

HMRD Limited

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

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Falzon & Falzon

Certified Public Accountants

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VM/4S/2844/AF/E

HMRD 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. Martin Vella

Mr. Mark Vella

Mr. Joseph Vella

Principal activity

The company has been principally engaged in carrying out research or experimental development on tiles and medical equipment.

Review of business

During the year, the company commenced trading and managed to achieve positive results.

Notwithstanding the negative net assets position attained by the company at 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, in view of better performance expected in the near future.

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. Martin Vella - Director

Mr. Mark Vella - Director

Registered Office

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

6 February 2015

HMRD Limited

Statement of Directors' Responsibilities

The Companies Act, Cap. 386 of the Laws of Malta requires the Directors of HMRD 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 HMRD Limited**

We have audited the accompanying financial statements of HMRD Limited ('the Company'), set on pages 5 to 16, 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 HMRD 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.

Without qualifying our opinion, we draw attention to note 5 to the financial statements which states that as at 31 December 2014, the company's total liabilities exceeded its total assets by €39,989 (2013: €52,500). The financial statements have been prepared on a going concern basis, since in the opinion of the directors, the company will continue to operate in the foreseeable future with the financial support from the company's shareholders. The shareholders have confirmed that this support will be forthcoming.

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 February 2015

12, Casa Floriani, Pietro Floriani Street, Floriana, FRN 1060 Malta. 31/4, Main Gate Street, Victoria VCT 1344, Gozo.
Tel: +(356) 21 233026, 21 239671, 21 230234 Fax: + (356) 21 239113 E-mail: info@hlbff.com

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HMRD Limited

Statement of Comprehensive Income for the year ended 31 December 2014

	Note	Current €	2013 €
Revenue		24,190	-
Administrative expenses	6	(4,942)	(24,712)
Operating profit/(loss)		<u>19,248</u>	<u>(24,712)</u>
Finance costs		(1)	-
Profit/(loss) before tax		<u>19,247</u>	<u>(24,712)</u>
Income tax expense	8	(6,736)	-
Profit/(loss) for the year		<u>12,511</u>	<u>(24,712)</u>
Other comprehensive income		-	-
Total comprehensive income/(loss) for the year, net of tax		<u>12,511</u>	<u>(24,712)</u>

The notes on pages 9 to 16 form part of these financial statements

HMRD Limited

Statement of Financial Position as at 31 December 2014

	Note	Current €	2013 €
ASSETS			
Current assets			
Other receivables	9	116	291
Cash and cash equivalents	13	10,840	870
Total current assets		<u>10,956</u>	<u>1,161</u>
Total assets		<u>10,956</u>	<u>1,161</u>
EQUITY AND LIABILITIES			
Equity			
Issued capital	12	1,600	1,600
Accumulated losses		(41,589)	(54,100)
Total equity		<u>(39,989)</u>	<u>(52,500)</u>
Non-current liabilities			
Long-term borrowings	10	42,402	37,402
Current liabilities			
Other payables	11	1,807	16,259
Current taxation due	8	6,736	-
Total current liabilities		<u>8,543</u>	<u>16,259</u>
Total liabilities		<u>50,945</u>	<u>53,661</u>
Total equity and liabilities		<u>10,956</u>	<u>1,161</u>

The notes on pages 9 to 16 form part of these financial statements

The financial statements on pages 5 to 16 were authorised for issue by the Board and were signed on its behalf by:



Mr. Martin Vella - Director

6 February 2015



Mr. Mark Vella - Director

HMRD Limited

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

	Issued capital €	Accumulated losses €	Total €
Balance as at 1 January 2013			
Opening balance	1,600	(29,388)	(27,788)
Loss for the year	-	(24,712)	(24,712)
Other comprehensive income	-	-	-
Total comprehensive loss for the year	-	(24,712)	(24,712)
Balance as at 31 December 2013	<u>1,600</u>	<u>(54,100)</u>	<u>(52,500)</u>
Balance as at 1 January 2014			
Opening balance	1,600	(54,100)	(52,500)
Profit for the year	-	12,511	12,511
Other comprehensive income	-	-	-
Total comprehensive income for the year, net of tax	-	12,511	12,511
Balance as at 31 December 2014	<u>1,600</u>	<u>(41,589)</u>	<u>(39,989)</u>

The notes on pages 9 to 16 form part of these financial statements

HMRD Limited

Statement of Cash Flows for the year ended 31 December 2014

	Note	Current €	2013 €
Cash flows from operating activities			
Profit/(loss) before tax		19,247	(24,712)
Adjustments for:			
Finance cost		1	-
Working capital changes:			
Decrease/(increase) in receivables		175	(291)
Decrease in payables		(14,452)	(903)
Interest paid on overdrawn current account		(1)	-
Net cash from/(used in) operating activities		<u>4,970</u>	<u>(25,906)</u>
Cash flows from financing activities			
Receipts from related undertaking		5,000	24,100
Advances from shareholder		-	2,000
Net cash from financing activities		<u>5,000</u>	<u>26,100</u>
Increase in cash and cash equivalents		<u>9,970</u>	<u>194</u>
Cash and cash equivalents at beginning of year		870	676
Cash and cash equivalents at end of year	13	<u>10,840</u>	<u>870</u>

The notes on pages 9 to 16 form part of these financial statements

HMRD Limited

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

1. Corporate information

HMRD 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 52833.

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) 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.

c) 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.

d) 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.

e) Other payables

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.

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

f) 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.

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g) Taxation

The tax expense for the period comprise current 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.

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.

h) 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:

- Rendering of services : Revenue from the provision of services is recognised in the year in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided.

i) 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.

j) Retirement benefit costs

The company provides for retirement benefits by contributing towards its employees' statutory pension in accordance with the relevant legislation.

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

In the process of applying the company's accounting policies, management has made no judgements which can significantly affect the amounts recognised in the financial statements. At the end of the reporting period there were no 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

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:

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

A number of new standards and amendments that are issued, but not yet effective, up to the date of issuance of the company's financial statements and have not been applied in preparing these financial statements are disclosed below. None of these is expected to have a significant effect on the financial statements of the company and 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. Going concern

As at 31 December 2014, the company's total liabilities exceeded its total assets by €39,989 (2013: €52,500). The financial statements have been prepared on a going concern basis, since in the opinion of the directors, the company will continue to operate in the foreseeable future with the financial support from the company's shareholders. The shareholders have confirmed that this support will be forthcoming.

HMRD Limited

6. Expenses by nature

	Current €	2013 €
Wages and salaries (note 7)	3,643	21,080
Other expenses	1,299	3,632
	<u>4,942</u>	<u>24,712</u>

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	585	557
Tax advisory and compliance services	185	185
	<u>770</u>	<u>742</u>

7. Staff costs and employee information

Staff costs for the year comprised the following:

	Current €	2013 €
Wages and salaries	3,382	19,590
Social security contributions	261	1,490
	<u>3,643</u>	<u>21,080</u>

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

	Current No.	2013 No.
Administration (including directors)	<u>1</u>	<u>1</u>

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8. Income tax

Tax expense on profit on ordinary activities

	Current €	2013 €
<i>Income tax expense:</i>		
Current tax charge	(6,736)	-
Total current tax expense	(6,736)	-
Income tax expense for the year	(6,736)	-

Current taxation

Provision for income tax has been made at the rate of 35% on the chargeable income for the year.

Taxation due is made up as follows:

	Current €	2013 €
As at 1 January	-	-
Current tax expense	6,736	-
As at 31 December	6,736	-

9. Other receivables

	Current €	2013 €
Indirect taxation	116	291

10. Borrowings

	Current €	2013 €
Long-term borrowings		
Amounts due to related undertaking	38,100	33,100
Shareholder's loans	4,302	4,302
Total long-term borrowings	42,402	37,402

The amounts owed to related undertaking and shareholder's loans are unsecured, interest free and have no fixed repayment date.

HMRD Limited

11. Other payables

	Current €	2013 €
Current liabilities		
Amount received in advance	-	13,345
Other payables	742	715
Social security contributions	-	1,317
Accruals	1,065	882
Total current liabilities	1,807	16,259

12. Issued capital

	Current €	2013 €
Authorised:		
1,600 Ordinary shares of €1 each	1,600	1,600
Issued and fully called-up:		
1,600 Ordinary shares of €1 each	1,600	1,600

13. Cash and cash equivalents

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

	Current €	2013 €
Cash at bank	10,840	870

14. Financial risk management objectives and policies

The Company's principal financial assets comprise other receivables and cash and cash equivalents. Its principal financial liabilities comprise 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.

HMRD Limited

Market risk

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

Interest rate risk

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

Except as disclosed in note 10, 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.

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

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.

Funds are transferred between undertakings within the group as and when the need arises. Management monitors liquidity risk by means of cash flow forecasts on the basis of expected cash flows over a twelve month period detailed by the company's operations to ensure that no additional financing facilities are expected to be required over the coming year.

Fair value risk

As at 31 December 2014 and 2013, the carrying amounts of other receivables, cash and cash equivalents and other payables approximated their fair values. The fair values of long-term borrowings are not materially different from their carrying amounts in the statement of financial position.

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.

HMRD Limited

15. Related party transactions

As at the end of the reporting period the company had related party transactions with a related undertaking. The related undertaking and HMRD Limited are related by virtue of having common directors. These balances are shown separately in note 10 to the financial statements.

16. Ultimate controlling parties

The ultimate controlling parties are Mr. Martin Vella, Mr. Mark Vella, Mr. Joseph Vella, Mr. Paul Vella, Mr. Simon Vella, Ms. Miriam Schembri, Ms. Veronica Ciappara and Hal Mann Vella Group plc, which each own 12.5% of the issued share capital.

HMRD Limited

Schedules to the Financial Statements

I. Administrative expenses

	Current €	2013 €
Salaries	3,382	19,590
Social security contributions	261	1,490
Bank charges	134	176
Professional fees	340	1,919
Research and development	100	840
Registration fee	140	140
Auditors' remuneration	585	557
	<u>4,942</u>	<u>24,712</u>

II. Finance costs

	Current €	2013 €
Interest paid on overdrawn current account	<u>1</u>	<u>-</u>