Company Registration No:- C 5067

Hal Mann Vella Group plc

Annual Report and Consolidated Financial Statements

for the year ended

31 December 2016

GO/620/AF

Hal Mann Vella Group plc

Directors' report
for the year ended 31 December 2016

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 2016.

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. Up to May 2016, the Group's operations also included 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.

In the second half of 2016, the Group divested itself of all its non-core business and transferred its retail business and leased both Hotels and its restaurant to third parties.

Review of business
The Company registered a profit before tax of €1,937,261 during the year ended 31 December 2016 (2015: €1,022,190).

The Group incurred a consolidated loss before tax from continuing operations of €2,401,824 during the year ended 31 December 2016 (2015: loss before tax €332,232). Discontinued operations incurred a loss after tax of €266,018 during the year ended 31 December 2016 (2015: loss after tax €295,762).

Given the Group's and Company's financing structure and the positive net assets position of the Group and the Company at the end of the financial 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
There was a decrease in turnover from continuing operations of €500,323 for the Group. Finance cost from continuing operations for the year amounted to €1,756,513 (2015: €1,761,157). The EBITDA margin from continuing operations decreased to negative 0.40% (2015: positive 17%).

During 2016, the Group sought to increase its sales from its extended showroom. The Group also additionally supplemented its income through a re-engineered division handling property resale and property development. Property trading and leasing registered significant increases and are set to grow further complimenting the core business of the Group.

As previously published in the (unaudited) Condensed Consolidated Interim Financial Statements of the Group for the six month period ended 30 June 2016, the Group revisited its Statement of Financial Position and revised major assets, including but not limited to immovable property, inventories and receivables.

The Group commissioned Messrs TBA periti and JB Architects to carry out a thorough valuation exercise of all the properties owned by the Group. The fair value of the properties was determined on the basis of open market values taking cognizance of the specific location of the properties, their size and development potential. The valuation report issued by the architects is dated 31 December 2016 and all the Group's properties are now measured at the fair values reported therein. This has resulted in the reporting of a change in fair value of investment property of €4,271,239 in the statement of comprehensive income.

As a consequence of renovations made to the Group's Lija factory and a revamp of product offering, management decided to write off certain inventories amounting to €3,302,915. Based upon past experience and future expectation for collection of various account balances, directors also decided to provide for an impairment allowance of €449,294.

Directors' report (continued)
for the year ended 31 December 2016

The Group's expected additional income generation for 2016 from projects financed through the proceeds of the Bond did not materialize as both projects incurred delays. These projects are now expected to be complete by the end of 2017.

With effect from 1 May 2016, the Group disposed of its fashion retail business. This transaction also entailed the transfer of all related franchise/license agreements. The fashion retail business is being reported as a discontinued operation in these financial statements.

The Group also ceased operating its two hotels, the Mavina Hotel and the Huli Hotel, and has instead leased out these properties together with the underlying bistro restaurant to third parties with effect from 1 May 2016.

Income Generation
The Group has for the last ten years focused on stone, marble and granite. The Group has however, sought to discontinue non-core and non-related businesses to strengthen and develop further complimentary and related business, in particular property development, trading and leasing. The Group is seeking to reposition itself in property trading, development and leasing.

The Bond Issue
In November 2014, the Company issued the Bond for €30,000,000. Out of the funds received, €12,000,000 was intended for two specific projects namely: the development of a 19,000 sqm property intended to be leased and the extension, deployment and commissioning of new equipment for its stone core business. Both projects have been hit by delays in deployment with the factory upgrade in Mosta delayed as a result of transferring the Marsa factory operation to a 14,000 sqm new factory installation in Hal-Far. Notwithstanding this, the Group mitigated the impact of these delays by fully leasing the development project to Transport Malta. This lease is to commence in the second half of 2017.

Outlook for financial year ending 31 December 2017
A positive outlook is planned for 2017 as the Group's orderbook for projects and contracts is already way ahead of plan. The Group's main focus besides the completion of its internal development will also be the reorganization of its Administration and Management.

The Group is generally in line with its plans to set the pace for its future within three years following the bond issue.

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 19 and 20.

The Board of Directors does not propose the payment of a dividend. Retained profits carried forward at the reporting date amounted to €1,323,375 (2015: €6,519,649) for the Group and €2,492,470 (2015: €3,285,190) for the Company.

Directors' report (continued)
for the year ended 31 December 2016

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

Mr. Martin Vella – Chairman
Mr. Mark Vella – Director
Mr. Joseph Vella – Director
Mr. William Van Buren – Non-executive director
Mr. Arthur Galea Salomone – Non-executive director
Ms. Miriam Schembri – Non-executive director appointed on 24 October 2016

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 2016 are included in the Annual Report 2016, which is published in hard-copy printed form and is available on the 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 2016, 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 that 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.

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.

Hal Mann Vella Group plc

Directors' report (continued)
for the year ended 31 December 2016

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

A resolution to re-appoint CA Falzon as auditors of the Company will be proposed at the forthcoming annual general meeting. CA Falzon have expressed their willingness to continue in office.

By order of the Board:

Mr. Martin Vella – Chairman

Mr. Mark Vella – Director

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

18 April 2017

Hal Mann Vella Group plc

Corporate Governance Statement
for the year ended 31 December 2016

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.

Hal Mann Vella Group plc

Corporate Governance Statement (continued)
for the year ended 31 December 2016

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

Since October 2016, the Board is composed of 6 members, with 3 executive and 3 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:

Mr. Martin Vella – Chairman
Mr. Mark Vella – Director
Mr. Joseph Vella – Director
Mr. William Van Buren – Non-executive director
Mr. Arthur Galea Salomone – Non-executive director
Ms. Miriam Schembri – Non-executive director appointed on 24 October 2016
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. Mr. Arthur Galea Salomone, Mr William Van Buren and Ms. Miriam Schembri 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 Officer 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 6 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 2017.

Principle Seven

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

The Board met for 6 times during the year and was always attended by more than 90% 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 and Hal Mann Vella 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	€13,207
Fixed remuneration from Subsidiaries	€100,796

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, except for Ms. Miriam Schembri, Mr. Arthur Galea Salomone and Mr. William Van Buren are executive officers of the Company. 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.

Corporate Governance Statement (continued)
for the year ended 31 December 2016

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 Mosta. A second 480 KW Photo Voltaic energy generation plant has been installed and commissioned over the factory in Hal Far.

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 met twice.

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.

The Audit Committee is composed of 3 non-executive directors:

- Mr. Arthur Galea Salomone – Member
- Mr. William Van Buren – Member
- Ms. Miriam Schembri – 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 18 April 2017 and signed on its behalf by:

Mr. Martin Vella – Chairman

Mr. Mark Vella – Director

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

ca falzon
CERTIFIED PUBLIC ACCOUNTANTS
Since 1967

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Report on the Financial Statements for the year ended 31 December 2016

We have audited the individual financial statements of Hal Mann Vella Group p.l.c. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 19 to 79, which comprise the statement of financial position as at 31 December 2016, and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2016, and of the Group's and the Company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act, Cap. 386 of the Laws of Malta.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that in our professional judgement were of most significance in our audit of the financial statements of the current period. These matters where addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon.

We do not provide a separate opinion on these matters.

1. **Investment property valuations**

   Risk description

   The Group carries its investment property at fair value, with changes in fair value being recognised in the profit or loss. Fair value is based on market valuation performed by independent professional architects. The last market valuation was performed on 31 December 2016. Investment property amounted to €26,139,451 as at 31 December 2016 and is deemed material to the financial statements.

   Estimating the fair value is a complex process involving a number of judgements and estimates regarding various inputs. Consequently, we have determined the valuation of the investment property to be a key audit matter.

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

ca falzon
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Relevant references in the Annual Report and Financial Statements:
- Accounting policy: Notes 2.10 and 2.27
- Note on Investment Property: Note 16
- Judgements in applying accounting policies and key sources of estimation uncertainty: Note 3

How the scope of our audit responded to the risk
We obtained an understanding of the Group's process for determining fair value measurements and disclosures and the relevant control procedures. We assessed inherent and control risk related to the fair value measurements and disclosures and evaluated whether the fair value measurements and disclosures are in accordance with the Group's financial reporting framework and are consistently applied.

We evaluated the professional competence and independence of the architects employed by the Group. We assessed whether the scope of the architects' work was adequate for the purpose of our audit. We evaluated the assumptions and the basis of valuation and the completeness of information used by the architects. We assessed whether the architects' report is complete and reasonable and whether all pertinent information therein is properly reflected in the financial statements.

Findings
The result of our testing was satisfactory and we concur that the valuation of the investment property is appropriate.

2. **Transfers to/from Investment property**
Risk description
During the financial year ended 31 December 2016, property for resale amounting to €1,685,821 was transferred to investment property and investment property amounting to €3,057,137 was transferred to property for resale. This transfer has an impact on the presentation of these assets (from current to non-current and from non-current to current, respectively) and therefore we have deemed this transfer to/from investment property to be a key audit matter.

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: Notes 2.10 and 2.12
- Note on Investment Property: Note 16
- Note on Property for Resale: Note 18

How the scope of our audit responded to the risk
Transfers to or from investment property should only be made when there is a change in use of the properties in question. We evaluated the evidence supporting the change in use (the commencement of an operating lease to another party or holding the property for long-term capital appreciation or active marketing of the property for sale). We ascertained that any differences between the fair value of the properties at the date of transfer and the properties' previous carrying amount, was recognised in profit or loss.

Findings
The result of our testing was satisfactory and we concur with the transfers to/from investment property.

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

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3. **Disposal of available-for-sale financial assets**

Risk description

The Group owned quoted equity which had a net carrying value as of 31 December 2015 of €1,882,545. These shares were sold during the financial year ended 31 December 2016, realizing a loss of €1,082,730. Due to the materiality of the loss, we considered this to be a key audit matter.

Relevant references in the Annual Report and Financial Statements:

- Accounting policy: Notes 2.5
- Note on Other Financial Assets: Note 15

How the scope of our audit responded to the risk

We agreed the details of the disposal with supporting documentation. We ascertained that the cumulative gain or loss previously recognised in equity was recognised in the profit or loss in accordance with IFRS as adopted by the European Union.

Findings

The result of our testing was satisfactory and we concur with the treatment and measurement of the unrealised loss on disposal of available-for-sale financial assets.

4. **Inventory write-offs**

Risk description

As a consequence of renovations made to the Group's Lija factory, relocation to a new factory at Hal Far and a revamp of product offering, management decided to write-off certain inventories amounting to €3,302,915. Due to the materiality of the write-off, we considered this to be a key audit matter.

Relevant references in the Annual Report and Financial Statements:

- Accounting policy: Notes 2.11
- Note on Inventory write offs: Note 8.2

How the scope of our audit responded to the risk

We attended the annual stock take carried out during December 2016 in order to ascertain that the inventory actually exists and that the statement of financial position includes all inventory owned by the Group. We ascertained that obsolete or damaged inventory was adequately segregated and noted.

We ascertained the method used for valuing inventory and considered whether: (a) it has been correctly applied; (b) it is an acceptable basis of valuation under IAS 2 Inventories; and (c) it is consistent with previous years and with the Group's accounting policy.

We performed detailed cost and net realizable value (NVR) testing to assess whether any further inventory write downs were required.

Findings

The result of our testing was satisfactory and we concur that the valuation of the inventory is appropriate.

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

ca falzon
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Since 1967

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5. **Deferred tax asset**

Risk description

As at 31 December 2016, the Group has recognised a deferred tax asset amounting to €4,112,371 arising primarily from deductible temporary differences in respect of unabsorbed capital allowances and unutilized tax losses that it believes are recoverable. The recoverability of recognised deferred tax asset is in part dependent on the Group's ability to generate future taxable profits sufficient to utilise deductible temporary differences and tax losses. We have determined this to be a key audit matter, due to the inherent uncertainty in forecasting the amount and timing of future taxable profits and the reversal of temporary difference.

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: Notes 2.25
- Note on Deferred Tax: Note 22

How the scope of our audit responded to the risk

We ensured that IAS 12 Income Taxes has been correctly applied in respect of deferred tax, paying particular attention to the following situations: (a) the revaluation of an asset; (b) the disposal of an asset and (c) unabsorbed capital allowances and unutilized tax losses.

We assessed the accuracy of forecast future taxable profits by evaluating historical forecasting accuracy and comparing assumptions with our expectations of those assumptions derived from our knowledge of the industry and our understanding obtained during the audit.

Findings

We are satisfied that the deferred tax asset has been properly recognised and measured in view of the fact that taxable profits will be available against which the deductible temporary differences can be utilized.

6. **Discontinued operations**

Risk description

During the initial four months of the financial year ended 31 December 2016, the Group operated seven apparel retail outlets. With effect from 1 May 2016, the Group disposed of its fashion retail business, including inventories, to a third party. The said transaction also comprised the transfer of all franchise/license agreements as well as all leased shops.

The fashion retail business is being reported as a discontinued operation in these financial statements.

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: Notes 2.28
- Note on discontinued operations: Note 6

How the scope of our audit responded to the risk

We have examined the sale agreement and determined that the transaction satisfies the definition for discontinued operations set out in IFRS 5 Non-current Assets held for Sale and Discontinued Operations. The Group's fashion retail business represents a separate major line of business and its operations and cash flows can be clearly distinguished, operationally and for financial reporting purposes, from the rest of the Group.

Partners: Jozef Wallace Galea
Alfred Falzon
Patrizio Prospero
Adrian Sultana

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Findings
We are satisfied that the disposal of the Group's fashion retail business has been appropriately reported and disclosed in accordance with the requirements of IFRS 5 Non-current Assets held for Sale and Discontinued Operations.

Other Information
The directors are responsible for the other information. The other information comprises of the Directors' Report and Corporate Governance Statement of Compliance. Our opinion on the financial statements does not cover this information. Except for our opinion on the Directors' Report in accordance with the Companies Act, Cap. 386 of the Laws of Malta and on the Corporate Governance Statement of Compliance in accordance with the Listing Rules issued by the Malta Listing Authority, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

With respect to the Directors' Report, we also considered whether the Directors' Report includes the disclosures required by Article 177 of the Companies Act, Cap. 386 of the Laws of Malta. Based on the work we have performed, in our opinion:
- the information given in the Directors' Report for the year ended 31 December 2016 is consistent with the financial statements ; and
- the Directors' Report has been prepared in accordance with the Companies Act, Cap. 386 of the Laws of Malta.

In addition, in light of the knowledge and understanding of the Group and its environment, obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' Report.

Based on the work we have performed, we have nothing to report in this regard.

Responsibilities of the Directors
The directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with the International Financial Reporting Standards as adopted by the European Union, and for such internal controls as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative to do so.

Auditors' Responsibilities for the Audit of the Financial
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

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Reasonable Assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

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

Report on other legal and regulatory requirements

Adequacy of explanations received and accounting records
Under the Companies Act, Cap. 386 of the Laws of Malta, we are required to report to you if, in our opinion:
- we have not obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit ;
- proper books of account have been kept by the Group so far as appears from our examination thereof ;
- the financial statements are not in agreement with the books of account ;
- if certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report ;

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

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 have taken to ensure compliance with those Principles.

The Listing Rules also require 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, 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.

This copy of the audit report has been signed by:

Alfred Falzon (Partner)
for and on behalf of CA Falzon
Certified Public Accountants

18 April 2017

Hal Mann Vella Group plc

Statement of Comprehensive Income
for the year ended 31 December 2016

		The Group		The Company	
			Restated		
		Current	**2015**	**Current**	**2015**
	Note	**€**	**€**	**€**	**€**
Continuing operations					
Revenue	7	11,182,058	11,682,381	-	-
Cost of sales	8	(8,764,681)	(8,807,063)	-	-
Gross profit		2,417,377	2,875,318	-	-
Rental income	7	465,652	226,458	479,460	443,443
Distribution and selling costs	8	(286,106)	(230,326)	-	-
Administrative expenses	8	(3,297,704)	(2,951,665)	(204,765)	(203,739)
Inventory write-off	8	(3,302,915)	-	-	-
Property, plant and equipment write-off		(14,841)	-	-	-
Other operating charges	8	(9,768)	-	-	-
Other operating income		52,180	43,703	-	-
Operating (loss)/profit		(3,976,125)	(36,512)	274,695	239,704
Changes in fair value of investment property	16	4,271,239	-	2,960,168	-
Share of loss in joint ventures		(261,357)	(9,967)	-	-
Dividends receivable		-	461,538	-	461,538
Loss on disposal of available -for-sale financial assets		(1,082,730)	-	(1,082,730)	-
Profit on sale of financial assets designated at fair value through profit or loss		-	599,608	-	599,608
Change in fair value of financial assets designated at fair value through profit or loss		-	(112,167)	-	(112,167)
Finance and similar income		403,662	526,425	1,457,059	1,492,613
Finance costs	8	(1,756,513)	(1,761,157)	(1,671,931)	(1,659,106)
(Loss)/profit before tax from continuing operations		(2,401,824)	(332,232)	1,937,261	1,022,190
Income tax credit/(expense)	10	1,622,460	1,961,094	(195,985)	481,743
(Loss)/profit for the year from continuing operations		(779,364)	1,628,862	1,741,276	1,503,933
Discontinued operations					
Loss after tax for the year from discontinued operations	6	(266,018)	(295,762)	-	-
(Loss)/profit for the year		(1,045,382)	1,333,100	1,741,276	1,503,933

The notes on page 28–79 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Comprehensive Income (continued)
for the year ended 31 December 2016

		The Group		The Company	
			Restated		
		Current	**2015**	**Current**	**2015**
	Note	**€**	**€**	**€**	**€**
(Loss)/profit for the year		(1,045,382)	1,333,100	1,741,276	1,503,933
Other comprehensive income					
Items that will not be reclassified to profit and loss:					
Revaluation surplus on property, plant and equipment		1,879,618	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Available-for-sale investments:					
- change in fair value		-	(264,684)	-	(264,684)
- change in fair value transferred to profit or loss		264,684	-	264,684	-
Total comprehensive income for the year		1,098,920	1,068,416	2,005,960	1,239,249
Earnings per share (cents)					
- Continuing operations		(0.16)	0.33	0.35	0.30
- Discontinued operations		(0.05)	(0.06)	-	-
	24	**(0.21)**	**0.27**	**0.35**	**0.30**

The notes on page 28–79 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Financial Position

as at 31 December 2016

	Note	The Group		The Company	
		Current	Restated 2015	Current	2015
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	11	28,561,102	34,037,933	-	-
Intangible assets	12	-	39,350	-	-
Investment in subsidiaries	13	-	-	8,395,216	3,395,216
Interest in joint-ventures	14	2,316,474	2,577,231	167,352	166,752
Financial assets	15	1,032,241	6,574,617	18,174,271	25,110,495
Trade and other receivables	19	689,750	-	-	-
Investment property	16	26,139,451	13,302,572	25,827,151	22,061,526
Deferred taxation	22	4,112,371	2,208,525	1,152,793	-
Goodwill		62,888	62,888	-	-
Total non-current assets		62,914,277	58,803,116	53,716,783	50,733,989
Current assets					
Inventories	17	3,005,080	6,153,610	-	-
Property for resale	18	6,063,877	4,605,544	1,213,136	2,143,468
Trade and other receivables	19	9,719,793	10,853,216	1,480,957	1,140,476
Current tax recoverable	10	32,802	61,781	92,044	92,044
Financial assets	15	103,671	102,197	-	-
Cash and cash equivalents	30	256,245	1,311,250	174,358	634,151
Total current assets		19,181,468	23,087,598	2,960,495	4,010,139
Total assets		82,095,745	81,890,714	56,677,278	54,744,128

The notes on page 28–79 form part of these financial statements.

Statement of Financial Position (continued)
as at 31 December 2016

	Note	The Group Current	The Group Restated 2015	The Company Current	The Company 2015
		€	€	€	€
EQUITY AND LIABILITIES					
Equity					
Issued capital	23	4,999,820	4,999,820	4,999,820	4,999,820
Revaluation reserve on property, plant and equipment	25	21,172,015	19,292,397	-	-
Fair value reserve	26	-	(264,684)	-	(264,684)
Other reserve	27	4,150,892	-	12,397,427	9,863,431
Capital reserve	28	47,852	47,852	-	-
Incentives and benefits reserves	29	604,060	604,060	-	-
Retained earnings		1,323,375	6,519,649	2,492,470	3,285,190
Total equity		32,298,014	31,199,094	19,889,717	17,883,757
Non-current liabilities					
Borrowings	20	38,432,076	38,924,258	33,342,743	33,800,759
Trade and other payables	21	272,465	393,081	196,540	393,081
Deferred taxation	22	3,816,156	3,519,088	2,066,172	1,640,000
Total non-current liabilities		42,520,697	42,836,427	35,605,455	35,833,840
Current liabilities					
Borrowings	20	579,057	1,177,106	-	-
Trade and other payables	21	6,697,977	6,678,087	1,182,106	1,026,531
Total current liabilities		7,277,034	7,855,193	1,182,106	1,026,531
Total liabilities		49,797,731	50,691,620	36,787,561	36,860,371
Total equity and liabilities		82,095,745	81,890,714	56,677,278	54,744,128

The notes on page 28–79 form part of these financial statements.

The financial statements set out on pages 19 to 79 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

18 April 2017

Hal Mann Vella Group plc

Statement of Changes in Equity
as at 31 December 2016

	The Group							
	Issued share capital €	**Revaluation reserve on property, plant & equipment €**	**Other reserve €**	**Fair value reserve €**	**Retained earnings €**	**Incentives & benefits reserve €**	**Capital reserve €**	**Total Equity €**
Balance as at 1 January 2015								
Opening balance	4,999,820	19,332,004	-	-	5,154,540	604,060	47,852	30,138,276
Profit for the year from continuing operations	-	-	-	-	1,628,862	-	-	1,628,862
Loss for the year from discontinued operations	-	-	-	-	(295,762)	-	-	(295,762)
Other comprehensive income								
Available for sale investments:								
- change in fair value	-	-	-	(264,684)	-	-	-	(264,684)
Total comprehensive income for the year	-	-	-	(264,684)	1,333,100	-	-	1,068,416
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)	6,519,649	604,060	47,852	31,199,094

The notes on page 28–79 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Changes in Equity
as at 31 December 2016

	The Group							
	Issued share capital	**Revaluation reserve on property, plant & equipment**	**Other reserve**	**Fair value reserve**	**Retained earnings**	**Incentives & benefits reserve**	**Capital reserve**	**Total Equity**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Balance as at 1 January 2016								
Opening balance	4,999,820	19,292,397	-	(264,684)	6,519,649	604,060	47,852	31,199,094
Loss for the year from the continuing operations	-	-	-	-	(779,364)	-	-	(779,364)
Loss for the year from the discontinued operations	-	-	-	-	(266,018)	-	-	(266,018)
Other comprehensive income								-
Revaluation surplus of property, plant and equipment	-	1,879,618	-	-	-	-	-	1,879,618
Available for sale investments:								
- change in fair value	-	-	-	264,684	-	-		264,684
Total comprehensive income for the year	-	1,879,618		264,684	(1,045,382)	-	-	1,098,920
Transfer of fair value gain on investment property, net of deferred tax	-	-	4,150,892	-	(4,150,892)	-	-	-
Balance as at 31 December 2016	4,999,820	21,172,015	4,150,892	-	1,323,375	604,060	47,852	32,298,014

The notes on page 28–79 form part of these financial statements.

Statement of Changes in Equity (continued)
as at 31 December 2016

	The Company				
	Issued capital €	Revaluation reserve on financial assets €	Other reserve €	Retained earnings €	Total Equity €
Balance as at 1 January 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
Balance as at 1 January 2016					
Opening balance	4,999,820	(264,684)	9,863,431	3,285,190	17,883,757
Profit for the year	-	-	-	1,741,276	1,741,276
Other comprehensive income					
Available-for-sale investments:					
- change in fair value transferred to profit or loss	-	264,684	-	-	264,684
Total comprehensive income for the year	-	264,684	-	1,741,276	2,005,960
Transfer of fair value gain on investment property, net of deferred tax	-	-	2,533,996	(2,533,996)	-
Balance as at 31 December 2016	4,999,820	-	12,397,427	2,492,470	19,889,717

The notes on page 28–79 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Cash Flows
for the year ended 31 December 2016

		The Group		The Company	
	Note	**Current**	**Restated 2015**	**Current**	**Restated 2015**
		€	**€**	**€**	**€**
Cash flows from operating activities					
(Loss)/profit before tax from continuing operations		(2,251,449)	(112,725)	1,937,261	1,022,190
Loss before tax from discontinued operations		(487,140)	(775,960)	-	-
Adjustments for:					
Changes in fair value of investment property		(4,271,239)	-	(2,960,168)	-
Share of loss in joint venture		261,357	9,967	-	-
Depreciation of property, plant and equipment		602,662	554,254	-	-
Depreciation of property, plant and equipment of discontinued operations		21,773	73,460	-	-
Amortisation of intangible assets of discontinued operations		3,492	10,477	-	-
Change in fair value of financial assets designated through profit or loss		-	112,167	-	112,167
Impairment of trade receivables		385,319	100,000	-	-
Property, plant and equipment write-off		14,841	-	-	-
Loss/(gain) on disposal of financial assets		1,082,730	(599,608)	1,082,730	(599,608)
Gain on disposal of property, plant and equipment of discontinued operations		(241,332)	-	-	-
Gain on disposal of tradenames of discontinued operations		(114,142)	-	-	-
Dividends receivable		-	(461,538)	-	(461,538)
Finance and similar income		(403,662)	(526,425)	(1,457,059)	(1,492,613)
Finance costs		1,756,513	1,761,157	1,671,931	1,659,106
Finance cost of discontinued operations		17,823	12,246	-	-
Working capital changes:					
Decrease/(increase) in inventories		3,148,530	(153,904)	-	-
(Increase)/decrease in property for resale		(87,017)	(427,535)	290,389	(1,117)
Decrease/(increase) in receivables		26,970	(3,034,033)	(44,157)	263,114
(Decrease)/increase in payables		(148,621)	3,451,369	(40,966)	(67,943)
Interest paid on overdraft		(10,948)	(24,809)	(33)	(160)
Other interest paid		(1,063,311)	(986,615)	-	(13,244)
Taxation paid		(91,575)	(311,916)	(14,520)	(306,137)
Taxation refunded		30,263	54,731	-	-
Net cash (used in)/from operating activities		(1,818,163)	(1,275,240)	465,408	114,217

The notes on page 28–79 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Cash Flows (continued)
for the year ended 31 December 2016

		The Group		The Company	
	Note	**Current**	**Restated 2015**	**Current**	**Restated 2015**
		€	**€**	**€**	**€**
Cash flows from investing activities					
Payments to acquire property, plant and equipment		(1,811,357)	(5,009,600)	-	-
Payments to acquire investment property		(1,840,376)	(549,859)	(165,515)	(302,539)
Payments to acquire financial assets		(12,896)	(2,621,749)	(12,896)	(2,621,749)
Payments to acquire investment in subsidiaries		-	(442,520)	(5,000,000)	(442,520)
Dividends received		-	461,538	-	461,538
Advances to group companies		-	-	2,328,164	(3,010,192)
Receipts from/(advances to) joint venture		251,019	(262,500)	166,765	(262,500)
Receipts from/(advances to) other parties		4,060,443	(1,175,000)	3,136,740	(1,175,000)
(Advances to)/receipts from related companies		(546,758)	38,100	(565,694)	-
Receipts from disposal of other financial assets		1,064,498	8,551,211	1,064,500	8,551,211
Receipts from disposal of property, plant and equipment of discontinued operations		850,000	-	-	-
Receipts from disposal of tradenames of discontinued operations		150,000	-	-	-
Balance transferred on merger with subsidiary company		-	-	-	111,533
Finance and similar income		1,458,597	1,529,861	1,457,059	1,523,851
Net cash from investing activities		3,623,170	519,482	2,409,123	2,833,633
Cash flows from financing activities					
(Repayment to)/advances from banks loans		(104,126)	172,813	51,699	-
(Repayment to)/advances from third parties		(1,997,816)	200,000	(1,997,816)	200,000
Repayments to group companies		-	-	(1,218,712)	(51,735)
Advances from/(repayments to) related companies		66,535	(85,203)	21,302	-
Advances from/(repayments to) joint ventures		532,335	3,212,925	532,335	(163,575)
Advances from other companies		50,000	2,490,385	50,000	-
Advances from/(repayment to) shareholders		597,874	(3,669,715)	898,766	(1,162,982)
Interest paid on bonds		(1,555,809)	(1,367,267)	(1,555,809)	(1,367,267)
Interest paid on loans		(199,476)	(88,944)	(116,089)	-
Net cash (used in)/from financing activities		(2,610,483)	864,994	(3,334,324)	(2,545,559)
Net movement in cash and cash equivalents		(805,476)	109,236	(459,793)	402,291
Cash and cash equivalents at beginning of year		685,856	576,620	634,151	231,860
Cash and cash equivalents at end of year	30	(119,620)	685,856	174,358	634,151

The notes on page 28–79 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2016

1. Corporate information

The consolidated financial statements of Hal Mann Vella Group plc and its subsidiaries ("the Group") for the year ended 31 December 2016 were authorized for issue in accordance with a resolution of the directors on 18 April 2017.

Hal Mann Vella Group plc ("the Company") is a public 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 preparation 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 (IFRS) 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 Euro (€), which is the functional currency of the Group.

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2016. 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.

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.

The Group classifies all other liabilities as non-current.

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

2. Principal accounting policies (continued)

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 included in the Company's statement of financial position at cost less any impairment loss which may have arisen. Dividends from these investments are recognized in the statement of comprehensive income.

2.4 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 equity method. Investments in joint-ventures are included in the Group's statement of financial position at cost and adjusted thereafter for the post-acquisition change in the share of net assets. The statement of comprehensive income includes the share of profit or loss in joint-venture.

2.5 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 of the financial assets. 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.

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, held-to-maturity and available-for-sale (AFS) category. The classification depends on the purpose for which the financial assets were acquired.

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 '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

2. Principal accounting policies (continued)

cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in 'Finance 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 'Other operating charges' for receivables.

Held-to-maturity financial assets
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 on financial asset'. When the asset is disposed of, the 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 on 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.

2. Principal accounting policies (continued)

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.

2.6 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.

2.7 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.

2.8 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.

2. Principal accounting policies (continued)

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 month 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%
Renewable energy	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%
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.

2.9 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.

2. Principal accounting policies (continued)

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. In May 2016, retail operations of the subsidiary including the tradenames are sold to third party.

2.10 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.

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.

2. Principal accounting policies (continued)

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.

2.11 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.

2.12 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.

2.13 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

2. Principal accounting policies (continued)

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 of the 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.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised in profit and loss to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in profit or loss in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised immediately as an expense in profit or loss.

The gross amount due from customers for contract work is recognised as an asset.

2.14 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.

2.15 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.

2. Principal accounting policies (continued)

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 Group's cash management.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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. Principal accounting policies (continued)

2.22 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.

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.

2.23 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.

2. Principal accounting policies (continued)

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.

2.24 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.

2.25 Taxation
The tax expense for the year 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.

2. Principal accounting policies (continued)

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.

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.

2.26 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.

2.27 Fair value measurements and valuation processes
The Group measures non-financial assets such as land and buildings and investment property 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.

2. Principal accounting policies (continued)

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 16.

2.28 Discontinued operations
A disposal group qualifies as discontinued operation if it is a component of an entity that either has been disposed of, or is classified as held for sale, and:
- represents a separate major line of business or geographical area of operations;
- is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations

Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the profit or loss.

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

In preparing the financial statements, the directors are required to make judgements, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgement are inherent in the formation of estimates. Actual results in the future could differ from such estimates and the differences may be material to the financial statements. These estimates are reviewed on a regular basis and if a change is needed, it is accounted in the period the changes become known. The most significant judgement and estimates are as follows:

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.

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

Revaluation of property, plant and equipment and fair value of investment properties
The Group carries its investment property at fair value, with changes being recognised in profit or loss. In addition, it measures land and buildings, including leasehold properties, at revalued amount with changes in fair value being recognized in other comprehensive income. This is based on market valuation performed by independent professional architect at least every two years. In a year when market valuations are not performed by independent professional architect, an assessment of the fair value of investment properties consisting of land and building is performed to reflect market conditions at the reporting date.

The last market valuation was performed on 31 December 2016 and the Group recognized fair values of property, plant and equipment and investment property in notes 10 and 15.

Recognition of deferred tax assets
The extent to which deferred tax assets can be recognized is based on an assessment of the probability that future taxable income will be available against which the deductible temporary differences and tax loss carry-forward can be utilized. In addition, significant judgement is required in assessing the impact of any legal or economic limits or uncertainties in various tax jurisdictions.

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

4. 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 2016. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

Amendments to IAS 16 and IAS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
The amendments clarify the principle in IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets that revenue reflects a pattern of economic benefits that are generated from operating a business (of which the asset is a part) rather than the economic benefits that are consumed through use of the asset. As a result, a revenue-based method cannot be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets. The amendments are effective prospectively for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact to the Group given that the Group has not used a revenue-based method to depreciate its noncurrent assets.

4. Changes in accounting policies and disclosures (continued)

Amendments to IAS 27: Equity Method in Separate Financial Statements
The amendments will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in their separate financial statements. Entities already applying IFRS and electing to change to the equity method in their separate financial statements will have to apply that change retrospectively. First-time adopters of IFRS electing to use the equity method in their separate financial statements will be required to apply this method from the date of transition to IFRS. The amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group's consolidated financial statements.

Annual Improvements 2012-2014 Cycle
These improvements are effective for accounting periods beginning on or after 1 January 2016. They include:

• IFRS 5 Non-current Assets Held for Sale and Discontinued Operations
Assets (or disposal groups) are generally disposed of either through sale or distribution to owners. The amendment clarifies that changing from one of these disposal methods to the other would not be considered a new plan of disposal, rather it is a continuation of the original plan. There is, therefore, no interruption of the application of the requirements in IFRS 5. This amendment must be applied prospectively.

• IFRS 7 Financial Instruments: Disclosures
(i) Servicing contracts
The amendment clarifies that a servicing contract that includes a fee can constitute continuing involvement in a financial asset. An entity must assess the nature of the fee and the arrangement against the guidance for continuing involvement in IFRS 7 in order to assess whether the disclosures are required. The assessment of which servicing contracts constitute continuing involvement must be done retrospectively. However, the required disclosures would not need to be provided for any period beginning before the annual period in which the entity first applies the amendments.

(ii) Applicability of the amendments to IFRS 7 to condensed interim financial statements
The amendment clarifies that the offsetting disclosure requirements do not apply to condensed interim financial statements, unless such disclosures provide a significant update to the information reported in the most recent annual report. This amendment must be applied retrospectively.

• IAS 19 Employee Benefits
The amendment clarifies that market depth of high quality corporate bonds is assessed based on the currency in which the obligation is denominated, rather than the country where the obligation is located. When there is no deep market for high quality corporate bonds in that currency, government bond rates must be used. This amendment must be applied prospectively.

4. Changes in accounting policies and disclosures (continued)

- **IAS 34 Interim Financial Reporting**

The amendment clarifies that the required interim disclosures must either be in the interim financial statements or incorporated by cross-reference between the interim financial statements and wherever they are included within the interim financial report (e.g., in the management commentary or risk report). The other information within the interim financial report must be available to users on the same terms as the interim financial statements and at the same time. This amendment must be applied retrospectively.
These amendments do not have any impact on the Group.

Amendments to IAS 1 Disclosure Initiative
The amendments to IAS 1 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 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 other comprehensive income of associates and joint ventures accounted for using the equity method must be presented in aggregate as a single line item, and classified between those items that will or will not be subsequently reclassified to profit or loss

Furthermore, the amendments clarify the requirements that apply when additional subtotals are presented in the statement of financial position and the statement(s) of profit or loss and other comprehensive income. These amendments are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group.

Amendments to IFRS 10, IFRS 12 and IAS 28 Investment Entities: Applying the Consolidation Exception
The amendments address issues that have arisen in applying the investment entities exception under IFRS 10 Consolidated Financial Statements. The amendments to IFRS 10 clarify that the exemption from presenting consolidated financial statements applies to a parent entity that is a subsidiary of an investment entity, when the investment entity measures all of its subsidiaries at fair value.

Furthermore, the amendments to IFRS 10 clarify that only a subsidiary of an investment entity that is not an investment entity itself and that provides support services to the investment entity is consolidated. All other subsidiaries of an investment entity are measured at fair value. The amendments to IAS 28 Investments in Associates and Joint Ventures allow the investor, when applying the equity method, to retain the fair value measurement applied by the investment entity associate or joint venture to its interests in subsidiaries.

These amendments must be applied retrospectively and are effective for annual periods beginning on or after 1 January 2016, with early adoption permitted. These amendments do not have any impact on the Group as the Group does not apply the consolidation exception.

4. Changes in accounting policies and disclosures (continued)

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. 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 2016, 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.

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 2016, 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 April 2016 and will monitor any further developments.

IFRS 16 Leases
IFRS 16 introduces a single, on-balance lease sheet accounting model for lessees. A lessee recognises a right-of-use asset representing its right to use the underlying asset and a lease liability representing its obligation to make lease payments. There are optional exemptions for short-term leases and leases of low value items. Lessor accounting remains similar to the current standard – i.e.lessors continue to classify leases as finance or operating leases. IFRS 16 replaces existing leases guidance including IAS 17 Leases, IFRIC 4 Determining whether an Arrangement contains a Lease, SIC-15 Operating Leases—Incentives and SIC-27 Evaluating the Substance of Transactions Involving the Legal Form of a Lease. The standard is effective for annual periods beginning on or after 1 January 2019. Early adoption is permitted for entities that apply IFRS 15 Revenue from Contracts with Customers at or before the date of initial application of IFRS 16.

4. Changes in accounting policies and disclosures (continued)

IAS 7 Disclosure Initiatives - Amendments to IAS 7
The amendments to IAS 7 are part of the IASB's Disclosure Initiative and require an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-caash changes. On initial application of the amendment, entities are not required to provide comparative information for preceding periods. Subject to endorsement by the EU, these amendments are effective for annual periods beginning on or after 1 January 2017, with early application permitted. Application of the amendments will result in additional disclosures provided by the Group.

IAS 12 Recognition of Deferred Tax Assets for Unrealised Losses - Amendments to IAS 12
The amendments clarify that an entity needs to consider whether tax law restricts the sources of taxable profits against which it may make deductions on the reversal of that deductible temporary difference. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include recovery of some assets for more than their carrying amount. Entities are required to apply the amendments retrospectively. However, on initial application of the amendments, the change in the opening equity of the earliest comparative period may be recognised in the opening retained earnings (or in another component of equity, as appropriate), without allocating the change between opening retained earnings and other component of equity. Entities applying this relief must disclose the fact. Subject to endorsement by the EU, these amendments are effective for annual period beginning on or after 1 January 2017 with early application permitted. If an entity applies the amendments for an earlier period, it must disclose that fact. These amendments are not expected to have any impact to 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 is responsible for hotel operations in Malta. The Group owns two hotels namely the Mavina Holiday Complex and the Huli Hotel with an underlying Bistro Restaurant. Both hotels as well as the restaurant were leased out to thirds parties in May 2016.

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.

Notes to the financial statements
for the year ended 31 December 2016

5. Segment information (continued)

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. Rental income is included as part of total revenue. Discontinued operations are not presented in this segment information. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

Year ended 31 December 2016	Property development and letting	Hospitality	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue						
External customers	1,764,954	165,030	15,305,265	17,235,249	(5,587,539)	11,647,710
Total revenue	**1,764,954**	**165,030**	**15,305,265**	**17,235,249**	**(5,587,539)**	**11,647,710**
Income/(expenses)						
Depreciation	-	1,060	601,602	602,662	-	602,662
Share of loss of joint ventures	(261,357)	-	-	(261,357)	-	(261,357)
Segment profit/(loss)	**2,979,289**	**2,614,757**	**(5,527,800)**	**66,246**	**(2,468,070)**	**(2,401,824)**
Total assets	**77,833,542**	**6,809,980**	**26,975,968**	**111,619,490**	**(30,444,591)**	**81,174,899**
Total liabilities	**47,981,293**	**1,966,799**	**22,423,971**	**72,372,063**	**(22,719,046)**	**49,653,017**
Other disclosures						
Interest in joint ventures	167,352	-	-	167,352	2,149,122	2,316,474

Notes to the financial statements
for the year ended 31 December 2016

5. Segment information (continued)

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. Rental income is included as part of total revenue. Discontinued operations are not presented in this segment information. All other adjustments and eliminations are part of the detailed reconciliations presented further below.

Year ended 31 December 2015	Property development and letting	Hospitality	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue						
External customers	677,901	293,497	15,892,644	16,864,042	(4,955,203)	11,908,839
Total revenue	**677,901**	**293,497**	**15,892,644**	**16,864,042**	**(4,955,203)**	**11,908,839**
Income/(expenses)						
Depreciation	-	(99,314)	(454,940)	(554,254)	-	(554,254)
Share of loss of joint ventures	(9,967)	-	-	(9,967)	-	(9,967)
Segment profit/(loss)	**897,517**	**(239,732)**	**(760,543)**	**(102,758)**	**(229,474)**	**(332,232)**
Total assets	**72,203,547**	**4,508,669**	**29,217,039**	**105,929,255**	**(26,315,699)**	**79,613,556**
Total liabilities	**45,012,259**	**2,484,573**	**25,961,666**	**73,458,498**	**(23,711,574)**	**49,746,924**
Other disclosures						
Interest in joint ventures	166,752	-	-	166,752	2,410,479	2,577,231

6. Discontinued operations

In May 2016, the Group announced the decision of the Board of Directors to sell the retail operations of SMG Mode Ltd, a wholly owned subsidiary, to a third party. With the operations of SMG Mode Ltd being classified as discontinued, the retail operation segment is no longer presented in the segment note. The results of SMG Mode Ltd for the year are presented as below:

	Current	Restated 2015
	€	€
Revenue	582,055	2,214,263
Cost of sales	(327,588)	(1,322,614)
Gross profit	254,467	891,649
Administrative expenses	(503,696)	(1,438,376)
Operating losses	(249,229)	(546,727)
Finance costs	(17,823)	(12,246)
Other income	114,142	2,520
Gain on sale of tradenames	185,554	
Loss on sale of inventories	(610,741)	-
Gain on disposal of property, plant and equipment	241,332	-
Loss before tax from discontinued operations	(336,765)	(556,453)
Income tax credit	70,747	260,691
Loss for the year from discontinued operations	(266,018)	(295,762)

7. Revenue

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Sale of properties	1,043,000	34,000	-	-
Sale of goods	9,971,164	11,240,333	-	-
Sales of electricity	119,086	114,551	-	-
Accommodation income	48,808	293,497	-	-
Rental income	465,652	226,458	479,460	443,443
	11,647,710	11,908,839	479,460	443,443

8. Expenses by nature

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Depreciation of property, plant and equipment	602,662	554,254	-	-
Auditors' remuneration (note 8.1)	34,891	33,119	3,000	3,000
Directors' salaries (note 9)	114,003	132,116	13,207	25,025
Wages, salaries and social security contribution (note 9)	3,293,920	2,777,748	-	-
Exchange fluctuation	9,768	663	-	-
Inventory write-off (note 8.2)	3,302,915	-	-	-
Other expenses	8,303,015	8,491,154	188,558	175,714
	15,661,174	11,989,054	204,765	203,739

8.1 Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2016 and 31 December 2015 relate to the following:

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Annual statutory audit	34,891	33,119	3,000	3,000

8.2 Inventory write-off

During the year ended 31 December 2016, the directors of the Group resolved to write-off obsolete or damaged inventories amounting to €3,302,915 (2015: nil).

8. Expenses by nature (continued)

8.3 Finance cost

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Bank overdraft interest	11,168	10,127	33	160
Interest on bonds and amortisation of bond issue cost	1,555,809	1,549,051	1,555,809	1,549,051
Bank loan interest	185,062	184,014	116,089	96,651
Interest charged by CIR	-	13,244	-	13,244
Other interest	4,474	4,721	-	-
	1,756,513	1,761,157	1,671,931	1,659,106

9. Payroll costs and personnel information

Payroll costs for the financial years ended 31 December 2016 and 31 December 2015 comprised the following:

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Wages and salaries (including directors' remuneration)	3,162,624	2,678,928	13,207	25,025
Social security contributions	245,299	230,936	-	-
	3,407,923	2,909,864	13,207	25,025

The average number of persons (including the directors) employed by the Group and the Company during the financial years ended 31 December 2016 and 31 December 2015 was as follows:

	The Group		The Company	
	Current	Restated 2015	Current	2015
Operational	106	121	-	-
Administration	62	55	-	-
Distribution	26	14	-	-
	194	190	-	-

Notes to the financial statements

for the year ended 31 December 2016

10. Income tax

10.1 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% and 5% final withholding tax.

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
Income tax expense:				
Tax at source	-	(44,590)	-	(44,590)
Final withholding tax at 15%	(231)	(27,977)	-	(27,659)
Final withholding tax at 8%	(75,540)	(2,720)	-	-
Final withholding tax at 5%	(14,520)	-	(14,520)	-
Underprovision of tax in prior years	-	(25,200)	-	(25,200)
Total current tax expense	(90,291)	(100,487)	(14,520)	(97,449)
Consideration payable by the Company in respect of the tax benefit, attaching to tax losses (discontinued operations) surrendered by a subsidiary company under the Group Relief provision of the Income Tax Act	(154,096)	(240,808)	(908,086)	(240,808)
Deferred taxation (note 22):				
Credit for the year	1,866,847	2,302,389	726,621	820,000
Income tax credit/(expense) for the year	1,622,460	1,961,094	(195,985)	481,743

10. Income tax (continued)

10.2 Tax reconciliation

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€		€
(Loss)/profit before tax	(2,401,824)	(332,232)	1,937,261	1,022,190
Taxation (credit)/charge thereon	(840,638)	(116,281)	678,041	357,767
Tax effect of:				
- excess of carrying amount of property, plant and equipment over tax base	240,641	163,729	-	-
- expenses non allowed for tax purposes	696,575	369,861	450,624	233,073
- income taxed at different rates	(996,427)	(288,777)	56,163	(277,783)
- unabsorbed capital allowances	(45,311)	(147,918)	-	-
- investment tax credits	(81,218)	(758,456)	-	-
- unabsorbed tax losses	709,729	(242,422)	(908,086)	(240,808)
- unabsorbed capital losses	(378,956)	-	(378,956)	-
- change in the fair value of investment property	(1,080,951)	(1,230,942)	(609,887)	(820,000)
- group relief	154,096	264,912	908,086	240,808
- under provision of prior year tax charge	-	25,200	-	25,200
Income tax (credit)/expense for the year	(1,622,460)	(1,961,094)	195,985	(481,743)

10.3 Current taxation

Taxation recoverable is made up as follows:

	The Group		The Company	
	Current	Restated 2015	Current	2015
	€	€	€	€
As at 1 January	(61,781)	95,125	(92,044)	116,644
Underprovision of tax in prior years	-	25,200	-	25,200
Income tax expense	90,291	75,079	14,520	72,249
Tax refund	30,263	54,731	-	-
	58,773	250,135	(77,524)	214,093
Payments:				
Settlement tax	-	(119,681)	-	(116,940)
Final withholding tax	(91,575)	(30,697)	(14,520)	(27,659)
Tax at source	-	(161,538)	-	(161,538)
	(91,575)	(311,916)	(14,520)	(306,137)
As at 31 December	(32,802)	(61,781)	(92,044)	(92,044)

Notes to the financial statements
for the year ended 31 December 2016

11. Property, plant & equipment

	The Group									
	Freehold land and buildings	Plant and machinery	Tools	Computer equipment and software	Office equipment	Air-conditioning equipment	Tele-communications	Exhibition stand	Furniture and fittings	Motor vehicles
	€	€	€	€	€	€	€	€	€	€
Cost / Valuation										
As at 1 January 2015	25,789,710	2,065,066	156,943	573,774	93,476	40,495	18,275	20,832	1,360,740	509,320
Additions	302,539	1,200,193	25,996	61,990	23,831	2,908	-	-	70,254	46,246
Transfer to subsidiary	(111,533)	-	-	-	-	-	-	-	-	-
As at 31 December 2015	25,980,716	3,265,259	182,939	635,764	117,307	43,403	18,275	20,832	1,430,994	555,566
Transfer to investment property (note 16)	(8,111,827)	-	-	-	-	-	-	-	-	-
Additions	152,657	658,250	800	12,498	75,964	-	-	-	15,434	75,101
Revaluation surplus (note 25)	2,056,338	-	-	-	-	-	-	-	-	-
Write-off	-	-	-	(12,492)	-	-	(12,805)	-	(358,902)	(29,698)
Disposal	-	-	-	(56,786)	(10,361)	(22,990)	(784)	-	(710,038)	-
As at 31 December 2016	20,077,884	3,923,509	183,739	578,984	182,910	20,413	4,686	20,832	377,488	600,969
Depreciation										
As at 1 January 2015	165,187	1,048,063	121,183	452,581	72,010	26,451	17,106	18,951	746,319	360,718
Charge for the year	79,684	168,093	11,766	42,472	7,467	3,248	282	376	80,813	31,620
As at 31 December 2015	244,871	1,216,156	132,949	495,053	79,477	29,699	17,388	19,327	827,132	392,338
Transfer to investment property (note 16)	(238,209)	-	-	-	-	-	-	-	-	-
Charge for the year	6,218	216,564	11,003	32,782	24,531	2,177	193	301	47,230	37,625
Released on write-off	-	-	-	(10,376)	-	-	(12,805)	-	(351,898)	(29,361)
Released on disposals	-	-	-	(38,487)	(7,517)	(14,152)	(642)	-	(300,242)	-
As at 31 December 2016	12,880	1,432,720	143,952	478,972	96,491	17,724	4,134	19,628	222,222	400,602
Net book amount										
As at 31 December 2015	25,735,845	2,049,103	49,990	140,711	37,830	13,704	887	1,505	603,862	163,228
As at 31 December 2016	20,065,004	2,490,789	39,787	100,012	86,419	2,689	552	1,204	155,266	200,367

Notes to the financial statements
for the year ended 31 December 2016

11. Property, plant & equipment (continued)

	The Group									
	Leasehold industrial buildings	Improvements to premises	Site offices	Renewable energy	Electrical installations	Electrical system and fittings	Kitchen equipment	Lift	Exhibits	Total
	€	€	€	€	€	€	€	€	€	€
Cost / Valuation										
As at 1 January 2015	-	1,610,553	41,270	192,170	68,304	28,541	175,781	31,645	357,406	33,134,301
Additions	2,500,000	771,208	3,750	-	685	-	-	-	-	5,009,600
Transfer to subsidiary	-	-	-	522,000	-	-	-	-	-	410,467
As at 31 December 2015	2,500,000	2,381,761	45,020	714,170	68,989	28,541	175,781	31,645	357,406	38,554,368
Transfer to investment property (note 16)	-	(288,316)	-	-	-	-	-	-	-	(8,400,143)
Additions	-	189,615	-	631,038	-	-	-	-	-	1,811,357
Revaluation surplus (note 25)	-	-	-	-	-	-	-	-	-	2,056,338
Write-off	-	-	-	-	-	(28,541)	(175,781)	(31,645)	-	(649,864)
Disposal	-	(214,642)	-	-	(36,220)	-	-	-	-	(1,051,821)
As at 31 December 2016	2,500,000	2,068,418	45,020	1,345,208	32,769	-	-	-	357,406	32,320,235
Depreciation										
As at 1 January 2015	-	326,294	23,509	35,480	37,996	28,525	170,600	29,628	208,120	3,888,721
Charge for the year	9,615	96,765	3,677	58,468	2,067	4	1,036	404	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	237,977	4,516,435
Transfer to investment property (note 16)	-	(65,354)	-	-	-	-	-	-	-	(303,563)
Charge for the year	38,462	115,353	3,567	63,515	643	1	276	108	23,886	624,435
Released on write-off	-	-	-	-	-	(28,530)	(171,912)	(30,140)	-	(635,022)
Released on disposals	-	(74,175)	-	-	(7,937)	-	-	-	-	(443,152)
As at 31 December 2016	48,077	398,883	30,753	157,463	32,769	-	-	-	261,863	3,759,133
Net book amount										
As at 31 December 2015	2,490,385	1,958,702	17,834	620,222	28,926	12	4,145	1,613	119,429	34,037,933
As at 31 December 2016	2,451,923	1,669,535	14,267	1,187,745	-	-	-	-	95,543	28,561,102

11. Property, plant & equipment (continued)

The Group

The effective date of revaluation of the Group's land and buildings and improvements thereon was on 31 December 2016.

If these assets were included in the financial statements at cost, their carrying amounts would have been €4,888,689 (2015: €5,611,491)

During 2016, land and building and improvements to premises were reclassified to investment property because they were no longer used by the Group in its operations and it was decided that these properties be leased out to a third parties.

Immediately after the transfer, the Group remeasured the property to fair value and recognised the gain in other comprehensive income together with other properties in investment property

Fair value
Freehold land and buildings were last revalued on 31 December 2016. An independent valuation of the freehold land and buildings was performed by TBA periti and JB Architects. The valuation for this commercial building was determined by the comparable method. It has been categorised to fall within Level 3 of the fair value hierarchy. There were no transfers between levels during the year. The different levels in fair value hierarchy have been defined in note 31.

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2016				
Property, plant and equipment	-	-	19,975,000	19,975,000
As at 31 December 2015				
Property, plant and equipment	-	-	22,061,526	22,061,526

12. Intangible assets

The Group

	Trade names
	€
Cost	
As at 1 January and December 2015	131,584
Disposals	(131,584)
As at 31 December 2016	-
Amortisation	
As at 1 January 2015	81,757
Charge for the year	10,477
As at 31 December 2015	92,234
Charge for the year	3,492
Release on disposal	(95,726)
As at 31 December 2016	-
Net book amount	
As at 31 December 2015	39,350
As at 31 December 2016	-

In May 2016, the Group entered into a transfer agreement with a third party to transfer its retail operations including assignment of all Group's rights and obligations emanating from the agreements entered into between the Group and the Franchisors for its trade names (Guess, Brooks Brothers and 7 Camicie) as well as transferring/assigning the leases of all its shops.

Notes to the financial statements
for the year ended 31 December 2016

13. Investment in subsidiaries

The Company

	Current €	2015 €
Cost		
As at 1 January	3,395,216	2,952,196
Transfer on merger with subsidiary company	-	(1,500)
Additions	-	442,520
Additional investment in Hal Mann International Ltd	4,000,000	-
Additional investment in Hal Mann Vella Ltd	1,000,000	-
Transfer of shares from group company (note 14)	-	2,000
As at 31 December	8,395,216	3,395,216

As at 31 December 2016, the Company held the following equity interest:

Undertakings / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2015)
Mavina Holiday Complex Ltd The Factory Mosta Road Lija LJA 9016	2,998 Ordinary shares of €2.329373 each fully paid up	99.93%

The company was engaged in the operation of two hotels and a restaurant, Lovage Bistro, which were only operated until May 2016. Subsequently these were leased out to third parties.

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 the 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	5,000,000 Ordinary shares of €1 each fully paid up	100%

The company is engaged in manufacturing and assembling marble and stone related products and the purchase of 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.

13. Investment in subsidiaries (continued)

Undertakings / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2015)
Halmann Solar Limited Hal Mann Vella, The Factory, Mosta Road, Lija LJA 9016	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	2,000,000 Ordinary shares of €1 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 was engaged in operating a number of retail outlets, specialising in apparel and related items under franchise arrangements until May 2016. Subsequently, these retail outlets were transferred to third party. Hence this company is being classified as discontinued operations.

14. Interest in joint-ventures

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
Net book value				
As at 1 January	2,577,231	2,561,521	166,752	168,752
Share in loss	(261,357)	(9,967)	-	-
Transfer of shares to group company (note 13)	-	(2,000)	-	(2,000)
Transfer of shares from group companies	-	27,677	-	-
Additions	600	-	600	-
As at 31 December	2,316,474	2,577,231	167,352	166,752

As at 31 December 2016, the Group held the following equity interest:

Undertaking/Registered Office	**Number, class and nominal value of shares held**	**Percentage of issued shares held**
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. During 2016, the company disposed of its remaining property and it is the intention of management and the owners to place the company into liquidation.

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.

Notes to the financial statements
for the year ended 31 December 2016

14. Interest in joint-ventures (continued)

Undertaking/Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held
HMK International Ltd, The Factory, Mosta Road, Lija LJA 9016	15,000 'B' Ordinary shares of €1 each fully paid	50%

The company is mainly 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.

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

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

Zokrija Limited Hal Mann, The Factory, Mosta Road, Lija LJA 9016	600 Ordinary shares, of €1 each, fully paid up	50%

The company is engaged in property development. It was incorporated during November 2016.

Notes to the financial statements
for the year ended 31 December 2016

14. Interest in joint-ventures (continued)

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

	Madliena Ridge Limited		Hal Mann Holdings Ltd		HMK International Ltd		MAC Investments		Total	
	Current	2015	Current	2015	Current	2015	Current	2015	Current	2015
Percentage owenrship interest	50%	50%	50%	50%	50%	50%	33.33%	33.33%		
Non-current assets	-	-	396,915	396,915	4,991	3,240	-	-	401,906	400,155
Current asset	5,344,889	5,344,889	2,140,849	2,791,425	1,158,555	781,544	144,800	144,800	8,789,093	9,062,658
Non-current liabilities	-	-	(78,912)	(137,633)	(266)	(465,204)	(7,700)	(7,700)	(86,878)	(610,537)
Current liabilities	(3,456,581)	(3,456,581)	(2,258)	(1,054)	(296,365)	(219,287)	(13,773)	(132,773)	(3,887,977)	(3,809,695)
Net Asset	1,888,308	1,888,308	2,456,594	3,049,653	866,915	100,293	4,327	4,327	5,216,144	5,042,581
Group's share on net asset	944,154	944,154	1,228,297	1,524,827	433,458	50,147	1,442	1,442	2,607,351	2,520,569
Adjustments	-	101,979	(291,269)	(45,109)	-	-	(208)	(208)	(291,477)	56,662
Group's share on net asset	944,154	1,046,133	937,028	1,479,718	433,458	50,147	1,234	1,234	2,315,874	2,577,231
Net assets includes:										
Cash and cash equivalent	-	-	31,184	35,905	575,071	16,386	-	-	606,255	52,291
Non-current financial assets	-	-	78,912	137,633	-	465,079	-	-	78,912	602,712
Current financial liabilities	-	(2,610,442)	-	-	-	54,609	-	-	-	(2,555,833)
Revenue and other income	-	1,200,005	64,971	22,177	1,516,529	256,260	-	-	1,581,500	1,478,442
Cost of sale	-	(1,118,512)	-	-	(593,833)	(195,046)	-	-	(593,833)	(1,313,558)
Depreciation	-	-	-	-	(303)	(246)	-	-	(303)	(246)
Interest expense	-	-	-	-	(3,806)	(476)	-	-	(3.806)	(476)
Other expense	-	(25,741)	(3,420)	(8,971)	(51,326)	(53,187)	-	-	(54,746)	(87,899)
Profit before tax	-	55,752	61,551	13,206	867,261	7,305	-	-	928,812	76,263
Income tax expense	-	(80,001)	(2,672)	(6,012)	(100,639)	(2,989)	-	-	(103,311)	(89,002)
Profit for the year	-	(24,249)	58,879	7,194	766,622	4,316	-	-	825,501	(12,739)
Group's share of profit for the year	-	(12,125)	29,440	3,597	383,311	2,158	-	-	412,751	(6,370)
Prior year losses taken up this year	(101,979)	-	(572,128)	(3,597)	-	-	-	-	(674,107)	(3,597)
Group's share of profit for the year	(101,979)	(12,125)	(542,689)	-	383,311	2,158	-	-	(261,357)	(9,967)

Notes to the financial statements
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14. Interest in joint-ventures (continued)

These amounts are extracted from the latest available financial statements of the joint ventures as follows:

Undertaking	Accounting period
Madliena Ridge Limited	31 December 2015
Hal Mann Holdings Limited	31 December 2014
HMK International Limited	31 December 2016

No financial statements are available for Zokrija Limited since this company has only been incorporated recently. MAC Investments Limited is for liquidation.

15. Financial assets

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
Current financial assets				
Held-to-maturity investments:				
Bank term deposit account	103,671	102,197	-	-
Total current financial asset	103,671	102,197	-	-
Non-current financial assets				
Loans and receivables:				
Loans to group companies	-	-	17,212,082	19,540,250
Loans to joint-ventures	132,687	1,266,872	95,735	262,500
Loans to related companies	598,794	-	565,694	-
Loans to other companies	288,260	3,425,000	288,260	3,425,000
Total loans and receivables	1,019,741	4,691,872	18,161,771	23,227,750
Available-for-sale investments:				
Unquoted equity shares	12,500	200	12,500	200
Quoted equity shares	-	1,882,545	-	1,882,545
Total available-for-sale investments	12,500	1,882,745	12,500	1,882,745
Total non-current financial assets	1,032,241	6,574,617	18,174,271	25,110,495
Total financial assets	1,135,912	6,676,814	18,174,271	25,110,495

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15. Financial assets (continued)

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

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

The Company's exposure to credit risk related to these loans and receivables is disclosed in note 31. As at the reporting date, these financial assets were fully performing and hence do not contain impaired assets.

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.

These financial assets were all denominated in Euro.

	Current	2015
	€	€
Summary of movements during the year:		
As at 1 January	1,882,545	-
Acquisitions	-	2,147,229
Disposals	(1,882,545)	
Movement in fair value (note 26)	-	(264,684)
As at 31 December	-	1,882,545

16. Investment property

	The Group		The Company	
		Restated		
	Current	2015	Current	2015
	€	€	€	€
Valuation				
As at 1 January	13,302,572	12,752,713	22,061,526	21,870,520
Additions	1,840,376	549,859	165,515	302,539
Transfer on merger with subsidiary company	-	-	-	(111,533)
Fair value change on investment property	4,271,239	-	2,960,168	-
Transfer from property for resale (note 18)	1,685,821	-	639,942	-
Transfer to property for resale (note 18)	(3,057,137)			
Transfer from property, plant and equipment - net (note 11)	8,096,580	-	-	-
As at 31 December	26,139,451	13,302,572	25,827,151	22,061,526

16. Investment property (continued)

Fair value
Market valuations are performed by independent professional architects every two years or earlier whenever their fair values differ materially from their carrying amounts. In the year when a market valuation is not performed, an assessment of the fair value is performed to reflect market conditions at the year-end date.

An independent valuation of the Group's investment property, land and building, was performed by TBA periti and JB Architects to determine the fair value as at 31 December 2016. The fair value movement were credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2016, management also assessed whether there are any significant changes to the significant inputs of the valuation.

The Group's investment property consists mainly of plots, apartments, land and building with a carrying amount of €21,868,212 (2015: €13,302,572). The investment property has been categorised to fall within level 3 of the fair value hierarchy. The different levels in the fair value hierarchy have been defined in Note 31.

The Group policy is to recognise transfers into and out of fair value hierarchy levels as of date of the event of change in circumstances that caused the transfer. There were no transfers between levels during the year. For all properties, their current use equates to the highest and best use.

Valuation techniques and inputs
For Level 3 fair value of the investment property, the valuation was determined primarily by the comparable method together with the discounted cash flow method which are based on directly or indirectly observable inputs which do not require a significant level of adjustments.

	Comparable method	**Discounted cash flow method**	**Total**
	2016	**2016**	**2016**
	€	**€**	**€**
Land	1,408,931		1,408,931
Office properties	-	4,765,000	4,765,000
Commercial buildings	8,870,520	-	8,870,520
Residential properties	4,745,000	-	4,745,000
Hotel properties	6,350,000	-	6,350,000
	21,374,451	4,765,000	26,139,451

16. Investment property (continued)

Comparable method:

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

Discounted cash flow method:

Future rental cash inflows	based on the actual location, type and quality of the properties and external evidence such as current market rents for similar properties;
Discount rate	based on the long term pre-tax risk-free rate of return, inflation and on specific risk premium for the individual property being valued, taking into account factors such as property illiquidity, management limitations, type, size and location of property, competition, future uncertainty, counterparty risks and resource risks at the valuation date.

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

	Fair value	Significant unobservable inputs	Range (weighted average)
			2016
Office properties	€4,765,000	Estimated rental value per sqm per annum	€134 - €139 (€137)
		Discount rate	6.50%

Fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2016				
Investment property	-	-	26,139,451	26,139,451
As at 31 December 2015				
Investment property	-	-	13,302,572	13,302,572

There were no transfers between Level 1 and Level 2 during 2016 and 2015.

17. Inventories

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	€	€	€
Raw materials	2,209,304	5,277,539	-	-
Finished good	794,801	875,096	-	-
Showroom items	975	975	-	-
	3,005,080	6,153,610	-	-

18. Property for resale

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
Cost				
As at 1 January	4,605,544	4,181,509	2,143,468	2,142,351
Additions	1,094,607	465,526	-	1,117
Overprovision in previous year	(18,392)	(20,355)	-	-
Disposals	(989,198)	(21,136)	(290,390)	-
Transfer from investment property (note 16)	3,057,137	-	-	-
Transfer to investment property (note 16)	(1,685,821)	-	(639,942)	-
As at 31 December	6,063,877	4,605,544	1,213,136	2,143,468

19. Trade and other receivables

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
Current				
Trade receivables	5,796,731	7,273,195	7,856	14,160
Other receivables	1,618,971	830,626	-	-
Other advances	951,556	491,347	25,207	-
Amount owed by group companies	-	-	1,385,258	1,017,632
Amount owed by joint venture	170,724	21,572	-	-
Amount owed by related companies	16,688	90,026	-	21,302
Amount owed by other companies	26,137	76,137	26,137	76,137
Amount owed by shareholders	-	56,000	-	-
Indirect taxation	113,283	19,094	32,126	6,802
Accrued income and prepayments	1,025,703	1,995,219	4,373	4,443
Total current trade and other receivables	9,719,793	10,853,216	1,480,957	1,140,476
Non-current				
Other receivables	689,750	-	-	-
Total trade and other receivables	10,409,543	10,853,216	1,480,957	1,140,476

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
	€	€	€	€
2016	5,796,731	592,390	1,190,646	4,013,695
2015	7,273,195	762,697	843,633	5,666,865

19. Trade and other receivables (continued)

See note 31 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, related and other companies 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 companies are unsecured, interest free and repayable on demand.

The Group

As at 31 December 2016, trade receivables at nominal value of €485,319 (2015: €100,000) were impaired and fully provided for. Movement in the provision for impairment of trade receivables were as follows:

	Impairment on trade receivables
As at 1 January 2015	-
Impairment loss	100,000
As at 31 December 2015 and 1 January 2016	100,000
Impairment loss	449,294
Write-off	(28,601)
Reversal of impairment loss	(35,374)
Movement during the year	385,319
As at 31 December 2016	485,319

At 31 December 2016, there was an impairment loss of €449,294 related to long outstanding receivables which are deemed by the Directors not to be recoverable.

20. Borrowings

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
Current				
Bank overdrafts (note 30)	375,865	625,394	-	-
Bank loans	203,192	551,712	-	-
Total current borrowings	579,057	1,177,106	-	-
Non-current				
5% secured bonds	29,485,657	29,433,958	29,485,657	29,433,958
Bank loans	2,086,494	1,893,799	-	-
Shareholders' loans	3,065,296	4,326,853	2,256,615	3,425,665
Amount due to related companies	79,469	48,799	-	-
Amount due to group companies	-	-	398,506	341,506
Amount due to joint ventures	1,179,138	712,464	1,131,965	599,630
Amount due to other companies	14,099	-	-	-
Amount due to third party	2,451,923	2,508,385	-	-
Other loan	70,000	-	70,000	-
Total non-current borrowings	38,432,076	38,924,258	33,342,743	33,800,759
Total borrowings	39,011,133	40,101,364	33,342,743	33,800,759

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

The shareholders' loans amounting to €3,065,296 (2015: €2,459,037) and other loan bears interest at 5% are unsecured and have no fixed repayment date. The rest of the shareholders' loans are unsecured, interest free and have no fixed repayment date.

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	2015
	€	€
Face value of the secured bonds	29,433,958	29,384,907
Accumulated amortization of bond issue cost	51,699	49,051
Amortised cost	29,485,657	29,433,958

20. Borrowings (continued)

By virtue of the prospectus dated 6 October 2014, the Company issued 300,000 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 company (notes 11 and 16), 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 2016 for the secured bonds was €103 (2015: €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	**2015**
	€	**€**
Total borrowings:		
At fixed rates	32,620,953	33,760,811

Effective interest rates at the reporting date:

	Current	**2015**
	€	**€**
300,000 (€100 face value) secured bonds 2014 – 2024	5.2676%	5.2676%
Other loan (subrogated) and shareholders' loans	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 31.

The Group
The bank overdraft and bank loans bear interest ranging between 2.68% to 4.5% per annum (2015: 2.87% to 5.85%). These facilities are secured by a general hypothec over the Group's present and future assets, special hypothecs and guarantees over the Group's immovable properties and by joint and several personal guarantees, by pledge over the Group's receivables and over insurance policies in the name of the subsidiary covering the equipment and product performance and pledges given by the directors and their spouses.

20. Borrowings (continued)

The bank overdrafts are repayable on demand whereas the bank loans are repayable as follows:
- €1,231,553 is to be repaid in 168 equal monthly repayment of €14,000 each, including principal and interest;
- €408,133 repayable within 8 years by monthly payments of €5,357 each inclusive of interest;
- €650,000 within 10 years with an initial capital moratorium of 12 months, monthly payments of €6,750 each inclusive of interest from 13th to the 36th month and monthly payments of €6,050 each inclusive of interest thereafter.

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

21. Trade and other payables

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
Current				
Amount received in advance	952,647	797,101	35,906	8,204
Trade payables	3,867,368	3,937,339	588,646	453,746
Amount due to group companies	-	-	43,852	79,000
Amount due to joint venture	42,831	-	-	-
Other payables	36,978	16,062	-	3,297
Indirect taxes and social security contributions	544,905	437,606	-	-
Accrual and prepaid income	1,236,672	1,473,403	513,702	482,284
Deferred income	16,576	16,576	-	-
Total current trade and other payables	6,697,977	6,678,087	1,182,106	1,026,531
Non-current				
Trade payables	196,540	393,081	196,540	393,081
Deferred income	75,925	-	-	-
Total non-current trade and other payables	272,465	393,081	196,540	393,081
Total trade and other payables	6,970,442	7,071,168	1,378,646	1,419,612

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 companies are unsecured, interest-fee and repayable on demand.

Amount due to joint venture are unsecured, interest-fee and repayable on demand.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 31.

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22. Deferred taxation

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
Deferred tax liability				
As at 1 January	(3,519,088)	(4,771,355)	(1,640,000)	(2,460,000)
(Charge)/credit in profit or loss from continuing operations (note 10)	(120,348)	1,230,940	(426,172)	820,000
Tax effect of revaluation (note 25)	(176,720)	21,327	-	-
As at 31 December	(3,816,156)	(3,519,088)	(2,066,172)	(1,640,000)

	Current	2015	Current	2015
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Asset revaluations	(3,816,156)	(3,519,088)	(2,066,172)	(1,640,000)

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
Deferred tax asset				
As at 1 January	2,208,525	1,117,194	-	-
Credit in profit or loss from continuing operations (note 10)	1,987,195	1,071,449	1,152,793	-
(Charge)/credit in profit or loss from discontinued operations	(83,349)	19,882	-	-
As at 31 December	4,112,371	2,208,525	1,152,793	-

	Current	2015	Current	2015
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(147,853)	(147,601)	-	-
Unabsorbed capital allowances	608,286	676,172	-	-
Unabsorbed capital losses	378,956	-	378,956	-
Unrelieved tax losses	1,787,246	253,047	773,837	-
Provision for doubtful debts	12,611	35,000	-	-
Investment tax credit	1,473,125	1,391,907	-	-
	4,112,371	2,208,525	1,152,793	-

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22. Deferred taxation (continued)

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% (2015: 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% (2015: 8%) of the transfer value.

23. Issued capital

	The Group and The Company	
	Current	**2015**
	€	**€**
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

24. 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	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
(Loss)/profit for the year attributable to shareholders:				
- Continuing operations	(779,364)	1,628,862	1,741,276	1,503,933
- Discontinued operations	(266,018)	(295,762)	-	-
Weighted average number of ordinary shares in issue (note 23)	4,999,820	4,999,820	4,999,820	4,999,820
Earnings per share (cents)				
- Continuing operations	(0.16)	0.33	0.35	0.30
- Discontinued operations	(0.05)	(0.06)	-	-
	(0.21)	**0.27**	**0.35**	**0.30**

There is no difference between the basic and diluted earnings per share as the Group and Company has no potential dilutive ordinary shares.

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25. Revaluation reserve on property, plant and equipment

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
As at 1 January	19,292,397	19,332,004	-	-
Revaluation surplus (note 11)	2,056,338	-	-	-
Depreciation transfer	-	(60,934)	-	-
Deferred taxation thereon (note 22)	(176,720)	21,327	-	-
As at 31 December	21,172,015	19,292,397	-	-

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

26. Fair value reserve

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
As at 1 January	(264,684)	-	(264,684)	-
Change in fair value (note 15)	-	(264,684)	-	(264,684)
Release on disposals	264,684	-	264,684	-
As at 31 December	-	(264,684)	-	(264,684)

The fair value reserve arises from the change in the fair value of financial assets. This reserve is not available for distribution.

27. Other reserve

	The Group		The Company	
	Current	**2015**	**Current**	**2015**
	€	**€**	**€**	**€**
As at 1 January	-	-	9,863,431	9,863,431
Transfer from retained earnings	4,150,892	-	2,533,996	-
As at 31 December	4,150,892	-	12,397,427	9,863,431

The other 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.

28. Capital reserve

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
As at 1 January and 31 December	47,852	47,852	-	-

This reserve represents tax benefits related to industrial activities.

29. Incentives and benefits reserves

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
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.

30. Cash and cash equivalents

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

	The Group		The Company	
	Current	2015	Current	2015
	€	€	€	€
Cash at bank and in hand	256,245	1,311,250	174,358	634,151
Overdrawn bank current accounts (note 20)	(375,865)	(625,394)	-	-
As at 31 December	(119,620)	685,856	174,358	634,151

31. Financial risk management objectives and policies

The Group's principal financial assets comprise 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 20, the Group's borrowings are non-interest bearing. Borrowings issued at fixed rates consist primarily of bank loans, 5% secured bonds, shareholders' loan and other loans which are carried at amortised cost, and therefore do not expose the Group to cash flow and fair value interest rate risk.

Exposure to cashflow interest rate risk arises in respect of interest payments relating to a loan amounting to €1,231,553 (2015: €1,373,806) that is subject to interest at floating rates linked to Euribor.

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.

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.

31. Financial risk management objectives and policies (continued)

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 2016

	Less than 1 year	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	270,120	1,233,548	2,192,772	3,696,440
5% secured bonds and interest	1,500,000	7,500,000	32,750,000	41,750,000
Trade and other payables	5,728,754	196,540	-	5,925,294
Shareholders' loans	-	-	3,065,296	3,065,296
Other financial liabilities	375,865	70,000	3,645,160	4,091,025
	7,874,739	9,000,088	41,653,228	58,528,055

Year ended 31 December 2015

	Less than 1 year	1 to 5 years	> 5 years	Total
Interest-bearing loans and borrowings	1,125,901	3,174,909	939,288	5,240,098
5% secured bonds and interest	1,551,698	6,236,239	35,462,063	43,250,000
Trade and other payables	5,857,960	416,107	-	6,274,067
Shareholders' loans	-	-	2,166,536	2,166,536
Other financial liabilities	109,600	463,511	4,856,854	5,429,965
	8,645,159	10,290,766	43,424,741	62,360,666

31. Financial risk management objectives and policies (continued)

Fair value risk
As at 31 December 2016 and 2015, 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 Group used the following hierarchy for determining and disclosing the fair value of investment property.

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 that are not based on observable market data.

The following table provides the fair value measurement hierarchy of the Group's financial assets. The fair value measurement hierarchy of the Group's property, plant and equipment and investment property are disclosed in notes 11 and 16, respectively.

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2016				
Assets:				
Available-for-sale investments	-	-	-	-
As at 31 December 2015				
Assets:				
Available-for-sale investments	1,882,545	-	-	1,882,545

There were no transfers between Level 1 and Level 2 during 2016 and 2015.

Capital management
Capital includes the equity attributable to the ultimate shareholders of the Group.

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 2016 and 31 December 2015.

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32. Capital Commitments

At 31 December 2016, the Group had commitment of €7 million (2015: €7 million) relating to the development of land to create a mixed office/commercial development, with underlying car parking. These commitments were authorized by the board of directors and already contracted.

33. 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.

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

	Current	**2015**
	€	**€**
Within one year	382,523	210,341
After one year but not more than five years	280,281	314,744
	662,804	525,085

34. Related party disclosures

The following table provides the total amount of transactions that have been entered into with related parties for the relevant financial year.

		Sales to related parties	Purchases from related parties	Amounts owed by related parties	Amounts owed to related parties
		€	€	€	€
Joint venture in which the parent is a venturer:					
Madliena Ridge Limited	Current	970,000	7,745	495,335	-
	2015	-	295,823	-	999,665
Hal Mann Holdings Ltd	Current	-	-	-	636,630
	2015	-	-	-	599,630
HMK International Ltd	Current	13,385	169,785	42,831	170,723
	2015	3,970	9,484	42,831	246,572
MAC Investments Limted	Current	-	-	-	14,099
	2015	-	-	-	14,099
Zokrija Limited	Current	-	-	95,735	-
	2015	-	-	-	-

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34. Related party disclosures (continued)

Terms and conditions of transactions with related parties
The sales to and purchases from related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured and interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables. For the year ended 31 December 2016, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2015: €Nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

35. Events after the reporting date

At the end of March 2017, the Group announced its intention to merge SMG Mode Ltd with Hal Mann Vella Limited.

36. Prior year adjustment

Prior year balances of investment property and retained earnings have been restated to carry land and building at revalued amount previously stated at cost.

Certain line items have been amended in the statement of statement of comprehensive income, statement of changes in equity and statement of cash flow, and the related notes to the financial statements to separately disclosed the discontinued operations of the Group.