9. Property for resale

	Current €	2013 €
Cost:		
As at 1 January	-	-
Transfer from group undertaking	461,690	-
As at 31 December	<u>461,690</u>	<u>-</u>

10. Trade and other receivables

	Current €	2013 €
Trade receivables	31,448	-
Indirect taxation	-	1,125
Total trade and other receivables	<u>31,448</u>	<u>1,125</u>

Trade receivables are non-interest bearing and are generally on terms of 30 days.

11. Borrowings

	Current €	2013 €
Long-term borrowings		
Amounts due to parent undertaking	1,016,856	580,166
Amount due to group undertaking	20,619	5,489
Total long-term borrowings	<u>1,037,475</u>	<u>585,655</u>
Total borrowings	<u>1,037,475</u>	<u>585,655</u>

The amounts due to parent and group undertaking are interest free, unsecured and have no fixed repayment date.

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12. Trade and other payables

	Current €	2013 €
Current liabilities		
Amount received in advance	31,573	29,773
Trade payables	1,848	660
Other payables	902	263
Indirect taxation	4,918	-
Accruals	1,445	957
Total current liabilities	40,686	31,653

Trade payables are non-interest bearing and are normally settled on 60 day term.

Other payables are non-interest bearing.

13. Deferred taxation

	Current €	2013 €
As at 1 January	(1,098,738)	(1,098,738)
Charge in the statement of comprehensive income (note 6)	(146,296)	-
As at 31 December	(1,245,034)	(1,098,738)

Deferred taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 12% (2013: 12%), on fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 12% of the transfer value.

The balance as at 31 December 2014 represents:

	Current €	2013 €
Tax effect of temporary differences relating to:		
Asset revaluations	(1,251,138)	(1,098,738)
Other temporary differences	6,104	-
	(1,245,034)	(1,098,738)

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14. Issued capital

	Current €	2013 €
Authorised:		
500 Ordinary shares of €2.329373 each	1,165	1,165
	<hr/>	<hr/>
	Current €	2013 €
Issued and fully called-up:		
<i>Fully called-up:</i>		
500 Ordinary shares of €2.329373 each	1,165	1,165
	<hr/>	<hr/>

15. Revaluation reserve on investment property

	Current €	2013 €
As at 1 January and 31 December	7,488,255	7,488,255
	<hr/>	<hr/>

The revaluation reserve comprises the surplus on the revaluation of the company's property, net of deferred taxation. The revaluation reserve is not available for distribution.

16. Cash and cash equivalents

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

	Current €	2013 €
Cash at bank	6,347	398
	<hr/>	<hr/>

17. Financial risk management objectives and policies

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

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

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

Market risk

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

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Interest rate risk

The Company's borrowings are non-interest bearing.

Credit risk

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

Trade receivables

Customer credit risk is managed by the company's management subject to the Company's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each individual's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed at the end of each reporting date on an individual basis.

The Company exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk. Credit risk in respect of the company's deposits with banks is low since such deposits are placed with local financial institutions with high quality standing or rating.

Liquidity risk

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

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

Year ended 31 December 2014

	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	1,848	-	-	1,848
Intercompany balances	-	-	1,037,475	1,037,475
	<u>1,848</u>	<u>-</u>	<u>1,037,475</u>	<u>1,039,323</u>

Year ended 31 December 2013

	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	541	119	-	660
Intercompany balances	-	-	585,655	585,655
	<u>541</u>	<u>119</u>	<u>585,655</u>	<u>586,315</u>

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Fair value risk

As at 31 December 2014 and 2013, the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables approximated their fair values. The fair values of other non-current financial assets and long-term borrowings are not materially different from their carrying amounts in the statement of financial position. The company used the following hierarchy for determining and disclosing the fair value of investment property by valuation technique:

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

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

Level 3: techniques which use inputs which have a significant effect on the recorded fair value by level of the fair value hierarchy:

	Level 1 €	Level 2 €	Level 3 €	Total €
As 31 December 2014				
Investment property	-	-	10,426,154	10,426,154
As at 31 December 2013				
Investment property	-	-	9,207,021	9,207,021

Capital management

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

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

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

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2014 and 2013.

18. Capital commitments

At 31 December 2014, the company had commitments of €7million relating to the development of land to create a mixed office/commercial development, with underlying car-parking.

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19. Operating lease commitments

Operating lease commitments - Company as lessor

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

20. Related party transactions

(a) Related party relationships

As at the end of the reporting period the company had related party transactions with its group undertakings. This balance with this related party is shown separately in note 11 to the financial statements.

(b) During the current year, the following transactions were entered into with related parties:

	Current €	2013 €
<i>Related party purchases:</i>		
Transfer of property from group undertaking (note 9)	461,690	-

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the end of the reporting period are unsecured and interest free. For the year ended 31 December 2014, the company has not recorded any impairment of receivables relating to amounts owned by related parties (2013: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

21. Ultimate controlling party

The parent and ultimate holding undertaking of Sudvel Limited is Hal Mann Vella Group plc, a company registered in Malta, with its registered address at The Factory, Mosta Road, Lija, LJA 9016.

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Schedule to the Financial Statements

I. Administrative expenses

	Current €	2013 €
Professional fees	2,258	380
Registration fee	100	100
Bank charges	27	32
Commissions	-	3,357
Repairs and maintenance	214	1,591
Auditors' remuneration	705	672
	<u>3,304</u>	<u>6,132</u>