Company Registration No:- C 5067

Hal Mann Vella Group plc

Annual Report and Consolidated Financial Statements

for the year ended

31 December 2015

HLB Falzon & Falzon

Certified Public Accountants

A member of HLB Interternational. A world-wide organisation of accounting firms and business advisors.

GZ/RR/RD/GO/718

Hal Mann Vella Group plc

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 Group and the Company for the year ended 31 December 2015.

Principal activities
The principal activity of the Company is to hold assets for the Group and also acts as the financing arm of the Group.

The principal activities of the Group mainly relate to the manufacture of terrazzo, stone, marble and granite. The Group's operations include the retail of clothing apparel. The Group also owns two hotels in the North of Malta – Huli Hotel with an underlying Bistro and the Mavina Hotel. The Group is also involved in the rental of property as well as property development and resale.

Review of business
The Company registered a profit before tax of €1,022,190 during the year ended 31 December 2015 (2014: €1,521,587).

The Group registered a consolidated loss before tax of €937,633 during the year ended 31 December 2015 (2014: €1,951,746). The result for the year includes the Group's share of the associates' profits or losses.

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

Performance
The increase in turnover of €164,886 for the Group did not translate into an increase in operating profit. Finance cost for the year amounted to €1,402,404 (2014: €1,089,216). The EBITDA decreased to 8% (2014: 26%). The upgrading and modernisation of the manufacturing plant targeted for the end of 2016 is intended to cater for further planned increases in revenue and to bring about improvement in efficiencies. A loss for the year ending 2015 was projected, albeit on a smaller scale. This loss was augmented as the Group, in addition to the modernization of the existing factory, also undertook the development and deployment of a second factory on a 14,000 sqm land at Hal Far.

Income Generation
The Group has for the last ten years focused on stone, marble and granite. The main showroom space in Mosta has been extended by circa 20% and complimentary products have been added to the existing lines to enable the Group to provide complete flooring and cladding solutions including ceramics and parquet besides extending the wide range of traditional handmade patterned tiles.

Bond Issue
In November 2014, the Company issued a Bond for €30,000,000. The purpose of the Bond issue was generally threefold, namely: to repay most of the bank borrowings, to finance the development of a retail/office block on the Group's premises and the modernisation and upgrading of its manufacturing plant.

Outlook for financial year ending 31 December 2016
The Group is going through a transformation. Obsolete equipment is being scrapped and new plant and machinery installed. The remodeled showroom inaugurated in June should place the Group in a better position to achieve increased sales from complementary products. Sales are

already picking up strongly on the local market with exports also showing promising growth. The efficiencies resulting from the Group's transformation programme are expected to yield results from mid-2016.

The apparel section of the Group is showing a marked improvement in sales, efficiencies set in and old stock cleared. This year a substantial write off of old stock was recorded.

The full reorganization of all the legal entities within the Group has been concluded by the end of this financial year. A number of companies were closed and other merged into other operating entities within the Group.

The newly appointed Chief Executive Officer's main task, as set by the Board, is to set a plan to stop all loss making entities and operations within the Group and to ensure immediate realignment to profitability.

The Board will continue to monitor the progress of the Group's plans and expects the implementation of planned projects and the Group's reorganization to translate into improved operating margins and efficiencies.

Dividends and Reserves
The results for the year are set in the Consolidated Statement of Comprehensive Income on page 14.

The Board of Directors does not propose the payment of a dividend. Retained profits carried forward at the reporting date amounted to €6,470,701 (2014: €5,154,540) for the Group and €3,285,190 (2014: €1,787,176) for the Company.

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

Mr. Martin Vella – Resigned as Chief Executive Officer and appointed Chairman on 16 November 2015
Mr. Arthur Galea Salomone – Non-executive director
Mr. William Van Buren – Non-executive director
Mr. Mark Vella – Director
Mr. Joseph Vella – Director
Mr. Vincent Vella – Retired on 16 November 2015

Directors' report (continued)
for the year ended 31 December 2015

Statement of Directors' Responsibilities for the financial statements

The Companies Act Cap. 386 of the Laws of Malta requires the Directors of Hal Mann Vella Group plc to prepare annual financial statements for each financial year which give a true and fair view of the state of affairs of the Group and the Company as at the end of the financial year and of the profit or loss 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 Group and 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 Group and the Company and 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 Group and the Company and hence for taking reasonable steps for the prevention and detection of errors, fraud and other irregularities.

The financial statements of Hal Mann Vella Group plc for the year ended 31 December 2015 are included in the Annual Report 2015, which is published in hard-copy printed form and is available on the Parent Company's website.

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

- the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2015, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union; and

- the annual report includes a fair review of the development and performance of the business and the position of the Group and the Company, together with a description of the principal risks and uncertainties that the Group and the Company face.

Going Concern Basis
After reviewing the Group's forecasted financial statements and after making enquiries, the directors are satisfied at the time of approving the financial statements as the Group and the Company have adequate resources to continue operating for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Directors' report (continued)
for the year ended 31 December 2015

Shareholder register information pursuant to Listing Rule 5.64

- **Structure of Capital**

The Company has an authorised share capital of €5,000,000 Ordinary Shares of €1 each and issued and fully paid up share capital of €4,999,820 with a nominal value of €1 each. Each Ordinary Share is entitled to one vote. The Ordinary Shares in the Company shall rank pari passu for all intents and purposes at law. There are currently no different classes of Ordinary Shares in the Company and accordingly all Ordinary Shares have the same rights, voting rights and entitlements in connection with any distribution whether of dividends or capital.

- **Appointment and removal of Directors**

Article 55.1 of the Company's Memorandum and Articles of Association states that the Directors of the Company shall be appointed by the Members in the annual general meeting of the Company. An election of the Directors shall take place every year. All Directors, except a managing director (if any), shall retire from office every 3 years, but shall be eligible for re-election. The Directors shall be elected as provided in Article 55.1.1 & 55.1.2 of the Memorandum and Articles of Association, that any Member or number of Members who in the aggregate hold not less than 200,000 shares having voting rights in the Company shall be entitled to nominate a fit and proper person for appointment as director of the Company. In addition to the nominations that may be made by Members pursuant to the provisions of Article 55.1.1, the Directors themselves or a committee appointed for the purpose by the Directors, may make recommendation and nominations to the Members for the appointment of Directors at the next following annual general meeting.

- **Powers of Directors**

The powers and duties of directors are outlined in the Company's Articles of Association.

- **General Meetings**

The Company shall in each year hold a General Meeting as its Annual General Meeting in addition to any other meetings in that year. All general meetings other than annual general meetings shall be called extraordinary general meetings. The Directors may convene an extraordinary general meeting whenever they think fit. If at any time there are not sufficient Directors capable of acting to form a quorum for a meeting of the Directors, any Director, or any two Members of the Company holding at least 10% of the Equity Securities conferring a right to attend and vote at general meetings of the Company, may convene an extraordinary general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Directors and shall give notice thereof.

A General Meeting of the Company shall be called by not less than 14 days notice in writing. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it was given and shall specify the place, the day and the hour of the meeting, and in case of special business, the general nature of that business, and shall be accompanied by a statement regarding the effect and scope of any proposed resolution in respect of such special business.

Directors' report (continued)
for the year ended 31 December 2015

Other matters

The Company has nothing to report in relation to the other requirements of Listing Rules since they do not apply to the company

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. Martin Vella – Chairman

Mr. Mark Vella – Director

Registered Office
The Factory,
Mosta Road,
Lija LJA 9016.

22 April 2016

Hal Mann Vella Group plc

Corporate Governance Statement

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Hal Mann Vella Group plc ("the Company") is hereby reporting on the extent of its own adoption of the Code of Principles of Good Corporate Governance ("the Code") contained with the Listing Rules.

Introduction

Pursuant to the Listing Rules issued by the Malta Financial Services Authority, Hal Mann Vella Group p.l.c. ("the Company") is hereby reporting on the extent of its adoption of the Code of Principles of Good Corporate Governance ("the Principles") with respect to the financial year under review.

The Company became subject to the principles when its bonds were admitted to listing and subsequent trading on the Malta Stock Exchange. Accordingly this report of the Company on this matter covers the whole year.

The Company acknowledges that although the Code does not dictate or prescribe mandatory rules, compliance with the principles of good corporate governance recommended in the Code is in the best interests of the Company, its shareholders and other stakeholders.

The Company has only issued debt securities which have been admitted to trading on the Malta Stock Exchange accordingly it is exempt from reporting on the matters prescribed in Listing Rules 5.97.1 to 5.97.3, 5.97.6 and 5.97.7 in this corporate governance statement ("the Statement"). It is in the light of this exemption afforded to the Company that the directors are herein reporting on the corporate governance of the Company.

General

Good corporate governance is the responsibility of the Board of Directors of the Company ("the Board") as a whole, and has been and remains a priority for the Company. In deciding on the most appropriate manner in which to implement the Code, the Board took cognisance of the Company's size, nature and operations, and formulated the view that the adoption of certain mechanisms and structures which may be suitable for companies with extensive operations may not be appropriate for the Company. The limitations of size and scope of operations inevitably impact on the structures required to implement the Code, without however diluting the effectiveness thereof.

The Board considers that, to the extent otherwise disclosed herein, the Company has generally been in compliance with the Principles throughout the year under review.

This Statement shall now set out the structures and processes in place within the Company and how these effectively achieve the goals set out in the Code for the period under review. For this purpose, this Statement will make reference to the pertinent principles of the Code and then set out the manner in which the Board considers that these have been adhered to.

For the avoidance of doubt, reference in this Statement to compliance with the principles of the Code means compliance with the Code's main principles and the Code provisions.

Compliance with the Code

Principles One to Five

Principles One to Five of the Code deal fundamentally with the role of the Board and of the directors.

The directors believe that for the financial year under review the Company has generally complied with the requirements for each of these principles. Further information in this respect is provided hereunder.

Principle One

The directors report that for the financial year under review, the directors have provided the necessary leadership in the overall direction of the Company and have performed their responsibilities for the efficient and smooth running of the Company with honesty, competence and integrity.

Principle Two

In compliance with the provisions of this Principle, the functions of the Chairman and the Chief Executive Officer (the "CEO") of the Company are segregated and have been further segregated as the previous CEO who was also a Director of the Group has been replaced with an employee who is not an Officer of the Group and is also not related to the ultimate beneficiaries.

Principle Three

The Board is composed of 5 members, with 3 executive and 2 non-executive directors. The non-executive directors are independent from the Group. It is responsible for the overall long term strategy and general policies of the Company, of monitoring the Company's systems of control and financial reporting; and that it communicates effectively with the market as and when necessary.

The Chief Executive Officer also attends board meetings thus giving the directors immediate access to the information on the Company's financial position and systems. This also ensures that the CEO who is the person responsible for the implementation of the strategies devised by the Board, has the ability to interact with the Board on an on-going basis.

The Board of Directors consists of the following:

The officers who served during the current year are as follows:

Mr. Martin Vella – Resigned as Chief Executive Officer and appointed Chairman on 16 November 2015
Mr. Arthur Galea Salomone – Non-executive director
Mr. William Van Buren – Non-executive director
Mr. Mark Vella – Director
Mr. Joseph Vella – Director
Mr. Vincent Vella – Retired on 16 November 2015
Dr Louis de Gabriele – Company Secretary

In accordance with the provisions of the Company's Articles of Association, the appointment of directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next Annual General Meeting of the Company following such an appointment. In terms of the Articles of Association a director shall hold office for a period of three years from the date of his appointment. Dr Arthur Galea Salomone and Mr William Van Buren are considered by the Board to be independent non-executive members of the Board.

Principle Four

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds in issue, and for monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, and all relevant laws and regulations. The Board is also responsible for ensuring that the Company establishes and operates effective internal control and management information systems and that it communicates effectively with the market.

The executive officers of the Company may be asked to attend board meetings or general meetings of the Company, although they do not have the right to vote thereat until such time as they are also appointed to the Board. The Directors may entrust to and confer upon the Chief Executive any of the powers exercisable by them upon such terms and conditions and with such restrictions as they may think fit, and either collaterally with or to the exclusion of their own powers, and may from time to time revoke, withdraw, alter or vary all or any of such powers.

Principle Five

The directors meet regularly, principally to review the financial performance of the Company. The Directors are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting board papers, which are circulated in advance of the meeting. The Board met 7 times during the financial year under review.

Principle Six

Principle Six of the Code deals with information and professional development

The Directors believe that for the financial year under review the Company has not had the opportunity to conduct any professional development efforts, but intends to do so in 2016.

Principle Seven

Principle Seven of the Code deals with evaluation of the Board's performance

The Board meet for 7 times during the year and was always attended by more than 75% of the officers of the Company.

Principle Eight

Principle Eight A of the Code deals with the establishment of a remuneration committee for the Company aimed at developing policies on remuneration for directors and senior executives and devising appropriate remuneration packages.

In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a remuneration committee, and the Board itself carries out the functions of the remuneration committee specified in, and in accordance with, Principle Eight A of the Code.

The Board hereby makes the following **Remuneration Statement**:

The Board confirms that there have been no changes in the Company's remuneration policy during the year under review and the Company does not intend to effect any changes in its remuneration policy for the following financial year.

The maximum annual aggregate emoluments that may be paid to the Directors is, pursuant to the Company's Memorandum and Articles of Association, approved by the shareholders in general meeting.

The Board is composed exclusively of executive and non-executive directors. The determination of remuneration arrangements for board members is a reserved matter for the Board as a whole.

During the financial year under review, Mr. Martin Vella, Mr. Mark Vella and Mr. Joe Vella each held an indefinite full-time contract of service with Hal Mann International Ltd, Hal Mann Vella Ltd and Mavina Holiday Complex Ltd.

The remuneration policy for directors has been consistent since inception; no director (including the chairman) is entitled to profit sharing, share options or pension benefits. There is no linkage between the remuneration and the performance of directors. A fixed honorarium is payable at each financial year to the non-executive directors.

For the financial year under review the aggregate remuneration of the directors of the Company was as follows:

Fixed remuneration from Company	€ 12,000
Fixed remuneration from Subsidiaries	€107,091

Principle Eight B of the Code deals with the formal and transparent procedure for the appointment of directors.
In view of the size and type of operation of the Company, the Board does not consider the Company to require the setting up of a nomination committee. Reference is also made to the information provided under the subheading 'Principle Three' above.

Principle Nine
Principle Nine deals with relations with shareholders and with the market
Pursuant to the Company's statutory obligations in terms of the Companies Act (Cap. 386 of the Laws of Malta) and the Listing Rules issued by the Malta Financial Services Authority, the Annual Report and Financial Statements, the election of directors and approval of directors' fees, the appointment of the auditors and the authorisation of the directors to set the auditors' fees, and other special business, are proposed and approved at the Company's Annual General Meeting.

With respect to the Company's bondholders and the market in general, during the financial year under review, there was no need to issue any company announcements to the market.

Principle Ten
Principle Ten deals with institutional shareholders
The directors are of the view that this Principle is not applicable to the Company.

Principle Eleven
Principle Eleven deals with conflicts of interest and the principle that directors should always act in the best interests of the Company
All of the directors of the Company save for Mr Vincent Vella (retired on 16 November 2015), Dr Arthur Galea Salomone and Mr William Van Buren are officers of the Company. Mr Vincent Vella as well as the other executive directors have a direct beneficial interest in the share capital of the company, and as such are susceptible to conflicts arising between the potentially diverging interests of the shareholders and the Company. During the financial year under review, no private interests or duties unrelated to the Company were disclosed by the directors which were or could have been likely to place any of them in conflict with any interests in, or duties towards, the Company.

The Audit Committee has the task to ensure that any potential conflicts of interest are resolved in the best interests of the Company. Furthermore, in accordance with the provisions of article 145 of the Companies Act (Cap. 386 of the Laws of Malta), every Director who is in any way, whether directly or indirectly, interested in a contract or proposed contract with the Company is under the duty to fully declare his interest in the relevant transaction to the Board at the first possible opportunity and he will not be entitled to vote on matters relating to the proposed transaction and only parties who do not have any conflict in considering the matter will participate in the consideration of the proposed transaction .

Principle Twelve

Principle Twelve encourages directors of listed companies to adhere to accepted principles of corporate social responsibility

The Company seeks to adhere to sound Principles of Corporate Social Responsibility in its management practices, and is committed to enhance the quality of life of all stakeholders and of the employees of the Company and the Group.

The Board is mindful of the environment and its responsibility within the community in which it operates. To this end the Group has taken initiatives such as; investment in renewable energy; implementation of water management systems within its operations and manufacturing companies to curtail waste and better manage the use of water.

Furthermore, the Group also seeks to minimise waste by seeking to deploy what are by products of its manufacturing, in its terrazzo line ensuring a cheaper product complimentary to its social policy of reducing waste.

The Group invested in a 440 KW Photo Voltaic energy generation plant over the factory roof.

In carrying on its business the Group is fully aware and at the forefront to preserving the environment and continuously review its policies aimed at respecting the environment and encouraging social responsibility and accountability.

The Audit Committee

The Audit Committee's primary objective is to assist the Board in fulfilling its responsibilities: in dealing with issues of risk, control and governance; and review the financial reporting processes, financial policies and internal control structure. During the financial year under review, the Audit Committee did not conduct any meetings

Although the Audit Committee is set up at the level of the Company its main tasks are also related to the activities of the subsidiaries and operational companies.

The Board has set formal terms of establishment and the terms of reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

Furthermore, the Audit Committee has the role and function of scrutinising and evaluating any proposed transaction to be entered into by the Company and a related party, to ensure that the execution of any such transaction was at arm's length and on a commercial basis and ultimately in the best interests of the Company.

Corporate Governance Statement (continued)

The Audit Committee is composed of 2 non-executive directors:

- Dr. Arthur Galea Salomone – Member
- Mr. William Van Buren – Member

Mr. William Van Buren is a non-executive director and a qualified accountant, who the Board considers as independent and competent in accounting as required in terms of the Listing Rules.

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The Directors are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives, and can only provide reasonable, and not absolute, assurance against normal business risks.

During the financial year under review the Company operated a system of internal controls which provided reasonable assurance of effective and efficient operations covering all controls, including financial and operational controls and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing the Company.

Other key features of the system of internal control adopted by the Company in respect of its own internal control as well as the control of its subsidiaries and affiliates are as follows:

Organization
The board of directors of each Subsidiary regularly reports to the Board of the Company.

Risk identification
The board of directors, with the assistance of the Management team, is responsible for the identification and evaluation of key risks applicable to the areas of business in which the Company and its subsidiaries are involved. These risks are assessed on a continual basis.

Information and communication
Periodic strategic reviews which include consideration of long-term financial projections and the evaluation of business alternatives are regularly convened by the Board. Regular budgets are prepared and performance against these plans is actively monitored and reported to the Board.

In conclusion, the Board considers that the Company has generally been in compliance with the Principles throughout the period under review as befits a company of this size and nature. Non-compliance with the principles and the reasons therefor have been identified above.

Approved by the Board on 22 April 2016 and signed on its behalf by:

Mr. Martin Vella – Chairman

Mr. Mark Vella – Director

HLB Falzon & Falzon

Certified Public Accountants

Independent Auditors' Report
to the shareholders of Hal Mann Vella Group plc

Report on the Financial Statements for the year ended 31 December 2015

We have audited the accompanying consolidated and stand-alone parent company financial statements of Hal Mann Vella Group plc, set on pages 14 to 67, which comprise the consolidated and parent company statement of financial position as at 31 December 2015, and the consolidated and parent company statement of comprehensive income, statement of changes in equity and 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 Directors' Report on page 1 to 5, the Directors are responsible for the preparation and fair presentation of these financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the requirements of the Companies Act, Cap. 386 of the Laws of Malta, and for such internal controls as the directors determine necessary to enable the preparation of 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 directors, 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.

Opinion

In our opinion, the financial statements :

- give a true and fair view of the financial position of the Group and the parent company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with the requirements of 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.

Independent Auditors' Report (continued)
to the shareholders of Hal Mann Vella Group plc

Report on other legal and regulatory requirements
Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their annual report a Corporate Governance Statement providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance with these principles.

The Listing Rule 5.98 requires the auditor to include a report on the Corporate Governance Statement prepared by the directors.

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

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

In our opinion, the Corporate Governance Statement set out on pages 6 to 11 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Matters on which we are required to report by exception

We also 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.

Under the Listing Rules, to review the statement made by the directors, set out on pages 1 to 5, that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Alfred Falzon C.P.A. ,F.I.A.,F.C.C.A.,,C.S.A.

HLB Falzon & Falzon
Certified Public Accountants

22 April 2016

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

Hal Mann Vella Group plc

Statement of Comprehensive Income
for the year ended 31 December 2015

	Note	The Group Current €	The Group 2014 €	The Company Current €	The Company 2014 €
Revenue		13,896,644	13,731,758	-	-
Cost of sales	6	(10,129,677)	(11,535,493)	-	-
Gross profit		3,766,967	2,196,265	-	-
Rental income		226,458	247,331	443,443	354,197
Distribution and selling costs	6	(230,326)	(261,032)	-	-
Administrative expenses	6	(4,438,989)	(2,308,558)	(203,739)	(80,030)
Amortisation of goodwill	6	-	(10,477)	-	-
Other operating charges	6	-	(6,818)		-
Other operating income		46,223	72,259	-	-
Operating (loss)/profit		(629,667)	(71,030)	239,704	274,167
Changes in fair value of investment property		-	2,773,489	-	1,554,356
Share of (loss)/profit in joint ventures		(9,967)	126,787	-	-
Dividends receivable		461,538	-	461,538	-
Finance and similar income		155,426	18,825	1,492,613	17,325
Profit on sale of financial assets designated at fair value through profit or loss		599,608	-	599,608	-
Fair value change in financial assets designated at fair value through profit or loss		(112,167)	112,167	(112,167)	112,167
Write off of amount payable to related underaking		-	80,724	-	-
Finance costs		(1,402,404)	(1,089,216)	(1,659,106)	(436,428)
(Loss)/profit before tax		(937,633)	1,951,746	1,022,190	1,521,587
Income tax credit/(expense)	8	2,221,785	86,672	481,743	(309,657)
Profit for the year		1,284,152	2,038,418	1,503,933	1,211,930
Other comprehensive income		(264,684)	-	(264,684)	-
Total comprehensive income for the year		1,019,468	2,038,418	1,239,249	1,211,930
Earnings per share	**22**	**€0.26**	**€0.41**	**€0.30**	**€0.24**

The notes on page 22 – 67 form part of these financial statements

Hal Mann Vella Group plc

Statement of Financial Position
as at 31 December 2015

		The Group		The Company	
	Note	Current	2014	Current	2014
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	9	34,037,933	29,245,580	-	-
Intangible assets	10	39,350	49,827	-	-
Investment in subsidiaries	11	-	-	3,395,216	2,952,196
Interest in joint-ventures	13	2,577,231	2,561,521	166,752	168,752
Available-for-sale financial assets	14	1,882,745	200	1,882,745	200
Held-to-maturity financial assets	14	-	101,648	-	-
Other financial assets	14	4,691,872	10,937,700	23,227,750	26,614,535
Investment property	15	13,253,624	12,752,713	22,061,526	21,870,520
Deferred taxation	20	2,208,525	1,117,194	-	-
Goodwill		62,888	64,450	-	-
Total non-current assets		58,754,168	56,830,833	50,733,989	51,606,203
Current assets					
Inventories		6,153,610	5,999,706	-	-
Property for resale	16	4,605,544	4,181,509	2,143,468	2,142,351
Trade and other receivables	17	10,853,216	10,628,255	1,140,476	1,434,828
Current tax recoverable	8	61,781	-	92,044	-
Other financial assets	14	102,197	-	-	-
Cash and cash equivalents	28	1,311,250	763,949	634,151	231,860
Total current assets		23,087,598	21,573,419	4,010,139	3,809,039
Total assets		81,841,766	78,404,252	54,744,128	55,415,242

The notes on pages 22-67 form part of these financial statements.

Statement of Financial Position (continued)
as at 31 December 2015

		The Group		The Company	
	Note	Current	2014	Current	2014
		€	€	€	€
EQUITY AND LIABILITIES					
Equity					
Issued capital	21	4,999,820	4,999,820	4,999,820	4,999,820
Revaluation reserve for property, plant and equipment	23	19,292,397	19,332,004	-	-
Revaluation reserve for financial assets	24	(264,684)	-	(264,684)	-
Unrealised fair value gain reserve	25	-	-	9,863,431	9,863,431
Capital redemption reserve	26	47,852	47,852	-	-
Incentives and benefits reserves	27	604,060	604,060	-	-
Retained earnings		6,470,701	5,154,540	3,285,190	1,787,176
Total equity		31,150,146	30,138,276	17,883,757	16,650,427
Non-current liabilities					
Borrowings	18	38,924,258	37,043,488	33,800,759	34,930,000
Trade and other payables	19	393,081	368,512	393,081	368,512
Deferred taxation	20	3,519,088	4,771,355	1,640,000	2,460,000
Total non-current liabilities		42,836,427	42,183,355	35,833,840	37,758,512
Current liabilities					
Borrowings	18	1,177,106	612,301	-	-
Trade and other payables	19	6,678,087	5,375,403	1,026,531	889,659
Current taxation due	8	-	94,917	-	116,644
Total current liabilities		7,855,193	6,082,621	1,026,531	1,006,303
Total liabilities		50,691,620	48,265,976	36,860,371	38,764,815
Total equity and liabilities		81,841,766	78,404,252	54,744,128	55,415,242

The notes on pages 22-67 form part of these financial statements.

The financial statements set out on pages 14 to 67 were approved and authorized for issue by the Board of Directors and signed on its behalf by:

Mr. Martin Vella – Chairman

Mr. Mark Vella – Director

22 April 2015

Statement of Changes in Equity
as at 31 December 2015

	The Group					
	Issued share capital	**Revaluation reserve for property, plant & equipment**	**Retained earnings**	**Incentives & benefits reserve**	**Capital redemption reserve**	**Total Equity**
	€	**€**	**€**	**€**	**€**	**€**
Balance as at 1 January 2014						
Opening balance	4,999,820	18,028,542	4,397,822	604,060	47,852	28,078,096
Profit for the year	-	-	2,038,418	-	-	2,038,418
Net transfer of fair value gain on investment property, net of deferred tax	-	1,343,876	(1,343,876)	-	-	-
Total comprehensive income for the year	-	1,343,876	694,542	-	-	2,038,418
Depreciation transfer	-	(62,176)	62,176	-	-	-
Deferred taxation thereon	-	21,762	-	-	-	21,762
Balance as at 31 December 2014	4,999,820	19,332,004	5,154,540	604,060	47,852	30,138,276

The notes on pages 22 - 67 form part of these financial statements

Statement of Changes in Equity (continued)

as at 31 December 2015

	The Group						
	Issued share capital	**Revaluation reserve for property, plant & equipment**	**Revaluation reserve for financial assets**	**Retained earnings**	**Incentives & benefits reserve**	**Capital redemption reserve**	**Total Equity**
	€	€	€	€	€	€	€
Balance as at 1 January 2015							
Opening balance prior to merger	4,999,820	19,332,004	-	5,154,540	604,060	47,852	30,138,276
Profit for the year	-	-		1,284,152	-	-	1,284,152
Other comprehensive income							
Available for sale investments:							
- change in fair value	-	-	(264,684)	-	-	-	(264,684)
Total comprehensive income for the year	-	-	(264,684)	1,284,152	-	-	1,019,468
Transfer on merger with subsidiary company	-	-	-	(1,258)	-	-	(1,258)
Transfer of earnings on joint venture becoming fully-owned subsidiary net of reversal of share of loss in joint venture	-	-	-	(27,667)	-	-	(27,667)
Depreciation transfer	-	(60,934)	-	60,934	-	-	-
Deferred taxation thereon	-	21,327	-	-	-	-	21,327
Balance as at 31 December 2015	4,999,820	19,292,397	(264,684)	6,470,701	604,060	47,852	31,150,146

The notes on pages 22 - 67 form part of these financial statements

Statement of Changes in Equity (continued)
as at 31 December 2015

	The Company				
	Issued capital	**Revaluation reserve for financial assets**	**Unrealised fair value gain reserve**	**Retained earnings**	**Total Equity**
	€	€	€	€	€
Balance as at 1 Jannar 2014					
Opening balance	4,999,820	-	8,519,555	1,919,122	15,438,497
Profit for the year	-	-	-	1,211,930	1,211,930
Other comprehensive income	-	-	-	-	-
Total comprehensive income for the year	-	-	-	1,211,930	1,211,930
Transfer to unrealised fair value gain reserve	-	-	1,343,876	(1,343,876)	-
Balance as at 31 December 2014	4,999,820	-	9,863,431	1,787,176	16,650,427
Balance as at 1 Jannar 2015					
Opening balance	4,999,820	-	9,863,431	1,787,176	16,650,427
Profit for the year	-	-	-	1,503,933	1,503,933
Other comprehensive income					
Available for sale investments:					
- change in fair value	-	(264,684)	-	-	(264,684)
Total comprehensive income for the year	-	(264,684)	-	1,503,933	1,239,249
Transfer on merger with subsidiary company	-	-	-	(5,919)	(5,919)
Balance as at 31 December 2015	4,999,820	(264,684)	9,863,431	3,285,190	17,883,757

The notes on pages 22 - 67 form part of these financial statements

Hal Mann Vella Group plc

Statement of Cash Flows
for the year ended 31 December 2015

		The Group		The Company	
	Note	Current	2014	Current	2014
		€	€	€	€
Cash flows from operating activities					
(Loss)/profit before tax		(937,633)	1,951,746	1,022,190	1,521,587
Adjustments for:					
Increase in fair value of investment property		-	(2,773,489)	-	(1,554,356)
Share of loss/(profit) in joint venture		9,967	(126,787)	-	-
Depreciation of property, plant and equipment		627,714	508,327	-	-
Depreciation of investment properties		48,948	49,081	-	-
Provision for exchange fluctuations		-	11,385	-	-
Amortisation of intangible assets		10,477	10,477	-	-
Movement in fair value of financial assets designated through profit or loss		112,167	(112,167)	112,167	(112,167)
Provision for doubtful debts		100,000	-	-	-
Profit on disposal of financial asset		(599,608)	-	(599,608)	-
Dividends receivable		(461,538)	-	(461,538)	-
Finance income		(155,426)	(18,825)	(1,492,613)	(5)
Finance costs		1,402,404	1,089,216	1,659,106	436,428
Working capital changes:					
Increase in inventories		(153,904)	(1,508,485)	-	-
(Increase)/decrease in receivables		(3,034,032)	174,078	263,114	(717,887)
Increase/(decrease) in payables		3,451,369	(457,433)	(67,943)	1,042,970
Increase in property for resale		(427,535)	(669,060)	(1,117)	(1,213,134)
Payments to related undertakings		-	(62,854)	-	-
Payments to other undertakings		-	(119,666)	-	-
Interest paid on overdraft		(24,809)	(439,563)	(160)	(119)
Other interest paid		(986,615)	(345,517)	(13,244)	(325,036)
Taxation paid		(311,916)	(170,947)	(306,137)	(58,736)
Taxation refunded		54,731	61,372	-	-
Net cash (used in)/from operating activities		(1,275,239)	(2,949,111)	114,217	(980,455)

The notes on pages 22-67 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Cash Flows (continued)
for the year ended 31 December 2015

	Note	The Group		The Company	
		Current	**2014**	**Current**	**2014**
		€	**€**	**€**	**€**
Cash flows from investing activities					
Payments to acquire property, plant & equipment		(5,009,600)	(429,332)	-	-
Payments to acquire investment property		(549,859)	(1,573,501)	(302,539)	(1,570,164)
Payments to acquire intangible assets		-	(12,786)	-	-
Payments to acquire non-current financial assets		(2,621,749)	(9,035,651)	(2,621,749)	(8,817,622)
Payments to acquire investment in subsidiaty		(442,520)	-	(442,520)	-
Dividends received		461,538	-	461,538	-
Advances to group undertakings		-	-	(3,010,192)	(12,837,827)
Advances to joint venture		(262,500)	(19,000)	(262,500)	-
Advances to other parties		(1,175,000)	(2,250,000)	(1,175,000)	(2,250,000)
Receipts from related undertakings		38,100	-	-	-
Receipts from disposal of other non-current financial assets		8,551,211	471,345	8,551,211	-
Balance transfered on merger		-	-	111,533	-
Finance income		1,529,861	1,468	1,523,851	5
Net cash from/(used in) investing activities		519,482	(12,847,457)	2,833,633	(25,475,608)
Cash flows from financing activities					
Advances from/(repayment of) banks loans		172,813	(4,496,682)	-	-
Bond issue		-	28,222,028	-	28,222,028
Other advances		200,000	1,867,816	200,000	1,867,816
Repayments to group undertakings		-	-	(51,735)	(2,744,607)
(Repayments to)/advances from related undertakings		(85,203)	553,951	-	-
Advances from joint ventures		3,212,925	4,612,463	(163,575)	(391,454)
Advances from/(repayments to) other undertakings		2,490,385	(70,333)	-	(70,000)
Advances to directors		-	(5,048)	-	-
Repayment to shareholders		(3,669,715)	(5,296,196)	(1,162,982)	-
Interest paid on bonds		(1,367,267)	-	(1,367,267)	-
Interest paid on loans		(88,944)	(361,813)	-	(111,273)
Net cash from/(used in) financing activities		864,994	25,026,186	(2,545,559)	26,772,510
Net movement in cash and cash equivalents		109,237	9,229,618	402,291	316,447
Cash and cash equivalents at beginning of year		576,620	(8,697,237)	231,860	(84,587)
Cash and cash equivalents at end of year	28	685,857	532,381	634,151	231,860

The notes on pages 22-67 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2015

1. Corporate information

The consolidated financial statements of Hal Mann Vella Group plc and its subsidiaries ("the Group") for the year ended 31 December 2015 were authorized for issue in accordance with a resolution of the directors on 22 April 2016.

Hal Mann Vella Group plc ("the Company") is a limited liability company incorporated in Malta, under the Companies Act, Cap. 386 of the Laws of Malta.

2. Principal accounting policies

2.1 Basis of accounting and consolidation
These financial statements are prepared under the historical cost convention, as modified by the measurement of investment property, land and buildings classified as property, plant and equipment and financial assets at fair value and are in accordance with the requirements of the International Financial Reporting Standards as adopted by the European Union and comply with the Companies Act, Cap. 386 of the Laws of Malta. The consolidated financial statements are presented in euros.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2015. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date when such control ceases. The financial statements of the subsidiaries are prepared for the same reporting date as the parent company, using consistent accounting policies.

All intragroup balances, transactions, unrealised gains and losses resulting from intragroup transactions and dividends are eliminated in full.

Non-controlling interests represent the portion of profit or loss and net assets not held by the Group and are presented separately in the statement of comprehensive income and within the equity in the consolidated statement of financial position, separately from the parent shareholders' equity.

2.2 Current versus non-current classification
The Group 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

2. Principal accounting policies (continued)

The Group classifies all other liabilities as non-current.

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

2.3 Investments in subsidiaries
A subsidiary is an entity that is controlled by the Company. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

Investments in subsidiaries are accounted for on the basis of the direct equity interest and are stated at cost less any accumulated impairment losses. Income from the investment is recognised only to the extent of distributions received by the Company from post-acquisition profits. Distributions received in excess of such profits are regarded as a recovery of investment and are recognised as a reduction of the cost of the investment.

2.4 Investments in associates
An associate is an entity over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the investee but not in control or joint control over those policies.

Under the equity method, the investment in the associate is carried on the statement of financial position at cost plus acquisition cost plus post acquisition changes in the Group's share of net assets of the associate. Goodwill relating to the associate is included in the carrying amount of the investment and is neither amortised nor individually tested for impairment. The Group's share of its associate's post-acquisition profits or losses is recognised in the statement of comprehensive income, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the company's share of losses in an associate equals or exceeds its interest in the associate, the company does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

2.5 Investment in joint-venture
The Group has an interest in joint-ventures. A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. The Group recognises its interest in the joint-venture using the proportionate consolidation method. The Group combines its proportionate share of each of the assets, liabilities, income and expenses of the joint venture with similar items, line by line, in its financial statements.

2.6 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 recognized 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 Group determines the classification of its financial assets after initial recognition and where allowed and appropriate, re-evaluates this designation at each reporting date.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Group 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.

2. Principal accounting policies (continued)

Subsequent measurement
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 Group classifies its financial assets in the loans and receivables, financial assets at fair value through profit or loss, held-to-maturity investment and available-for-sale (AFS) category. The classification depends on the purpose for which the financial assets were acquired.

Financial assets designated at fair value through profit or loss
This classification includes financial assets classified as those designated at fair value through profit or loss upon initial recognition. Financial assets at fair value through profit and loss are initially recognised and are subsequently measured at fair value based on quoted bid prices. Interest receivable on financial assets at fair value through profit or loss is included with interest receivable and similar income. All related realised and unrealised gains and losses are included in trading profits in the year in which they arise.

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. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading', or 'financial investment - available-for-sale' or 'financial assets designated at fair value through profit or loss'. 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 'Interest receivable and similar income' in profit or loss. The gains and losses arising from impairment are recognised in profit or loss in 'Finance costs' for loans and in 'Cost of sales' or 'Other operating expenses' for receivables.

Assets held-to-maturity
Held-to-maturity financial investments are non-derivative financial assets with fixed or determinable payments and fixed maturities, which the Group has the intention and ability to hold to maturity. After initial measurement, held-to-maturity financial investments are subsequently measured at amortised cost using the effective interest rate (EIR), less impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the EIR. The amortization is included in 'Interest and similar income' in the profit or loss. The losses arising from impairment of such investments are recognized in the profit or loss line 'Credit loss expense'.

If the Group were to sell or reclassify more than an insignificant amount of held-to-maturity investments before maturity (other than in certain specific circumstances), the entire category would be tainted and would have to be reclassified as available-for-sale. Furthermore, the Group would be prohibited from classifying any financial asset as held to maturity during the following two years.

Available-for-sale financial assets
Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the three other categories. After initial recognition, available-for-sale financial assets are measured at fair value with gains or losses being recognised as a separate component of equity (other comprehensive income) in the 'Revaluation reserve for financial asset'. When the asset is disposed of, the

2. Principal accounting policies (continued)

cumulative gain or loss previously recognised in equity is recognised in the profit or loss in 'Other operating income'. The losses arising from impairment of such investments are recognised in the statement of comprehensive income in 'Impairment losses on financial investments' and removed from the ‘Revaluation reserve for financial asset’.

The fair value of investments that are actively traded in organized financial markets is determined by reference to quoted market bid prices at the close of business at the reporting date. Available-for-sale financial assets that do not have a quoted market price in an active market and whose fair value cannot be measured reliably, are measured at cost.

Derecognition of financial assets
A financial asset is derecognised where:
- the rights to receive cash flows from the asset have expired; or
- the Group 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.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognized to the extent of the Group’s continuing involvement in the asset.

Impairment of financial assets
The Group 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 changes in arrears or economic conditions that correlate with defaults.

2.7 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 on a net basis, to realise assets and settle the liabilities simultaneously.

2.8 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 impairment are reviewed for possible reversal of the impairment at each reporting date.

2. Principal accounting policies (continued)

2.9 Property, plant and equipment

Land and buildings are stated in the statement of financial position at its revalued amount, being the fair value at the date of revaluation. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from those that would be determined using fair values at each reporting date.

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in equity, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in the statement of comprehensive income, which case the increase is credited to the statement of comprehensive income to the extent of the decrease previously expensed.

A decrease in the carrying amount arising on the revaluation of such land and buildings is recognised in statement of comprehensive income to the extent that it exceeds the balance, if any, held in the revaluation reserve on property, plant and equipment relating to a previous revaluation of that asset.

Freehold land is not depreciated.

Property, plant and equipment, except for revalued land and buildings, are stated at cost less accumulated depreciation. Depreciation charge is provided from the month of acquisition until the year in which the asset is disposed of or scrapped. Depreciation is calculated using the reducing balance method to allocate the cost of the assets to their residual values over their estimated useful lives, as follows:

Buildings	2%
Electrical installations	6.67%
Plant and machinery	10%
Furniture and fittings	10%
Improvements to premises	10%
Air-conditioning equipment	16.67%
Tools	20%
Electrical system and fittings	20%
Kitchen equipment	20%
Lift	20%
Pallets	20%
Exhibits	20%
Exhibition stand	20%
Motor vehicles	20%
Computer equipment	25%
Office equipment	25%
Telecommunications	25%
Site offices	25%

Depreciation methods, useful life and residual values are reassessed at each reporting date.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the statement of comprehensive income when the asset is derecognised.

2. Principal accounting policies (continued)

2.10 Intangible assets
Intangible assets acquired separately are measured on initial recognition at cost. The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are considered to modify the amortisation period or method, as appropriate, and are treated as changes in accounting estimates. The amortisation expense on intangible assets with finite lives is recognised in the profit or loss in the expense category that is consistent with the function of the intangible assets.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

The Group's intangible assets comprise trade names. Trades names are being amortised on a straight line basis over a period of 15 and 5 years to reflect their useful economic value.

2.11 Investment property
Property that is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group, 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 if the development of the asset 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 Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections.

These valuations are reviewed annually. 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 Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to 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.

2. Principal accounting policies (continued)

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 Group 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.

If an item of property, plant and equipment becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of this item at the date of transfer is treated in the same way as revaluation under IAS 16. Any resulting increase in the carrying amount of the property is recognised in statement of comprehensive income to the extent that it reverses a previous impairment loss; with any remaining increase recognised in other comprehensive income, directly to revaluation surplus with equity. Any resulting decrease in the carrying amount of the property is initially charged to other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to the profit or loss. Upon the disposal of such investment property, any surplus previously recorded in equity is transferred to retained earnings; the transfer is not made through statement of comprehensive income.

Part of the investment property is stated at cost less accumulated depreciation less accumulated impairment losses. Depreciation charge is provided from the month of acquisition until the year in which the asset is disposed of or scrapped. Depreciation is calculated using the reducing balance method to allocate their cost to their residual values over their estimated useful lives.

2.12 Inventories
Inventories are valued at the lower of cost and net realisable value.

Cost is determined on the weighted average cost method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

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

2. Principal accounting policies (continued)

2.14. Construction Contracts
Contract revenue comprises the initial amount agreed in the construction contract, and any variations in contract work, claims and incentive payments, to the extent that they have been agreed with the customer and can be measured reliably. Contract costs comprise direct costs as well as costs that relate to contract activity in general that can be allocated to the contract. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is determined by reference to the proportion that contract costs, except where this would not be representative of the stage of completion/surveys of works performed/completion of a physical proportion of the contract work.

2.15 Trade 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 recognized 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 Group 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 recognized in the profit or loss 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 'selling and distribution costs in profit or loss.

Other receivables include, receivables created by the enterprise by providing funds directly to a debtor and are measured at cost.

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

2.16 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.

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

2. Principal accounting policies (continued)

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

2.19 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.

Issue costs incurred in connection with the issue of the secured bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, trustee fees and other miscellaneous costs.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the reporting date.

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

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

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

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

2.22 Foreign currencies
Translations denominated in foreign currencies are translated at the exchange rate ruling on the date of the transactions. Monetary receivables and payables denominated in foreign currencies are translated at the rates of exchange prevailing at each reporting date. Translation differences are dealt with in the statement of comprehensive income.

2.23 Revenue recognition
Revenue is measured at the fair value of the consideration received or receivable for goods sold and services provided in the normal course of business, net of value-added tax and discounts, where applicable. Revenue is recognized to the extent that it is probable that future economic benefits will flow to the Group and these can be measured reliably. The following specific recognition criteria must also be met before revenue is recognised:

Sale of goods
Revenue from the sale of goods is recognized on the transfer of the risks and rewards of ownership which generally coincides with the date of the invoice.

2. Principal accounting policies (continued)

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

Rental income
Rental income arising from operating leases on investment property is accounted for on a straight line basis over the lease term and is included in revenue in profit or loss due to its operating nature.

Interest and investment income
Interest income is accounted for when it is probable that the economic benefits associated with the transaction will flow to the Group and these can be measured reliably.

Revenue from sale of property
Revenue is recognised on the date illustrated on the contract of sale, when the costs incurred or to be incurred in respect of the transaction can be measured reliably and when the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold.

Dividend income
Dividend income is recognised on the date the Group's right to receive income is established.

2.24 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(s) and the arrangement conveys a right to use the asset(s), even if that right is not explicitly specified in an arrangement.

The Group as a lessor
Leases in which the Group does not transfer 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 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.

The Group as a lessee
A lease is classified at the inception date as a finance lease or an operating lease. A lease that transfers substantially all the risks and rewards incidental to ownership to the Group is classified as a finance lease.

Finance leases are capitalised at the commencement of the lease at the inception date at fair value of the leased property or, if lower, at the present value of the minimum lease payment.

Operating lease payments are recognised as an operating expense in the profit or loss on a straight-line basis over the lease term.

2. Principal accounting policies (continued)

2.25 Government grants

Government grants are recognised where there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred revenue in the statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in their period in which they become receivable.

2.26 Taxation

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

Current income tax

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

Deferred income tax

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

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

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

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

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

2. Principal accounting policies (continued)

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

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

2.27 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.

2.28 Fair value measurements and valuation processes
The Group measures financial instruments such as listed debt securities and non-financial assets such as investment properties at fair value at each reporting date.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between the market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either (a) in the principal market for the asset or liability or (b) in the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Group.

The fair value of an asset or liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure at fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Information about the valuation techniques and inputs used in determining the fair value of the investment property is disclosed in note 29.

3. Critical accounting estimates and judgements

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

Operating lease commitments - Group as lessor
The Group has entered into property leases on its investment properties. The Group 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 property, that it retains all the significant risks and rewards of ownership of these properties and accounts for the contracts as operating leases.

Revaluation of investment property
The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The Group 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 notes 15 and 29.

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 Group applied for the first time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2015. The Group 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:

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32
These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non-simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments have no impact on the Group, since it does not have any offsetting arrangements.

Annual Improvements 2010-2012 Cycle
These improvements are effective for accounting periods beginning on or after 1 July 2014. The Group has applied these improvements for the first time in these financial statements. They include:

4. Changes in accounting policies and disclosures (continued)

• **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 Group's financial statements since the Company does not own any intangible assets and its property, plant and equipment were not revalued during the current financial 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 Group 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 Group 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 Group does not apply the portfolio exception in IFRS 13.

• **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 Group.

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 Group's financial statements are disclosed below. The Group 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 Group plans to adopt the new standard on the required effective date. During 2015, the Group 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 Group in the future. Overall, the Group expects no significant impact on its balance sheet and equity.

4. Changes in accounting policies and disclosures (continued)

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 Group plans to adopt the new standard on the required effective date using the full retrospective method. During 2015, the Group performed a preliminary assessment of IFRS 15, which is subject to changes arising from a more detailed ongoing analysis. Furthermore, the Group is considering the clarifications issued by the IASB in an exposure draft in July 2015 and will monitor any further developments.

Amendments to IFRS 11 Joint Arrangements: Accounting for Acquisitions of Interests
The amendments to IFRS 11 require that a joint operator accounting for the acquisition of an interest in a joint operation, in which the activity of the joint operation constitutes a business must apply the relevant IFRS 3 principles for business combinations accounting. The amendments also clarify that a previously held interest in a joint operation is not re-measured on the acquisition of an additional interest in the same joint operation while joint control is retained. In addition, a scope exclusion has been added to IFRS 11 to specify that the amendments do not apply when the parties sharing joint control, including the reporting entity, are under common control of the same ultimate controlling party. The amendments apply to both the acquisition of the initial interest in a joint operation and the acquisition of any additional interests in the same joint operation and are prospectively 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 Group's financial statements.

IFRS 10 Consolidated Financial Statements
This standard builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. The standard provides additional guidance to assist in the determination of control where this is difficult to assess.

IFRS 12 Disclosures of interests in other entities
This standard includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, structured entities and other off balance sheet vehicles.

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
- 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. 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 Group.

5. Segment Information

For management purposes, the Group is organised into business units based on its products and services and has four reportable segments , as follows:

The Property Development and Letting segment, which carries works in the building industry, including plumbing, electrical and construction works and to operate as turnkey contractors. Also in this segment, the Group leases out offices and residential building to third parties.

The Hospitality and Retail Outlets which is responsible for the franchise brands in Malta. The Group owns the exclusive rights to operate the franchises within Malta. The Group owns and operates two apartment hotels.

Manufacturing, Products and General Contracting Services which includes the companies responsible for manufacturing and exports. This segment includes specialising in the manufacture of stone elements, arranging logistics, plant hire, deliveries, and supplies and subcontracting work. Also, coordination of orders for customers for products and services is done.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

5. Segment Information (continued)

Year ended 31 December 2015	Property development and letting	Hospitality and Retail Outlets	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue (including rental income)						
External customers	677,901	2,507,760	15,892,644	19,078,305	(4,955,203)	14,123,102
Total revenue	**677,901**	**2,507,760**	**15,892,644**	**19,078,305**	**(4,955,203)**	**14,123,102**
Income/(expenses)						
Depreciation and amortisation	(48,948)	(183,251)	(454,940)	(687,139)	-	(687,139)
Share of loss of joint ventures	(9,967)	-	-	(9,967)	-	(9,967)
Segment profit/(loss)	**848,569**	**(1,015,692)**	**(760,543)**	**(927,666)**	**(9,967)**	**(937,633)**
Total assets	**72,150,177**	**8,994,352**	**29,217,039**	**110,361,568**	**(28,519,802)**	**81,841,766**
Total liabilities	**45,007,837**	**7,256,813**	**25,961,666**	**78,226,316**	**(27,534,696)**	**50,691,620**
Other disclosures						
Interest in joint ventures	166,752	-	-	166,752	2,410,479	2,577,231

Inter-segment revenues are eliminated upon consolidation and reflected in the ‘adjustments and eliminations’ column. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

5. Segment Information (continued)

Year ended 31 December 2014	Property development and letting	Hospitality and Retail Outlets	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue (including rental income)						
External customers	1,145,528	2,134,478	17,788,838	21,068,844	(7,089,755)	13,979,089
Total revenue	**1,145,528**	**2,134,478**	**17,788,838**	**21,068,844**	**(7,089,755)**	**13,979,089**
Income/(expenses)						
Depreciation and amortisation	(49,081)	(191,403)	(327,405)	(567,889)	-	(567,889)
Share of profit of joint ventures	126,787	-	-	126,787	-	126,787
Segment profit less loss	**2,896,247**	**(411,378)**	**(659,910)**	**1,824,959**	**126,787**	**1,951,746**
Total assets	**72,014,347**	**7,968,944**	**21,981,112**	**101,964,403**	**(23,560,151)**	**78,404,252**
Total liabilities	**46,323,776**	**6,000,310**	**18,760,711**	**71,084,797**	**(22,818,821)**	**48,265,976**
Other disclosures						
Interest in joint ventures	168,752	-	-	168,752	2,392,769	2,561,521

6. Expenses by nature

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Depreciation of property, plant and equipment	627,714	508,327	-	-
Depreciation of investment property	48,948	49,081	-	-
Amortisation of intangible fixed assets	10,477	10,477	-	-
Auditors' remuneration	36,269	31,377	3,000	2,030
Directors' salaries (note 7)	132,116	103,596	25,025	-
Wages, salaries and social security contribution (note 7)	3,107,361	2,865,416	-	-
Exchange fluctuation	-	(4,462)	-	-
Other expenses	10,836,107	10,558,566	175,714	78,000
As at 31 December	14,798,992	14,122,378	203,739	80,030

Auditor's fees

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

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Annual statutory audit	36,269	31,377	3,000	2,030
Tax advisory and compliance services	2,035	2,035	185	185
	38,304	33,412	3,185	2,215

7. Payroll costs and personnel information

Payroll costs for the financial years ended 31 December 2015 and 31 December 2014 comprised the following:

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Wages and salaries (including directors' remuneration)	2,982,737	2,734,669	25,025	-
Social security contributions	256,740	234,343	-	-
As at 31 December	3,239,477	2,969,012	25,025	-

The average number of persons (including the directors) employed by the Group and the Company during the financial years ended 31 December 2015 and 31 December 2014 was as follows:

	The Group		The Company	
	Current	2014	Current	2014
Operational	135	210	-	-
Administration	79	47	2	-
Distribution	14	19	-	-
	228	276	2	-

8. Income tax

8.1 Tax credit/(expense) on (loss)/profit on ordinary activities

Provision for income tax has been made at the rate of 35% on the chargeable income for the year except for investment income which is charged at the rates of 15% and 35% and for proceeds from sale of property taxable at 8% final withholding tax.

	The Group		The Company	
	Current	**2014**	**Current**	**2014**
	€	**€**	**€**	**€**
Current taxation				
Tax at source	(44,589)	-	(44,590)	-
Final withholding tax at 15%	(27,977)	(138)	(27,659)	(1)
Final withholding tax at 8%	(2,720)	-	-	-
Current tax charge	-	(12,385)	-	-
Underprovision of tax in prior years	(25,200)	(1,021)	(25,200)	-
	(100,486)	(13,544)	(97,449)	(1)
Consideration payable by the company in respect of the tax benefit, attaching to tax losses surrendered by a subsidiary company under the Group Relief provision of the Income Tax Act	-	-	(240,808)	(99,176)
Deferred taxation (note 20):				
Credit/(charge) for the year	2,322,271	100,216	820,000	(210,480)
Income tax credit/(expense) for the year	2,221,785	86,672	481,743	(309,657)

8. Income tax (continued)

8.2 Tax Reconciliation

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
(Loss)/profit before tax	(937,633)	1,951,746	1,022,190	1,521,587
Income tax (credit)/expense thereon	(328,172)	683,111	357,766	532,555
Tax effect of:				
- expenses non allowed for tax purposes	285,183	(234,725)	233,074	180,760
- excess of carrying amount over tax base of property, plant and equipment	210,049	166,476	-	-
- income taxed at different rates	(253,369)	(692,440)	(277,783)	(614,138)
- unabsorbed capital allowances	(171,278)	(229,818)	-	-
- investment tax credit	(758,456)	(122,015)	-	-
- unabsorbed tax losses	-	(15,057)	(240,808)	-
- change in the fair value of investment property	(1,230,942)	356,776	(820,000)	210,480
- group relief	-	-	240,808	-
- under provision of prior year tax charge	25,200	1,020	25,200	-
Income tax (credit)/expense for the year	(2,221,785)	(86,672)	(481,743)	309,657

8. Income tax (continued)

8.3 Current taxation

Taxation payable is made up as follows:

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
As at 1 January	94,917	191,970	116,644	175,379
Underprovision of tax in previous year	25,200	1,021	25,200	-
Income tax expense	75,287	12,523	72,249	1
Tax refund	54,731	61,372	-	-
Transfer from related undertaking	-	(3,015)	-	-
	250,135	263,871	214,093	175,380
Payments:				
Provisional tax	-	(1)	-	-
Settlement tax	(119,681)	(126,535)	(116,940)	(58,735)
Final withholding tax (15%)	(27,977)	(138)	(27,659)	(1)
Final withholding tax (8%)	(2,720)	-	-	-
Capital gains tax	-	(42,280)	-	-
Tax at source	(161,538)	-	(161,538)	-
	(311,916)	(168,954)	(306,137)	(58,736)
As at 31 December	(61,781)	94,917	(92,044)	116,644

9. Property, plant & equipment

The Group

	Freehold Land & buildings	Plant & machinery	Tools	Computer equipment & software	Office equipment	Air-conditioning equipment	Tele-communications	Exhibition stand	Furniture & fittings	Motor vehicles
Cost / Valuation										
As at 1 January 2014	22,546,000	2,042,812	156,837	556,746	85,183	35,176	18,063	20,832	1,045,370	481,466
Additions	1,570,164	22,254	-	17,028	8,293	5,319	212	-	315,370	27,854
Transfer from investment property (note 15)	16,306	-	-	-	-	-	-	-	-	-
Revaluation surplus	1,554,356	-	-	-	-	-	-	-	-	-
As at 31 December 2014	25,686,826	2,065,066	156,837	573,774	93,476	40,495	18,275	20,832	1,360,740	509,320
Transfer to subsidiary	(111,533)	-	-	-	-	-	-	-	-	-
Additions	302,539	1,200,193	25,996	61,990	23,831	2,908	-	-	70,254	46,246
As at 31 December 2015	25,877,832	3,265,259	182,833	635,764	117,307	43,403	18,275	20,832	1,430,994	555,566
Depreciation										
As at 1 January 2014	76,000	935,062	106,869	413,866	65,348	23,207	16,733	18,481	664,337	323,567
Transfer from investment property (note 15)	14,674	-	-	-	-	-	-	-	-	-
Charge for the year	74,513	113,001	9,994	38,715	6,662	3,244	373	470	81,982	37,151
As at 31 December 2014	165,187	1,048,063	116,863	452,581	72,010	26,451	17,106	18,951	746,319	360,718
Charge for the year	79,684	168,093	11,660	42,472	7,467	3,248	282	376	80,813	31,620
As at 31 December 2015	244,871	1,216,156	128,523	495,053	79,477	29,699	17,388	19,327	827,132	392,338
Net book amount										
As at 31 December 2014	25,521,639	1,017,003	39,974	121,193	21,466	14,044	1,169	1,881	614,421	148,602
As at 31 December 2015	25,632,961	2,049,103	54,310	140,711	37,830	13,704	887	1,505	603,862	163,228

9. Property, plant & equipment (continued)

The Group

	Leasehold Industrial buildings	Improvements to premises	Site offices	Renewable energy	Electrical installations	Electrical system & fittings	Kitchen equipment	Lift	Pallets	Exhibits	Total
Cost / Valuation											
As at 1 January 2014	-	1,490,187	41,270	192,170	150,681	28,541	174,107	31,645	4,849	350,000	29,451,935
Additions	-	118,623	-	-	17,507	-	1,674	-	-	7,406	2,111,704
Transfer from investment property (note 15)	-	-	-	-	-	-	-	-	-	-	16,306
Revaluation surplus	-	-	-	-	-	-	-	-	-	-	1,554,356
As at 31 December 2014	-	1,608,810	41,270	192,170	168,188	28,541	175,781	31,645	4,849	357,406	33,134,301
Transfer to subsidiary	-	-	-	522,000	-	-	-	-	-	-	410,467
Additions	2,500,000	771,208	3,750	-	685	-	-	-	-	-	5,009,600
As at 31 December 2015	2,500,000	2,380,018	45,020	714,170	168,873	28,541	175,781	31,645	4,849	357,406	38,554,368
Depreciation											
As at 1 January 2014	-	243,599	19,069	28,951	28,693	28,521	169,305	29,124	4,188	170,800	3,365,720
Transfer from investment property (note 15)	-	-	-	-	-	-	-	-	-	-	14,674
Charge for the year	-	82,695	4,440	6,529	9,303	4	1,295	504	132	37,320	508,327
As at 31 December 2014	-	326,294	23,509	35,480	37,996	28,525	170,600	29,628	4,320	208,120	3,888,721
Charge for the year	9,615	96,765	3,677	58,468	2,067	4	1,036	404	106	29,857	627,714
As at 31 December 2015	9,615	423,059	27,186	93,948	40,063	28,529	171,636	30,032	4,426	237,977	4,516,435
Net book amount											
As at 31 December 2014	-	1,282,516	17,761	156,690	130,192	16	5,181	2,017	529	149,286	29,245,580
As at 31 December 2015	2,490,385	1,956,959	17,834	620,222	128,810	12	4,145	1,613	423	119,429	34,037,933

9. Property, plant & equipment (continued)

The Group

The effective date of revaluation of the subsidiary's property, plant and equipment was during 2010.

If property, plant and equipment were included in the financial statements at cost, their carrying amounts would have been as follows:

	The Group		
	Improvements to buildings	**Land and buildings**	**Total**
	€	**€**	**€**
Cost			
As at 1 January 2014	288,169	3,897,362	4,185,531
Additions	25,210	1,586,470	1,611,680
As at 31 December 2015	313,379	5,483,832	5,797,211
Additions	54,069	302,539	356,608
Transfer to subsidiary	-	(111,533)	(111,533)
As at 31 December 2015	367,448	5,674,838	6,042,286
Depreciation			
As at 1 January 2014	49,538	293,488	343,026
Charge for the year	26,384	23,339	49,723
As at 31 December 2014	75,922	316,827	392,749
Charge for the year	22,031	16,015	38,046
As at 31 December 2015	97,953	332,842	430,795
Net book amount			
As at 31 December 2014	237,457	5,167,005	5,404,462
As at 31 December 2015	269,495	5,341,996	5,611,491

10. Intangible assets

The Group

	Trade names
	€
Cost	
As at 1 January 2014 and 31 December 2015	131,584
Amortisation	
As at 1 January 2014	71,280
Charge for the year	10,477
As at 1 January 2015	81,757
Charge for the year	10,477
As at 31 December 2015	92,234
Net book amount	
As at 31 December 2014	49,827
As at 31 December 2015	39,350

The trade names of 'Guess' and '7 Camicie' are being written off in equal annual instalments over their estimated economic lives of 15 and 5 years respectively.

11. Investment in subsidiaries

The Company

	Current €	2014 €
Cost		
As at 1 January	2,952,196	1,590,895
Transfer on merger with subsidiary undertaking	(1,500)	-
Additions	442,520	1,544,390
Transfer of shares from group undertaking	2,000	(183,089)
As at 31 December	3,395,216	2,952,196

As at 31 December 2015, the Company held the following equity interest:

Undertakings / Registered Office	**Number, class and nominal value of shares held**	**Percentage of issued shares held**
Mavina Holiday Complex Ltd Triq il-Fliegu, St. Paul's Bay SPB 1403	2,998 Ordinary shares of €2.329373 each fully paid up	99.93%

The company is engaged in the operation of a holiday complex.

Sudvel Limited Hal Mann Vella, The Factory, Mosta Road, Lija LJA 9016	500 Ordinary shares of €2.329373 each fully paid up	100%

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

Hal Mann International Ltd Mosta Road, Lija, LJA 9016	1,000,000 Ordinary shares of €1 each fully paid up	100%

The company is engaged in manufacturing and assembling marble and stone related products and undertaking contracts to purchase materials required for the manufacturing activity of the company.

Hal Mann Properties Ltd Mosta Road, Lija, LJA 9016	101,000 Ordinary shares of €2.329373 each fully paid up	99.99%

The company is engaged in dealing in movable and immovable property.

11. Investment in subsidiaries (continued)

Halmann Solar Limited 2/3 Triq Tal-Balal, Xwieki, L/O Gharghur, GHR 9014	2,000 "A" Ordinary shares 2,000 "B" Ordinary shares of €1 each fully paid up	100%

The company is engaged in the supply, installation, operation and maintenance of photovoltaic systems in Malta or elsewhere.

Hal Mann (Letting) Ltd Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	99,999 Ordinary shares of €1 each fully paid up	99.99%

The company is engaged in dealing in immovable property.

Hal Mann Vella Ltd, Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	429,300 Ordinary shares of €2.329373 each, fully paid up	100%

The company is engaged in transportation on land and delivery of all matters relating to the construction industry and retail of terrazzo, marble, granite, ceramic tiles parquet and turnkey projects or incidental activities.

SMG Mode Ltd, Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	1,000,000 Ordinary shares of €1 each, fully paid up	100%

The company is engaged in operating a number of retail outlets, specialising in apparel and related items under franchise arrangements.

12. Investment in associate

The Group and the Company

	Current €	2014 €
Cost		
As at 1 January	-	2,329
Provision for impairment of investment	-	(2,329)
As at 31 December	-	-

The Group holds 1,000 Ordinary shares of €2.329373 each, representing 20% shareholding of the Ordinary share capital of Hal Mann Projects Limited, a company registered in Malta with its registered address at Hal Mann Business Center, Naxxar Road, Iklin, IKL 9020.

13. Interest in joint-ventures

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Net book value				
As at 1 January	2,561,521	2,622,128	168,752	189,514
Share of (losses)/profit	(9,967)	126,787	-	-
Transfer of shares to group undertakings	(2,000)	(187,394)	(2,000)	(187,394)
Transfer of shares from group undertaking	27,677	-	-	166,632
As at 31 December	2,577,231	2,561,521	166,752	168,752

As at 31 December 2015, the Group held the following equity interest:

Undertaking/Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held
Joint ventures:		
Madliena Ridge Limited, 36/38, Triq l-Ispiera, Swieqi	3,000 Ordinary shares of €50 each fully paid	50%

The company is engaged in dealing in immovable property

Hal Mann Holdings Ltd, Hal Mann Showroom, Naxxar Road, Lija IKL 9020	600 'Y' Ordinary shares of €2.329373 each 20% paid up	50%

The company is engaged in subscribing for, take, purchase or otherwise acquire and hold shares or other interests in, or securities of any other company. It is also involved in leasing or renting buildings and any other works in the building industry.

HMK International Ltd, The Factory, Mosta Road, Lija LJA 9016	15,000 'B' Ordinary shares of €1 each fully paid	50%

The company is engaged in the importation, supply, selling and/or assembly of prefabricated structures and material relating to prefabricated structures. The company also trades in building materials and acts as a turnkey contractor.

13. Interest in joint-ventures (continued)

MAC Investments Limited, 52/1, Tigne Seafront, Sliema	1,600 Ordinary shares, of €1 each, fully paid up	33.33%

The company is engaged in the catering industry. This company was placed into a voluntary liquidation on 30 December 2015.

The aggregate capital and reserves as at the end of the under mentioned accounting period and the results for the said period of the undertaking were as follows:

Undertaking	Accounting period	Aggregate capital and reserves	Profit/(Loss)
		€	€
Madliena Ridge Limited	31.12.2015	1,888,307	(24,249)
Hal Mann Holdings Limited	31.12.2014	2,456,594	58,879
HMK International Limited	31.12.2015	100,293	4,316
MAC Investments Limited	31.12.2012	3,607	(1,193)

14. Other financial assets

	The Group		The Company	
	Current	**2014**	**Current**	**2014**
	€	€	€	€
Non-current financial assets				
Loans and receivables:				
Loans to group undertaking	-	-	19,540,250	16,775,285
Loans to joint ventures	1,266,872	1,098,450	262,500	-
Loans to other undertaking	3,425,000	2,250,000	3,425,000	2,250,000
Total loans and receivables	4,691,872	3,348,450	23,227,750	19,025,285
Held-to-maturity investments:				
Bank term deposit account	-	101,648	-	-
Available-for-sale investments:				
Unquoted equity shares	1,367	1,367	1,367	1,367
Provision for impairment of investments	(1,167)	(1,167)	(1,167)	(1,167)
Quoted equity shares	1,882,545	-	1,882,545	-
Total available-for-sale investments	1,882,745	200	1,882,745	200
Financial assets designated at fair value through profit or loss				
Listed debt securities	-	7,589,250	-	7,589,250
Total non-current financial assets	6,574,617	11,039,548	25,110,495	26,614,735

14. Other financial assets (continued)

Current financial assets				
Held-to-maturity investments:				
Bank term deposit account	102,197	-	-	-
Total current financial assets	102,197	-	-	-

Loans and receivables
The amounts due to the company by the group undertakings are unsecured, bear interest at 5.3% per annum and have no fixed repayment date. The loans to joint ventures are interest free, unsecured and have no fixed repayment date.

The loans to other undertakings include an amount of €3,175,000 which is interest free and has no fixed repayment date. The remaining €250,000 may become repayable on demand together with interest at the rate of 6% per annum at the option of the Company or the Company may opt to acquire a thirty three and one third percent of the shareholding of the other undertaking. These options are exercisable within 3 years of the reporting date.

The Company's exposure to credit risk related to these loans and receivables is disclosed in note 29. As at the reporting date, these financial assets were fully performing and hence do not contain impaired assets.

Held-to-maturity investment
Held-to-maturity investment comprise of a bank term deposit account. This investment is measured at amortised cost.

Available-for-sale investment
Available-for-sale financial assets consist of an investment in shares of a non-listed company, which are measured at cost and investment in quoted equity shares which are measured at fair value and rated by credit rating agencies and therefore are classified as rated equity securities. The fair value of these quoted equity securities are determined by reference to published price quotation in an active market. The credit quality of the listed equity securities that were neither past due nor impaired was assessed by reference to external credit ratings about counterparty default rates which as at 31 December 2015 were rated BBB (Standard & Poor's Investors Service). These financial assets were all denominated in Euro.

	Current	2014
	€	€
Summary of movements during the year:		
As at 1 January	-	-
Acquisitions	2,147,228	-
Movement in fair value	(264,683)	-
As at 31 December	1,882,545	-

14. Other financial assets (continued)

Financial assets designated at fair value through profit or loss
Financial assets designated at fair value through profit or loss relate to listed debt securities issued by local companies and the Government of Malta with different interest rates and maturing in different years. The local bonds are not rated by credit rating agencies and therefore are classified as unrated bonds. The credit quality of listed debt securities issued by the Government of Malta that were neither past due nor impaired was assessed by reference to external credit ratings about counterparty default rates which as at 31 December 2014 were rated A-2 (Standard & Poor's Investors Service). These financial assets are all denominated in Euro.

	Current	2014
	€	€
Summary of movements during the year:		
As at 1 January	7,589,250	-
Acquisitions	474,520	7,477,083
Disposal	(8,551,211)	-
Profit on disposal	599,608	-
Movement in fair value	(112,167)	112,167
As at 31 December	-	7,589,250

15. Investment property

	The Group	
	Current	2014
	€	€
Valuation		
As at 1 January	12,850,208	11,644,044
Additions	549,859	3,337
Fair value change on investment property	-	1,219,133
Transfer to property, plant and equipment (note 9)	-	(16,306)
As at 31 December	13,400,067	12,850,208
Depreciation		
As at 1 January 2015	97,495	63,088
Charge for the year	48,948	49,081
Transfer to property, plant and equipment (note 9)	-	(14,674)
As at 31 December 2015	146,443	97,495
Net book value		
As at 1 January	12,752,713	11,580,956
As at 31 December	13,253,624	12,752,713

The Group

Investment property with a net book value of €2,277,611 as at 31 December 2015 is measured at cost less accumulated depreciation. The fair value of this investment property is €2,420,717 (2014: €2,420,717). This property is leased out by the Group under an operating lease to third party.

15. Investment property (continued)

Fair value measurement of the Group's investment properties

As at 31 December 2015, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out on 23 June 2014 by Messrs TBA Periti, independent valuers not related to the Group. 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 29.

Part of the investment property is subject to a special hypothec to secure the bond issue by the 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 investment property is leased out by the Company under an annual operating lease to third parties in accordance to its lease agreement and part of the property is leased out to its subsidiary undertakings. Consequently, as disclosed in Note 9, the property leased out to its subsidiary undertakings is classified and measured in the consolidated financial statements as property, plant and equipment in accordance with the requirements of IAS 16.

16. Property for resale

	The Group		The Company	
	Current	**2014**	**Current**	**2014**
	€	**€**	**€**	**€**
Cost:				
As at 1 January	4,181,509	3,512,449	2,142,351	929,217
Over provision in previous years	(20,355)	(50,000)	-	-
Additions	465,526	1,214,438	1,117	1,213,134
Capitalisation of borrowing costs	-	2,588	-	-
Disposals	(21,136)	(497,966)	-	-
As at 31 December	4,605,544	4,181,509	2,143,468	2,142,351

17. Trade and other receivables

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Trade receivables	7,273,195	4,002,345	14,160	-
Other receivables	43,816	2,412,865	-	-
Other advances	1,278,157	2,946,191	-	794,567
Amounts owed by group undertakings	-	-	1,017,632	244,374
Amounts owed by joint venture undertakings	21,572	194,126	-	179,060
Amounts owed by associate undertakings	-	38,100	-	-
Amounts owed by related undertakings	90,026	16,302	21,302	16,302
Amounts owed by other undertakings	76,137	70,000	76,137	70,000
Amounts owed by shareholders	56,000	56,000	-	-
Indirect taxation	19,094	37,438	6,802	22,482
Accrued income and prepayments	1,995,219	854,888	4,443	108,043
	10,853,216	10,628,255	1,140,476	1,434,828

Trade receivables are non-interest bearing and are generally on terms of 30 to 90 days.

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

				Past due but not impaired
	Total	< 30 days	30-90 days	> 90 days
	€	€	€	€
2015	€7,273,195	762,697	843,633	5,666,865
2014	€4,002,345	975,608	1,103,961	1,922,776

See note 29 on credit risk of trade receivables, which explains how the Group manages and measures credit quality of trade receivables that are neither past due nor impaired.

The amounts owed by joint venture, associate, related and other undertakings are unsecured, interest free and repayable on demand. The amounts owed by shareholders are unsecured, interest free and repayable on demand.

The amounts due to the Company by the group undertaking are unsecured, interest free and repayable on demand.

18. Borrowings

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Current				
Bank overdrafts (note 28)	625,394	231,568	-	-
Bank loans	551,712	380,733	-	-
Total current borrowings	1,177,106	612,301	-	-
Non-current				
Bank loans	1,893,799	1,367,004	-	-
Shareholders' loans	2,166,536	3,329,511	1,357,849	2,520,830
Amounts due to related undertakings	48,799	260,053	-	-
Amounts due to group undertakings	-	-	341,506	393,242
Amounts due to joint ventures	712,464	802,098	599,630	763,205
Amounts due to other undertakings	2,490,385	14,099	-	-
Amount due to third party	18,000	18,000	-	-
Other loan	2,160,317	1,867,816	2,067,816	1,867,816
5% secured bonds	29,433,958	29,384,907	29,433,958	29,384,907
Total non-current borrowings	38,924,258	37,043,488	33,800,759	34,930,000
Total borrowings	40,101,364	37,655,789	33,800,759	34,930,000

The Company
The amounts owed to group undertakings, joint ventures and shareholders' loans are unsecured, interest free and have no fixed repayment date.

The other loan bears interest at 5% is unsecured and has no repayment date.

18. Borrowings (continued)

The secured bonds are measured at the amount of the net proceeds adjusted for the amortisation of the difference between the net proceeds and the redemption value of the bonds, using effective yield method as follows:

	Current	**2014**
	€	**€**
Face value of the secured bonds	29,384,907	30,000,000
Issue costs	-	(623,020)
Accumulated amortization	49,051	7,927
Closing net book amount	49,051	(615,093)
Amortised cost	29,433,958	29,384,907

By virtue of the prospectus dated 6 October 2014, the Company issued 30,000,000 secured bonds with a face value of €100 each. The secured bonds are redeemable at par (€100 for each bond) and are due for redemption on 6 November 2024. The bonds are secured by a first-ranking special hypothec over the Company's property, which comprises the Hal Mann Factory, showroom and adjacent land and by property owned by a subsidiary undertaking, pursuant to and subject to the terms and conditions in the prospectus.

The secured bonds have been admitted on the Official List of the Malta Stock Exchange on 11 November 2014. The quoted market price as at 31 December 2015 for the secured bonds was €107, which in the opinion of the directors fairly represents the fair value of these financial liabilities and which is considered to be a level 1 valuation within the fair value hierarchy.

The interest rate exposure of borrowings was as follows:-

	Current	**2014**
	€	**€**
Total borrowings:		
At fixed rates	31,394,275	31,252,723

Effective interest rates at the end of the reporting period:

	Current	**2014**
	€	**€**
30,000,000 secured bonds 2014 – 2024	5.2676%	5.2676%
Other loan (subrogated)	5%	5%

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 29.

The Group
The bank overdraft and bank loans bear interest ranging between 2.87% to 5.85% per annum (2014: 3.08% to 9.25%). These facilities are secured by a general hypothec over the

18. Borrowings (continued)

Group's present and future assets, special hypothecs and guarantees over the Group's immovable properties and by joint and several personal guarantees and pledges given by the directors and their spouses.

The bank overdrafts are repayable on demand whereas the bank loans are repayable as follows:
- €452,849 is to be repaid over a period of circa 9 years by monthly payments of €5,357 each inclusive of interest
- €60,000 was repaid in full during February 2016
- €263,817 was repaid in full during January 2016
- €1,373,806 is to be repaid in 168 by monthly payments of €14,000 each inclusive of interest
- €295,039 is to be repaid within 5 years by monthly payments of €5,790 each inclusive of interest

The amounts due to related and other undertakings, joint ventures and amount due to third party are unsecured, interest-free and have no fixed repayment date.

19. Trade and other payables

	The Group		The Company	
	Current	**2014**	**Current**	**2014**
	€	**€**	**€**	**€**
Current liabilities				
Amounts received in advance	797,101	69,959	8,204	-
Trade payables	3,937,339	3,698,222	453,746	651,218
Amounts due to group undertaking	-	-	79,000	-
Other payables	16,062	32,568	3,297	5,321
Indirect taxes and social security contributions	437,606	346,850	-	-
Accruals and prepaid income	1,473,403	1,102,152	482,284	233,120
Deferred income	16,576	125,652	-	-
Total current liabilities	6,678,087	5,375,403	1,026,531	889,659
Non-current liabilities				
Trade payables	393,081	368,512	393,081	368,512
Total non-current liabilities	393,081	368,512	393,081	368,512
Total trade and other payables	7,071,168	5,743,915	1,419,612	1,258,171

Trade payables are non-interest bearing and are normally settled between 60 to 90 days. Other payables are non-interest bearing. The amount due to the Company by group undertakings are unsecured, interest-fee and repayable on demand.

The company's exposure to liquidity risk related to trade and other payables is disclosed in note 29.

20. Deferred taxation

	The Group		The Company	
	Current	**2014**	**Current**	**2014**
	€	**€**	**€**	**€**
Deferred tax liability				
As at 1 January	(4,771,355)	(4,436,343)	(2,460,000)	(2,249,520)
Credit in profit or loss (note 8)	1,230,940	(356,774)	820,000	(210,480)
Tax effect on revaluation	21,327	21,762	-	-
As at 31 December	(3,519,088)	(4,771,355)	(1,640,000)	(2,460,000)

The balance as at 31 December 2015 represents:

	Current	**2014**	**Current**	**2014**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Asset revaluations	(3,519,088)	(4,771,355)	(1,640,000)	(2,460,000)

	Current	**2,014**	**Current**	**2,014**
	€	**€**	**€**	**€**
Deferred tax asset				
As at 1 January	1,117,194	660,204	-	-
Credit in profit or loss (note 8)	1,091,331	456,990	-	-
As at 31 December	2,208,525	1,117,194	-	-

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized 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 used is 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.

20. Deferred taxation (continued)

The balance as at 31 December represents:

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Tax effect of temporary differences relating to:				
Asset revaluations	(3,519,088)	(4,771,355)	(1,640,000)	(2,460,000)
Excess of capital allowances over depreciation	(147,601)	(138,442)	-	-
Unabsorbed capital allowances	676,172	504,894	-	-
Unrelieved tax losses	253,047	117,290	-	-
Provision for doubtful debts	35,000	-	-	-
Investment tax credit	1,391,907	633,452	-	-
	(1,310,563)	(3,654,161)	(1,640,000)	(2,460,000)

21. Issued capital

	The Group and The Company	
	Current	2014
	€	€
Authorised:		
5,000,000 Ordinary shares of €1 each	5,000,000	5,000,000
Issued and fully paid up:		
4,999,820 Ordinary shares of €1 each	4,999,820	4,999,820

22. Earnings per share

Earnings per share is based on the profit for the year attributable to the owners of the Group divided by the weighted average number of ordinary shares in issue during the year.

	The Group		The Company	
	Current	2014	Current	2014
Profit for the year attributable to shareholders	€1,284,152	€2,038,418	€1,503,933	€1,211,930
Weighted average number of ordinary shares in issue (note 21)	4,999,820	4,999,820	4,999,820	4,999,820
Earnings per share	€0.26	€0.41	€0.30	€0.24

23. Revaluation reserve for property, plant and equipment

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
As at 1 January	19,332,004	18,028,542	-	-
Net transfer of fair value gain on investment property, net of deferred tax	-	1,343,876	-	-
Depreciation transfer	(60,934)	(62,176)	-	-
Deferred taxation thereon	21,327	21,762	-	-
As at 31 December	19,292,397	19,332,004	-	-

The revaluation reserve comprises the revaluation surplus arising on the revaluation of property, plant and equipment, net of deferred taxation. This reserve is not available for distribution.

24. Revaluation reserve for financial assets

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Decrease in fair value of financial assets	(264,684)	-	(264,684)	-
As at 31 December	(264,684)	-	(264,684)	-

25. Unrealised fair value gain reserve

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
As at 1 January	-	-	9,863,431	8,519,555
Transfer from statement of comprehensive income	-	-	-	1,343,876
As at 31 December	-	-	9,863,431	9,863,431

25. Unrealised fair value gain reserve (continued)

The unrealised fair value gains reserve represents changes in fair value of investment property, net of deferred tax movements, which are unrealised at the reporting date. These amounts are transferred from retained earnings to this reserve since these gains are not considered by the directors to be available for distribution. Upon disposal of the respective investment property, realised fair value gains are transferred to the retained earnings. The unrealised gain reserve is a non-distributable reserve.

26. Capital redemption reserve

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
As at 1 January and 31 December	47,852	47,852	-	-

27. Incentives and benefits reserves

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
As at 1 January and 31 December	604,060	604,060	-	-

The incentives and benefits reserve represents profits set aside for re-investment in terms of Section 6(1) and 36(2) of the Business Promotion Act. Amounts included in this reserve can only be distributed by way of capitalization of profits.

28. Cash and cash equivalents

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

	The Group		The Company	
	Current	2014	Current	2014
	€	€	€	€
Cash at bank and in hand	1,311,250	763,949	634,151	231,860
Bank overdrafts (note 18)	(625,394)	(231,568)	-	-
	685,856	532,381	634,151	231,860

29. Financial risk management objectives and policies

The Group's principal financial assets comprise investment in associate undertakings, interest in joint ventures, other financial assets, trade and other receivables and cash and cash equivalents. Its principal financial liabilities comprise trade and other payables and borrowings.

The Group 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 Group 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 18, the Group's borrowings are non-interest bearing. Borrowings issued at fixed rates consist primarily of bank loans which are carried at amortised cost, and therefore do not expose the Group to cash flow and fair value interest rate risk.

Significant exposure to cashflow interest rate risk arises in respect of interest payments relating to a loan amounting to € 1,373,806 (2014: €1,483,920) that is subject to interest at floating rates linked to Euribor.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of loans and borrowings affected. With all other variables held constant, the Group's loss before tax is affected through the impact of floating rate borrowings as follows:

	Increase/decrease in basis points	Effect on loss before tax
2015		
Euro	+10	(1,332)
Euro	-10	1,332
2014		
Euro	+10	(1,449)
Euro	-10	1,449

Up to the reporting date, the Group did not have any hedging arrangements with respect to interest rate risk or its interest - bearing facilities.

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 Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities including deposits with banks.

29. Financial risk management objectives and policies (continued)

Customer credit risk is managed by the Group's management subject to the Group'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 reporting date on an individual basis. The Group exercises a prudent credit control policy, and accordingly, it is not subject to any significant exposure or concentration of credit risk.

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

Liquidity risk
The Group 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 Group's obligations.

The table below summarises the maturity profile of the Group’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	428,979	696,922	3,174,909	939,288	5,240,098
5% secured bonds and interest on bonds in issue	-	1,551,698	6,236,239	35,462,063	43,250,000
Trade and other payables	1,036,302	4,821,658	416,107	-	6,274,067
Shareholders' loans	-	-	-	2,166,536	2,166,536
Other financial liabilities	27,400	82,200	463,511	4,856,854	5,429,965
	1,492,681	7,152,478	10,290,766	43,424,741	62,360,666

Year ended 31 December 2014	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**> 5 years**	**Total**
Interest-bearing loans and borrowings	89,581	305,989	935,824	901,009	2,232,403
5% secured bonds and interest on bonds in issue	-	1,549,051	6,224,143	36,976,806	44,750,000
Trade and other payables	2,144,584	2,753,434	775,938	-	5,673,956
Shareholders' loans	-	-	-	3,329,511	3,329,511
Other financial liabilities	-	-	2,110,432	851,634	2,962,066
	2,234,165	4,608,474	10,046,337	42,058,960	58,947,936

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 and current borrowings 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 fair value of listed debt securities were based on price quotations at the reporting date.

29. Financial risk management objectives and policies (continued)

The Group used the following hierarchy for determining and disclosing the fair value of investment property, financial assets designated at fair value through profit or loss and available-for-sale financial assets.

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

Level 2: other techniques for which all inputs which have a significant effect on the recorded fair 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.

The following table provides the fair value measurement hierarchy of the Group’s assets and liabilities.

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2015				
Property, plant and equipment	-	-	22,061,526	22,061,526
Investment property	-	-	13,253,624	13,253,624
Financial assets designated at fair value through profit or loss	-	-	-	-
Available-for-sale investments	1,882,545	-	-	1,882,545
	1,882,545	-	35,315,150	37,197,695
As at 31 December 2014				
Property, plant and equipment	-	-	21,870,520	21,870,520
Investment property	-	-	10,426,154	10,426,154
Financial assets designated at fair value through profit or loss	7,589,250	-	-	7,589,250
	7,589,250	-	32,296,674	39,885,924

Capital management

Capital includes the equity attributable to the shareholders of the parent undertaking.

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group 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 31 December 2014.

30. Capital Commitments

The current factory and plant have been built over a number of years with the core plant and line dating back to the 1970's. Various custom made additions have been made over the years. Over the last 10 years, the Group has invested in new technology to update the cutting process with semi-automated cutting machines and the introduction of water jet

30. Capital Commitments (continued)

technology to cater for specialised cuts. The Board of Directors has the intention to modernise the factory and the planned capital outlay is circa €5 million. Most of the new equipment has been installed and commissioned. A further factory was additionally deployed and the same original outlay planned and maintained.

At 31 December 2015, the Group also had commitments of €7million relating to the development of land to create a mixed office/commercial development, with underlying car-parking. Late 2015, permits were successfully released and works progressing as planned.

31. Operating Lease Commitments

Operating lease commitments – the Group as lessor
The Group has entered into operating leases on its investment property consisting of certain office and manufacturing buildings. These leases have a term between 3 and 20 years. All leases include a clause to enable upward revision of the rental charge after a term between 2 and 5 years as applicable.

The Group also has entered into operating leases on its retail outlets, with lease terms between 3 and 12 years.

Future minimum rental payable under non-cancellable operating leases as at 31 December are as follows:

	Current	**2014**
	€	€
Within one year	210,341	175,440
After one year but not more than five years	314,744	371,111
	525,085	546,551

32. Contingent liabilities

As at the end of each reporting period, the Group had guarantees given to third parties in the normal course of business amounting to €20,434,432 (2014: €16,415,533).

33. Ultimate controlling parties

The ultimate controlling parties of the Group are Mr. Vincent Vella and Ms. Mary Vella, both having 5.99% of the issued share capital and Mr. Joseph Vella, Mr. Paul Vella, Ms. Miriam Schembri, Mr. Mark Vella, Mr. Martin Vella, Mr. Simon Vella and Ms. Veronica Ciappara, who each own 12.58% of the issued share capital.

34. Comparative amounts

Certain comparative amounts have been reclassified to conform with the current period's presentation.

Hal Mann Vella Group plc

Schedules to the Financial Statements

I. Administrative expenses

	The Company	
	Current	2014
	€	€
Directors' fees – current year	13,025	-
Directors' fees – prior year	12,000	-
Fines and penalties	511	46
Bank charges	18,705	11,436
Professional fees	76,311	24,677
Malta Stock exchange annual registration fees	10,300	10,300
Registration fee	1,400	2,660
Ground rent payable	17,293	15,094
Accountancy fees	18,750	3,360
Stationery	617	1,092
Travelling and entertainment	-	343
Commissions	20,508	7,751
Repairs and maintenance	3,839	369
Water and electricity	-	1,172
Insurance	3,332	-
Advertising	4,148	-
Auditors' remuneration	3,000	2,030
	203,739	80,330

II. Finance and similar income

	The Company	
	Current	2013
	€	€
Bank interest	-	5
Interest on listed debt securities	153,156	17,320
Interest receivable on amounts due from subsidiaries	1,339,457	-
	1,492,613	17,325

III. Profit on disposal of non-current financial assets

	The Company	
	Current	2014
	€	€
Proceeds	8,663,378	-
Cost including change in market value	(8,063,770)	-
Profit on disposal	599,608	-

IV. Finance costs

	The Company	
	Current	2014
	€	€
Interest payable on bank overdraft	160	119
Coupon interest payable on secured bonds and amortisation of bond issue costs	1,549,051	324,524
Interest payable on other loan	96,651	512
Interest payable on bank loans	-	111,273
Interest payable to CIR	13,244	-
	1,659,106	436,428