



Company Registration No.: C 35806

21

Sudvel Limited

A S

- 1 JUL 2016

Annual Report and Financial Statements for the year ended 31 December 2015

	Page
Directors' Report	1
Statement of Directors' Responsibilities	2
Independent Auditors' Report	3 - 4
Statement of Comprehensive Income	5
Statement of Financial Position	6
Statement of Changes in Equity	7
Statement of Cash Flows	8
Notes to the Financial Statements	9 - 26
Schedules to the Financial Statements	27



HLB Falzon & Falzon is a member of  International. A world-wide organisation of accounting firms and business advisers.

RD/4S/2548/AF/E

Sudvel Limited

Directors' Report for the year ended 31 December 2015

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 2015.

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 2015, the company generated a profit before tax of €22,533 (2014: €1,289,469).

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 directors of the company expect to enhance its present level of activity.

Dividend

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

Auditors

The Auditors have informed us that during 2016, they will merge their practice with that of Corporate Auditors. The combined firm, CA Falzon has intimated its willingness to continue in office. 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, The Factory,
Mosta Road,
Lija LJA 9016

8 April 2016

Sudvel Limited

Statement of Directors' Responsibilities

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

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

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

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

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

Independent Auditors' Report to the shareholders of Sudvel Limited

We have audited the accompanying financial statements of Sudvel Limited ('the Company'), set on pages 5 to 26, which comprise the statement of financial position as at 31 December 2015, 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.



Falzon & Falzon

Certified Public Accountants

**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 2015, 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**

8 April 2016

Sudvel Limited

Statement of Comprehensive Income for the year ended 31 December 2015

	Note	Current €	2014 €
Rental income		80,323	73,640
Administrative expenses	5	(6,767)	(3,304)
Operating profit		73,556	70,336
Fair value change in investment property		-	1,219,133
Finance costs		(51,023)	-
Profit before tax		22,533	1,289,469
Income tax credit/(expense)	6	388,452	(166,915)
Profit for the year		410,985	1,122,554
Other comprehensive income		-	-
Total comprehensive income for the year		410,985	1,122,554

The notes on pages 9 to 26 form part of these financial statements

Sudvel Limited

Statement of Financial Position as at 31 December 2015

	Note	Current €	2014 €
ASSETS			
Non-current assets			
Loans and receivables	7	25,000	25,000
Investment property	8	10,976,013	10,426,154
Total non-current assets		11,001,013	10,451,154
Current assets			
Property for resale	9	516,884	461,690
Trade and other receivables	10	15,862	31,448
Cash and cash equivalents	16	53,872	6,347
Total current assets		586,618	499,485
Total assets		11,587,631	10,950,639
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		1,549,009	1,138,024
Total equity		9,038,429	8,627,444
Non-current liabilities			
Borrowings	11	1,165,023	1,037,475
Deferred tax liabilities	13	832,478	1,245,034
Total non-current liabilities		1,997,501	2,282,509
Current liabilities			
Trade and other payables	12	551,701	40,686
Total current liabilities		551,701	40,686
Total liabilities		2,549,202	2,323,195
Total equity and liabilities		11,587,631	10,950,639

The notes on pages 9 to 26 form part of these financial statements

The financial statements on pages 5 to 26 were authorised for issue by the Board and were signed on its behalf by:



Mr. Vincent Vella - Director



Mrs. Mary Vella - Director

8 April 2016

Sudvel Limited

Statement of Changes in Equity for the year ended 31 December 2015

	Issued capital €	Revaluation reserve on investment property €	Retained earnings €	Total €
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	-	-	1,122,554	1,122,554
Restated 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>
Balance as at 1 January 2015				
Opening balance	1,165	7,488,255	1,138,024	8,627,444
Profit for the year	-	-	410,985	410,985
Other comprehensive income	-	-	-	-
Total comprehensive income for the year	-	-	410,985	410,985
Balance as at 31 December 2015	<u>1,165</u>	<u>7,488,255</u>	<u>1,549,009</u>	<u>9,038,429</u>

The notes on pages 9 to 26 form part of these financial statements

Sudvel Limited

Statement of Cash Flows for the year ended 31 December 2015

	Note	Current €	2014 €
Cash flows from operating activities			
Profit before tax		22,533	1,289,469
Adjustments for:			
Gain arising on change in fair value of investment property		-	(1,219,133)
Finance cost		51,023	-
Working capital changes:			
Increase in property for resale		(55,194)	-
Decrease/(increase) in receivables		15,586	(30,323)
Increase in payables		511,015	9,033
Other interest paid		(51,023)	-
Taxation paid		-	(12,608)
Net cash from operating activities		<u>493,940</u>	<u>36,438</u>
Cash flows from investing activities			
Payments to acquire investment property		(549,859)	-
Net cash used in investing activities		<u>(549,859)</u>	<u>-</u>
Cash flows from financing activities			
Advances from/(repayments to) parent undertaking		124,063	(45,619)
(Repayments to)/advances from group undertaking		(20,619)	15,130
Net cash from/(used in) financing activities		<u>103,444</u>	<u>(30,489)</u>
Increase in cash and cash equivalents		47,525	5,949
Cash and cash equivalents at beginning of year		6,347	398
Cash and cash equivalents at end of year	16	<u>53,872</u>	<u>6,347</u>

The notes on pages 9 to 26 form part of these financial statements

Sudvel Limited

Notes to the Financial Statements for the year ended 31 December 2015

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 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) Current versus non-current classification

The company presents assets and liabilities in the statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting date; or
- Cash and cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting date

All other assets are classified as non-current.

A liability is current when:

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

The company classifies all other liabilities as non-current.

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

c) Financial assets

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale financial assets, as appropriate. All financial assets are 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 of the financial asset.

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.

For purposes of subsequent measurement, financial assets are classified in four categories: (a) Financial assets at fair value through profit or loss; (b) Loans and receivables; (c) Held-to-maturity investment and (d) Available-for-sale (AFS) financial assets.

The company classifies its financial assets in the loans and receivables category. The classification depends on the purpose for which the financial assets were acquired.

Sudvel Limited

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 (EIR) method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in finance income in the statement of profit or loss. The losses arising from impairment are recognised in the statement of profit or loss in finance costs for loans and in cost of sales or other operating expenses for receivables.

Derecognition of financial assets

A financial asset is derecognised where:

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

Impairment of financial assets

The company assesses at the reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about 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, such as charges in arrears or economic conditions that correlate with defaults.

d) Investment property

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

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.

Sudvel Limited

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.

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

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

e) Property for resale

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

f) 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 profit or loss within 'administrative expenses'.

Sudvel Limited

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 profit or loss.

g) Cash and cash equivalents

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

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

h) Impairment of non-financial assets

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

i) Share capital

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

j) Dividend distribution

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

k) Borrowings

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

l) Trade and other payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. 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.

Sudvel Limited

m) Provisions

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

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

n) Taxation

The tax expense for the period comprise current tax. Tax is recognised in profit or loss, 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 reporting date. 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 reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

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

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss. The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised.

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

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

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

Sudvel Limited

Value Added Tax

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

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

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

o) Revenue recognition

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

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

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

p) Leases

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

The Company as a lessor

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

q) Borrowing costs

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

3. Critical accounting estimates and judgements

In the process of applying the company's accounting policies, management has made the following judgements which has the most significant affect on the amounts recognised in the financial statements:

Sudvel Limited

Operating lease commitments - Company as lessor

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

At the reporting date there were no other key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

4. Changes in accounting policies and disclosures

4.1 New and amended standards and interpretations

The Company applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Company has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Annual Improvements 2010-2012 Cycle

These improvements are effective for accounting periods beginning on or after 1 July 2014. The Company has applied these improvements for the first time in these financial statements. They include:

- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

The amendment is applied retrospectively and clarifies in IAS 16 and IAS 38 that the asset may be revalued by reference to observable data by either adjusting the gross carrying amount of the asset to market value or by determining the market value of the carrying value and adjusting the gross carrying amount proportionately so that the resulting carrying amount equals the market value. In addition, the accumulated depreciation or amortisation is the difference between the gross and carrying amounts of the asset. This amendment did not have any impact on the Company's financial statements since the Company does not own any intangible assets and its property, plant and equipment was not revalued during the current year.

- IAS 24 Related Party Disclosures

The amendment is applied retrospectively and clarifies that a management entity (an entity that provides key management personnel services) is a related party subject to the related party disclosures. In addition, an entity that uses a management entity is required to disclose the expenses incurred for management services. This amendment is not relevant for the Company as it does not receive any management services from other entities.

Annual Improvements 2011-2013 Cycle

These improvements are effective from 1 July 2014 and the Company has applied these amendments for the first time in these consolidated financial statements. They include:

- IFRS 13 Fair Value Measurement

The amendment is applied prospectively and clarifies that the portfolio exception in IFRS 13 can be applied not only to financial assets and financial liabilities, but also to other contracts within the scope of IAS 39. The Company does not apply the portfolio exception in IFRS 13.

Sudvel Limited

- **IAS 40 Investment Property**

The description of ancillary services in IAS 40 differentiates between investment property and owner-occupied property (i.e., property, plant and equipment). The amendment is applied prospectively and clarifies that IFRS 3, and not the description of ancillary services in IAS 40, is used to determine if the transaction is the purchase of an asset or a business combination. This amendment is not relevant for the Company.

4.2 Standards issued but not yet effective

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

IFRS 9 Financial Instruments

In July 2014, the IASB issued the final version of IFRS 9 Financial Instruments that replaces IAS 39 Financial Instruments: Recognition and Measurement and all previous versions of IFRS 9. IFRS 9 brings together all three aspects of the accounting for financial instruments project: classification and measurement, impairment and hedge accounting. Subject to endorsement by the EU, IFRS 9 is effective for annual periods beginning on or after 1 January 2018, with early application permitted.

The Company plans to adopt the new standard on the required effective date. During 2015, the Company has performed a high-level impact assessment of all three aspects of IFRS 9. This preliminary assessment is based on currently available information and may be subject to changes arising from further detailed analyses or additional reasonable and supportable information being made available to the Company in the future. Overall, the Company expects no significant impact on its balance sheet and equity.

IFRS 15 Revenue from Contracts with Customers

IFRS 15 was issued in May 2014 and establishes a five-step model to account for 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 new revenue standard will supersede all current revenue recognition requirements under IFRS. Subject to endorsement by the EU, either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018, when the IASB finalises their amendments to defer the effective date of IFRS 15 by one year. Early adoption is permitted. The Company plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Company performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Company is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Amendments to IAS 1 Disclosure Initiative

The amendments to IAS 1 Presentation of Financial Statements clarify, rather than significantly change, existing IAS 1 requirements. The amendments clarify:

- The materiality requirements in IAS 1

Sudvel Limited

- That specific line items in the statement(s) of profit or loss and Other Comprehensive Income ("OCI") and the statement of financial position may be disaggregated
- That entities have flexibility as to the order in which they present the notes to financial statements
- That the share of OCI 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(s) of profit or loss and OCI. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments are not expected to have any impact on the Company.

5. Expenses by nature

	Current €	2014 €
Auditors' remuneration	2,124	705
Other expenses	4,643	2,599
	<u>6,767</u>	<u>3,304</u>

Auditor's fee

Fees charged by the auditor for services rendered during the financial years ended 31 December 2015 and 2014 relate to the following:

	Current €	2014 €
Annual statutory audit	2,124	705
Tax advisory and compliance services	185	185
	<u>2,309</u>	<u>890</u>

6. Income tax

6.1 Tax credit/(expense) on profit on ordinary activities

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

	Current €	2014 €
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.	(24,104)	(20,619)
<i>Deferred Taxation (Note 13):</i>		
Credit/(expense) for year	<u>412,556</u>	<u>(146,296)</u>
Income tax credit/(expense) for the year	<u>388,452</u>	<u>(166,915)</u>

Sudvel Limited

6.2 Tax Reconciliation

The tax on the company's (loss)/profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	Current €	2014 €
Profit before tax	22,533	1,289,469
Income tax expense thereon at 35%	7,887	451,314
<i>Tax effect of:</i>		
- expenses non allowed for tax purposes	-	(425,540)
- income taxed at different rates	(7,887)	(5,155)
- fair value change in investment property	(410,942)	146,296
- unabsorbed tax losses	(1,614)	-
-group relief	24,104	-
Income tax (credit)/expense for the year	(388,452)	166,915

6.3 Current taxation

Taxation recoverable is made up as follows:

	Current €	2014 €
As at 1 January	-	12,608
Current tax expense	-	-
<i>Payments:</i>		
Settlement tax	-	(12,608)
	-	(12,608)
As at 31 December	-	-

7. Loans and receivables

	Current €	2014 €
Loan to group undertaking	25,000	25,000
Total loans and receivables	25,000	25,000

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

The company's exposure to credit risk related to these loans and receivables is disclosed in note 17. As at the reporting date, these financial assets were fully performing and hence do not contain impaired assets.

Sudvel Limited

8. Investment property

	Current €	2014 €
Cost		
As at 1 January	10,426,154	9,207,021
Additions	549,859	-
Fair value change on investment property	-	1,219,133
As at 31 December	<u>10,976,013</u>	<u>10,426,154</u>

Fair value measurement of the Company's investment properties

As at 31 December 2015, 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.

The company's investment property consist of:-

- Plot of land measuring circa 5,200m² which the Company 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.

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.

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

9. Property for resale

	Current €	2014 €
Cost:		
As at 1 January	461,690	-
Transfer from group undertaking	-	461,690
Additions	55,194	-
As at 31 December	<u>516,884</u>	<u>461,690</u>

Sudvel Limited

10. Trade and other receivables

	Current €	2014 €
Trade receivables	10,015	31,448
Indirect taxation	5,847	-
Total trade and other receivables	15,862	31,448

Trade receivables are unsecured and non-interest bearing.

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

	Total €	< 30 days €	Past due but not impaired	
			30-90 days €	> 90 days €
2015	10,015	10,015	-	-
2014	31,448	31,448	-	-

Refer to note 17 on credit risk of trade receivables, which explains how the company manages and measures the credit quality of trade receivables.

11. Borrowings

	Current €	2014 €
Non-current borrowings		
Amounts due to parent undertaking	1,140,919	1,016,856
Amounts due to group undertaking	24,104	20,619
Total non-current borrowings	1,165,023	1,037,475
Total borrowings	1,165,023	1,037,475

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

This note provides information about the company's borrowings. For more information about the company's exposure to interest rate and liquidity risk, see note 17.

Sudvel Limited

12. Trade and other payables

	Current €	2014 €
Current liabilities		
Amount received in advance	533,265	31,573
Trade payables	15,871	1,848
Other payables	-	902
Indirect taxation	-	4,918
Accruals	2,565	1,445
Total current liabilities	<u>551,701</u>	<u>40,686</u>

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

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 17.

13. Deferred taxation

	Current €	2014 €
Deferred tax liability		
As at 1 January	(1,245,034)	(1,098,738)
Credit/(charge) in profit or loss (note 6)	412,556	(146,296)
As at 31 December	<u>(832,478)</u>	<u>(1,245,034)</u>

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 reporting date. The principal tax rate used is 35% (2014: 35%), with the exception of deferred taxation on the fair valuation of non depreciable property which is computed on the basis applicable to disposals of immovable property, that is, tax effect of 8% (2014: 12%) of the transfer value.

The balance as at 31 December 2015 represents:

	Current €	2014 €
Tax effect of temporary differences relating to:		
Asset revaluations	(834,092)	(1,245,034)
Unrelieved tax losses	1,614	-
	<u>(832,478)</u>	<u>(1,245,034)</u>

Sudvel Limited

14. Issued capital

	Current €	2014 €
Authorised:		
500 Ordinary shares of €2.329373 each	<u>1,165</u>	<u>1,165</u>
	Current €	2014 €
Issued and fully called-up:		
500 Ordinary shares of €2.329373 each	<u>1,165</u>	<u>1,165</u>

15. Revaluation reserve on investment property

	Current €	2014 €
As at 1 January and 31 December	<u>7,488,255</u>	<u>7,488,255</u>

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 €	2014 €
Cash at bank and in hand	<u>53,872</u>	<u>6,347</u>

17. Financial risk management objectives and policies

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

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

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

Market risk

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

Sudvel Limited

Interest rate risk

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

Except as disclosed in note 11, the Company's borrowings are non-interest bearing. Borrowings issued at fixed rates, consist primarily of bank loans which are carried out at amortised cost, and therefore do not expose the company to cash flow and fair value interest rate risk.

Credit risk

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

The Company exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

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

Liquidity risk

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

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

Year ended 31 December 2015

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	-	-	-	1,140,919	1,140,919
Trade and other payables	15,647	536,053	-	-	551,701
Intercompany balances	-	-	-	24,104	24,104
	15,647	536,053	-	1,165,023	1,716,724

Year ended 31 December 2014

	Less than 3 months	3 to 12 months	1 to 5 years	> 5 years	Total
Trade and other payables	1,848	38,838	-	-	40,686
Intercompany balances	-	-	-	1,037,475	1,037,475
	1,848	38,838	-	1,037,475	1,078,161

Sudvel Limited

Fair value risk

As at 31 December 2015 and 2014, the carrying amounts of trade and other receivables, cash and cash equivalents and trade and other payables reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation. The fair values of loans and receivables and non-current borrowings are not materially different from their carrying amounts in the statement of financial position.

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

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

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

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

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2015				
Investment property	-	-	10,976,013	10,976,013
As at 31 December 2014				
Investment property	-	-	10,426,154	10,426,154

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 2015 and 2014.

18. Capital commitments

As at the reporting date, the company had commitments of €7 million (2014: €7 million) relating to the development of land to create a mixed office/commercial development, with underlying car-parking. These commitments were authorized by the board of directors but not yet contracted for.

Sudvel Limited

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.

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	Current	2014
Within one year	64,698	75,440
After one year but not more than five years	118,080	182,778
	<u>182,778</u>	<u>258,218</u>

20. Related party transactions

(a) Related party relationships

Hal Mann Vella Group plc is the shareholder of Sudvel Limited.

Percentage of shares held

	Current	2014
Hal Mann Vella Group plc	<u>100</u>	<u>100</u>

The following company and Sudvel Ltd are related by virtue of being controlled by Hal Mann Vella Group plc

Percentage of shares held by Hal Mann Vella Group plc

	Current	2014
SMG Mode Ltd	<u>100</u>	<u>100</u>

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

	Current	2014
	€	€
<i>Expenditure for goods and services</i>		
Purchases of goods and services from the related party	<u>537,727</u>	<u>461,690</u>

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 reporting date are unsecured and interest free except for amounts due to parent undertaking which bear interest at 5.30% per annum. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2015, the company has not recorded any impairment of receivables relating to amounts owed by related parties (2014: €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.

Sudvel Limited

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.

Sudvel Limited

Schedules to the Financial Statements

I. Administrative expenses

	Current €	2014 €
Bank charges	50	27
Professional fees	2,486	2,258
Registration fee	100	100
Licences and membership	1,660	-
Repairs and maintenance	347	214
Auditors' remuneration	2,124	705
	<u>6,767</u>	<u>3,304</u>

III. Finance costs

	Current €	2014 €
Other interest	<u>51,023</u>	<u>-</u>