Company Registration No.:- C 5067

Hal Mann Vella Group plc

Annual Report and Consolidated Financial Statements
for the year ended
31 December 2018

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Hal Mann Vella Group plc

Chairman's Statement
for the year ended 31 December 2018

I am pleased to report that 2018 has been another successful year for Hal Mann Vella Group. Following the restructuring and reorganisation exercise that was implemented in the Group, the results for the financial year under review once again show that the Group is on course to continue benefitting from the resultant improvement in its profit margins. We remain committed to growth using our resources and technologies to their full potential.

Performance

With respect to the Group's performance, reference is to be made to page 4, the Directors' report.

Our work

The Hal Mann Vella Group's history is testament to our ability to adapt research and innovation in our field to the creation of beautiful living spaces. Over the years, the Hal Mann Vella Group has successfully upheld the industry's best practices. Our name has long been associated with natural stone and other surfacing materials, reflecting the company's success from sourcing the best quality surfacing materials to installation and project management both in residential as well as in projects of a much larger scale. We are proud to be one of the preferred partners of architects, interior designers as well as private home owners.

In 2018, the Hal Mann Vella Group was once again involved in many ambitious projects. These include the Tipico Tower and the Laguna Development at Portomaso, the Farsons Brewery, The Centre Development at Tigne Point, the Bet365 Offices, Crane Currency and the Ta' Qali Crafts Village. Hal Mann Vella Group also completed works in a number of private residences as well as hotels such as The Cumberland Hotel, Solana Hotel, Merchant Suites and Sally Port Suites. Internationally, Hal Mann Vella Group was entrusted with ongoing works at the Corinthia Hotel in Budapest.

Our people

Our work is a reflection of our people, and we are proud of both our projects as well as our highly experienced and qualified human resources. I have always found the full support of all board members whom I must thank for the guidance and advice provided during the year. I also want to applaud our management team as well as all the staff for their hard work and dedication.

My sincere gratitude also extends to our clients who keep on entrusting us with the biggest projects of their lives – their homes and their largest investments.

Extended Product Line

We seek to add value to our customers and one way to do so is through enhancement of our product offerings. Apart from exclusively representing international brands such as Dekton, Silestone, Marca Corona and Ceramiche Keope, in 2018 we also secured the exclusive distributorship of Infinity Surfaces. Infinity specialises in the production of high performance slabs in porcelain stoneware. Infinity surfaces are ideal for a number of applications, such as kitchen tops due to their various benefits. Infinity is part of the Gruppo Concorde, the largest Italian manufacturer of wall and floor coverings, which has been in the industry for over 50 years.

The introduction of this new range will satisfy the growing demand for engineered stone, which in the recent years has become the most demanded product by clients especially when it comes to countertops, due to the product's durability. Adding more options, in terms of brands and colours is expected to attract more clients, thereby contributing positively on our bottom line.

Corporate Social Sustainability

As one of the largest Groups in Malta we want to make a real difference – for our customers and for the environment in which we operate. We have a responsibility to operate in a responsible and ethical manner. Climate change is one of the greatest challenges of our time and we are aware of the need to use natural resources more efficiently. Therefore, at Hal Mann Vella Group sustainability is an integral part of all our business activities.

In 2018, we have installed the final solar panel system on our factories, so that we currently generate over 1,320kWh of energy.

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.

We are also aware that waste that results from the fabrication of marble is detrimental to the environment, especially if it is disposed of. For this reason, we utilise marble trimmings and waste to produce recycled marble aggregates which are later used in flooring.

The local Industry

The performance of the local economy continues to augur well in terms of the opportunities this can present for our Group. The country is currently experiencing a booming economic growth that is projected to stabilise but remain strong in the near future. The local construction industry is still one of the main drivers of the Maltese economy contributing €694.12 million in gross value added. Full-time employment in the sector grew by 8.9% to 37,428 in 2018.

Whilst the opportunities are ample, we need to keep on investing in research and development to enable us to take on these opportunities whilst remaining profitable and competitive both within the local and international markets. Human resource recruitment remains one of the main challenges for the company, as the human resource pool is small when compared to the needs of the industry.

Hal Mann Vella Group plc

Chairman's Statement
for the year ended 31 December 2018

Joseph Tabone – A recognition

Whilst 2018 was overall a successful year, it was unfortunately marked by the sudden passing away of Joseph Tabone, who had held the position of CEO of the Hal Mann Vella Group since November 2015. Joseph Tabone joined Hal Mann Vella Group in 2012 as Director of Finance. His contributions to our company have been indispensable and his presence, work ethic and motivational words are sorely missed. We will strive to continue bringing his visions to life.

Looking Forward

The year 2018 was another year of progress in Hal Mann Vella Group's journey towards sustainable growth. More work still needs to be done to achieve greater efficiency and growth, and the Group's transformation needs to maintain its momentum, without hesitation, and continue to be given priority by the Board of directors and all the management team. We look at the future with optimism. We are a committed team that is ready to satisfy the needs of different stakeholders, from delivering an excellent business performance for the benefit of our shareholders to exceeding the expectations of our clients. Our goals for 2019 are to continue with our focus on growth and financial stability for the Group, as well as focusing on the improvement of our productivity and processes to continually improve our service to our residential customers as well as developers and to continue investing in our human resources.

I am honoured to lead the company through such positive times and confident that through our ambitious goal setting, the Group will continue going from strength to strength.

Mr. Martin Vella
Chairman

Hal Mann Vella Group plc

Directors' Report
for the year ended 31 December 2018

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 2018.

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 €167,792 during the year ended 31 December 2018 (2017: €3,470,031).

The Group registered a consolidated profit before tax of €4,973,040 during the year ended 31 December 2018 (2017: €6,421,562). Notwithstanding this, operating profit of the Group increased by €568,591.

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

The decrease in profit before tax is due to lower change in fair value of investment property, higher administrative expenses, and higher finance costs, as compared to the previous reporting period.

There was a decrease in revenue of €1,746,011 for the Group, however rental income increased as compared to prior year, by €1,497,532 which offsets the decrease in revenue. Finance cost for the year amounted to €2,206,573 (2017: €1,774,034). The EBITDA margin from continuing operations decreased to 47.29% (2017: 47.95%).

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. Another method of fair value measurement was the discounted cash flow technique, whereby significant inputs were used, namely: long-term pre-tax rate, inflation rate, risk premium, gross profit rate, estimated rental value and extrapolated residual land value. The valuation report issued by TBA Periti is dated 30 September 2018. All of the Group's properties are now measured at the fair values. This has resulted in the reporting of a change in fair value of investment property of €2,821,933 (2017: €4,406,586) 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.

Directors' Report
for the year ended 31 December 2018

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 2017.

Outlook for financial year ending 31 December 2019

The Group has a positive outlook for 2019 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 24 and 25.

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 €8,955,896 (2017: €2,960,983) for the Group and €2,266,535 (2017: €2,638,655) for the Company.

Directors

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

Mr. Martin Vella - Chairman
Mr. Mark Vella - Director and CEO
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.

Hal Mann Vella Group plc

Directors' Report
for the year ended 31 December 2018

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 2018 are included in the Annual Report 2018, which is published in hard-copy printed form and is available on the Company's website.

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

• the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2018, 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, the directors are satisfied at the time of approving the financial statements that the Group and the Company have adequate resources to continue operating for the foreseeable future and therefore it is appropriate to adopt the going concern basis in preparing the financial statements.

Shareholder register information pursuant to Listing Rule 5.64

- **Structure of Capital**

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

- **Appointment and removal of Directors**

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

- **Powers of Directors**

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

- **General Meetings**

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

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

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 and CEO

Registered Office
The Factory,
Mosta Road,
Lija LJA 9016

17 April 2019

Hal Mann Vella Group plc

Corporate Governance Statement
for the year ended 31 December 2018

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 2018

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 Board

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 competent 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 - Chairman and Chief Executive

The position of the Chairman and that of the Chief Executive Officer are occupied by different individuals. There is a clear division of responsibilities between the running of the Board and the Chief Executive Officer's responsibility in managing the Group's business. This separation of roles of the Chairman and Chief Executive Officer avoids concentration of authority and power in one individual and differentiates leadership of the Board from the running of the business.

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 - Composition of the Board

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, upon board meeting attendance, provides the rest of the directors with immediate access to the information on the Company's financial position and systems. He acts as the main point of communication between the Board and overall corporate operations as he is responsible for proper implementation of sustainable business solutions, effective framework of internal controls over risk in relation to the business

Corporate Governance Statement
for the year ended 31 December 2018

The Board of Directors consists of the following:

Mr. Martin Vella - Chairman
Mr. Mark Vella - Director and CEO
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 Responsibilities of the Board

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.

Corporate Governance Statement
for the year ended 31 December 2018

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 rest of 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 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 - Board meetings

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 4 times during the financial year under review. The following directors attended meetings as follows:

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

Principle Six - 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 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 - 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 - Committees

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 Sudvel Limited and Hal Mann Vella Limited.

Corporate Governance Statement
for the year ended 31 December 2018

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	€13,532
Fixed remuneration from Subsidiaries	€125,827

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 - 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 - Relations with Institutional shareholders

The directors are of the view that this Principle is not applicable to the Company.

Principle Eleven - Conflicts of Interest

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 - Corporate Social Responsibility

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 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.

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

Corporate Governance Statement
for the year ended 31 December 2018

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 2018

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

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 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 17 April 2019 and signed on its behalf by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director and CEO

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

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

Report on the Financial Statements for the year ended 31 December 2018

Opinion

We have audited the individual financial statements of Hal Mann Vella Group plc ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 24 to 90, which comprise the statement of financial position as at 31 December 2018, 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.

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 2018, 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 30 September 2018. Investment property amounted to €46,689,617 as at 31 December 2018 and is deemed material to the financial statements.

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

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

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: notes 2.7 and 2.21
- 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. **Deferred tax asset**

Risk description

As at 31 December 2018, the Group has recognised a deferred tax asset amounting to €3,645,397 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 2.19
- 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 and (d) investment tax credits.

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

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.

3. **Impact of new accounting standards**

Risk description

Significant changes in accounting standards relevant to the Company and the Group came into effect for the financial year ended 31 December 2018. In particular, IFRS 15 - *Revenue from Contracts with Customers* established a comprehensive framework for considering whether, how much and when revenue is recognised, and included in IFRS 9 - *Financial Instruments* (as revised in 2014) is a new model of expected credit losses to calculate impairment of financial assets. IFRS 16 - *Leases* is effective as from the financial year ending 31 December 2019, and brings most leases on-balance sheet for lessees under a single model, thus eliminating for lessees the distinction between operating and finance leases, Given the significance of the Group's leasing transactions, the application of this standard is expected to result in significant adjustments to the financial statements for the year ending 31 December 2019.

Relevant references in the Annual Report and Financial Statements:
- Accounting policy: notes 2.4 and 2.16
- Notes on Revenue from Contracts with Customers and Financial Assets and Liabilities: notes 6 and 17, respectively.

How the scope of our audit responded to the risk

Our audit procedures included use of IFRS expertise to assess in particular (a) the manner in which the Group implemented the new standards on revenue and expected credit losses for the financial year ended 31 December 2018, including the revision of applicable accounting policies and the inclusion of the required additional disclosures; and (b) the Group's assessment of the impact of the implementation of the new requirements on lessee accounting for the financial year ending 31 December 2019, including the nature and extent of the required disclosures thereon in the financial statements for the year ended 31 December 2018.

Findings

We are satisfied that the Impact of new accounting standards been properly implemented and disclosed.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

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

Other Information
The directors are responsible for the other information. The other information comprises of the Chairman'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 2018 is consistent with the financial statements; and
- the Directors' Report has been prepared in accordance with the Companies Act, Cap. 386 of the Laws of Malta.

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

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

Responsibilities of the Directors and Those Charged with Governance
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. 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 financial statements.

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.

HLB CA FALZON
CERTIFIED PUBLIC ACCOUNTANTS

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

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.

In terms of article 179A(4) of the Companies Act (Cap.386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the entity.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risk of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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CERTIFIED PUBLIC ACCOUNTANTS

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

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.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

Other matters on which we are required to report by exception

We also have responsibilities:

- under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us;
  - the financial statements are not in agreement with the accounting records and returns;
  - we have not received all the information and explainations we require for our audit; and
  - certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.
- under the Listing Rules to review the statement of made by the Directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

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 8 to 16 has been properly prepared in accordance with the requirements of the Listing Rules 5.94 and 5.97 issued by the Malta Listing Authority.

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CERTIFIED PUBLIC ACCOUNTANTS

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

Audit Tenure

We were first appointed as auditors of the Company and the Group by the shareholders on 18 April 2017 for the period ended 31 December 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 2 years.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of article 11 of the EU Audit Regulation No. 537/2014.

This copy of the audit report has been signed by:

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

17 April 2019

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Together we make it happen

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PARTNERS: Jozef Wallace Galea, Alfred Falzon, Patrizio Prospero, Adrian Sultana.

Hal Mann Vella Group plc

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	€	€	€	€
Revenue from contracts with customers	6	16,797,485	-	-	-
Sale of goods	6	-	1,690,866	-	-
Rendering of services	6	-	16,852,630	-	-
Cost of sales	8	(11,278,074)	(13,531,761)	-	-
Gross profit		5,519,411	5,011,735	-	-
Rental income	7	2,661,805	1,164,273	671,082	279,733
Distribution and selling costs	8	(260,325)	(249,585)	-	-
Administrative expenses	8	(3,828,157)	(2,954,091)	(203,776)	(193,235)
Other operating charges	8	-	(33,697)	-	(28,935)
Profit on sale of investment property		39,568	-	-	-
Profit on sale of property for resale		46,751	-	-	-
Other operating income	9	103,885	775,712	9,436	378,755
Operating profit		4,282,938	3,714,347	476,742	436,318
Changes in fair value of investment property	18	2,821,933	4,406,586	278,907	3,129,830
Share of profit/(loss) in joint ventures	16	22,791	(253,776)	-	-
Dividends receivable		3,779	-	3,779	350,000
Profit on joint venture operations		47,000	-	-	-
Finance and similar income	10	1,172	328,439	1,077,047	1,216,280
Finance costs	11	(2,206,573)	(1,774,034)	(1,668,683)	(1,662,397)
Profit before tax from continuing operations		4,973,040	6,421,562	167,792	3,470,031
Income tax expense	13	(1,382,081)	(1,800,134)	(72,352)	(452,033)
Profit for the year		3,590,959	4,621,428	95,440	3,017,998

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2018

		The Group		The Company	
		2018	2017	2018	2017
	Note	€	€	€	€
Profit for the year		3,590,959	4,621,428	95,440	3,017,998
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	-	-
Items that may be reclassified subsequently to profit or loss:					
Equity-accounted investees - share of OCI	16	(4,509)	3,250	-	-
Debt instruments at fair value through other comprehensive income:					
- change in fair value, net of deferred tax	29	105,144	6,571	105,144	6,571
Total comprehensive income for the year		3,691,594	7,503,062	200,584	3,024,569
Earnings per share (cents)					
- Basic profit for year attributable to ordinary equity holders of the parent		0.72	0.92	0.02	0.60
	27	**0.72**	**0.92**	**0.02**	**0.60**

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of Financial Position
as at 31 December 2018

		The Group		The Company	
	Note	2018	2017	2018	2017
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	14	33,387,522	32,490,053	-	-
Investment in subsidiaries	15	-	-	8,055,141	8,055,141
Investment in joint-ventures	16	1,732,996	1,714,714	165,720	165,720
Financial assets	17	1,313,342	836,455	20,107,657	21,731,944
Investment property	18	46,689,617	44,442,152	29,334,211	29,052,359
Deferred taxation	25	3,645,397	3,972,468	987,913	1,019,435
Goodwill	19	62,888	62,888	-	-
Total non-current assets		86,831,762	83,518,730	58,650,642	60,024,599
Current assets					
Inventories	20	3,613,067	3,516,900	-	-
Property held-for-sale	21	4,514,335	4,398,303	-	-
Trade and other receivables	22	12,810,603	15,670,142	1,974,840	1,610,397
Contract assets	23	2,615,594	-	374,424	-
Current tax recoverable	13	-	-	241	21,820
Financial assets	17	91,000	104,564	-	-
Cash and cash equivalents	34	1,529,593	592,014	94,910	77,557
Total current assets		25,174,192	24,281,923	2,444,415	1,709,774
Total assets		112,005,954	107,800,653	61,095,057	61,734,373

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of Financial Position
as at 31 December 2018

	Note	The Group 2018 €	The Group 2017 €	The Company 2018 €	The Company 2017 €
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	24,043,828	-	-
Fair value reserve	29	110,456	9,821	111,715	6,571
Other equity	30	-	12,236	-	-
Revaluation reserve on investment property	31	4,751,591	7,134,712	15,529,138	15,269,240
Capital redemption reserve	32	47,852	47,852	-	-
Incentives and benefits reserves	33	604,060	604,060	-	-
Retained earnings		8,955,896	2,960,983	2,266,535	2,638,655
Total equity		43,513,503	39,813,312	22,907,208	22,914,286
Non-current liabilities					
Interest bearing loans and borrowings	17	41,835,403	40,635,632	31,815,389	32,393,575
Finance lease liability	17, 37	2,336,538	2,375,000	-	-
Trade and other payables	24	42,775	47,113	-	-
Deferred taxation	25	5,796,315	5,500,478	2,403,353	2,327,728
Total non-current liabilities		50,011,031	48,558,223	34,218,742	34,721,303
Current liabilities					
Current borrowings	17	4,140,807	4,296,528	2,742,700	2,928,720
Finance lease liability	17, 37	38,462	38,462	-	-
Trade and other payables	24	13,919,846	15,018,900	1,226,407	1,170,064
Current tax due	13	382,305	75,228	-	-
Total current liabilities		18,481,420	19,429,118	3,969,107	4,098,784
Total liabilities		68,492,451	67,987,341	38,187,849	38,820,087
Total equity and liabilities		112,005,954	107,800,653	61,095,057	61,734,373

The notes on page 33–90 form part of these financial statements.

The financial statements set out on pages 24 to 90 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 and CEO

17 April 2019

Hal Mann Vella Group plc

Consolidated Statement of changes in equity
for the year ended 31 December 2018

	The Group								
	Issued capital	**Revaluation reserve on property, plant and equipment**	**Revaluation reserve on investment property**	**Revaluation reserve on financial assets**	**Other Equity**	**Retained earnings**	**Incentives and benefits reserves**	**Capital redemption 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 from the continuing operations	-	-	-	-	-	4,621,428	-	-	4,621,428
Other comprehensive income (note 14, 29)	-	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 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of changes in equity
for the year ended 31 December 2018

	The Group								
	Issued capital	**Revaluation reserve on property, plant and equipment**	**Revaluation reserve on investment property**	**Revaluation reserve on financial assets**	**Other Equity**	**Retained earnings**	**Incentives and benefits reserves**	**Capital redemption reserve**	**Total Equity**
	€	**€**	**€**	**€**		**€**	**€**	**€**	**€**
Balance as at 1 January 2018	4,999,820	24,043,828	7,134,712	9,821	12,236	2,960,983	604,060	47,852	39,813,312
Effect of adoption of new accounting standards (note 35)	-	-	-	-	-	20,833	-	-	20,833
	4,999,820	24,043,828	7,134,712	9,821	12,236	2,981,816	604,060	47,852	39,834,145
Profit for the year	-	-	-	-		3,590,959	-	-	3,590,959
Other comprehensive income/loss (note 29)	-	-	-	100,635	-	-	-	-	100,635
Total comprehensive income for the year	-	-	-	100,635		3,590,959	-	-	3,691,594
Capital contribution arising from discounting of government grants (note 24)	-	-	-	-	(12,236)	-	-	-	(12,236)
Transfer of fair value gain on investment property, net of deferred tax	-	-	(2,383,121)	-	-	2,383,121	-	-	-
Balance as at 31 December 2018	4,999,820	24,043,828	4,751,591	110,456	-	8,955,896	604,060	47,852	43,513,503

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Statement of changes in equity

for the year ended 31 December 2018

	The Company				
	Issued capital	Revaluation reserve on financial assets	Revaluation reserve on investment property	Retained earnings	Total Equity
	€	€	€	€	€
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
Balance as at 1 January 2018	4,999,820	6,571	15,269,240	2,638,655	22,914,286
Effect of adoption of new accounting standards				(207,662)	(207,662)
As restated	4,999,820	6,571	15,269,240	2,430,993	22,706,624
Profit for the year	-	-	-	95,440	95,440
Other comprehensive income	-	105,144	-	-	105,144
Total comprehensive income for the year	-	105,144	-	95,440	200,584
Transfer of fair value gain on investment property, net of deferred tax	-	-	259,898	(259,898)	-
Balance as at 31 December 2018	4,999,820	111,715	15,529,138	2,266,535	22,907,208

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of Cash Flows
for the year ended 31 December 2018

	Note	The Group		The Company	
		2018	2017	2018	2017
		€	€	€	€
Cash flows from operating activities					
Profit before tax from continuing operations		4,973,040	6,421,562	167,792	3,470,031
Adjustments for:					
Changes in fair value of investment property		(2,446,751)	(4,406,586)	(278,907)	(3,129,830)
Share of profit/(loss) in joint ventures		-	253,776	-	-
Depreciation of property, plant and equipment		763,762	695,669	-	-
Provision for estimated credit losses/ impairment of receivables		23,204	(5,626)	50,471	-
Investment in joint-venture write-off		-	1,234	-	1,632
Profit on sale of investment properties		(478,201)	-	-	-
Dividends receivable		(3,779)	-	(3,779)	(350,000)
Finance and similar income		(1,172)	(328,439)	(1,077,047)	(1,216,280)
Finance costs		2,206,573	1,774,034	1,668,683	1,662,397
Working capital changes:					
Increase in inventories		(96,167)	(511,820)	-	-
(Increase)/decrease in property for resale		(72,772)	822,216	-	1,213,136
Decrease/(increase) in receivables		406,283	(6,122,384)	(368,222)	(24,008)
(Decrease)/increase in payables		(998,448)	7,629,998	(47,264)	(374,014)
Advances to related companies		(13,585)	(75,928)	-	-
Interest paid on overdraft		(17,869)	(119,381)	(56)	(164)
Other interest paid		(1,089,492)	(806,885)	-	-
Taxation paid		(508,711)	(199,659)	(241)	(60,658)
Taxation refunded		-	70,224	-	70,224
Net cash generated from operating activities		2,645,915	5,092,005	111,430	1,262,466

The notes on page 33–90 form part of these financial statements.

Hal Mann Vella Group plc

Consolidated Statement of Cash Flows

for the year ended 31 December 2018

	Note	The Group		The Company	
		2018	2017	2018	2017
		€	€	€	€
Cash flows from investing activities					
Payments to acquire property, plant and equipment		(1,674,878)	(1,494,790)	-	-
Payments to acquire investment property		(659,134)	(12,703,777)	(2,945)	(95,378)
Capitalised borrowing cost of investment property		(30,800)	(348,980)	-	-
Payments to acquire financial assets		-	(198,065)	-	(198,065)
Payments to acquire investment in subsidiaty		-	-	-	(644,835)
Dividends received		3,779	-	3,779	350,000
Receipts from/(advances to) group companies		-	-	1,873,164	(2,698,497)
Advances to joint venture		(317,618)	285,741	(317,618)	(64,359)
Advances to other parties		(12,236)	300,496	-	288,260
(Advances to)/receipts from related companies		(4,877)	123,740	(4,877)	110,008
Receipts from sale of investment property		1,139,568	-	-	-
Finance income		1,078,114	1,217,338	1,077,047	1,216,280
Net cash used in investing activities		(478,082)	(12,818,297)	2,628,550	(1,736,586)
Cash flows from financing activities					
Advances from banks loans		1,707,771	6,357,034	-	-
Advances from other advances		20,000	10,000	20,000	10,000
(Repayment to)/advances from group companies		-	-	(387,175)	188,210
Advances from/(repayment to) related companies		113,823	(548,569)	(263,759)	26,137
Advances from joint ventures		48,069	75,000	75,958	75,000
Repayment to other companies		(38,462)	(55,384)	-	-
(Repayment to)/advances from shareholders		(78,749)	2,275,379	209,000	516,815
Interest paid on bonds		(1,503,176)	(1,438,813)	(1,503,176)	(1,438,813)
Interest paid on loans		(375,712)	(45,848)	(4,416)	(3,500)
Interest on finance lease liability		(71,138)	-	-	-
Net cash used in financing activities		(177,574)	6,628,799	(1,853,568)	(626,151)
Net movement in cash and cash equivalents		1,990,259	(1,097,493)	886,412	(1,100,271)
Cash and cash equivalents at beginning of year		(1,222,737)	(125,244)	(925,913)	174,358
Cash and cash equivalents at end of year	34	767,522	(1,222,737)	(39,501)	(925,913)

The notes on page 33–90 form part of these financial statements.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2018

1. Corporate information

The consolidated financial statements of Hal Mann Vella Group plc and its subsidiaries ("the Group") for the year ended 31 December 2018 were authorized for issue in accordance with a resolution of the directors on 17 April 2019.

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. Significant 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 2018. 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 instruments

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Upon adoption of IFRS 9)

Financial assets

Initial recognition and measurement

Financial assets are classified at initial recognition, as subsequently measured at amortised cost, fair value through other comprehensive income (OCI), and fair value through profit or loss.

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient, the Group initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs. Trade receivables that do not contain a significant financing component or for which the Group has applied the practical expedient are measured at the transaction price determined under IFRS 15. Refer to the accounting policies in section 2.16 Revenue from contracts with customers.

In order for a financial asset to be classified and measured at amortised cost or fair value through OCI, it needs to give rise to cash flows that are 'solely payments of principal and interest (SPPI)' on the principal amount outstanding. This assessment is referred to as the SPPI test and is performed at an instrument level.

The Company's business model for managing financial assets refers to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both.

Purchases or sales of financial assets that require delivery of assets within a time frame established by regulation or convention in the market place (regular way trades) are recognised on the trade date, i.e., the date that the Company commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets are measured at amortised cost (debt instruments).

Financial assets at amortised cost

The Company measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired.

The Company's financial assets at amortised cost includes trade receivables, and receivables from related companies which are included under current financial assets.

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a Company of similar financial assets) is primarily derecognised (i.e., removed from the Company's consolidated statement of financial position) when:
- The rights to receive cash flows from the asset have expired.
- The Company has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either (a) the Company has transferred substantially all the risks and rewards of the asset, or (b) the Company has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Company continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Company also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained.
Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Impairment of financial assets
Further disclosures relating to impairment of financial assets are also provided in notes to the financial statements.
The Company recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive, discounted at an approximation of the original effective interest rate.
ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).
For trade receivables and contract assets, the Company applies a simplified approach in calculating ECLs. Therefore, the Company does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Company has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.
The Company considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Company may also consider a financial asset to be in default when internal or external information indicates that the Company is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Company. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition as loans or borrowings or as payables, as appropriate.

All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

The Company's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate (EIR) method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process.

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 as finance costs in the statement of profit or loss.

This category generally applies to interest-bearing loans and borrowings. For more information, refer to Note 17.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the statement of profit or loss.

Recognition, Measurement, Derecognition, and Impairment of Financial Instruments (Prior to Adoption of IFRS 9)

Initial recognition and measurement

Financial assets are classified at initial recognition, as financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments or, available-for-sale financial assets as appropriate. All financial assets are recognized initially at fair value, plus in the case of financial assets not at fair value through profit or loss, transaction costs directly attributable to the acquisition or issue of the financial assets.

All regular way purchases and sales of financial assets are recognized on the trade date, which is the date that the Company commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place.

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

Trade and other receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

A provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor or, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired.

The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in 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 'Administrative expenses' in the profit or loss.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and on hand, 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 at bank and on hand, net of outstanding bank overdrafts as they are considered an integral part of the company's cash management.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments and fixed maturities that are not quoted in an active market. They are not entered into with the intention of immediate or short-term resale and are not classified as 'financial assets held for trading', or 'financial investment - available-for-sale' or 'financial assets designated at fair value through profit or loss'. After initial measurement, loans and receivables are subsequently measured at amortised cost using the EIR method, less allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are on integral part of the EIR. The EIR amortisation is included in 'Finance income' in the statement of profit or loss. The gains and losses arising from impairment are recognised in the statement of profit of loss in 'Finance costs' for loans and in 'Cost of sales' or 'Other operating expenses' for receivables.

Available for sale financial assets

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

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

Impairment of financial assets
The Company assesses at the reporting date whether there is objective evidence that a financial asset is impaired. A financial asset is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset and that have an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Objective evidence that a financial asset is impaired includes observable data about certain events which can include (but are not restricted to) indications that there is a measurable decrease in the estimated future cash flows from the financial asset since the initial recognition, such as charges in arrears or economic conditions that correlate with defaults.

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

Trade and other payables
Amounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2.5 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.

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.

2.6 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.

2.7 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 and property held-for-sale 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.

2.8 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 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.

2.9 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.

2.10 Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand, 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 on hand and bank as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management.

2.11 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.

2.12 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.

2.13 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.

2.14 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.

2.15 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.

2.16 Revenue from contracts with customers

Revenue from contracts with customers 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 tiles, marble stones and granites

Revenue from sale of tiles, marble stones and granites is recognised at the point in time when control of asset is transferred to the customer, generally on delivery of the equipment. The normal credit term is 30 to 90 days upon delivery.

Rendering of general construction and other 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.

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 on the contract of sale 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.

Contract balances

Contract assets

A contract asset is the right to consideration in exchange for goods or services transferred to the customer. If the company performs by transferring goods or services to a customer before the customer pays consideration or before payment is due, a contract asset is recognised for the earned consideration that is conditional.

Trade receivables

A receivable represents the company's right to an amount of consideration that is unconditional (i.e., only the passage of time is required before payment of the consideration is due).

Contract liabilities

A contract liability is the obligation to transfer goods or services to a customer for which the company has received consideration (or an amount of consideration is due) from the customer. If a customer pays consideration before the company transfers goods or services to the customer, a contract liability is recognised when the payment is made or the payment is due (whichever is earlier). Contract liabilities are recognised as revenue when the company performs under the contract.

2.17 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.

Rental income

Rental income from investment property is recognised in the profit or loss on a straight line basis over the term of the lease, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

2.18 Government grants

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

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

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

2.19 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.

2.20 Borrowing cost

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.

2.21 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 equity at fair value through other comprehensive income, land and building and investment property is disclosed in notes 14, 17 and 18, respectively.

3. Critical accounting estimates and judgements

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:

Finance lease commitments - Group as lessee

Finance leases are capitalised at the commencement of the lease at the inception date fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised in finance costs in the statment of profit or loss.

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 in fair value being recognised in the Statement of 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 in September 2018 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'.

Provision for expected credit losses of trade receivables, lease receivables and contract assets

The Company uses a provision matrix to calculate ECLs for trade receivables, lease receivables and contract assets. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Company's historical observed default rates. The Company will calibrate the matrix to adjust the historical credit loss experience with forward-looking information. For instance, if forecast economic conditions (i.e., gross domestic product) are expected to deteriorate over the next year which can lead to an increased number of defaults in the manufacturing sector, the historical default rates are adjusted. At every reporting date, the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Company's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Company's financial assets is disclosed in notes 17, 22, 23 and 35.

Provision for expected credit losses of loan receivables

The Company uses a probability-weighted estimates of credit losses to calculate ECLs for loan receivables. Credit losses are measured at the present value of all expected cash shortfalls. ECLs are discounted at the effective interest rate (EIR) of the financial asset. The measurement of ECLs is a function of the probability of default, loss given default (that is, the magnitude of the loss if there is a default) and the exposure at default.

The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information, where applicable. Loan receivables are measured under stage 1 of the impairment model in IFRS 9, and therefore ECLs are calculated on 12-month basis.

In the opinion of the Directors, except for the above, the accounting estimates, assumptions and judgments 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 2018. 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:

IFRS 15, Revenue from Contracts with Customers

IFRS 15 supersedes International Accounting Standards (IAS) 11 Construction Contracts, IAS 18 Revenue and related interpretations and it applies to all revenue arising from contracts with customers, unless those contracts are in scope of other standards. The new standard establishes a five-step model to account for revenue arising from contracts with customers. Under IFRS 15, revenue is recognized at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

The standard requires entities to provide disclosures about the significant judgements made in determining the timing of satisfaction of performance obligations. The standard also specifies that an entity should estimate the amount of variable consideration to which it will be entitled.

The adoption of the standard resulted to further disaggregation of the Company's revenues based on type, geographical market and timing of recogntion. Contract assets and contract liabilities were recognised upon adoption of the new standard.

IFRS 9, Financial Instruments

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9 from 1 January 2018 resulted in changes in accounting policies but did not have a material impact on the financial statements. In accordance with the transitional provisions of IFRS 9, comparative figures have not been restated, thereby resulting in the following impact:

a. Comparative information for prior periods are not restated. The classification and measurement requirements previously applied in accordance with IAS 39 and disclosures required in IFRS 7 are retained for the comparative periods.

b. The accounting policies for both the current period and the comparative periods, one applying IFRS 9 and one applying IAS 39 are disclosed in the notes to the financial statements.

c. As comparative information is not restated, the Company is not required to provide a third statement of financial information at the beginning of the earliest comparative period in accordance with IAS 1, Presentation of Financial Statements.

Classification and Measurement

From 1 January 2018, the Company classifies its financial assets in the following measurement categories: (i) those to be measured subsequently at fair value (either through OCI, or through profit or loss), and (ii) those to be measured at amortized cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at FVOCI.

The Company reclassifies debt investments when and only when its business model for managing those assets changes.

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVTPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments: (i) amortized cost; (ii) FVOCI; and (iii) FVTPL.

Assets that are held both for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognized in profit or loss. When the financial asset is derecognized, the cumulative gain or loss previously recognized in OCI is reclassified from equity to profit or loss and recognized in other gains (losses).
Assets that are held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and which contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, are measured at amortized cost.

Assets that do not meet the criteria for amortized cost or FVOCI are measured at FVTPL. A gain or loss on a debt investment that is subsequently measured at FVTPL is recognized in profit or loss in the period in which it arises.

Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognized in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at FVTPL are recognized in other gains (losses) in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

On 1 January 2018, the Company assessed which business model apply to the financial assets held and has classified its financial assets into the appropriate categories. There was no material impact on the resulting reclassification. Presented below is the impact of the adoption of IFRS 9 as 1 January 2018 on the Company's financial statements:

	IAS 39 Measurement category	**IAS Carrying amount**	**IFRS 9 Carrying amounts**	**IFRS 9 Measurement category**
Cash and cash equivalents	Amortised Cost	€ 592,014	€ 592,014	Amortised Cost
Equity investments @ FVTPL	Amortised Cost	€ 674,261	€ 674,261	Amortised Cost
Loans to related undetaking	Amortised Cost	€ 2,100	€ 2,100	Amortised Cost
Loans to joint-ventures	Amortised Cost	€ 160,094	€ 16,094	Amortised Cost
Bank term deposit	Amortised Cost	€ 104,564	€ 104,564	Amortised Cost
Trade and other receivables	Amortised Cost	€ 7,291,259	€ 7,291,259	Amortised Cost
		€ 8,824,292	€ 8,680,292	
Financial liabilities:				
Trade and other payables	Amortised Cost	€ 15,066,013	€ 15,066,013	Amortised Cost
Borrowings	Amortised Cost	€ 47,345,622	€ 47,345,622	Amortised Cost
		€ 62,411,635	€ 62,411,635	

The difference between the carrying amount of trade and other receivables disclosed in the statements of financial position and the amount disclosed in this note pertains to advances, prepayments and amounts receivable from government agencies.

The Company applied modified retrospective approach in the adoption of IFRS 9, thus comparative figures have not been restated. Had the Company adopted full retrospective approach, an estimated credit losses (ECL) of €20,883 would have been recognized in the statement of comprehensive income in order to restate the opening balances of 2018. This figure has instead been adjusted against opening retained earnings as required by IFRS 9 when opting to use the modified retrospective approach.

The accounting for the Company's financial liabilities remains largely the same as it was under IAS 39.

Impairment
IFRS 9 requires that the Company record an allowance for ECL for all loans and other debt instruments not held at FVTPL. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Company expects to receive. The shortfall is then discounted at an approximation to the asset's original effective interest rate.

For trade receivables, the Company applies the Simplified Approach permitted by IFRS, which requires expected lifetime losses to be recognized from initial recognition of the receivables. As at 1 January 2018, the Company assessed that there was no significant increase in the credit risk related to its financial assets. Accordingly, the Company assessed that there is no material impact on the financial statements.

IFRIC Interpretation 22 Foreign Currency Transactions and Advance Considerations

The Interpretation clarifies that, in determining the spot exchange rate to use on initial recognition of the related asset, expense or income (or part of it) on the derecognition of a non-monetary asset or non-monetary liability relating to advance consideration, the date of the transaction is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the advance consideration. If there are multiple payments or receipts in advance, then the entity must determine the date of the transactions for each payment or receipt of advance consideration.

The change does not have a material impact on the Company's financial statements.

Amendments to IFRS 2, Share-based Payment, Classification and Measurement of Share-based Payment Transactions

The amendments to IFRS 2 address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding tax obligations; and the accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash settled to equity settled. These amendments are not relevant to the Company's financial statements.

Amendments to IFRS 4, Insurance Contracts, Applying IFRS 9, Financial Instruments, with IFRS 4

The amendments address concerns arising from implementing the new financial instruments standard, IFRS 9, before implementing IFRS 17, Insurance Contracts, which replaces IFRS 4. The amendments introduce two options for entities issuing insurance contracts: a temporary exemption from applying IFRS 9 and an overlay approach. These amendments are not relevant to the Company's financial statements.

Amendments to IAS 28, Investments in Associates and Joint Ventures - Clarification that measuring investees at fair value through profit or loss is an investment-by-investment choice

The amendments clarify that an entity that is a venture capital organization, or other qualifying entity, may elect, at initial recognition on an investment-by-investment basis, to measure its investments in associates and joint ventures at fair value through profit or loss. If an entity, that is not itself an investment entity, has an interest in an associate or joint venture that is an investment entity, the entity may, when applying the equity method, elect to retain the fair value measurement applied by that investment entity associate or joint venture to the investment entity associate's or joint venture's interests in subsidiaries. This election is made separately for each investment entity associate or joint venture, at the later of the date on which: (a) the investment entity associate or joint venture is initially recognized; (b) the associate or joint venture becomes an investment entity; and (c) the investment entity associate or joint venture first becomes a parent.
The change does not have a material impact on the Company's financial statements.

Amendments to IAS 40, Investment Property, Transfers of Investment Property

The amendments clarify when an entity should transfer property, including property under construction or development into, or out of investment property. The amendments state that a change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. A mere change in management's intentions for the use of a property does not provide evidence of a change in use.
These amendments do not have material impact on the Company's financial statements since there was no transfer into or out of investment property made as at 31 December 2018 and 2017.

4.2 Standards, interpretations and amendments to published standards that are 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***
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
Amendments to IFRS 9: Prepayment Features with Negative Compensation	
Investor and its Associate or Joint Venture	deferred
Amendments to IAS 19: Plan Amendment, Curtailment or Settlement	1 January 2019
Annual Improvements 2015-2017 Cycle (issued in December 2017)	1 January 2019
IFRS 3 Business Combinations	1 January 2019
IFRS 11 Joint Arrangements	1 January 2019
IAS 12 Income Taxes	1 January 2019
IAS 23 Borrowing Costs	1 January 2019

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 2018	Property development and letting	Manufacturing and General contracting services	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€
External revenue	889,000	22,616,844	23,505,844	(6,708,359)	16,797,485
Rental income	2,935,011	228,375	3,163,386	(501,581)	2,661,805
Total revenue	3,824,011	22,845,219	26,669,230	(7,209,940)	19,459,290
Income/(expenses)					
Finance and similar income	1,078,209	7	1,078,216	(1,077,044)	1,172
Finance cost	(2,489,509)	(794,108)	(3,283,617)	1,077,044	(2,206,573)
Depreciation and amortisation	(1,081)	(762,681)	(763,762)	-	(763,762)
Share of loss of joint ventures	22,791	-	22,791	-	22,791
Income tax income/(expense)	(912,799)	(88,650)	(1,001,449)	(380,632)	(1,382,081)
Segment profit before tax	**3,203,511**	**708,813**	**3,912,324**	**(321,364)**	**3,590,960**
Total assets	**109,412,364**	**36,071,137**	**145,483,501**	**(33,477,303)**	**112,006,198**
Total liabilities	**63,748,689**	**31,977,862**	**95,726,551**	**(27,233,859)**	**68,492,692**
Other disclosures					
Interest in joint ventures	165,720	-	165,720	1,567,276	1,732,996
Capital expenditure	-	1,661,231	1,661,231	13,647	1,674,878

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 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/(loss) 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**	**58,434,402**	**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

6. Revenue from contracts with customers

	For the year ended 31 December 2018		
	Property development and letting	Manufacturing and General Contracting services	Total
	€	€	€
Type of goods or service			
Sale of Property	889,000	-	889,000
External manufacturing of tiles and marble	-	163,902	163,902
General contracting services	-	15,744,583	15,744,583
	889,000	15,908,485	16,797,485
Geographical markets			
Local	889,000	15,744,583	16,633,583
Foreign	-	163,902	163,902
	889,000	15,908,485	16,797,485
Timing of revenue recognition			
Goods transferred at a point in time	889,000	14,572,165	15,461,165
Services transferred over time	-	1,336,320	1,336,320
	889,000	15,908,485	16,797,485

Due to the application of modified retrospective approach, comparative amounts presented in the Statement of Comprehensive Income remained in compliance with the previous revenue standard, IAS 18.

	For the year ended 31 December 2017		
	Property development and letting	Manufacturing and General Contracting services	Total
	€	€	€
Type of goods or service			
Sale of Property	1,511,300	-	1,511,300
External manufacturing of tiles and marble	-	179,566	179,566
General contracting services	-	16,852,630	16,852,630
	1,511,300	17,032,196	18,543,496
Geographical markets			
Local	1,511,300	16,852,630	18,363,930
Foreign	-	179,566	179,566
	1,511,300	17,032,196	18,543,496
Timing of revenue recognition			
Goods transferred at a point in time	1,511,300	15,614,289	17,125,589
Services transferred over time	-	1,417,907	1,417,907
	1,511,300	17,032,196	18,543,496

	For the years ended 31 December			
	2018	2018	2017	2017
	Property development and letting	Manufacturing and General Contracting services	Property development and letting	Manufacturing and General Contracting services
	€	€	€	€
Revenue				
External customer	889,000	15,908,485	1,511,300	17,032,196
Inter-group sales	-	6,708,359	-	5,608,370
	889,000	22,616,844	1,511,300	22,640,566
Inter-group adjustments and eliminations	-	(6,708,359)	-	(5,608,370)
Total revenue from contracts with customers	889,000	15,908,485	1,511,300	17,032,196

7. Rental income

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
Rental income	2,661,805	1,164,273	671,082	279,733

8. Expenses by nature

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
8.1 Cost of sales				
Depreciation (note 14)	353,903	309,648	-	-
Direct wages (note 12)	2,535,686	2,551,215	-	-
Social security contributions (note 12)	180,366	197,574	-	-
Cost of property sold	644,665	588,765	-	-
Cost of rent	193,810	10,909	-	-
Onsite expenditure	276,967	175,543	-	-
Cost of goods sold	6,868,611	9,330,049	-	-
Other direct costs	224,066	368,058	-	-
	11,278,074	13,531,761	-	-
8.2 Distribution and selling costs				
Depreciation (note 14)	56,166	46,453	-	-
Advertising and promotions	193,742	182,128	-	-
Other distribution costs	10,417	21,004	-	-
	260,325	249,585	-	-

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
8.3 Administrative expenses				
Depreciation (note 14)	353,693	339,568	-	-
Directors' remuneration (note 12)	139,359	122,500	13,532	13,389
Office salaries (note 12)	1,200,537	853,830	-	-
Social security contributions and maternity (note 12)	99,592	70,246	55	53
Auditors' remuneration	35,311	34,891	3,000	3,000
Provision for estimated credit losses	43,100	-	50,471	-
Legal and professional fees	285,590	275,296	86,009	133,007
Repairs and maintenance	257,833	324,429	2,146	540
Rent	105,001	96,245	-	-
Utilities	144,906	131,246	9,538	3,341
ICT expenditure	437,433	150,401	-	-
Insurance	154,056	161,877	3,529	3,333
Motor vehicle expenses	89,406	100,316	-	-
Other administrative expenses	482,340	293,246	35,496	36,572
	3,828,157	2,954,091	203,776	193,235

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2018 and 2017 relate to the following:

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Annual statutory audit	35,311	34,891	3,000	3,000

Other non-audit fees

Fees charged by the auditor for non-audit services rendered are included in Legal and Professional fees, and are the following:

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Tax advisory and compliance	1,600	1,600	200	200
Other non-assurance services	15,240	15,240	15,240	15,240
	16,840	16,840	15,440	15,440

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9. Other operating income

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Gains from intermediation of immovable property	-	318,098	-	318,098
Other income from construction works	29,969	412,931	9,436	60,657
Income from government grants	14,200	18,714	-	-
Exchange fluctuation	18,340	10,879	-	-
Income from insurance claims received	8,525	-	-	-
Income tax refund	1,464	-	-	-
Considetation for cancellation of promise of sale	1,500	-	-	-
Decrease in Estimated Credit Losses	-	-	-	-
Other income - reimbursements	29,533	15,090	-	-
	103,885	775,712	9,436	378,755

10. Finance and similar income

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Interest from investments	-	6	-	6
Interest from banks	1,172	1,061	3	-
Interest from Commissioner for Revenue	-	9,193	-	9,193
Interest from related and group undertakir	-	318,179	1,077,044	1,207,081
	1,172	328,439	1,077,047	1,216,280

11. Finance costs

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Bank overdraft interest	22,423	17,210	43	184
Interest on bonds and amortisation of bond issue cost	1,557,428	1,554,488	1,557,428	1,554,488
Bank loan interest	547,602	214,749	111,212	107,725
Interest on finance lease liability	71,138	-	-	-
Other interest	7,982	(12,413)	-	-
	2,206,573	1,774,034	1,668,683	1,662,397

12. Staff costs and employee information

Staff costs for the year comprised the following:

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Wages and salaries (including directors' remuneration) (note 8)	3,875,582	3,527,545	13,532	13,389
Social security contributions (note 8)	279,958	267,820	55	53
	4,155,540	3,795,365	13,587	13,442

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

	The Group		The Company	
	2018	2017	2018	2017
Operational	111	95	-	-
Administration	61	83	2	2
Distribution	10	12	-	-
	182	190	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	
	2018	2017	2018	2017
	€	€	€	€
Income tax expense:				
Current tax charge	(333,775)	(48,736)	-	-
Final withholding tax at 15%	(25,162)	(25,644)	-	(1)
Final withholding tax at 10%	(311,989)	-	-	-
Final withholding tax at 8%	(92,042)	-	-	-
Final withholding tax at 5%	(31,000)	(163,085)	-	(60,657)
Underprovision of tax in prior years	(21,820)	-	(21,820)	-
Total current tax expense	(815,788)	(237,465)	(21,820)	(60,658)
Deferred taxation (note 25):				
Charge for the year	(566,293)	(1,562,669)	(50,532)	(391,375)
Income tax expense for the year	(1,382,081)	(1,800,134)	(72,352)	(452,033)

13.2 Tax reconciliation

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
Profit before tax	4,973,040	6,421,562	167,792	3,470,031
Taxation credit thereon	1,740,564	2,247,547	58,727	1,214,511
Tax effect of:				
- excess if carrying amount of property, plant and equipment over tax base	(46,661)	66,930	-	-
- expenses non allowed for tax purposes	856,781	846,400	677,180	582,067
- income taxed at different rates	(304,131)	(584,473)	(425,264)	(84,643)
- unabsorbed capital allowances	27,193	(97,507)	-	-
- investment tax credit	(217,982)	(369,674)	-	-
- unabsorbed tax losses	(220,296)	784,202	(191,206)	(422,478)
- change in the fair value of investment property	(884,552)	(1,093,291)	(97,617)	(837,424)
- deferred tax charge	431,165	-	50,532	-
Income tax expense for the year	1,382,081	1,800,134	72,352	452,033

13.3 Current taxation

Taxation due/recoverable is made up as follows:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
As at 1 January	75,228	(32,802)	(21,820)	(92,044)
Underprovision of tax in prior years	21,820	-	21,820	-
Income tax expense	793,968	237,465	-	60,658
Tax refund	-	70,224	-	70,224
	891,016	274,887	-	38,838
Payments:				
Provisional tax	(11,328)	-	-	-
Settlement tax	(27,429)	-	-	-
Final withholding tax	(460,193)	(188,729)	-	(60,658)
Tax at source	(9,761)	(10,930)	(241)	-
Income tax credit/(expense) for the year	(508,711)	(199,659)	(241)	(60,658)
As at 31 December	382,305	75,228	(241)	(21,820)

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. Next revaluation is due in 2019.

If these assets were included in the financial statements at cost, their carrying amounts would have been €4,972,232 (2017: €4,972,232).

Owner-occupied property is disclosed in property, plant and equipment as leasehold industrial buildings.

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 market comparison method. It has been categorised to fall within Level 2 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.

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 2017	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
Additions		492,741	38,029	7,683	15,258	3,704	-	5,318	107,305
Revaluation surplus (note 28)		-	-	-	-	-	-	-	-
As at 31 December 2018	23,303,092	5,235,146	236,600	588,221	220,964	30,149	4,686	415,110	729,174
Depreciation									
As at 1 January 2017	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
Charge for the year	-	312,681	17,820	20,119	23,552	2,277	-	28,558	50,621
As at 31 December 2018	19,422	2,013,136	171,915	524,625	144,259	21,879	4,271	282,268	491,900
Net book amount									
As at 31 December 2017	23,283,670	3,041,950	44,476	76,032	84,999	6,843	415	156,082	180,590
As at 31 December 2018	23,283,670	3,222,010	64,685	63,596	76,705	8,270	415	132,842	237,274

14. Property, plant and equipment

	The Group						
	Leasehold industrial buildings	Improvements to premises	Exhibition stand and site offices	Renewable energy	Electrical installations and fittings	Exhibits	Total
	€	€	€	€	€	€	€
Cost / Valuation							
As at 1 January 2017	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
Additions	(13,647)	1,004,454	-	386	-	-	1,661,231
As at 31 December 2018	2,486,353	3,171,902	65,852	1,728,662	32,769	357,406	38,606,086
Depreciation							
As at 1 January 2017	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
Charge for the year	38,462	126,190	-	128,195	-	15,287	763,762
As at 31 December 2018	125,001	641,618	53,475	395,768	32,769	296,258	5,218,564
Net book amount							
As at 31 December 2017	2,413,461	1,652,020	12,377	1,460,703	-	76,435	32,490,053
As at 31 December 2018	2,361,352	2,530,284	12,377	1,332,894	-	61,148	33,387,522

15. Investment in subsidiaries

The Company

	2018 €	2017 €
Cost		
As at 1 January	8,055,141	8,395,216
Transfer on merger with subsidiary company	-	(984,910)
Additional investment in Sudvel Limited	-	498,835
Additional investment in Halmann Solar Limited	-	146,000
As at 31 December	8,055,141	8,055,141

As at 31 December 2018, the Company held the following equity interest:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2018 (2017)
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.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2018 (2017)
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.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2018 (2017)
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.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2018 (2017)
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.

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2018 (2017)
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.

16. Investment in joint-ventures

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Cost				
As at 1 January	1,714,714	2,316,474	165,720	167,352
Share in loss recognised in profit or loss	22,791	(253,776)	-	-
Share in other comprehensive income	(4,509)	3,250	-	-
Written off due to liquidation	-	(1,234)	-	(1,632)
Dividend received	-	(350,000)	-	-
As at 31 December	1,732,996	1,714,714	165,720	165,720

As at 31 December 2018, the Company held the following equity interest:

Undertaking / Registered Office	**Number, class and nominal value of shares held**	**Percentage of issued shares held 2018 (2017)**
Madliena Ridge Limited 36/38, Triq l-Ispiera, Swieqi	3,000 Ordinary shares of €50 each fully paid	50%

The company is engaged in dealing in immovable property. During 2016, the company disposed of its remaining property and it is the intention of management and the owners to place the company into liquidation.

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

The company is engaged in subscribing for, 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.

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.

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.

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 2018
Zokrija Limited	31 December 2018

Hal Mann Vella Group plc

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for the year ended 31 December 2018

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		Zokrija Limited		Total	
	2018	2017	2018	2017	2018	2017	2018	2017	2018	2017
Percentage owenrship interest	50%	50%	50%	50%	50%	50%	50.00%	50.00%		
Non-current assets	-	-	396,915	396,915	253,122	269,979	-	-	650,037	666,894
Current asset	1,107,216	1,107,216	2,140,849	2,140,849	893,731	677,592	2,226,438	159,884	6,368,234	4,085,541
Non-current liabilities	-	-	(78,912)	(78,912)	-	(3,815)	-	-	(78,912)	(82,727)
Current liabilities	(5,008)	(5,008)	(2,258)	(2,258)	(659,663)	(489,482)	(2,228,684)	(160,995)	(2,895,613)	(657,743)
Net Asset (100%)	1,102,208	1,102,208	2,456,594	2,456,594	487,190	454,274	(2,246)	(1,111)	4,043,746	4,011,965
Group's share on net asset	551,104	551,104	1,228,297	1,228,297	243,595	227,138	(1,124)	(556)	2,021,872	2,005,983
Adjustments	-	-	(291,269)	(291,269)	2,392	-	-	-	(288,877)	(291,269)
Group's share on net asset	551,104	551,104	937,028	937,028	245,987	227,138	(1,124)	(556)	1,732,995	1,714,714
Net assets includes (100%):										
Cash and cash equivalent	157,485	157,485	31,184	31,184	403,311	313,491	355,320	20,760	947,300	522,920
Non-current financial assets	-	-	113,875	113,875	-	267,500	-	-	113,875	381,375
Dividend declaration	-	-	-	-	-	700,000	-	-	-	700,000
Dividend received by the Group	-	-	-	-	-	350,000	-	-	-	350,000
Revenue and other income	-	3,950,000	-	-	569,428	2,434,068	-	-	569,428	6,384,068
Cost of sale	-	(4,358,227)	-	-	(432,739)	(1,934,547)	-	-	(432,739)	(6,292,774)
Depreciation	-	-	-	-	(620)	(750)	-	-	(620)	(750)
Interest expense	-	-	-	-	(3)	(53)	-	-	(3)	(53)
Other expense	-	(66,167)	-	-	(68,973)	(66,060)	(1,135)	(2,311)	(70,108)	(134,538)
Profit before tax	-	(474,394)	-	-	67,093	432,658	(1,135)	(2,311)	65,958	(44,047)
Income tax expense	-	(311,705)	-	-	(20,375)	(151,799)	-	-	(20,375)	(463,504)
Other comprehensive income (OCI)	-	-	-	-	(9,017)	6,500	-	-	(9,017)	6,500
Total comprehensive income (100%)	-	(786,099)	-	-	37,701	287,359	(1,135)	(2,311)	36,566	(501,051)
Group’s share of profit for the year	-	(393,050)	-	-	23,359	140,430	(567)	(1,156)	22,792	(253,776)
Group’s share of OCI	-	-	-	-	(4,509)	3,250	-	-	(4,509)	3,250
Group’s share of profit for the year	-	(393,050)	-	-	18,850	143,680	(567)	(1,156)	18,283	(250,526)

17. Financial assets and financial liabilities

17.1 Financial assets

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
Current financial assets				
Debt instruments measured at amortised cost:				
Bank term deposit	91,000	104,564	-	-
Trade and other receivables (see note 22)	10,798,831	7,291,259	36,407	47,043
Total current financial assets	10,889,831	7,395,823	36,407	47,043
Non-current financial assets				
Debt instruments measured at amortised cost:				
Loans and receivables:				
Loans to group undertakings	-	-	19,022,325	20,895,489
Loans to joint-ventures	477,712	160,094	477,712	160,094
Loans to related undertakings	6,977	2,100	6,972	2,100
less Provision for Estimated Credit Losses	(7,368)	-	(235,373)	-
Total loans and receivables	477,321	162,194	19,271,636	21,057,683
Equity instruments measured at Fair value through Other Comprehensive Income:				
Unquoted equity shares	497,336	497,336	497,336	497,336
Quoted equity shares	338,685	176,925	338,685	176,925
Total Equity at fair value through other comprehensive income	836,021	674,261	836,021	674,261
Total non-current financial assets	1,313,342	836,455	20,107,657	21,731,944
Total financial assets	12,203,173	8,232,278	20,144,064	21,778,987

Bank term deposit

Current financial assets 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 undertakings are unsecured, bear interest at 5.3% per annum and have no fixed repayment date. The loans to joint ventures and related undertakings 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. However, due to the implementation of IFRS 9, the assets are measured at amortised cost, thus following the impairment model. Therefore, estimated credit losses have been calculated on a 12-month basis due to the low credit risk of these assets.

Equity instruments measured at Fair value through Other Comprehensive Income

Equity instruments measured at Fair value through Other Comprehensive Income consist of an investment in shares of a non-listed company, which carrying amounts are reasonable approximations

The unquoted equity 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.

Notes to the Financial Statements
for the year ended 31 December 2018

17. Financial assets and financial liabilities (continued)

17.2 Financial liabilities: Loans and borrowings

	Interest rate	Maturity	The Group 2018	The Group 2017	The Company 2018	The Company 2017
Current loans and borrowings			€	€	€	€
Bank overdrafts (note 34)	2.35%-7.7%	on demand	762,071	1,814,751	134,411	1,003,470
Bank loans	2.5%-6%	2020-2028	1,122,267	1,214,969	-	-
Amount due to group companies	no interest	indefinite	-	-	460,752	718,285
Amount due to joint ventures	no interest	indefinite	1,367,370	1,266,808	591,293	1,206,965
Amount due to related undertakings	no interest	indefinite	24,485	-	-	-
Shareholders' loans	no interest	indefinite	864,614	-	864,614	655,614
Finance lease liability	5%	2080	38,462	38,462	-	-
			4,179,269	4,334,990	2,051,070	3,584,334
Non-current loans and borrowings						
300,000 (€100 face value) secured bonds 2014 – 2024	5.2676%	2024	29,597,573	29,540,145	29,597,573	29,540,145
Bank loans	2.5%-6%	2020-2028	9,211,333	7,431,751	-	-
Shareholders' loan	5%	indefinite	2,926,497	3,582,110	2,117,816	2,117,816
Amount due to related undertakings		indefinite	-	1,626	-	-
Loans due to other parties	5%	indefinite	100,000	80,000	100,000	80,000
Finance lease liability	5%	2080	2,336,538	2,375,000	-	-
			44,171,941	43,010,632	31,815,389	31,737,961
Other Financial Liabilities at amortised cost, other than loans and borrowings						
Trade and other payables (note 24)			13,919,846	15,018,900	1,226,407	1,170,064

The Company

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

The shareholders' loans amounting to €2,926,497 (2017: €2,926,496) 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, €864,614 (2017: €655,614).

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:

	2018	2017
	€	€
Face value of the secured bonds	29,540,145	29,485,657
Accumulated amortization of bond issue cost	57,428	54,488
Amortised cost	29,597,573	29,540,145

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 every 6th of 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 2018 for the secured bonds was €109 (2017: €105), 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:

	2018	2017
	€	€
Total borrowings:		
At fixed rates	43,719,741	43,008,112

Effective interest rates at the reporting date:

	2018	2017
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 7.7% per annum (2017: 2.35% to 6%). 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.

18. Investment property

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Valuation				
As at 1 January	44,442,152	26,139,451	29,052,359	25,827,151
Additions	525,532	12,703,777	2,945	95,378
Borrowing cost	-	348,980	-	-
Fair value change on investment property	2,821,933	4,406,586	278,907	3,129,830
Transfer to property held-for-sale (note 21)	-	(385,086)	-	-
Transfer from property held-for-sale (note 21)	-	1,228,444	-	-
Disposal at fair value	(1,100,000)	-	-	-
As at 31 December	46,689,617	44,442,152	29,334,211	29,052,359

Transfer of property from held-for-sale to investment property

In 2017 property was transferred from held-for-sale to investment property due to the change of purpose as per Board of Directors meetings.

Capitalised borrowing costs

There were no borrowing costs capitalised during the year ended 31 December 2018 (2017: €348,980). 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 2018. The fair value movement were credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2018, 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 €46,689,617 (2017: €44,442,152).

The investment property has been categorised to fall within levels 2 and 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 transfers between levels during the year, some reclassifications occured from level 3 to level 2. 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 2017	1,408,931	4,765,000	8,870,520	4,745,000	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	1,408,931	4,765,000	25,108,995	6,797,859	6,361,367
Additions	8,000	-	498,009	19,523	-
Disposals		(13,647)			
Fair value change recognised in profit or loss	215,200	473,646	1,195,483	512,618	438,633
Disposal at fair value	-	-	-	(1,100,000)	-
As at 31 December 2018	1,632,131	5,224,999	26,802,487	6,230,000	6,800,000

Valuation techniques and inputs

The valuation was determined primarily by using the market comparison method for residential properties, and the discounted cash flow (DCF) method for commercial properties.

Comparison method:
Market prices based on database of valuations and of sales of properties in the relevant area.

Discounted cash flow (DCF) method:

Using the DCF method, fair value is estimated using assumptions regarding the benefits and liabilities of ownership over the asset's life including an exit or terminal value. This method involves the projection of a series of cash flows on a real property interest. To this projected cash flow series, a market-derived discount rate is applied to establish the present value of the income stream associated with the asset. The exit yield is normally separately determined and differs from the discount rate.

The duration of the cash flows and the specific timing of inflows and outflows are determined by events such as rent reviews, lease renewal and related re-letting, redevelopment, or refurbishment. The appropriate duration is typically driven by market behaviour that is a characteristic of the class of real property. Periodic cash flow is typically estimated as gross income less vacancy, non-recoverable expenses, collection losses, lease incentives, maintenance cost, agent and commission costs and other operating and management expenses. The series of periodic net operating income, along with an estimate of the terminal value anticipated at the end of the projection period, is then discounted.

Significant increases (decreases) in estimated rental value and rent growth per annum in isolation would result in a significantly higher (lower) fair value of the properties. Significant increases (decreases) in the long-term vacancy rate and discount rate (and exit yield) in isolation would result in a significantly lower (higher) fair value.

Generally, a change in the assumption made for the estimated rental value is accompanied by a directionally similar change in the rent growth per annum and discount rate (and exit yield), and an opposite change in the long term vacancy rate.

Description of valuation techniques used and key inputs to valuation of investment properties:

Description	Valuation technique	Significant inputs	Range (weighted average)	
			2018	2017
Commercial properties	DCF	Long-term pre-tax rate	4%	2.01%
		Inflation rate	0.64%-2.09%	0.64%-1.1%
		Risk premium	4.5%	4.5%-5.5%
		DCF	8.5%	6.5%-7.5%
		Gross profit rate	95%	95%
Office properties	DCF	Estimated rental value	6.5%-8.5%	6.5%-7.5%
Hotel	DCF	Estimated rental value and extrapolated residual land value	7.5%	7.5%

For the other types of investment properties, the significant inputs used in the fair value measurement are pricing information provided by the independent valuers based on the property size and outlook, location and communal facilities.

19. Goodwill

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
As at 1 January and 31 December	62,888	62,888	-	-

Goodwill arising from acquisition of: Mavina Holiday Complex Ltd.

20. Inventories

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Raw materials	3,088,530	2,821,019	-	-
Finished good	523,562	694,906	-	-
Showroom items	975	975	-	-
	3,613,067	3,516,900	-	-

During 2018, €6,868,611 (2017: €9,330,049) was recognised as an expense during the year and included in cost of sales.

21. Property held-for-sale

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Cost				
As at 1 January	4,398,303	6,063,877	-	1,213,136
Additions	3,774,574	1,258,785	-	-
Capitalisation of Borrowing costs	43,260	-	-	-
Disposals	(3,701,802)	(2,081,001)	-	(1,213,136)
Transfer from investment property (note 18)	-	385,086	-	-
Transfer to investment property (note 18)	-	(1,228,444)	-	-
As at 31 December	4,514,335	4,398,303	-	-

22. Trade and other receivables

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Current				
Trade receivables	10,812,002	6,985,472	-	-
Lease receivables	36,775	47,043	36,775	47,043
Amount owed by group undertakings	-	-	1,662,410	1,516,827
Amount owed by joint venture	18,568	53,593	-	-
Amount owed by related undertakings	404,422	205,151	266,423	-
Provision for estimated credit losses	(472,936)	-	(18,973)	-
Net receivables subject to ECL	10,798,831	7,291,259	1,946,635	1,563,870
Other receivables	700	84,607	-	-
Other advances	1,737,588	2,582,266	-	-
Indirect taxation	104,114	983,156	23,819	42,162
Prepayments	169,370	4,728,854	4,386	4,365
Total trade and other receivables	12,810,603	15,670,142	1,974,840	1,610,397

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

As at 31 December 2017, the aging analysis of trade receivables was, 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

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 2018, all trade receivables have been provided for impairment on lifetime basis as per IFRS 9 using the provisional matrix. The following table shows the movement between prior year's impairment provision for irrecoverable debts, when compared to the current year's estimated credit losses calculation using a provisional matrix across the Group.

	Impairment on trade receivables	
	2018	2017
		€
As at 1 January	479,693	485,319
Impairment loss movement during the year		
Provision for impairment of trade receivables (prior year)	-	804
Provision for estimated credit losses	453,435	-
Reversal of impairment loss	(479,693)	(6,430)
Movement during the year	(26,258)	(5,626)
As at 31 December	453,435	479,693

At 31 December 2018, there was an impairment loss of €472,740 (2017: €479,693) on Trade Receivables and Amounts receivable from related companies related to the new expected credit losses as required by IFRS 9.

23. Contract assets

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
As at 1 January	2,637,250	-	378,206	-
Provision for expected credit losses (note 35)	(21,656)	-	(3,782)	-
As at 31 December	2,615,594	-	374,424	-

Payment for goods and services rendered is not due from the customer until the services are completed and therefore a contract asset is recognised over the period in which the services are performed to represent the Company's right to consideration for the services performed to date.

Under IFRS 15, revenue prior to the date on which it is invoiced to the customer is recognised as a contract asset.

Contract assets arise from construction and finishing works.

24. Trade and other payables

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
Current				
Amount received in advance	2,099,474	2,046,112	14,633	14,265
Trade payables	4,351,926	4,475,428	-	464,722
Amount due to group companies	-	-	68,340	56,865
Amount due to joint ventures	225,375	104,648	225,375	-
Other payables	233,978	51,216	172,849	-
Indirect taxes and Social Security Contributions	2,387,723	1,329,121	610	-
Contract liabilities	194,269	-	-	-
Accruals	4,256,525	6,995,799	744,600	634,212
Deferred income from government grants	170,576	16,576	-	-
Total current trade and other payables	13,919,846	15,018,900	1,226,407	1,170,064
Non-current				
Trade payables	-	-	-	-
Deferred income from government grants	42,775	59,349	-	-
Capital contribution - discounting effect (note 30)	-	(12,236)	-	-
Total non-current trade and other payables	42,775	47,113	-	-
Total trade and other payables	13,962,621	15,066,013	1,226,407	1,170,064

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.

As at the current financial year ended 31 December 2018, the amount of €59,349 will be fully amortised within 2.58 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 €36,672 will be realised by 31 December 2021.
Contract liabilities include short-term advances received under construction contracts. These arise when payments from customers are received in advance for on-going and fragmented construction projects.

25. Deferred taxation

Deferred tax liability

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
As at 1 January	(5,500,478)	(3,816,156)	(2,327,728)	(2,066,172)
Charge in profit or loss (note 13)	(239,221)	(1,422,766)	(19,009)	(258,017)
Tax effect of other comprehensive income	(56,616)	(261,556)	(56,616)	(3,539)
As at 31 December	(5,796,315)	(5,500,478)	(2,403,353)	(2,327,728)

The balance as at 31 December 2018 represents:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Provision for Estimated Credit Losses	-	-	-	-
Asset revaluations	(5,827,699)	(5,496,939)	(2,346,737)	(2,324,189)
Tax effect on revaluation	88,000	-	-	-
Fair value change of equity at fair value through other comprehensive income	(56,616)	(3,539)	(56,616)	(3,539)
	(5,796,315)	(5,500,478)	(2,403,353)	(2,327,728)

Deferred tax asset

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
As at 1 January	3,972,468	4,112,371	1,019,435	1,152,793
Credit/(charge) in profit or loss (note 13)	(327,071)	(139,903)	(31,522)	(133,358)
As at 31 December	3,645,397	3,972,468	987,913	1,019,435

The balance as at 31 December 2018 represents:

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(302,421)	(289,258)	-	-
Unabsorbed capital allowances	598,906	705,792	-	-
Unabsorbed capital lossses	378,956	378,956	378,956	378,956
Unrelieved tax losses	1,038,888	1,321,286	608,957	640,479
Reversal of Deferred Tax on revaluation	237,457	12,893	-	-
Investment tax credit	1,693,611	1,842,799	-	-
	3,645,397	3,972,468	987,913	1,019,435

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% (2017: 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% (2017: 8%) of the transfer value.

26. Share Capital

	The Group		The Company	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
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

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	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
(Loss)/Profit for the year attributable to shareholders:				
- Basic profit for year attributable to ordinary equity holders of the parent	3,590,959	4,621,428	95,440	3,017,998
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)				
- Basic profit for year attributable to ordinary equity holders of the parent	0.72	0.92	0.02	0.60
	0.72	**0.92**	**0.02**	**0.60**

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	
	2018	**2017**	**2018**	**2017**
	€	**€**	**€**	**€**
As at 1 January	24,043,828	21,172,015	-	-
Revaluation surplus (note 14)	-	3,129,830	-	-
Deferred taxation thereon	-	(258,017)	-	-
As at 31 December	24,043,828	24,043,828	-	-

The revaluation reserve comprises the revaluation of property, plant and equipment, net of deferred taxation due to change in fair market value. This reserve is not available for distribution.

29. Revaluation reserve on financial assets

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
As at 1 January	9,821	-	6,571	-
Change in fair value	161,760	10,110	161,760	10,110
Deferred taxation thereon	(56,616)	(3,539)	(56,616)	(3,539)
Equity - accounted investees - share of OCI (note 16)	(4,509)	3,250	-	-
As at 31 December	110,456	9,821	111,715	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	
	2018	2017	2018	2017
	€	€	€	€
As at 1 January	12,236	-	-	-
Arising during the year	(12,236)	12,236	-	-
As at 31 December	-	12,236	-	-

31. Revaluation reserve on Investment Property

	The Group		The Company	
	2018	2017	2018	2017
	€	€	€	€
As at 1 January	7,134,712	4,150,892	15,269,240	12,397,427
Transfer from retained earnings	(2,383,121)	2,983,820	259,898	2,871,813
As at 31 December	4,751,591	7,134,712	15,529,138	15,269,240

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	
	2018	2017	2018	2017
	€	€	€	€
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	
	2018	2017	2018	2017
	€	€	€	€
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	
	2018	2017	2018	2017
	€	€	€	€
Cash at banks and in hand	1,529,593	592,014	94,910	77,557
Bank overdrafts (note 17)	(762,071)	(1,814,751)	(134,411)	(1,003,470)
As at 31 December	767,522	(1,222,737)	(39,501)	(925,913)

35. Financial risk management objectives and policies

The Group's principal financial assets comprise trade and other receivables, contract assets, loans receivable, cash and cash equivalents and equity at fair value through other comprehensive income. Its principal financial liabilities comprise trade and other payables, borrowings and financial lease liability.

The Group is exposed to market risk, credit risk, liquidity risk, fair value risk and capital risk management.

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 17, 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 €1,041,537 (2017: €1,119,902) 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 equity securities measured at fair value through other comprehensive income 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 (2017: €497,336).

At the reporting date, the exposure to equity securities at fair value listed on the Malta Stock Exchange (MSE) was €338,685. 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/ increase of 5% on the MSE market index could have an impact of approximately €11,007 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/ increase income or equity by €11,007 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 contract assets) and from its financing activities including deposits with banks and loans to other undertaking.

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.

Trade receivables,lease receivables, receivables from related parties and contract assets

The following table details the risk profile of trade receivables, receivables from related parties and contract assets based on the Company's provision matrix in accordance with the simplified approach set out in IFRS 9. As the Company's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Company's different customer base.

Loan receivables

The following table details the risk profile of other loan receivables based on the Company's 12 month ECL provision in accordance with the general approach set out in IFRS 9. As the Company's historical credit loss experience does not show significant increase in credit risk, ECLs are calculated on a 12 month basis as per note 3.

Year ended 31 December 2018

	Contract assets	Trade and Lease Receivables	Amounts owed by related undertakings	Loans and receivables	Total
Expected credit loss rate	0.1%-1%	0.1% - 4%	0.1% - 1%	12-month PD	
Estimated gross carrying amount at default	2,637,250	10,848,777	422,990	484,689	14,393,706
Estimated credit loss	(21,656)	(453,435)	(19,501)	(7,368)	(501,960)

Year ended 31 December 2017

	Contract assets	Trade and Lease Receivables	Amounts owed by related undertakings	Loans and receivables	Total
	0.1%-1%	0.1% - 4%	0.1% - 1%	12-month PD	
Estimated gross carrying amount at default	2,414,550	7,032,515	337,481	162,194	9,946,740
Estimated credit loss	(23,475)	(413,880)	(1,229)	(20,276)	(458,860)
Provision for doubtful accounts per IAS 39	-	479,693	-	-	479,693
	(23,475)	65,813	(1,229)	(20,276)	20,833

In 2017, the Group recognized €479,693 as provision for doubtful accounts for trade receivables in accordance with IAS 39. This amount is adjusted through the opening retained earnings in 2018 as effect of the adoption of IFRS 9.

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 2018

	Less than 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Interest-bearing loans and borrowings	3,276,193	2,957,306	3,681,873	9,915,372
5% secured bonds and interest	1,500,000	7,500,000	29,750,000	38,750,000
Trade and other payables	11,361,547	-	-	11,361,547
Shareholders' loans	864,614	-	2,926,497	3,791,111
Other financial liabilities	-	-	2,436,538	2,436,538
	17,002,354	10,457,306	38,794,908	66,254,568

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

The difference between the carrying amount of trade and other payables disclosed in the statements of financial position and the amount disclosed in this note pertains to amounts payable to government agencies, as disclosed in Note 24.

Fair value risk

As at 31 December 2018 and 2017, 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.

Fair value measurement hierarchy:

	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2018				
Investment property	-	12,157,650	34,531,967	46,689,617
Property, plant and equipment	-	23,186,561	-	23,186,561
Equity instrument at FVPL	338,685	-	497,336	836,021
As at 31 December 2017				
Investment property	-	19,370,185	25,071,967	44,442,152
Property, plant and equipment	-	23,200,208	-	23,200,208
Equity instrument at FVPL	338,685	-	497,336	836,021

Capital Risk 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 2018 and 2017.

	2018	2017
	€	€
Interest-bearing loans and other borrowings	45,976,210	44,932,160
Trade and other payables (note 24)	13,962,621	15,066,013
Finance lease liability	2,375,000	2,413,462
Less: cash and cash equivalents	(1,529,593)	(592,014)
Net debt	60,784,238	61,819,621
Equity	43,513,503	39,813,312
Net debt to equity ratio	1.4:1	1.5:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2018 and 2017.

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36. Supplemental cash flow information
Changes in liabilities arising from financing activities

	1 January 2018	Cash flows	Non-cash changes Re-classification	31 December 2018
	€	€	€	€
Bank overdrafts (note 34)	1,814,751	(1,052,680)	-	762,071
Bank loans	8,646,720	1,686,880	-	10,333,600
5% secured bonds	29,540,145	-	57,428	29,597,573
Amount due to joint ventures	1,266,808	100,562	-	1,367,370
Shareholders' loans	3,582,110	209,001	-	3,791,111
Amount due to related undetakings	1,626	22,859	-	24,485
Other loan	80,000	20,000	-	100,000
Finance lease liability	2,413,462	(38,462)	-	2,375,000
Total liabilities from financing activities	47,345,622	948,160	57,428	48,351,210

Non-cash changes refer to accumulated amortization of bond issue cost and are disclosed in note 17.2.

	1 January 2017	Cash flows	Non-cash changes Re-classification	31 December 2017
	€	€	€	€
Bank overdrafts (note 34)	375,865	1,438,886	-	1,814,751
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	-
Finance lease liability	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

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:

	2018	2017
	€	€
Within one year	2,044,684	1,902,774
After one year but not more than five years	9,604,728	8,015,863
After five years	11,846,425	5,794,712
	23,495,837	15,713,349

Finance lease

The Company has a finance lease under the goverment emphyteutical deed to occupy specific premises to be used as factory for a period of 65 years. After such time, the property will still be under the goverment's possession. Future minimum lease payments under finance leases, together with the present value of the net minimum lease payments are, as follows:

	2018		2017	
	Minimum payments	**Present value of payments**	**Minimum payments**	**Present value of payments**
Within one year	109,600	38,462	109,600	38,462
After one year but not more than five years	564,440	192,310	904,200	192,310
More than five years	8,703,892	2,144,228	8,473,732	2,182,690
Total minimum lease payments	9,377,932	2,375,000	9,487,532	2,413,462
Present value of minimum lease payments	9,377,932	2,375,000	9,487,532	2,413,462

Notes to the Consolidated Financial Statements
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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	-	-	1,969	179,121
Complex Ltd	2017	-	-	-	556,706
Sudvel Limited	Current	258,130	-	3,797,193	-
	2017	64,464	-	6,088,795	-
Hal Mann International	Current	674,049	-	9,948,538	-
Ltd	2017	366,005	-	7,639,053	-
Hal Mann Properties Ltd	Current	85,896	-	2,226,848	-
	2017	126,469	-	2,111,678	-
Halmann Solar Limited	Current	-	-	111,600	281,631
	2017	2,824	-	111,600	-
Hal Mann (Letting) Ltd	Current	89,040	-	1,827,014	-
	2017	66,707	-	1,695,947	-
Hal Mann Vella Limited	Current	471,510	-	2,995,115	68,340
	2017	375,527	-	4,765,243	56,865

		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	-	-	-	591,293
	2017	-	-	-	570,335
Hal Mann Holdings Ltd	Current	-	-	-	751,473
	2017	-	-	-	636,630
HMK International Ltd	Current	55,514	1,087	1,000	24,604
	2017	1,570,720	304,138	16,741	57,475
Zokrija Limited	Current	-	-	227,712	-
	2017	-	-	160,094	-

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 2018, the Group recorded impairment of receivables relating to amounts owed by related parties in the form of estimated credit losses disclosed in notes 22 and 35, in compliance with IFRS 9 (2017: nil). This assessment will be undertaken each financial year through examining the financial position of the related party and the market in which the related party operates together with other historical data on recovery of amounts due.

39. Ultimate Controlling Party

Hal Mann Vella Group p.l.c., the parent company, is a public limited company and is incorporated in Malta.

The ultimate controlling parties of the company are Ms. Mary Vella, who has 11.97% ownership of the issued share capital, and Mr. Joseph Vella, Mr. Paul Vella, Ms. Miriam Schembri, Mr. Mark Vella, Mr. Martin Vella, Mr. Simon Vella and Ms. Veronica Ciappara, who each own 12.575% of the issued share capital.

40. Comparative information

Certain amounts from previously reported financial statements have been reclassified to bring them in line with the current year's presentation. Summary of changes on statement of financial position arising from reclassification are shown below:

	December 31, 2017 (As previously reported)	Effects of reclassification	December 31, 2017 (As Restated)
Statement of Financial Position			
Amounts due to other undertaking	2,375,000	(2,375,000)	-
Finance lease liability	-	2,375,000	2,375,000

Management believes that the above reclassifications would reflect the nature of the transactions and did not have any impact on prior year's profit or loss.