Company Registration No.:- C 5067

Hal Mann Vella Group plc

Annual Report and Consolidated Financial Statements for the year ended 31 December 2017

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Hal Mann Vella Group plc

Chairman's Statement
for the year ended 31 December 2017

Going from strength to strength

It is both an honour and a privilege to deliver this statement. I was born into the Hal Mann Vella Group and have witnessed the Company's exponential growth over the years. For over 65 years, the Hal Mann Vella Group has earned the trust and confidence of its clients through its focus on quality. In its primary area of business, the Company has long been known for sourcing the best quality, most luxurious surfacing materials when it comes to both natural as well as engineered stone, and providing an excellent service for installation and project management.

This is an important time for the Hal Mann Vella Group. The fruits of the Bond issue in 2014 are starting to show. Recently, the Group went through a restructuring and reorganisation exercise. It has now strengthened its core business, that of stone sourcing and fabrication.

The financial results for the 12 months to 31 December 2017 reflect the success of the strategy obtained by the Group in the past years. The Group's turnover, exclusive of rental income, for the year under review amounted to €18,543,496, compared to €11,182,058 for the previous year.

We are also gearing up to internationalise the Group further, notably in the UK and France, where we are the exclusive natural stone suppliers for international contracting company Vicalvi Contracts. We envisage exports to become an important component of growth for the Hal Mann Vella Group in the future.

I am confident that the Group will continue going from strength to strength, encouraging results throughout.

Despite the successes that marked 2017, this year will unfortunately also be remembered for the passing away of my father, Vincent Vella, founder of the Hal Mann Vella Group. We have lost not just a father but a mentor who was always pushing us to be better and do more than we thought we could do, fostering a work environment that enabled people to learn and grow. His passion, energy and hard work were the backbone which turned the company from a two-man business to the Group that it is today.

We honour his vision and achievements and intend to continue what he started with the same passion and dedication.

Achievements

Over the years, the Hal Mann Vella Group has successfully upheld the industry's best practices. As our name is associated with more and more successful projects, we take pride in remaining one of the preferred partner of architects, interior designers as well as private home owners.

We have been involved in many ambitious and challenging projects over the years such as the Renzo Piano Valletta City Gate.

During 2017, apart from a large number of private residential projects ranging in scale, Hal Mann Vella Ltd was also involved in a number of large projects, most notably:

- The E-Pantar Building which was leased to Transport Malta in 2017
- Malta Central Bank's Laparelli Building
- The M&G Garden at the Chelsea Flower Show in London
- The Dolmen Resort Hotel
- The Phoenicia Hotel
- Surfacing works at Valletta City Gate - Triton Fountain and Biskuttin Area.
- Medbank Offices
- Cugó Gran Macina Grand Harbour Hotel

Chairman's Statement
for the year ended 31 December 2017

The local industry

The performance of the local economy augurs well in terms of the opportunities this can present for our Group.

Following our investment to upgrade our manufacturing facility in Lija and Hal Far, the Hal Mann Vella Group has established itself as one of the leaders within the manufacturing industry in Malta. This leaves no room for complacency in a fast changing manufacturing industry. Therefore we need to stay a step ahead and identify new processes that help us maintain our profitability and competitiveness within the local and foreign markets.

Whilst the Hal Mann Vella Group's core business is predominantly the manufacturing industry, it is also greatly influenced by other industries. One such industry is the construction industry which at the moment is going through a period of significant growth. Whilst the outlook remains very positive, it is also good to keep our feet on the ground.

The growth in the Maltese economy has also lead to an increase of activity in the real estate and letting sector. This growth is noticeable not just in terms of quantity but also in terms of quality with new developments demanding quality finishes and design. Recent developments enable us to look forward with cautious optimism.

Another economic sector that influences the Hal Mann Vella Group is the tourism industry which has been going through a period of growth. The ongoing Valletta 2018, has also succeeded in repositioning Malta not just as a sun and sea destination, but also as an excellent location for cultural tourism. This growth resulted in strong demand for our services and products as new boutique hotels flourished in Valletta and established brands carried out refurbishments of their existing hotels.

The greatest challenge which we are encountering is the shortage in labour. There are a lot of projects and investments going on in Malta at the moment. However, there is not enough workforce to support the industry, with companies such as ours having to engage workers from overseas.

Our responsibility towards the community

Sustainability remains a core focus of the Hal Mann Vella Group. As the Group grows, so do our responsibilities to our people, our clients, our heritage and also the environment.

In 2014, a 440kWH solar panel system was installed in our Lija factory. We also have equivalent solar panels installed at our Hal Far Factory as well as a third 440kWH installation on the E-Pantar building. This system contributes to an average total annual reduction of circa 1.2 million Co2 .

Water is also an important factor in the production process. The systems installed in both our factories make it possible to filter and reuse at least 200,000 litres of water per day.

Our aim for the years to come is to continue reducing our eco footprint in order to be as kind to mother nature as it is to us.

Chairman's Statement
for the year ended 31 December 2017

Conclusion

The Hal Mann Vella Group will remain entrepreneurial in its operations. We are now in a position to take on projects on an international scale.

I, myself along with the Board will continue to oversee management's performance closely, ensuring that the Group continues to unlock its true potential and execute our growth strategy without compromising on quality.

Finally, I would like to thank our Board of Directors and our growing team of dedicated staff: the factory labourers, installers, polishers, project managers, office workers, engineers, architects, designers and other professionals. I appreciate the hard work during the past year, which admittedly has been more demanding than usual. I would also like to show my gratitude to our clients: new clients as well as those who have trusted us since our earlier days.

We shall continue striving to exceed our clients' expectations.

Mr. Martin Vella
Chairman

Chief Executive Officer's Statement
for the year ended 31 December 2017

As I look back over the past year, I can confidently say that it was an outstanding year for Hal Mann Vella Group. The year under review was a very important one for the Group. During these last years, the Group went through a process of change which was necessary in order for the Group to move forward in the right direction. This was by no means an easy feat, but we set out on a well-defined plan; a plan which is clearly bearing fruit.

Consolidated results

During the year under review the Group registered a profit before tax of €6,421,562 (2016: loss before tax from continuing operations €2,401,824). In fact, during 2017, all Group companies registered a profit.

Net sales inclusive of rental income grew from €11,647,710 in 2016 to €19,707,769 in 2017 (an increase of 69%). Net assets increased from €32,298,014 in 2016 to €39,813,312 in 2017 (an increase of 23%).

Such results offer us great satisfaction, not just because of the complete turnaround that the Group has made, but more importantly because these profits have resulted from ordinary operations. We have successfully created a structure which places the Group in a position where profits becomes sustainable and not exceptional.

Restructuring

The pillar of this turnaround, was mainly the Group's restructuring. Between 2012 and 2017, the Group went through a planned restructuring phase. A new Chief Executive Officer was appointed as well as two new non-executive directors: not members of the Vella family, thus bringing in new expertise and widespread knowledge from other industries such as finance, law and international trade. Six executives were also appointed directly reporting to the Chief Executive Officer.

We have greatly increased investment in the HR function, sales and IT teams with new talent brought on board. These investments were essential to maintain the momentum needed to bring about the necessary change.

Other pillars of this restructing exercise include the discontinuance of non-core business as well as investment in new equipment and revamped factories. The Group also sought to make better use of its immovable property.

We are thus better positioned to reach the Group's objectives. Because of our continued innovation, we can provide the best product or service whilst continuing to grow.

Segmental Analysis

In the following section, I would like to go into the performance of the main segments in which the Group operates.

Property development and letting

The property development and letting segment registered an increase in turnover to €2,674,479 in 2017 (2016: €1,929,984).

In 2015, a 5,188 sqm site was earmarked for the development of a mixed-used commercial property. The site was cleaned up and the E-Pantar project started to take shape. This project primarily financed by the Bond Issue was completed in 2017. The premises were rented to Transport Malta in 2017.

In addition, further properties owned by the group and rented to third parties include the Mavina Holiday Complex and the Huli Hotel with an underlying Bistro in Qawra, commercial property within the Hal Mann area in Lija known as Central Office Building Block A and the adjacent Navi Building on Pantar Road. The Group also owns a number of apartments on Spinola Road in St. Julian's that are being leased short term.

The Group was also involved in various property trading as the Group sought to exploit the intrinsic potential of its underlying core business.

Manufacturing and general contracting services

Hal Mann Vella Ltd and Hal Mann International Ltd represent the core business of the Group primarily consisting of the manufacture and business of stone, marble and granite as well as the manufacture of patterned tiles, terrazzo and precast related products. Turnover from this segment increased to €22,754,754 in 2017 (2016: €15,305,265). This increase is principally due to the Group being entrusted with major projects and the result of a new product price mix.

Having invested in the latest technology the Group is posed to be in a position to take over specialised business in the sector. We are confident that, safe for unforeseen circumstances and with a growing economy, this investment should further bear more return.

Conclusion

Hal Mann Vella Group remains essentially a professionally run family business. The sense of family extends beyond actual family members, with employees being treated as part of the extended family. The Group's philosophy continues to place a strong emphasis on ethical business and it is these core values that have brought the Group where it is today.

It is an exciting time for Hal Mann Vella Group. It is an honour to be able to witness this change and I am extremely pleased with the results for 2017. In 2018, we should continue to build and expand into a Group of Companies that seeks to excel in every business venture in which it is involved.

We want to keep our customers and their expectations as our main focus. Our strong balance sheet provides a solid foundation for sustained growth.

The Group's good results would not have been attainable without our employees. Their wealth of experience and perseverance are one of our best assets and an essential part of the infrastructure of our success.

I would also like to thank the Board of Directors for their unrelenting trust, guidance and continuous support.

Mr. Joseph Tabone
Chief Executive Officer

Hal Mann Vella Group plc

Directors' Report
for the year ended 31 December 2017

The Board of Directors are hereby presenting their annual report together with the audited financial statements of the Group and the Company for the year ended 31 December 2017.

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 relate to the manufacture and business of stone, marble and granite as well as the manufacture of patterned tiles, terrazzo and precast related products. The Group owns two hotels in the North of Malta – Huli Hotel with an underlying Bistro and the Mavina Hotel. The Group leased the Lovage Bistro and Hotels to third parties. The Group is also involved in the rental of property as well as property development and resale.

Review of business

The Company registered a profit before tax of €3,470,031 during the year ended 31 December 2017 (2016: €1,937,261).

The Group registered a consolidated profit before tax of €6,421,562 during the year ended 31 December 2017 (2016: loss before tax from continuing operations €2,401,824). Discontinued operations incurred a loss after tax of €266,018 during the year ended 31 December 2016. There were no discontinued operations in 2017.

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 an increase in turnover from continuing operations of €7,361,438 for the Group. Finance cost from continuing operations for the year amounted to €1,774,034 (2016: €1,756,513). The EBITDA margin from continuing operations increased to positive 47.95% (2016: negative 0.40%).

The Group commissioned Messrs TBA periti and JB Architects to carry out a thorough valuation exercise of various 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 2017 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 €4,406,586 (2016: €4,271,239) in the statement of comprehensive income.

Income Generation

The Group has for the last ten years focused on stone, marble and granite. The Group had 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 Bond Issue

In November 2014, the Company issued a Bond for €30,000,000. Out of the funds received, €12,000,000 were 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 together with an extra additional 14,000 sqm new factory installation in Hal-Far have been successfully commissioned by the end of the financial year under review.

Directors' Report
for the year ended 31 December 2017

Outlook for financial year ending 31 December 2018

The Group has a positive outlook for 2018 in view of the number of already contracted projects and also a result of its growing order book.

The Board will continue to monitor the progress of the Group's plans and expects the implementation of 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 26 and 27.

The Board of Directors does not propose the payment of a dividend in order to further strengthen the financial position of the Group. Retained profits carried forward at the reporting date amounted to €2,960,983 (2016: €1,323,375) for the Group and €2,638,655 (2016: €2,492,470) for the Company.

Directors

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

Mr. Martin Vella - Chairman
Mr. Mark Vella - Director
Mr. Joseph Vella - Director
Mr. William Van Buren - Non-executive director
Dr. Arthur Galea Salomone - Non-executive director
Ms. Miriam Schembri - Non-executive director

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 2017 are included in the Annual Report 2017, which is published in hard-copy printed form and is available on the Company's website.

Directors' Report
for the year ended 31 December 2017

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 2017, 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.

Directors' Report
for the year ended 31 December 2017

- **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.

Auditors

A resolution to re-appoint HLB CA Falzon as auditors of the company will be proposed at the forthcoming annual general meeting. HLB 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

20 April 2018

Corporate Governance Statement
for the year ended 31 December 2017

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 year 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.

Corporate Governance Statement
for the year ended 31 December 2017

Compliance with the Code

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. The Board is composed of members who are fit and proper to direct the business of the Company with honesty, competence and integrity. All the members of the Board are fully aware of, and conversant with, the statutory and regulatory requirements connected to the business of the Company. The Board is accountable for its performance and that of its delegates to shareholders and other relevant stakeholders.

The Board has throughout the period under review provided the necessary leadership in the overall direction of the Company, and has adopted prudent and effective systems which ensure an open dialogue between the Board and senior management.

The Company has a structure that ensures a mix of executive and non-executive directors and that enables the Board to have direct information about the Company's performance and business activities.

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 Company or its subsidiaries has been replaced with an employee who is not an Officer of the Group and is also not related to the ultimate beneficiaries.

The Chairman exercises independent judgement and is responsible to lead the Board and set its agenda, whilst also ensuring that the directors receive precise, timely and objective information so that they can take sound decisions and effectively monitor the performance of the Company. The Chairman is also responsible for ensuring effective communication with shareholders and encouraging active engagement by all members of the Board for discussion of complex or contentious issues. The CEO is then accountable to the Board for all business operations of the Company.

Principle Three

The Board is composed of 6 members, with 3 executive and 3 non-executive directors, two of whom 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 CEO 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.

Corporate Governance Statement
for the year ended 31 December 2017

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
Dr. Arthur Galea Salomone - Non-executive director
Ms. Miriam Schembri - Non-executive director
Dr. Louis de Gabriele - Company Secretary

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

None of the independent non-executive directors:

a) are or have been employed in any capacity with the Company and/or the Group;
b) have or had a significant business relationship with the Company and/or the Group;
c) has received or receives significant additional remuneration from the Company and/or the Group;
d) has close family ties with any of the Company's executive directors or senior employees;
e) has served on the board for more than twelve consecutive years; or
f) is or has been within the last three years an engagement partner or a member of the audit team of the present or former external auditor of the Company and/or the Group.

Each non-executive director has declared in writing to the Board that he/she undertakes:

a) to maintain in all circumstances his independence of analysis, decision and action;not to seek or
b) accept any unreasonable advantages that could be considered as compromising his/her independence; and
c) to clearly express his/her opposition in the event that he finds that a decision of the Board may harm the Company.

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.

In fulfilling its mandate, the Board:

a) has a clearly-defined Company strategy, policies, management performance criteria and business policies which can be measured in a precise and tangible manner;
b) has established a clear internal and external reporting system so that the Board has continuous access to accurate, relevant and timely information such that the Board can discharge its duties, exercise objective judgment on corporate affairs and take pertinent decisions to ensure that an informed assessment can be made of all issues facing the board;
c) establishes an Audit Committee in terms of Listing Rules 5.117 – 5.134;
d) continuously assesses and monitors the Company`s present and future operations, opportunities, threats and risks in the external environment and current and future strengths and weaknesses;
e) evaluates management's implementation of corporate strategy and financial objectives, and regularly reviews the strategy, processes and policies adopted for implementation using key performance indicators so that corrective measures can be taken to address any deficiencies and ensure the future sustainability of the Company; and
f) ensures that the Company has appropriate policies and procedures in place to assure that the Company and its employees maintain the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

As part of succession planning, the Board and CEO ensure that the Company implements appropriate schemes to recruit, retain and motivate employees and senior management. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

During the course of the year under review the board has held one extended training session on the legal responsibilities of directors as part of on-going training and professional development with respect to the proper discharge of their duties as directors.

Principle Five

The directors meet regularly to dispatch the business of the Board. 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. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. These minutes are subsequently circulated to all directors as soon as practicable after the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board meets as often and as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as directors of the Company. The Board met 6 times during the financial year under review. The following directors attended meetings as follows:

Mr. Martin Vella – Chairman - 6 meetings
Mr. Mark Vella – Director - 5 meetings
Mr. Joseph Vella – Director - 5 meetings
Mr. William Van Buren - Non-executive director - 4 meetings
Dr. Arthur Galea Salomone - Non-executive director - 5 meetings
Ms. Miriam Schembri - Non-executive director - 3 meetings

Principle Six

Principle Six of the Code deals with information and professional development

The Directors believe that for the financial year under review they conducted sufficient professional development for its officers. The Company will continue with this commendable practice. As part of succession planning and employee retention, the Board and CEO ensure that the Company implements appropriate schemes to recruit, retain and motivate employees and senior management and keep a high morale amongst employees.

Principle Seven

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

The current composition of the Board allows for a cross-section of skills and experience and achieves the appropriate balance required for it to function effectively. During the year, the directors carried out a self-evaluation performance analysis, including the Chairman and the CEO. The results of this analysis did not require any material changes in the Company's corporate governance structure.

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, given that the remuneration of directors is not performance-related.

The Board has established a remuneration policy for directors and senior executives, underpinned by formal and transparent procedures for the development of such a policy and the establishment of the remuneration packages of individual directors.

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.

During the financial year under review, Mr. Martin Vella, Mr. Mark Vella and Mr. Joseph Vella each held an indefinite full-time contract of service with Hal Mann International Ltd, Sudvel Limited 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	€13,389
Fixed remuneration from Subsidiaries	€109,111

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, which provides for a formal and transparent procedure for the appointment of new directors to the Board.

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.

The Company's Articles of Association allow minority shareholders to call special meetings on matters of importance to the Company, provided that the minimum threshold of ownership established in the Articles of Association is met.

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, Dr. 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.

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.

In 2014, the Group invested in a 440 KW Photo Voltaic energy generation plant over the factory roof in Mosta. A second 440 KW Photo Voltaic energy generation plant has been installed and commissioned over the factory in Hal Far. And in 2017 another 440KW Photo Voltaic was installed on the E Pantar Property - property owned by Sudvel Limited.

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 four times.

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.

Corporate Governance Statement
for the year ended 31 December 2017

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 independent, non-executive directors:

- Dr. 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:

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.

Corporate Governance Statement
for the year ended 31 December 2017

Non-compliance with the principles and the reasons therefor have been identified above.

Code Provision	Explanation
4.2	The Board has not formally developed a succession policy for the future composition of the Board of Directors as recommended by Code Provision 4.2.7. In practice, however, the Board and CEO are actively engaged in succession planning and involved in ensuring that appropriate schemes to recruit, retain and motivate employees and senior management are in place.
7.1	The Board has not appointed a committee for the purpose of undertaking an evaluation of the Board's performance. The Board believes that the size of the Company and the Board itself does not warrant the establishment of a committee specifically for the purpose of carrying out a performance evaluation of its role. The size of the Board is such that it should enable it to evaluate its own performance without the requirement of setting up an ad-hoc committee for this purpose. The Board shall retain this matter under review over the coming year.
8B	The Board has not appointed a Nominations Committee, particularly of the appointment process being specifically set out in the Articles of Association. The Board, however, intends to keep under review the utility and possible advantages of having a Nominations Committee and following an evaluation may, if the need arises, make recommendations to the shareholders for a change to the Articles of Association.

Approved by the Board on 20 April 2018 and signed on its behalf by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director

HLB CA Falzon
certified public accountants
Since 1967

Partners
Jozef Wallace Galea
Alfred Falzon
Patrizio Prospero
Adrian Sultana

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

Report on the Financial Statements for the year ended 31 December 2017

We have audited the individual financial statements of ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 26 to 84, which comprise the statement of financial position as at 31 December 2017, 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 2017, 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 2017. Investment property amounted to €44,442,152 as at 31 December 2017 and is deemed material to the financial statements.

Global in Reach Local in Touch

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

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.

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: notes 2.9 and 2.26
- Note on Investment Property: note 18
- 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 2017, property for resale amounting to €1,228,444 was transferred to investment property and investment property amounting to €385,086 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 2.9 and 2.11
- Note on Investment Property: note 18
- Note on Property for Resale: note 21

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

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.

3. **Deferred tax asset**

Risk description

As at 31 December 2017, the Group has recognised a deferred tax asset amounting to €3,591,836 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 2.24
- Note on Deferred Tax: note 25
- Judgements in applying accounting policies and key sources of estimation uncertainty: Note 3

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.

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

4. **Social Security Contributions (NI/FSS)**

   Risk description

   As at 31 December 2017, the Group has amounts due in respect of NI/FSS amounting to €1,000,887. We have determined this to be a key audit matter due to nature and the amount involved.

   Relevant references in the Annual Report and Financial Statements:

   - Accounting policy: notes 2.18
   - Note on Deferred Tax: note 24

   How the scope of our audit responded to the risk

   We evaluated the evidence supporting the outstanding liability related to social security contributions and ascertained that this are appropriately accounted.

   Findings

   We are satisfied that the social security contributions has been properly recognised and measured.

Other Information

The directors are responsible for the other information. The other information comprises of the Chairman's Statement, Chief Executive Officer's Statement, 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 2017 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.

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

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 Statements
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.

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.

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

- 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.

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; and
- 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.

Partners
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Adrian Sultana

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

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 10 to 18 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Appointment

We were first appointed as auditors by the shareholders on 18 April 2017, and subsequently reappointed at the Company's general meetings for each financial year thereafter. This is the our first year auditing the Company.

This copy of the audit report has been signed by:

Jozef Wallace Galea (Partner)
for and on behalf of HLB CA Falzon
Registered Auditors

20 April 2018

Hal Mann Vella Group plc

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

		The Group		The Company	
	Note	Current €	2016 €	Current €	2016 €
Continuing operations					
Revenue	**7**	18,543,496	11,182,058	-	-
Cost of sales	8	(13,531,761)	(8,764,681)	-	-
Gross profit		5,011,735	2,417,377	-	-
Rental income	7	1,164,273	465,652	279,733	479,460
Distribution and selling costs	8	(249,585)	(286,106)	-	-
Administrative expenses	8	(2,954,091)	(3,297,704)	(193,235)	(204,765)
Inventory write-off	8	-	(3,302,915)	-	-
Property, plant and equipment write-off	8	-	(14,841)	-	-
Other operating charges	8	(33,697)	(9,768)	(28,935)	-
Other operating income	9	775,712	52,180	378,755	-
Operating profit/(loss)		3,714,347	(3,976,125)	436,318	274,695
Changes in fair value of investment property	18	4,406,586	4,271,239	3,129,830	2,960,168
Share of loss in joint ventures	16	(253,776)	(261,357)	-	-
Dividends receivable		-	-	350,000	-
Profit on disposal of available -for-sale financial assets		-	(1,082,730)	-	(1,082,730)
Finance and similar income	10	328,439	403,662	1,216,280	1,457,059
Finance costs	11	(1,774,034)	(1,756,513)	(1,662,397)	(1,671,931)
Profit/(loss) before tax from continuing operations		6,421,562	(2,401,824)	3,470,031	1,937,261
Income tax (expense)/credit	13	(1,800,134)	1,622,460	(452,033)	(195,985)
Profit/(loss) for the year from continuing operations		4,621,428	(779,364)	3,017,998	1,741,276
Discontinued operations					
Profit for the year from discontinued operations	6	-	(266,018)	-	-
Profit/(loss) for the year		4,621,428	(1,045,382)	3,017,998	1,741,276

The notes on page 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2017

		The Group		The Company	
	Note	Current €	2016 €	Current €	2016 €
Profit/(loss) for the year		4,621,428	(1,045,382)	3,017,998	1,741,276
Other comprehensive income					
Items that will not be reclassified to profit and loss:					
Revaluation surplus on property, plant and equipment, net of deferred tax	28	2,871,813	1,879,618	-	-
Items that may be reclassified subsequently to profit or loss:					
Equity-accounted investees - share of OCI	16	3,250	-	-	-
Available-for-sale investments:					
- change in fair value, net of deferred tax	29	6,571	-	6,571	-
- change in fair value transferred to profit or loss, net of deferred tax		-	264,684	-	264,684
Total comprehensive income for the year		7,503,062	1,098,920	3,024,569	2,005,960
Earnings per share (cents)					
- Continuing operations		0.92	(0.16)	0.60	0.35
- Discontinued operations		-	(0.05)	-	-
	27	**0.92**	**(0.21)**	**0.60**	**0.35**

The notes on page 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Financial Position
as at 31 December 2017

	Note	The Group		The Company	
		Current	2016	Current	2016
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	14	32,490,053	28,561,102	-	-
Investment in subsidiaries	15	-	-	8,055,141	8,395,216
Investment in joint-ventures	16	1,714,714	2,316,474	165,720	167,352
Financial assets	17	836,455	1,032,241	21,731,944	18,174,271
Trade and other receivables	22	-	689,750	-	-
Investment property	18	44,442,152	26,139,451	29,052,359	25,827,151
Deferred taxation	25	3,972,468	4,112,371	1,019,435	1,152,793
Goodwill	19	62,888	62,888	-	-
Total non-current assets		83,518,730	62,914,277	60,024,599	53,716,783
Current assets					
Inventories	20	3,516,900	3,005,080	-	-
Property held-for-sale	21	4,398,303	6,063,877	-	1,213,136
Trade and other receivables	22	15,670,142	9,719,793	1,610,397	1,480,957
Current tax recoverable	13	-	32,802	21,820	92,044
Financial assets	17	104,564	103,671	-	-
Cash and cash equivalents	34	592,014	256,245	77,557	174,358
Total current assets		24,281,923	19,181,468	1,709,774	2,960,495
Total assets		107,800,653	82,095,745	61,734,373	56,677,278

The notes on page 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Financial Position
as at 31 December 2017

	Note	The Group Current	The Group 2016	The Company Current	The Company 2016
		€	€	€	€
EQUITY AND LIABILITIES					
Equity					
Issued capital	26	4,999,820	4,999,820	4,999,820	4,999,820
Revaluation reserve on property, plant and equipment	28	24,043,828	21,172,015	-	-
Fair value reserve	29	9,821	-	6,571	-
Other equity	30	12,236	-	-	-
Investment property reserve	31	7,134,712	4,150,892	15,269,240	12,397,427
Capital reserve	32	47,852	47,852	-	-
Incentives and benefits reserves	33	604,060	604,060	-	-
Retained earnings		2,960,983	1,323,375	2,638,655	2,492,470
Total equity		39,813,312	32,298,014	22,914,286	19,889,717
Non-current liabilities					
Borrowings	23	43,049,094	38,432,076	33,111,860	33,342,743
Trade and other payables	24	47,113	272,465	-	196,540
Deferred taxation	25	5,500,478	3,816,156	2,327,728	2,066,172
Total non-current liabilities		48,596,685	42,520,697	35,439,588	35,605,455
Current liabilities					
Borrowings	23	4,296,528	579,057	2,210,435	-
Trade and other payables	24	15,018,900	6,697,977	1,170,064	1,182,106
Current tax due	13	75,228	-	-	-
Total current liabilities		19,390,656	7,277,034	3,380,499	1,182,106
Total liabilities		67,987,341	49,797,731	38,820,087	36,787,561
Total equity and liabilities		107,800,653	82,095,745	61,734,373	56,677,278

The notes on page 35–84 form part of these financial statements.

The financial statements set out on pages 26 to 84 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

20 April 2018

Hal Mann Vella Group plc

Statements of changes in equity
for the year ended 31 December 2017

	The Group								
	Issued capital	**Revaluation reserve on property, plant and equipment**	**Investment property reserve**	**Fair value reserve**	**Other Equity**	**Retained earnings**	**Incentives and benefits reserves**	**Capital reserve**	**Total Equity**
	€	€	€	€		€	€	€	€
Balance as at 1 January 2016	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	-	1,879,618	-	264,684	-	-	-	-	2,144,302
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 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statements of changes in equity
for the year ended 31 December 2017

	The Group								
	Issued capital	Revaluation reserve on property, plant and equipment	Investment property reserve	Fair value reserve	Other Equity	Retained earnings	Incentives and benefits reserves	Capital reserve	Total Equity
	€	€	€	€		€	€	€	€
Balance as at 1 January 2017	4,999,820	21,172,015	4,150,892	-	-	1,323,375	604,060	47,852	32,298,014
Profit for the year	-	-	-	-		4,621,428	-	-	4,621,428
Other comprehensive income	-	2,871,813	-	9,821	-	-	-	-	2,881,634
Total comprehensive income for the year	-	2,871,813	-	9,821		4,621,428	-	-	7,503,062
Arising during the year	-	-	-	-	12,236	-	-	-	12,236
Transfer of fair value gain on investment property, net of deferred tax	-	-	2,983,820	-	-	(2,983,820)	-	-	-
Balance as at 31 December 2017	4,999,820	24,043,828	7,134,712	9,821	12,236	2,960,983	604,060	47,852	39,813,312

The notes on page 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statements of changes in equity

for the year ended 31 December 2017

	The Company				
	Issued capital	**Fair value reserve**	**Investment property reserve**	**Retained earnings**	**Total Equity**
	€	**€**	**€**	**€**	**€**
Balance as at 1 January 2016	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	-	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
Balance as at 1 January 2017	4,999,820	-	12,397,427	2,492,470	19,889,717
Profit for the year	-	-	-	3,017,998	3,017,998
Other comprehensive income	-	6,571	-	-	6,571
Total comprehensive income for the year	-	6,571	-	3,017,998	3,024,569
Transfer of fair value gain on investment property, net of deferred tax	-	-	2,871,813	(2,871,813)	-
Balance as at 31 December 2017	4,999,820	6,571	15,269,240	2,638,655	22,914,286

The notes on page 35–84 form part of these financial statements.

Statement of Cash Flows
for the year ended 31 December 2017

	Note	The Group		The Company	
		Current	2016	Current	2016
		€	€	€	€
Cash flows from operating activities					
Profit/(loss) before tax from continuing operations		6,421,562	(2,401,824)	3,470,031	1,937,261
Loss before tax from discontinued operations		-	(336,765)	-	-
Adjustments for:					
Changes in fair value of investment property		(4,406,586)	(4,271,239)	(3,129,830)	(2,960,168)
Share of loss in joint ventures		253,776	261,357	-	-
Depreciation of property, plant and equipment		695,669	602,662	-	-
Depreciation of property, plant and equipment of discontinued operations		-	21,773	-	-
Amortisation of intangible assets of discontinued operations		-	3,492	-	-
Impairment of trade receivables		(5,626)	385,319	-	-
Investment in joint-venture write-off		1,234	-	1,632	-
Property, plant and equipment write-off		-	14,841	-	-
Profit on disposal of available -for-sale financial assets		-	1,082,730	-	1,082,730
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		-	-	(350,000)	-
Finance and similar income		(328,439)	(403,662)	(1,216,280)	(1,457,059)
Finance cost of discontinued operations		-	17,823	-	-
Finance costs		1,774,034	1,756,513	1,662,397	1,671,931
Working capital changes:					
(Increase)/decrease in inventories		(511,820)	3,148,530	-	-
Decrease/(increase) in property for resale		822,216	(87,017)	1,213,136	290,389
(Increase)/decrease in receivables		(6,122,384)	26,970	(24,008)	(44,157)
Increase/(decrease) in payables		7,629,998	(148,621)	(374,014)	(40,966)
Advances to related companies		(75,928)	-	-	-
Interest paid on overdraft		(119,381)	(10,948)	(164)	(33)
Other interest paid		(806,885)	(1,063,311)	-	-
Taxation paid		(199,659)	(91,575)	(60,658)	(14,520)
Taxation refunded		70,224	30,263	70,224	-
Net cash generated from/(used in) operating activities		5,092,005	(1,818,163)	1,262,466	465,408

The notes on page 35–84 form part of these financial statements.

Hal Mann Vella Group plc

Statement of Cash Flows
for the year ended 31 December 2017

	Note	The Group		The Company	
		Current	2016	Current	2016
		€	€	€	€
Cash flows from investing activities					
Payments to acquire property, plant and equipment		(1,494,790)	(1,811,357)	-	-
Payments to acquire investment property		(12,703,777)	(1,470,214)	(95,378)	(165,515)
Capitalised borrowing cost of investment property		(348,980)	(370,162)	-	-
Payments to acquire financial assets		(198,065)	(12,896)	(198,065)	(12,896)
Payments to acquire investment in subsidiaty		-	-	(644,835)	(5,000,000)
Dividends received		-	-	350,000	-
(Advances to)/receipts from group companies		-	-	(2,698,497)	2,328,164
Receipts from/(advances to) joint venture		285,741	251,019	(64,359)	166,765
Receipts from other parties		300,496	4,060,443	288,260	3,136,740
Receipts from/(advances to) related companies		123,740	(546,758)	110,008	(565,694)
Receipts from disposal of other financial assets		-	1,064,498	-	1,064,500
Receipts from disposal of property, plant and equipment from discontinued operations		-	850,000	-	-
operations		-	150,000	-	-
Finance income		1,217,338	1,458,597	1,216,280	1,457,059
Net cash (used in)/from investing activities		(12,818,297)	3,623,170	(1,736,586)	2,409,123
Cash flows from financing activities					
Advances from/(repayment to) banks loans		6,357,034	(104,126)	-	51,699
Advances from/(repayment to) other advances		10,000	(1,997,816)	10,000	(1,997,816)
Advances from/(repayment to) group companies		-	-	188,210	(1,218,712)
(Repayment to)/advances from related companies		(548,569)	66,535	26,137	21,302
Advances from joint ventures		75,000	532,335	75,000	532,335
(Repayment to)/advances from other companies		(55,384)	50,000	-	50,000
Advances from shareholders		2,275,379	597,874	516,815	898,766
Interest paid on bonds		(1,438,813)	(1,555,809)	(1,438,813)	(1,555,809)
Interest paid on loans		(45,848)	(199,476)	(3,500)	(116,089)
Net cash from/(used in) financing activities		6,628,799	(2,610,483)	(626,151)	(3,334,324)
Net movement in cash and cash equivalents		(1,097,493)	(805,476)	(1,100,271)	(459,793)
Cash and cash equivalents at beginning of year		(125,244)	685,856	174,358	634,151
Cash and cash equivalents at end of year	34	(1,222,737)	(119,620)	(925,913)	174,358

The notes on page 35–84 form part of these financial statements.

1. Corporate information

The consolidated financial statements of Hal Mann Vella Group plc and its subsidiaries ("the Group") for the year ended 31 December 2017 were authorized for issue in accordance with a resolution of the directors on 20 April 2018.

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 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption and when the Group has less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred, the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired. If this aggregate is less than the fair value of the identifiable net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in profit or loss.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

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.

2.3 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.

2.4 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, AFS financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. All financial assets are recognised initially at fair value plus, in the case of financial assets not recorded at fair value through profit or loss, transaction costs that are attributable to the acquisition of the financial asset. 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 impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in ‘Finance 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. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices, are classified as available-for-sale. They are included in non-current assets unless the investment matures or management intends to dispose of the investment within twelve months of the end of the reporting period. 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 'Fair value reserve'. 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 'Fair value reserve'.

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. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analyses, and option pricing models making maximum use of market inputs and relying as little as possible on entity-specific inputs.

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

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

2.5 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.

2.6 Impairment

Impairment of financial assets at amortised cost
The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets 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 ("a loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Group about the following events:
- significant financial difficulty of the issuer or debtor;
- a breach of contract, such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Group.

The Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in the profit or loss account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the profit or loss account.

Assets classified as investments in associated undertakings/other available-for-sale investments

The Group assesses at end of the reporting date whether there is objective evidence that an available-forsale financial asset is impaired, including in the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost. 'Significant' is evaluated against the original cost of the investment and 'prolonged' against the period in which the fair value has been below its original cost. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on the financial asset previously recognised in the profit or loss – is removed from equity and recognised in the profit or loss account. Impairment losses recognised in the profit or loss account on equity instruments are not subsequently reversed through the profit or loss account.

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.

2.7 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.

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.

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

Freehold land is not depreciated.

Property, plant and equipment, except for revalued land and buildings, are stated at cost less accumulated depreciation. Depreciation charge is provided from the month of acquisition until the 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 and fittings	6.67% and 20%
Renewable energy	6.67%
Plant and machinery	10%
Furniture and fittings	10%
Improvements to premises	10%
Air-conditioning equipment	16.67%
Tools	20%
Kitchen equipment	20%
Lift	20%
Exhibits	20%
Exhibition stand and site offices	20% and 25%
Motor vehicles	20%
Computer equipment	25%
Office equipment	25%
Telecommunications	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.

2.8 Intangible assets

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

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

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

2.9 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 every 2 years. 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.

Changes in fair value are recognised in profit or loss and tranferred to "Other reserve" under equity. 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.

2.10 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.

2.11 Property held-for-sale

Property held-for-sale 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.

2.12 Construction contracts

Contract revenue comprises the initial amount agreed in the construction contract, and any variations in contract work, claims and incentive payments, to the extent that they have been agreed with the customer and can be measured reliably. Contract costs comprise direct costs as well as costs that relate to contract activity in general that can be allocated to the contract. When the outcome of a construction contract can be estimated reliably, contract revenue and costs are recognised in profit or loss by reference to the stage of completion of the contract activity at the reporting date. The stage of completion is determined by reference to the proportion 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.

2.13 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.

2.14 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.

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

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

2.15 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.

2.16 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.

2.17 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.

2.18 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.

2.19 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.

2.20 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.

2.21 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.

2.22 Leases

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

The Group as a lessor

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

The Group as a lessee

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

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

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

2.23 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

2.24 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.

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.

2.25 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.

2.26 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.

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 available-for-sale securities, land and building and investment property is disclosed in notes 17, 14 and 18, respectively.

Hal Mann Vella Group plc

Notes to the Financial Statements
for the year ended 31 December 2017

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.

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 2017 and the Group recognized fair values of property, plant and equipment and investment property in notes 14 and 18.

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 2017. The Group has not early adopted any other standard, interpretation or amendment that has been issued but is not yet effective.

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

Amendments to IAS 7 Statement of Cash Flows: Disclosure Initiative

The amendments require entities to provide disclosure of changes in their liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes (such as foreign exchange gains or losses). The Group has provided the information for both the current and the comparative period in note 36.

Amendments to IAS 12 Income Taxes: Recognition of Deferred Tax Assets for Unrealised Losses

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 deductible temporary difference related to unrealised losses. Furthermore, the amendments provide guidance on how an entity should determine future taxable profits and explain the circumstances in which taxable profit may include the recovery of some assets for more than their carrying amount.

The application has no effect on the Group's financial position and performance as the Group has no deductible temporary differences or assets that are in the scope of the amendments.

Annual Improvements Cycle - 2014-2016
Amendments to IFRS 12 Disclosure of Interests in Other Entities: Clarification of the scope of disclosure requirements in IFRS 12

The amendments clarify that the disclosure requirements in IFRS 12, other than those in paragraphs B10–B16, apply to an entity's interest in a subsidiary, a joint venture or an associate (or a portion of its interest in a joint venture or an associate) that is classified (or included in a disposal group that is classified) as held for sale.

The application has no effect on the Group as the Group has no interest in other entities which are in the scope of the amendments.

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.

Description	*Effective for annual periods beginning on or*
Amendments to IFRS 2: Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to IFRS 4: Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts	1 January 2018
IFRS 9 Financial Instruments	1 January 2018
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 40: Transfers of Investment Property	1 January 2018
IFRIC 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
IFRS 16 Leases	1 January 2019
Amendments to IAS 28: Long-term Interests in Associates and Joint Ventures	1 January 2019
IFRIC 23 Uncertainty over Income Tax Treatments	1 January 2019
IFRS 17 Insurance Contracts	1 January 2021

5. Segment information

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

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

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.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

5. Segment information

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

Year ended 31 December 2017	Property development and letting	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€
External revenue	1,511,300	22,640,566	24,151,866	(5,608,370)	18,543,496
Rental income	1,163,179	114,188	1,277,367	(113,094)	1,164,273
Total revenue	2,674,479	22,754,754	25,429,233	(5,721,464)	19,707,769
Income/(expenses)					
Finance and similar income	1,217,334	7	1,217,341	(888,902)	328,439
Finance cost	(1,992,043)	(670,893)	(2,662,936)	888,902	(1,774,034)
Depreciation and amortisation	-	(695,669)	(695,669)	-	(695,669)
Share of loss of joint ventures	(253,776)	-	(253,776)	-	(253,776)
Income tax income/(expense)	(2,079,194)	21,043	(2,058,151)	258,017	(1,800,134)
Segment profit before tax	**7,380,804**	**730,905**	**8,111,709**	**(3,490,281)**	**4,621,428**
Total assets	**111,055,490**	**32,172,590**	**143,228,080**	**(35,427,427)**	**107,800,653**
Total liabilities	**68,473,850**	**28,434,402**	**96,908,252**	**(28,920,911)**	**67,987,341**
Other disclosures					
Interest in joint ventures	165,720	-	165,720	1,548,994	1,714,714
Capital expenditure	-	1,494,790	1,494,790	-	1,494,790

5. Segment information

Inter-segment revenues are eliminated upon consolidation and reflected in the 'adjustments and eliminations' column. 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	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€
External revenue	1,091,808	15,305,265	16,397,073	(5,215,015)	11,182,058
Rental income	838,176	-	838,176	(372,524)	465,652
Total revenue	1,929,984	15,305,265	17,235,249	(5,587,539)	11,647,710
Income/(expenses)					
Finance and similar income	1,458,860	10	1,458,870	(1,055,208)	403,662
Finance cost	(1,938,337)	(837,940)	(2,776,277)	1,019,764	(1,756,513)
Depreciation and amortisation	(22,833)	(601,602)	(624,435)	-	(624,435)
Share of loss of joint ventures	(261,357)	-	(261,357)	-	(261,357)
Income tax income/(expense)	(378,684)	1,824,424	1,445,740	176,720	1,622,460
Segment profit/(loss) before tax	**5,594,046**	**(5,527,800)**	**66,246**	**(2,468,070)**	**(2,401,824)**
Total assets	**84,643,522**	**26,975,968**	**111,619,490**	**(30,444,591)**	**81,174,899**
Total liabilities	**49,948,092**	**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
Capital expenditure	-	1,811,357	1,811,357	-	1,811,357

6. Discontinued operations

There were no discontinued operations in 2017. In April 2016, the Board of Directors of the Group sold the retail operations of SMG Mode Ltd, a wholly owned subsidiary, to third parties. With the operations of SMG Mode Ltd being classified as discontinued, the retail operation segment is no longer presented in the segment note. In June 2017, there was a transfer of shares from Hal Mann Vella Group plc to Hal Mann Vella Limited. On 30 June 2017, SMG Mode Ltd was struck off following merger with Hal Mann Vella Limited. The results of SMG Mode Ltd for 2016 are presented as below:

	2016
	€
Revenue	582,055
Cost of sales	(327,588)
Gross profit	254,467
Administrative expensess	(503,696)
Operating losses	(249,229)
Finance costs	(17,823)
Other income	114,142
Gain on sale of tradenames	185,554
Loss on sale of stocks	(610,741)
Gain on disposal of fixed assets	241,332
Loss before tax from discontinued operations	(336,765)
Income tax credit	70,747
Loss for the year from discontinued operations	(266,018)

7. Revenue and rental income

	The Group		**The Company**	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Sale of properties	1,511,300	1,043,000	-	-
Sale of goods	16,810,043	9,971,166	-	-
Sales of electricty	222,153	119,086	-	-
Accomodation	-	48,806	-	-
Rental income	1,164,273	465,652	279,733	479,460
	19,707,769	11,647,710	279,733	479,460

8. Expenses by nature

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Depreciation of property, plant and equipment	695,669	602,662	-	-
Auditors' remuneration	34,891	34,891	3,000	3,000
Directors' salaries (note 12)	122,500	114,003	13,389	13,207
Wages, salaries and social security contribution (note 12)	3,672,865	3,293,920	53	-
Exchange fluctuation	(1,578)	9,768	-	-
Inventory write-off (note 20)	-	3,302,915	-	-
Property, plant and equipment write-off	-	14,841		
Other expenses	12,244,787	8,303,015	205,728	188,558
	16,769,134	15,676,015	222,170	204,765

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2017 and 2016 relate to the following:

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Annual statutory audit	34,891	34,891	3,000	3,000

9. Other operating income

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Gains from intermediation of immovable property	318,098	-	318,098	-
Other income from construction works	412,931	-	60,657	-
Income from government grants	18,714	16,576	-	-
Exchange fluctuation	10,879	-	-	-
Other income	15,090	35,604	-	-
	775,712	52,180	378,755	-

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10. Finance and similar income

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Interest from investments	-	4,422	-	4,422
Interest from banks	1,067	1,280	6	-
Interest from CIR	9,193	-	9,193	-
Interest from related and group companies	318,179	397,960	1,207,081	1,452,637
	328,439	403,662	1,216,280	1,457,059

11. Finance cost

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Bank overdraft interest	17,210	11,168	184	33
Interest on bonds and amortisation of bond issue cost	1,554,488	1,555,809	1,554,488	1,555,809
Bank loan interest	214,749	185,062	107,725	116,089
Other interest	(12,413)	4,474	-	-
	1,774,034	1,756,513	1,662,397	1,671,931

12. Staff costs and employee information

Staff costs for the year comprised the following:

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Wages and salaries (including directors' remuneration)	3,527,545	3,162,624	13,389	13,207
Social security contributions	267,820	245,299	53	-
	3,795,365	3,407,923	13,442	13,207

The average number of persons (including directors) employed by the company during the year was as follows:

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
Operational	114	106	-	-
Administration	64	64	2	2
Distribution	12	26	-	-
	190	196	2	2

13. Income tax

13.1 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	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Income tax expense:				
Current tax charge	(48,736)	-		-
Final withholding tax at 15%	(25,644)	(231)	(1)	-
Final withholding tax	(163,085)	(90,060)	(60,657)	(14,520)
Total current tax expense	(237,465)	(90,291)	(60,658)	(14,520)
Consideration payable by the company in respect of the tax benefit, attaching to tax losses surrendered by a subsidiary company under the Group Relief provision of the Income Tax Act	-	(154,096)	-	(908,086)
Deferred taxation (note 25):				
(Charge)/credit for the year	(1,562,669)	1,866,847	(391,375)	726,621
Income tax (expense)/credit for the year	(1,800,134)	1,622,460	(452,033)	(195,985)

13.2 Tax reconciliation

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Profit/(loss) before tax	6,421,562	(2,401,824)	3,470,031	1,937,261
Taxation credit thereon	2,247,547	(840,638)	1,214,511	678,041
Tax effect of:				
- excess if carrying amount of property, plant and equipment over tax base	66,930	240,642	-	-
- expenses non allowed for tax purposes	846,400	696,576	582,067	450,624
- income taxed at different rates	(584,473)	(1,223,668)	(84,643)	56,163
- unabsorbed capital allowances	(97,507)	(45,311)	-	-
- investment tax credit	(369,674)	(81,218)	-	-
- unabsorbed tax losses	784,202	153,619	(422,478)	(908,086)
- unabsorbed capital losses	-	(378,956)	-	(378,956)
- change in the fair value of investment property	(1,093,291)	(853,713)	(837,424)	(609,887)
- group relief	-	710,207	-	908,086
- under provision of prior year tax charge	-	-	-	-
Income tax expense/(credit) for the year	1,800,134	(1,622,460)	452,033	195,985

13.3 Current taxation

Taxation due/(recoverable) is made up as follows:

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January	(32,802)	(61,781)	(92,044)	(92,044)
Income tax expense	237,465	90,291	60,658	14,520
Tax refund	70,224	30,263	70,224	-
	274,887	58,773	38,838	(77,524)
Payments:				
Final withholding tax	(188,729)	(90,291)	(60,658)	(14,520)
Tax at source	(10,930)	(1,284)	-	-
Income tax credit/(expense) for the year	(199,659)	(91,575)	(60,658)	(14,520)
As at 31 December	75,228	(32,802)	(21,820)	(92,044)

14. Property, plant and equipment

The Group

The effective date of revaluation of the Group's land and buildings and improvements thereon was on 31 December 2017.

If these assets were included in the financial statements at cost, their carrying amounts would have been €4,972,232 (2016: €4,888,689).

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 2017. An independent valuation of the freehold land and buildings was performed by independent professional 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 35.

Valuation techniques used in determining the fair market value of the freehold land and buildings are disclosed in note 18.

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

	Valuation technique	**Significant unobservable inputs**	**Range (weighted average)**
Freehold land and buildings	DCF method	Estimated rental value per sqm per annum	2017: €139 2016: €139
		Discount rate	6.50% (2016: 6.50%)
	Comparable method	Price per sqm	2017: €1,069

Fair value measurement hierarchy:

	Level 1	**Level 2**	**Level 3**	**Total**
	€	**€**	**€**	**€**
As at 31 December 2017				
Property, plant and equipment	-	-	23,200,208	23,200,208
As at 31 December 2016				
Property, plant and equipment	-	-	19,975,000	19,975,000

14. Property, plant and equipment

	The Group								
	Freehold land and buildings	**Plant and machinery**	**Tools**	**Computer equipment and software**	**Office equipment**	**Air-conditioning equipment**	**Tele-communications**	**Furniture and fittings**	**Motor vehicles**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Cost / Valuation									
As at 1 January 2016	25,980,716	3,265,259	182,939	635,764	117,307	43,403	18,275	1,430,994	555,566
Transfer to investment property (note 18)	(8,111,827)	-	-	-	-	-	-	-	-
Additions	152,657	658,250	800	12,498	75,964	-	-	15,434	75,101
Revaluation surplus (note 28)	2,056,338	-	-	-	-	-	-	-	-
Write-off	-	-	-	(12,492)	-	-	(12,805)	(358,902)	(29,698)
Disposals	-	-	-	(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	377,488	600,969
Additions	95,378	818,896	14,832	1,554	22,796	6,032	-	32,304	20,900
Revaluation surplus (note 28)	3,129,830	-	-	-	-	-	-	-	-
As at 31 December 2017	23,303,092	4,742,405	198,571	580,538	205,706	26,445	4,686	409,792	621,869
Depreciation									
As at 1 January 2016	244,871	1,216,156	132,949	495,053	79,477	29,699	17,388	827,132	392,338
Transfer to investment property (note 18)	(238,209)	-	-	-	-	-	-	-	-
Charge for the year	6,218	216,564	11,003	32,782	24,531	2,177	193	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	222,222	400,602
Charge for the year	6,542	267,735	10,143	25,534	24,216	1,878	137	31,488	40,677
As at 31 December 2017	19,422	1,700,455	154,095	504,506	120,707	19,602	4,271	253,710	441,279
Net book amount									
As at 31 December 2016	20,065,004	2,490,789	39,787	100,012	86,419	2,689	552	155,266	200,367
As at 31 December 2017	23,283,670	3,041,950	44,476	76,032	84,999	6,843	415	156,082	180,590

14. Property, plant and equipment

	The Group								
	Leasehold industrial buildings	Improvements to premises	Exhibition stand and site offices	Renewable energy	Electrical installations and fittings	Kitchen equipment	Lift	Exhibits	Total
	€	€	€	€	€	€	€	€	€
Cost / Valuation									
As at 1 January 2016	2,500,000	2,381,761	65,852	714,170	97,530	175,781	31,645	357,406	38,554,368
Transfer to investment property (note 18)	-	(288,316)	-	-	-	-	-	-	(8,400,143)
Additions	-	189,615	-	631,038	-	-	-	-	1,811,357
Revaluation surplus (note 28)	-	-	-	-	-	-	-	-	2,056,338
Write-off	-	-	-	-	(28,541)	(175,781)	(31,645)	-	(649,864)
Disposals	-	(214,642)	-	-	(36,220)	-	-	-	(1,051,821)
As at 31 December 2016	2,500,000	2,068,418	65,852	1,345,208	32,769	-	-	357,406	32,320,235
Additions	-	99,030	-	383,068	-	-	-	-	1,494,790
Revaluation surplus (note 28)	-	-	-	-	-	-	-	-	3,129,830
As at 31 December 2017	2,500,000	2,167,448	65,852	1,728,276	32,769	-	-	357,406	36,944,855
Depreciation									
As at 1 January 2016	9,615	423,059	46,513	93,948	68,592	171,636	30,032	237,977	4,516,435
Transfer to investment property (note 18)	-	(65,354)	-	-	-	-	-	-	(303,563)
Charge for the year	38,462	115,353	3,868	63,515	644	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	50,381	157,463	32,769	-	-	261,863	3,759,133
Charge for the year	38,462	116,545	3,094	110,110	-	-	-	19,108	695,669
As at 31 December 2017	86,539	515,428	53,475	267,573	32,769	-	-	280,971	4,454,802
Net book amount									
As at 31 December 2016	2,451,923	1,669,535	15,471	1,187,745	-	-	-	95,543	28,561,102
As at 31 December 2017	2,413,461	1,652,020	12,377	1,460,703	-	-	-	76,435	32,490,053

15. Investment in subsidiaries

The Company

	Current €	2016 €
Cost		
As at 1 January	8,395,216	3,395,216
Transfer on merger with subsidiary company	(984,910)	-
Additional investment in Hal Mann International Limited	-	4,000,000
Additional investment in Hal Mann Vella Limited	-	1,000,000
Additional investment in Sudvel Limited	498,835	-
Additional investment in Halmann Solar Limited	146,000	-
As at 31 December	8,055,141	8,395,216

As at 31 December 2017, the Company held the following equity interest:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
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 have been leased out to third parties.

Sudvel Limited Hal Mann Vella, The Factory, Mosta Road, Lija LJA 9016	214,650 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 issued by Hal Mann Vella Group plc.

Hal Mann International Ltd Hal Mann, The Factory 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 immovable property.

Halmann Solar Limited The Factory, Mosta Road, Lija LJA 9016	150,000 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.

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 letting of movable and immovable property.

Hal Mann Vella Limited 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, tiles, parquet and turnkey projects and related activities.

SMG Mode Ltd Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	1,000,000 Ordinary shares of €1 each, fully paid up	nil (2016: 100%)

On 30 June 2017, SMG Mode Ltd was struck off following merger with Hal Mann Vella Limited.

16. Investment in joint-ventures

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Cost				
As at 1 January	2,316,474	2,577,231	167,352	166,752
Share in loss recognised in profit or loss	(253,776)	(261,357)	-	-
Share of other comprehensive income	3,250	-	-	-
Written off due to liquidation	(1,234)	-	(1,632)	-
Dividend received	(350,000)	-	-	-
Additions	-	600	-	600
As at 31 December	1,714,714	2,316,474	165,720	167,352

Notes to the Financial Statements
for the year ended 31 December 2017

As at 31 December 2017, the Company held the following equity interest:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
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.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
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, purchase or otherwise acquire and hold shares or other interests in, or securities of any other company. It was also involved in leasing or renting buildings and any other works in the building industry. The company has been non-trading after the demerger of the Group.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
HMK International Ltd, 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 and supply of raised flooring. The company also trades in building materials and acts as a turnkey contractor.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
MAC Investments Limited 52/1, Tigne Seafront, Sliema	1,600 Ordinary shares, of €1 each, fully paid up	nil (2016: 33.33%)

The company was engaged in the catering industry. During the year ended 31 December 2017, the directors of the Group resolved to write-off investment in the company due to liquidation.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held Current (2016)
Zokrija Limited Hal Mann, The Factory, Mosta Road, Mosta Road,	600 Ordinary shares, of €1 each, fully paid up	50%

The company has been principally engaged in purchasing and selling, developing and improving land and building for investment purposes or otherwise, and to charge and grant rights and interests of any kind in or over such land or building or any part thereof.

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for the year ended 31 December 2017

16. Investment in joint-ventures

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**		**Zokrija Limited**		**Total**	
	Current	**2016**	**Current**	**2016**	**Current**	**2016**	**Current**	**2016**	**Current**	**2016**	**Current**	**2016**
Percentage owenrship interest	50%	50%	50%	50%	50%	50%	nil	33.33%	50.00%	50.00%		
Non-current assets	-	-	396,915	396,915	269,979	4,991	-	-	-	-	666,894	401,906
Current asset	1,107,216	5,344,889	2,140,849	2,140,849	677,592	1,158,555	-	144,800	159,884	1,200	4,085,541	8,790,293
Non-current liabilities	-	-	(78,912)	(78,912)	(3,815)	(266)	-	(7,700)	-	-	(82,727)	(86,878)
Current liabilities	(5,008)	(3,456,581)	(2,258)	(2,258)	(489,482)	(296,365)	-	(132,773)	(160,995)	-	(657,743)	(3,887,977)
Net Asset (100%)	1,102,208	1,888,308	2,456,594	2,456,594	454,274	866,915	-	4,327	(1,111)	1,200	4,011,965	5,217,344
Group's share on net asset	551,104	944,154	1,228,297	1,228,297	227,138	433,458	-	1,442	(556)	600	2,005,983	2,607,951
Adjustments	-	-	(291,269)	(291,269)	-	-		(208)	-	-	(291,269)	(291,477)
Group's share on net asset	551,104	944,154	937,028	937,028	227,138	433,458	-	1,234	(556)	600	1,714,714	2,316,474
Net assets includes (100%):												
Cash and cash equivalent	157,485	-	31,184	31,184	313,491	575,071	-	-	20,760	1,200	522,920	607,455
Non-current financial assets	-	-	113,875	113,875	267,500	2,500	-	-	-	-	381,375	116,375
Current financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Dividend declaration	-	-	-	-	700,000	-	-	-	-	-	700,000	-
Dividend received by the Group	-	-	-	-	350,000	-	-	-	-	-	350,000	-
Revenue and other income	3,950,000	-	-	64,971	2,434,068	1,516,529	-	-	-	-	6,384,068	1,581,500
Cost of sale	(4,358,227)	-	-	-	(1,934,547)	(593,833)	-	-	-	-	(6,292,774)	(593,833)
Depreciation	-	-	-	-	(750)	(303)	-	-	-	-	(750)	(303)
Interest expense	-	-	-	-	(53)	(3,806)	-	-	-	-	(53)	(3,806)
Other expense	(66,167)	-	-	(3,420)	(66,060)	(51,326)	-	-	(2,311)	-	(134,538)	(54,746)
Profit before tax	(474,394)	-	-	61,551	432,658	867,261	-	-	(2,311)	-	(44,047)	928,812
Income tax expense	(311,705)	-	-	(2,672)	(151,799)	(100,639)	-	-	-	-	(463,504)	(103,311)
Other comprehensive income	-	-	-	-	6,500	-	-	-	-	-	6,500	-
Total comprehensive income (100%)	(786,099)	-	-	58,879	287,359	766,622	-	-	(2,311)	-	(501,051)	825,501
Group's share of profit for the year	(393,050)	-	-	29,440	140,430	383,311	-	-	(1,156)	-	(253,776)	412,751
Group's share of Other Comprehensive Income	-	-	-	-	3,250	-	-	-	-	-	3,250	-
Prior year losses taken up this year	-	(101,979)	-	(572,129)	-	-	-	-	-	-	-	(674,108)
Group's share of profit for the year	(393,050)	(101,979)	-	(542,689)	143,680	383,311	-	-	(1,156)	-	(250,526)	(261,357)

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

Undertaking	Accounting period
Madliena Ridge Limited	31 December 2016
Hal Mann Holdings Limited	31 December 2014
HMK International Limited	31 December 2017
Zokrija Limited	31 December 2017

17. Financial assets

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Current financial assets				
Held-to-maturity investments:				
Bank term deposit account	104,564	103,671	-	-
Total current financial assets	104,564	103,671	-	-
Loans and receivables:				
Loans to group companies	-	-	20,895,489	17,212,082
Loans to joint-ventures	160,094	132,687	160,094	95,735
Loans to related companies	2,100	598,794	2,100	565,694
Loans to other companies	-	288,260	-	288,260
Total loans and receivables	162,194	1,019,741	21,057,683	18,161,771
Available-for-sale investments:				
Unquoted equity shares	497,336	12,500	497,336	12,500
Quoted equity shares	176,925	-	176,925	-
Total available-for-sale investments	674,261	12,500	674,261	12,500
Total non-current financial assets	836,455	1,032,241	21,731,944	18,174,271
Total financial assets	941,019	1,135,912	21,731,944	18,174,271

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 are unsecured, bear interest at 5.3% per annum and have no fixed repayment date. The loans to joint ventures and related companies are unsecured, interest free and have no fixed repayment date.

The Company's exposure to credit risk related to these loans and receivables is disclosed in note 35. 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 carrying amounts are reasonable approximations of fair values.

The unquoted available-for-sale investment 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 35.

These financial assets were all denominated in Euro.

Fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2017				
Available-for-sale investment	176,925	-	497,336	674,261
As at 31 December 2016				
Available-for-sale investment	-	-	12,500	12,500

There were no transfers between Level 1 and Level 2 during 2017 and 2016.

18. Investment property

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Valuation				
As at 1 January	26,139,451	13,302,572	25,827,151	22,061,526
Additions	12,703,777	1,470,214	95,378	165,515
Borrowing cost	348,980	370,162	-	-
Fair value change on investment property	4,406,586	4,271,239	3,129,830	2,960,168
Transfer to property held-for-sale (note 21)	(385,086)	(3,057,137)	-	-
Transfer from property held-for-sale (note 21)	1,228,444	1,685,821	-	639,942
Transfer from property, plant and equipment-net (note 14)	-	8,096,580	-	-
As at 31 December	44,442,152	26,139,451	29,052,359	25,827,151

Capitalised borrowing costs

The amount of borrowing costs capitalised during the year ended 31 December 2017 was €348,980 (2016: €370,162). The rate used to determine the amount of borrowing costs eligible for capitalisation was from 5.3% to 6% (5.3%), which is the EIR of the specific borrowing.

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 independent external valuers having experience in the location and type of property being valued to determine the fair value as at 31 December 2017. The fair value movement were credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2017, 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, hotel, land and building with a carrying amount of €35,764,327 (2016: €21,868,212). 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 35.

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.

Reconciliation of fair value:

	Land	Office properties	Commercial buildings	Residential properties	Hotel properties
	€	€	€	€	€
As at 1 January 2016	3,437,137	532,978	6,908,403	2,424,054	-
Additions	12,857	-	1,446,006	-	11,351
Borrowing cost	-	-	370,162	-	-
Fair value change recognised in profit or loss	727,305	(160,993)	145,949	1,021,388	2,537,590
Transfer to property held-for-sale	(3,057,137)	-	-	-	-
Transfer from property held-for-sale	288,768	-	-	1,397,053	-
Transfer from property, plant and equipment - net	-	4,295,521	-	-	3,801,059
As at 31 December 2016	1,408,930	4,667,506	8,870,520	4,842,495	6,350,000
Additions	-	-	12,299,708	392,702	11,367
Borrowing cost	-	-	348,980	-	-
Fair value change recognised in profit or loss	-	-	3,589,787	816,799	-
Transfer to property held-for-sale	-	-	-	(385,086)	-
Transfer from property held-for-sale	-	-	-	1,228,444	-
As at 31 December 2017	1,408,930	4,667,506	25,108,995	6,895,354	6,361,367

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:

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

Discounted cash flow (DCF) 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):

	Valuation technique	Significant unobservable inputs	Range (weighted average)
Office properties	DCF method	Estimated rental value per sqm per annum	2017: €139 2016: €134 - €139 (€137)
		Discount rate	6.50% (2016: 6.50%)
Commercial buildings	DCF method	Estimated rental value per sqm per annum	2017: €21 - 175 (€98)
		per parking spaces per annum	2017: €438
		Discount rate	6.50% to 7.50%
Residential properties	Comparable method	Selling price per sqm	2017: €5,144

Fair value measurement hierarchy:

	Level 1 €	Level 2 €	Level 3 €	Total €
As at 31 December 2017				
Investment property	-	-	44,442,152	44,442,152
As at 31 December 2016				
Investment property	-	-	26,139,451	26,139,451

There were no transfers between Level 1 and Level 2 during 2017 and 2016.

19. Goodwill

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January and 31 December	62,888	62,888	-	-

Goodwill arising from acquisition of subsidiary.

20. Inventories

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Raw materials	2,821,019	2,209,304	-	-
Finished good	694,906	794,801	-	-
Showroom items	975	975	-	-
	3,516,900	3,005,080	-	-

During 2017, €14,938,419 (2016: €10,256,061) was recognised as an expense during the year and included in cost of sales.

Inventory write-off

During the year ended 31 December 2017, the directors of the Group resolved to write-off obsolete or damaged inventories amounting to nil (2016: €3,302,915).

21. Property held-for-sale

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Cost				
As at 1 January	6,063,877	4,605,544	1,213,136	2,143,468
Additions	1,258,785	1,094,607	-	-
Overprovision in previous year	-	(18,392)	-	-
Disposals	(2,081,001)	(989,198)	(1,213,136)	(290,390)
Transfer from investment property (note 18)	385,086	3,057,137	-	-
Transfer to investment property (note 18)	(1,228,444)	(1,685,821)	-	(639,942)
As at 31 December	4,398,303	6,063,877	-	1,213,136

22. Trade receivables

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Current				
Trade receivables	7,032,515	5,796,731	47,043	7,856
Other receivables	84,607	1,618,971	-	-
Other advances	2,582,266	951,556	-	25,207
Amount owed by group companies	-	-	1,516,827	1,385,258
Amount owed by joint venture	53,593	170,724	-	-
Amount owed by related companies	205,151	16,688	-	-
Amount owed by other companies	-	26,137	-	26,137
Indirect taxation	983,156	113,283	42,162	32,126
Accrued income and prepayments	4,728,854	1,025,703	4,365	4,373
Total current trade and other receivables	15,670,142	9,719,793	1,610,397	1,480,957
Non-current				
Other receivables	-	689,750	-	-
Total trade and other receivables	15,670,142	10,409,543	1,610,397	1,480,957

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**
	€	**€**	**€**	**€**
2017	7,032,515	1,020,186	2,361,883	3,650,446
2016	5,796,731	592,390	1,190,646	4,013,695

See note 35 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 owed by joint venture, related and other companies are unsecured, interest free and repayable on demand.

The Group

As at 31 December 2017, trade receivables at nominal value of €479,693 (2016: €485,319) were impaired and fully provided for. Movement in the provision for impairment of trade receivables were as follows:

	Impairment on trade receivables	
	Current	**2016**
		€
As at 1 January	485,319	100,000
Impairment loss movement during the year		
Provision during the year	804	449,294
Write-off	-	(28,601)
Reversal of impairment loss	(6,430)	(35,374)
Movement during the year	(5,626)	385,319
As at 31 December	479,693	485,319

At 31 December 2017, there was an impairment loss of €804 (2016: €449,294) related to long outstanding receivables which are deemed by the Directors not to be recoverable.

23. Borrowings

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Current				
Bank overdrafts (note 34)	1,814,751	375,865	1,003,470	-
Bank loans	1,214,969	203,192	-	-
Amount due to joint ventures	1,266,808	-	1,206,965	-
Total current borrowings	4,296,528	579,057	2,210,435	-
Non-current				
5% secured bonds	29,540,145	29,485,657	29,540,145	29,485,657
Bank loans	7,431,751	2,086,494	-	-
Shareholders' loans	3,582,110	3,065,296	2,773,430	2,256,615
Amount due to related companies	1,626	79,469	-	-
Amount due to group companies	-	-	718,285	398,506
Amount due to joint ventures	-	1,179,138	-	1,131,965
Amount due to other companies	-	14,099	-	-
Amount due to third party	2,413,462	2,451,923	-	-
Other loan	80,000	70,000	80,000	70,000
Total non-current borrowings	43,049,094	38,432,076	33,111,860	33,342,743
Total borrowings	47,345,622	39,011,133	35,322,295	33,342,743

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 €2,926,496 (2016: €3,065,296) 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	**2016**
	€	**€**
Face value of the secured bonds	29,485,657	29,433,958
Accumulated amortization of bond issue cost	54,488	51,699
Amortised cost	29,540,145	29,485,657

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 14 and 18), pursuant to and subject to the terms and conditions in the prospectus.

The bond bear interest rate of 5% per annum on the nominal value payable annually in arrears on 6 November.

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 2017 for the secured bonds was €105 (2016: €103), 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	**2016**
	€	**€**
Total borrowings:		
At fixed rates	43,008,112	32,620,953

Effective interest rates at the reporting date:

	Current	**2016**
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 35.

The Group

The bank overdraft and bank loans bear interest ranging between 2.35% to 6% per annum (2016: 2.68% to 4.5%). 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.

The bank overdrafts are repayable on demand. Information about the contractual terms of the Group's loans including interest are disclosed in note 35.

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.

24. Trade and other payables

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Current				
Amount received in advance	2,046,112	952,647	14,265	35,906
Trade payables	4,475,428	3,867,368	464,722	588,646
Amoun due to group companies	-	-	56,865	43,852
Amoun due to joint ventures	104,648	42,831	-	-
Other payables	51,216	36,978	-	-
Indirect taxes and social security contributions	1,329,121	544,905	-	-
Accrual and prepaid income	6,995,799	1,236,672	634,212	513,702
Deferred income from government grants	16,576	16,576	-	-
Total current trade and other payables	15,018,900	6,697,977	1,170,064	1,182,106
Non-current				
Trade payables	-	196,540	-	196,540
Deferred income from government grants	59,349	75,925	-	
Capital contribution - discounting effect (note 30)	(12,236)	-		
Total nun-current trade and other payables	47,113	272,465	-	196,540
Total trade and other payables	15,066,013	6,970,442	1,170,064	1,378,646

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-free and repayable on demand.

The Group's exposure to liquidity risk related to trade and other payables is disclosed in note 35.

Government grants have been received for the purchase of certain items of property, plant and equipment. There are no unfulfilled conditions or contingencies attached to these grants.

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As at the current financial year ended 31 December 2017, the amount of €59,349 will be fully amortised within 3.58 years.

The difference between the principal amount and the present value of the deferred income after the above captioned amortisation period will amount to €12,236. This will be classified to other equity over the said period as it represents a further capital contribution by the company. Therefore the final amount of €47,113 will be realised by 31 December 2018.

25. Deferred taxation

Deferred tax liability

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
As at 1 January	(3,816,156)	(3,519,088)	(2,066,172)	(1,640,000)
Charge in profit or loss (note 13)	(1,422,766)	(120,348)	(258,017)	(426,172)
Tax effect of other comprehensive income	(261,556)	(176,720)	(3,539)	-
As at 31 December	(5,500,478)	(3,816,156)	(2,327,728)	(2,066,172)

The balance as at 31 December 2017 represents:

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Asset revaluations	(5,496,939)	(3,816,156)	(2,324,189)	(2,066,172)
Fair value change of available for sale securities	(3,539)	-	(3,539)	-
	(5,500,478)	(3,816,156)	(2,327,728)	(2,066,172)

Deferred tax asset

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
As at 1 January	4,112,371	2,208,525	1,152,793	-
Credit/(charge) in profit or loss (note 13)	(139,903)	1,987,195	(133,358)	1,152,793
(Charge)/credit in profit or loss from discontinued operations	-	(83,349)	-	-
As at 31 December	3,972,468	4,112,371	1,019,435	1,152,793

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The balance as at 31 December 2017 represents:

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(289,258)	(147,853)	-	-
Unabsorbed capital allowances	705,792	608,286	-	-
Unabsorbed capital lossses	378,956	378,956	378,956	378,956
Unrelieved tax losses	1,321,286	1,787,246	640,479	773,837
Provision for doubtful debts	12,893	12,611	-	-
Investment tax credit	1,842,799	1,473,125	-	-
	3,972,468	4,112,371	1,019,435	1,152,793

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% (2016: 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 5% and 8% (2016: 8%) of the transfer value.

26. Share Capital

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
Authorised:				
5,000,000 Ordinary shares of €1 each	5,000,000	5,000,000	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	4,999,820	4,999,820

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27. 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	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
(Loss)/Profit for the year attributable to shareholders:				
- Continuing operations	4,621,428	(779,364)	3,017,998	1,741,276
- Discontinued operations	-	(266,018)	-	-
Weighted average number of ordinary shares in issue (note 26)	4,999,820	4,999,820	4,999,820	4,999,820
Earnings per share (cents)				
- Continuing operations	0.92	(0.16)	0.60	0.35
- Discontinued operations	-	(0.05)	-	-
	0.92	**(0.21)**	**0.60**	**0.35**

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

28. Revaluation reserve on property, plant and equipment

	The Group		The Company	
	Current	**2016**	**Current**	**2016**
	€	**€**	**€**	**€**
As at 1 January	21,172,015	19,292,397	-	-
Revaluation surplus (note 14)	3,129,830	2,056,338	-	-
Depreciation transfer	-	-	-	-
Deferred taxation thereon	(258,017)	(176,720)	-	-
As at 31 December	24,043,828	21,172,015	-	-

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

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29. Fair value reserve

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January	-	(264,684)	-	(264,684)
Change in fair value	10,110	-	10,110	-
Deferred taxation thereon	(3,539)		(3,539)	
Equity-accounted investees - share of OCI	3,250			
Release on disposals	-	264,684	-	264,684
As at 31 December	9,821	-	6,571	-

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

30. Other equity

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January	-	-	-	-
Arising during the year	12,236	-	-	-
As at 31 December	12,236	-	-	-

Other equity reserve represents the discounting effect of deferred income as it represent a further capital contribution in 3.58 years time. The other equity is a non-distributable reserve.

31. Investment property reserve

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January	4,150,892	-	12,397,427	9,863,431
Transfer from retained earnings	2,983,820	4,150,892	2,871,813	2,533,996
As at 31 December	7,134,712	4,150,892	15,269,240	12,397,427

This 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.

32. Capital redemption reserve

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
As at 1 January and 31 December	47,852	47,852	-	-

This reserve represents tax benefits related to industrial activities.

33. Incentives and benefits reserves

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
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.

34. Cash and cash equivalents

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

	The Group		The Company	
	Current	2016	Current	2016
	€	€	€	€
Cash at bank and in hand	592,014	256,245	77,557	174,358
Bank overdrafts (note 23)	(1,814,751)	(375,865)	(1,003,470)	-
As at 31 December	(1,222,737)	(119,620)	(925,913)	174,358

35. 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 other market price risk.

a. 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 23, 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 €1,119,902 (2016: €1,231,553) that is subject to interest at floating rates linked to Euribor.

b. Other market price risk

The Group is exposed to equity price risk, which arises from available-for-sale equity securities held in response to needs for liquidity. The management of the Group monitors the proportion of equity securities in its investment portfolio based on market indices. The Group's Board of Directors reviews and approves all equity investment decisions.

Sensitivity analysis - Equity price risk

At the reporting date, the exposure to unquoted equity securities at fair value was €497,336 (2016: €12,500).

At the reporting date, the exposure to equity securities at fair value listed on the Malta Stock Exchange (MSE) was €176,925. Given that the changes in fair values of the equity investments held are strongly positively correlated with changes of the market index, the Group has determined that a decrease of 5% on the MSE market index could have an impact of approximately €5,750 after tax on the income or equity attributable to the Group, depending on whether the decline is significant or prolonged. An equal change in the opposite direction would haved decrease income or equity by €5,750 after tax.

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.

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 2017

	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Interest-bearing loans and borrowings	1,506,327	7,463,542	4,594,993	13,564,862
5% secured bonds and interest	1,500,000	7,500,000	31,250,000	40,250,000
Trade and other payables	12,956,212	-	-	12,956,212
Shareholders' loans	-	-	3,582,110	3,582,110
Other financial liabilities	1,814,751	80,000	2,413,462	4,308,213
	17,777,290	15,043,542	41,840,565	74,661,397

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

Fair value risk

As at 31 December 2017 and 2016, 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 fair value measurement hierarchy of the Group’s available-for-sale securities, property, plant and equipment and investment property are disclosed in notes 17, 14 and 18, respectively.

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 2017 and 2016.

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36. Changes in liabilities arising from financing activities

	1 January 2017	Cash flows	Non-cash changes Re-classification	31 December 2017
	€	€	€	€
Bank loans	2,289,686	6,357,034	-	8,646,720
5% secured bonds	29,485,657	-	54,488	29,540,145
Amount due to joint ventures	1,179,138	75,000	12,670	1,266,808
Shareholders' loans	3,065,296	2,275,379	(1,758,565)	3,582,110
Amount due to related companies	79,469	(548,569)	470,726	1,626
Amount due to other companies	14,099	(55,384)	41,285	-
Amount due to third party	2,451,923	-	(38,461)	2,413,462
Other loan	70,000	10,000	-	80,000
Total liabilities from financing activities	38,635,268	8,113,460	(1,217,857)	45,530,871

37. Commitments and contingencies

Capital commitments

At 31 December 2017, the Group had no commitments (2016: €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.

Operating lease commitments – the Group as lessor

The Group has entered into operating leases on its investment property consisting of certain office and hotel 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, 5 and 10 years as applicable.

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

	Current	2016
	€	€
Within one year	1,902,774	382,523
After one year but not more than five years	8,015,863	280,281
After five years	5,794,712	-
	15,713,349	662,804

38. Related party transactions

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	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Subsidiaries of the parent company:					
Mavina Holiday	Current	-	-	-	556,706
Complex Ltd	2016	-	-	-	398,506
Sudvel Limited	Current	64,464	-	6,088,795	-
	2016	65,289	-	3,507,481	-
Hal Mann International	Current	366,005	-	7,639,053	-
Ltd	2016	677,762	-	6,413,678	-
	Current	126,469	-	2,111,678	-
Hal Mann Properties Ltd	2016	105,516	-	2,175,029	-
Halmann Solar Limited	Current	2,824	-	111,600	161,579
	2016	41,393	-	126,332	-
Hal Mann (Letting) Ltd	Current	66,707	-	1,695,947	-
	2016	54,006	-	1,095,402	-
Hal Mann Vella Limited	Current	375,527	-	4,765,243	56,865
	2016	333,391	5,807	4,793,776	43,852
SMG Mode Ltd	2016	150,375	-	485,642	

		Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Joint venture in which the parent is a venturer:					
Madliena Ridge Limited	Current	-	-	-	570,335
	2016	970,000	7,745	-	495,335
Hal Mann Holdings Ltd	Current	-	-	-	636,630
	2016	-	-	-	636,630
HMK International Ltd	Current	1,570,720	304,138	16,741	57,475
	2016	13,385	169,785	42,831	170,723
Zokrija Limited	Current	-	-	160,094	-
	2016	-	-	95,735	-

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 2017, the Group has not recorded any impairment of receivables relating to amounts owed by related parties (2016: 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.