Hal Mann Vella Group plc
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COMPANY ANNOUNCEMENT

Hal Mann Vella Group plc (the "Company")

Approval of the annual financial statements for the year ended 31 December 2020

Date of Announcement	**27 April 2021**
Reference	**39/2021**
Listing Rule	**5.16.21**

QUOTE

At a board meeting earlier today, the directors approved the consolidated financial statements for the financial year ended 31 December 2020.

A copy of the annual report is attached to this announcement and is also available on the company's web portal.

The Company would furthermore, like to announce that: the audited financial statements of Sudvel Limited (C-35806, the guarantor of the €30,000,000 5% Secured Bonds 2024 issued by the Company in terms of a prospectus dated 6 October 2014) for the financial year ended 31st December 2020 have also been approved by its board of directors, and have been made available for viewing on Company's web portal at https://www.hmvellagroup.com/wp-content/uploads/2021/04/Audit-2020-Sudvel-Ltd.pdf

UNQUOTE

Louis de Gabriele
Company Secretary

Company Registration No.: C 5067

Hal Mann Vella Group P.L.C.

Annual Report and Consolidated Financial Statements for the year ended 31 December 2020

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Hal Mann Vella Group P.L.C.

Chairman's Statement
for the year ended 31 December 2020

The past year was like no other. An exceptional year that evolved in a way that none of us foresaw and was prepared for. The pandemic has impacted our customers and our people, with disruptions to our operations from time to time. Our priority was, and remains, to keep our people and the customers we serve safe. I am pleased to report that we have navigated well the crisis. Our management team across the Group has done an extraordinary job to retain business continuity in a safe way that protected our employees and customers. I am thankful to our front-line workers who have worked in this challenging environment.

Our performance

Despite the continuity in our operations, we have not been immune to the economic disruption and our financial results have consequently been impacted. The business pillars of the Group, manufacturing, property development and property letting, had a mixed performance during the period under review. A number of major projects like Iniala Hotel, Embassy Hotel and Bay Street were completed. However there have been delays in other projects where the Group has material contracts, which resulted in lower reported turnover and profitability from this segment. Even though trading conditions will remain tough, I am pleased to note that our orderbook for the coming year remains good.

Our property development projects in progress from 2019 were all successfully completed and sold during the year with a few remaining contracts signed early in 2021. The Group has since commenced other development projects and sales have progressed to plan. The property letting business has been the hardest hit from the pandemic where a number of lease agreements had to be discounted, reduced, or deferred as tenants could not meet their contractual obligations.

We have continued to invest in our business. Growth and diversification of the business required investment in a more efficient logistics and warehousing centre, currently under construction. We have also extended our fleet, with more efficient and clean vehicles. We remain committed to continue to invest in our business.

Corporate Social Sustainability

Hal Mann Vella Group is a socially and environmentally responsible business. We have a responsibility to operate in a responsible and ethical manner, while remaining profitable and competitive. Our activities have an impact on the environment, our people, our customers and the communities in which we operate.

We currently generate circa 2 million kilowatt hours of clean, renewable energy per year from solar panels on our factories. We will continue to invest in this space on rooftops which will become available to the Group. 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. Additionally, we utilise marble trimmings and waste to produce recycled marble aggregates. These are used in the flooring products that we produce.

Health and safety is a key priority for our business and we are committed to maintaining and improve standards in our industry for our employees, subcontractors and those affected by our activities.

Hal Mann Vella Group P.L.C.

Chairman's Statement
for the year ended 31 December 2020

We are committed towards providing an inclusive working environment where all employees are treated equally irrespective of gender, ethnicity, sexual orientation, disability or age.

Innovation is essential for the development of our business and for creating sustainable solutions in the built environment. We continue to invest in product development to stimulate sustainable solutions.

Looking Forward

We continue to operate under the backdrop of uncertainty presented by the Covid-19 pandemic. The spike in Covid-19 infection levels in Q1 2021 led to renewed restrictive measures. However, the development of multiple vaccines and the rapid vaccination programme gives us hope that the world will return to some form of normality later this year.

The events of the past year were among the most difficult we all have ever experienced. We continue to face headwinds in the economic environment and a lag effect on the construction industry is not excluded. We need to remain vigilant on how we navigate through these unprecedented times to come out of this period better and stronger. We are optimistic that the Hal Mann Vella Group is well positioned to withstand shocks and rise to challenges.

I would like to take this opportunity to thank all our employees, business partners, shareholders, our Board of Directors and other stakeholders for their continued support of our Group.

Mr. Martin Vella
Chairman

Hal Mann Vella Group P.L.C.

Directors' Report
for the year ended 31 December 2020

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 2020.

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 terrazzo and pre-cast elements. The Group owns and leases a number of commercial properties and is also involved in property development and resale.

Review of business

The Group generated a turnover of €23,462,069 (2019: €22,394,542) and an operating profit of €3,707,100 (2019: €4,618,348)

The Group registered a consolidated profit before tax of €2,314,761 during the year ended 31 December 2020 (2019: €4,338,707).

The Company registered a profit before tax of €1,522,128 during the year ended 31 December 2020 (2019: €2,675,096).

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 the Group's profit before tax is primarily due to the impact of the pandemic on the overall business activities. A number of medium to large scale third-party projects have either slowed down or been put on hold and have consequently had an impact on the performance of the manufacturing segment. Similarly, revenue from property letting has been lower as a selective number of tenants experienced difficulties to meet their commitments. Additionally, in 2020, profitability was impacted by a €729,051 lease accounting loss which resulted from the difference between the lease receivable and right-of-use asset of the terminated long-term lease agreement related to the Merchant Suites (see note 24).

In contrast, revenue generated from property development increased from €0.9 million to €3.2 million which comprised the sale of 1 apartment in Mgarr and 10 apartments in Zebbiegh. The EBITDA margin decreased to 25.24% (2019: 34.27%).

The Group commissioned Messrs TBA Periti to carry out a thorough valuation exercise of investment properties owned by the Group. The fair value of the investment properties were determined on the basis of open market values taking cognizance of the specific location, its 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 effective on 31 October and 30 December 2020. This has resulted in the reporting of a change in fair value of investment property of €1,506,227 (2019: €479,480) in the statement of profit or loss and other comprehensive income.

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.

Principal risks and uncertainties

The Directors are aware of the various risks faced by the Group as a result of its well diversified business lines primarily on manufacturing and property development. A number of measures are in place to ensure that such risks and uncertainties are maintained at acceptable levels and are in line with the Group’s risk strategy of sustainable, long-term growth and profitability. Our principal risks have not changed this year. Albeit the Covid-19 pandemic has increased the potential impact and likelihood of certain of these risks.

The key risks faced by the Group include credit risk, strategic risk, operational risk, liquidity risk, reputational risk and pandemics. Together with other risks and uncertainties inherent in the business, these require strong capital management as safeguard against competent authority requirements and unfavourable events. Given such, the Group regularly reviews operational and capital targets against actual and forecast business levels to minimise such risks if necessary, to the most considerable level possible in the interest of institutional stakeholders.

The main types of risk types are outlined hereunder:

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 and from its financing activities including deposits with banks.
Customer credit risk is managed by the Group's management subject to the Group's established policy, procedures and control relating to customer credit risk management. Credit quality of a customer is assessed based on each customer's credit limits. Outstanding customer receivables are regularly monitored. An impairment analysis is performed on each reporting date in accordance with the guidelines set in IFRS 9 Financial Instruments Standard. 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.

Strategic risk
This risk relates to the value of Group's assets and local property market in general.

The Group has strict guidelines and engages competent professionals on quality and valuation of its investment properties. The Group's properties are rented out to various tenants, except for those sites where development is in progress. The Group currently has long term lease agreements with in-substance fixed rental receivables in place, which will protect the Group from unforeseen circumstances and inflation. Although Covid-19 had an impact on deferral of rental collections from some of its tenants, the Group ensures to implement sound capital management policies and flexible cash flow as disclosed below under liquidity risk, to mitigate such risk.

Operational risk
Operational risk maybe defined as the risk of losses arising from defects or failures in its internal processes, people, systems or external events including risks related to fraud, technological and conduct risk.

Operational risk is inherent in all processes, systems and activities of the Group. As such, all employees are responsible for managing and controlling operational risks associated with their own activities and business processes where they are involved. Project management is carried out by competent professionals and surveyors in the field for each site with ongoing projects. The Group, in terms of operational risk management and control, continues to identify, evaluate and mitigate such risks, regardless if these actually occurred or not. The Group also assesses at each reporting date (unless immediate evaluation is necessary) areas of concern for improvement to minimise such operational risks, arising due to the volatile results of each year's operations.

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.

Given the evolving nature of Covid-19 and the consequent pressure on cash flows, the Group is seeking to mitigate Covid-19 impact on cash flows through effectively managing banking arrangements. Cost cut practices have also been implemented.

Reputational risk

Malta has over the years successfully attracted a number of industries as a result of its ability to develop a fiscal and regulatory framework specifically targeted at customers and service providers alike. The island's success in this respect, coupled with political stability and strong economic growth were all key to Malta's reputation as a leading business destination over the past years. Any adverse impact on Malta's reputation would result in a negative outlook and possibly reduce Malta's attractiveness for existing operators and new ones alike. The Group may suffer as a result of any adverse impact on Malta's reputation. Aware of this risk, the Group continuously seeks to diversify its product and service portfolio, whilst also seeking to enter new markets both in Malta and internationally. The Board exercises high ethical behaviour through a number of policies, procedures and controls implemented in its day to day operations.

Pandemics

The outbreak of nation or world-wide pandemics such as Covid-19 may hinder occupational health and safety of the employees and heavily disrupt normal business operations. Such risks are additional to the potential economic impact on customers and the extent of recovery following a possible outbreak. Taking advantage of the lessons learnt from Covid-19 during this past year, by quickly reacting to health authorities advice and constantly implementing additional measures, the Group managed to maintain operations. The Group's constant proactive approach to such adversity, will ensure that such risk is mitigated.

Financial risk management and exposures

Note 34 Financial Risk Management to these financial statements provide details in connection with the Company's use of financial instruments, its financial risk management objectives and policies and the financial risks to which it is exposed.

Events after the financial reporting date

All events occuring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as at 31 December 2020 for the Group and the Company are included in these consolidated financial statements.

The effects of Covid-19 on the Company and the Group are higlighted in Note 2.1. The rapid development and the constant changes surrounding this pandemic make it difficult to predict its ultimate impact. The extent of the success resulting from the roll out of the vaccines in Malta and across the world amid the spread of new variants is still being observed.

Developments are being monitored closely, on a continuous basis, by the Management.

Future Developments

The impacts of Covid-19 are far-reaching and have continued to ripple throughout the world and it is expected that they will continue to influence the Group's operations throughout 2021.

Despite the adverse effect of the pandemic to both local and global economy, the Group retains positive outlook for 2021 in view of the number of already contracted projects and also a result of its steady 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 27 and 28.

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 €10,579,635 (2019: €10,481,002) for the Group and €3,261,095 (2019: €3,066,780) for the Company.

Hal Mann Vella Group P.L.C.

Directors' Report
for the year ended 31 December 2020

Directors

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

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

Remuneration committee and corporate governance

During the period under review, the functions of the Remuneration Committee were carried out by the Board of Directors in view of the fact that the remuneration of Directors is not performance related.

Statement of Directors' Responsibilities for the financial statements

The Directors are required by the Maltese Companies Act, 1995 (Cap.386) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU which give a true and fair view of the state of affairs of the Group anf the Company as at the end of each reporting period and of the profit or loss for that period.

In preparing such financial statements, the Directors are responsible for:
- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying consistently appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company will continue in business as a going concern.

The Directors are also responsible for designing, implementing and maintaining internal control as necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act, 1995 (Cap. 386). They are also responsible for safeguarding the assets of the Group and the parent Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Hal Mann Vella Group P.L.C. for the year ended 31 December 2020 are included in the Annual Report 2020, which is published in hard-copy printed form and is available on the Company's website. The Directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Company's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Hal Mann Vella Group P.L.C.

Directors' Report
for the year ended 31 December 2020

Statement of responsibility pursuant to the Listing Rules of the Listing Authority

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 2020, 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

• in accordance with the Listing Rules, the Directors' 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

The Directors, as required by the Listing Rule 5.62, have considered the Company's operating performance, the balance sheet at year-end, as well as the business plan for the coming year, and they have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future, notwithstanding the impact of Covid-19. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements.

Covid-19 pandemic impact on Going concern assessment

The current financial reporting year was characterised by unprecedented events brought about by the Covid-19 outbreak which expanded into a pandemic. This has negatively impacted a wide spectrum of industries, causing a cutback in business operations across many sectors. Despite maintaining a high level of business continuity, this challenging period has had an impact on the operational and financial performance of the Group.

Management followed guidance provided by the national health authorities, curtailing operations and having showrooms temporarily closed. The temporary closure of hotels and its direct impact meant that immediate revenue from tenats dropped significantly. Additionally, a number of contracts for sale of properties were deferred to the second half of the year. There has been no cancellations of promise of sale agreements though.

The economic uncertainty brought about by the Covid-19 pandemic is likely to extend into the coming months and will continue to have an impact on economic activities. We remain cautious as further disruption to business operations cannot be ruled out, with additional impact to the business of the Group.

The Group is monitoring these developments in connection with the virus spread and follows the guidelines issued by the authorities on an ongoing basis. The Group continues to cautiously evaluate the impact of the pandemic on its operations and financial performance.

Hal Mann Vella Group P.L.C.

Directors' Report
for the year ended 31 December 2020

- **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 (AGM) 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 AGM.

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

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

Hal Mann Vella Group P.L.C.

Directors' Report
for the year ended 31 December 2020

- **Auditors**

Pursuant to the Company's statutory obligations in terms of Companies Act and Listing Rules, the appointment of the auditors and the authorisation of the Directors to set their remuneration will be proposed and approved at the Company's AGM. HLB CA Falzon have expressed their willingness to continue in office.

These financial statements were approved for issue by the Board and signed on its behalf on 27 April 2021 by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director

Registered Office
The Factory,
Mosta Road,
Lija LJA 9016

Hal Mann Vella Group P.L.C.

Corporate Governance Statement
for the year ended 31 December 2020

Pursuant to the Listing Rules as issued by the Listing Authority of the Malta Financial Services Authority, Hal Mann Vella Group P.L.C. ("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 2020

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 CEO

The position of the Chairman and that of the CEO are occupied by different individuals. There is a clear division of responsibilities between the running of the Board and the CEO's responsibility in managing the Group's business. This separation of roles of the Chairman and CEO 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 provides the rest of the Directors with 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 and strategic goals devised by the Board.

Corporate Governance Statement
for the year ended 31 December 2020

The Board of Directors consists of the following:

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

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 AGM 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 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.

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 CEO 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 3 times during the financial year under review. The following Directors attended meetings as follows:

Mr. Martin Vella – Chairman - 3 meetings
Mr. Mark Vella – Director - 3 meetings
Mr. Joseph Vella – Director - 3 meetings
Mr. William Van Buren - Non-Executive Director - 3 meetings
Dr. Arthur Galea Salomone - Non-Executive Director - 3 meetings
Ms. Miriam Schembri - Non-Executive Director - 3 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.

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

During the financial year under review, Mr. Martin Vella, Mr. Mark Vella and Mr. Joseph Vella each held an indefinite full-time contract of service with Sudvel Limited and Hal Mann Vella Limited.

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	€14,068
Fixed remuneration from Subsidiaries	€212,826

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 AGM.

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

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 2020

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.

Hal Mann Vella Group P.L.C.

Corporate Governance Statement
for the year ended 31 December 2020

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 27 April 2021 and signed on its behalf by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director

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Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

Report on the Financial Statements for the year ended 31 December 2020

We have audited the individual financial statements of Hal Mann Vella Group P.L.C. ("the Company") and the consolidated financial statements of the Company and its subsidiaries (together, "the Group"), set out on pages 27 to 108, which comprise the statement of financial position as at 31 December 2020, statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

Opinion

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2020, 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.

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 December 2020. Investment property amounted to €49,291,304 as at 31 December 2020 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 P.L.C.

1. **Investment property valuations (*continued*)**

   Relevant references in the annual report and financial statements:
   - Accounting policy: notes 2.7 and 2.21
   - Note on Investment Property: note 17
   - 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. **Recoverability of deferred tax asset**

   Risk description

   As at 31 December 2020, the Group has recognised a deferred tax asset amounting to €1,609,041 arising primarily from deductible temporary differences in respect of unabsorbed capital allowances and unutilized tax losses and investment tax credit 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
   - Judgments in applying accounting policies and key sources of estimation uncertainty: Note 3

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Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

2. **Recoverability of deferred tax asset (*continued*)**

   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 (d) investment tax credits and (e) leases.
   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.

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 2020 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.

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Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

Responsibilities of the Directors and the Audit Committee for the financial statements
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.

The Directors have delegated the responsibility for overseeing the Company's financial reporting process to the Audit Committee.

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

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

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.

Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

- 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. In particular, it is difficult to evaluate all of the potential implications that Covid-19 will have on the Group's and the Parent Company's trade customers and suppliers, and the disruption to their business and the overall economy.

- 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 Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee 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 our independence, and where applicable related safeguards.

From the matters communicated with the Audit Committee, 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 auditors' 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. There were no such undisclosed matters.

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Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

Report on other legal and regulatory requirements

The Annual Report and Financial Statements of Hal Mann Vella Group P.L.C. for the year ended 31 December 2020 contains other areas required by legislation on which we are required to report. The Directors are responsible fir these other areas.

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 11 to 19 has been properly prepared in accordance with the requirements of the Listing Rules 5.94 and 5.97.

Other matters on which we are required to report by exception under the Companies Act

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 explanations 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.

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Independent Auditor's Report
to the shareholders of Hal Mann Vella Group P.L.C.

Audit Tenure

We were first appointed as auditors of the Group on 18 April 2017. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 4 years. The Company became listed on a regulated market on 11 November 2014.

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:

The partner in charge of the audit resulting in this independent auditor's report is Jozef Wallace Galea for and on behalf of

HLB CA Falzon
Registered Auditors

27 April 2021

www.hlbmalta.com

Together we make it happen

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PARTNERS: Jozef Wallace Galea, Alfred Falzon, Patrizio Prospero, Fiona Buttigieg.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2020

		The Group		The Company	
		2020	**2019**	**2020**	**2019**
	Note	**€**	**€**	**€**	**€**
Revenue from contracts with customers	6	21,335,174	20,094,316	-	-
Rental income	17,24	2,126,895	2,300,226	860,147	1,001,111
Revenue		23,462,069	22,394,542	860,147	1,001,111
Cost of sales and services	7	(15,754,890)	(14,290,625)	-	-
Gross profit		7,707,179	8,103,917	860,147	1,001,111
Distribution and selling costs	7	(224,101)	(215,136)	-	-
Administrative expenses	7	(4,164,736)	(3,605,898)	(225,183)	(412,111)
Profit on sale of quoted equity securities	16	-	46,506	-	46,506
Profit on sale of investment property	17	-	82,200	-	-
Other operating income	8	388,758	206,759	9,004	9,488
Operating profit		3,707,100	4,618,348	643,968	644,994
Change in fair value of investment properties	17	1,506,227	479,480	1,142,984	479,480
Share in profit of joint ventures	15	40,576	1,391,457	-	-
Dividends income		-	3,904	-	1,926,981
Loss on derecognition of lease	24	(729,051)	-	-	-
Loss on loan to joint venture	16	-	(77,195)	-	(77,195)
Finance and similar income	9	194,645	333,540	1,450,617	1,412,266
Finance costs	10	(2,404,736)	(2,410,827)	(1,715,441)	(1,711,430)
Profit before tax		2,314,761	4,338,707	1,522,128	2,675,096
Income tax expense	12	(879,025)	(1,453,235)	(276,268)	(1,022,510)
Profit for the year		1,435,736	2,885,472	1,245,860	1,652,586

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Profit or Loss and Other Comprehensive Income
for the year ended 31 December 2020

		The Group		The Company	
		2020	2019	2020	2019
	Note	€	€	€	€
Profit for the year		1,435,736	2,885,472	1,245,860	1,652,586
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	734,303	-	-	-
Items that may be reclassified subsequently to profit or loss:					
Equity-accounted investees - share of OCI	15,29	149	2,046	-	-
Debt instruments at fair value through other comprehensive income:					
- change in fair value, net of deferred tax	29	3,004	55,973	3,004	55,973
Total comprehensive income for the year		2,173,192	2,943,491	1,248,864	1,708,559
Earnings per share (cents)					
- Basic profit for year attributable to ordinary equity holders of the parent	**27**	**0.29**	**0.58**	**0.25**	**0.33**

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	The Group 2020	The Group 2019	The Company 2020	The Company 2019
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	13	33,844,960	31,476,468	-	-
Investment in subsidiaries	14	-	-	8,256,343	8,255,143
Investment in joint ventures	15	1,917,224	1,876,499	165,720	165,720
Other non-current financial assets	16	837,857	833,236	17,244,341	19,867,261
Trade and other receivables	21	-	3,754,304	-	-
Investment property	17	49,291,304	45,004,343	32,361,465	29,937,712
Right-of-use assets	24	7,489,724	4,777,632	-	-
Deferred taxation	25	1,609,041	1,321,733	843,088	1,024,661
Goodwill	18	62,888	62,888	-	-
Total non-current assets		95,052,998	89,107,103	58,870,957	59,250,497
Current assets					
Inventories	19	3,785,745	4,093,251	-	-
Property held-for-sale	20	6,391,935	6,226,151	-	-
Trade and other receivables	21	12,715,909	12,692,261	4,112,951	3,167,172
Contract assets	22	1,473,454	2,886,456	-	-
Current tax recoverable	12	-	-	241	241
Other current financial assets	16	91,000	91,000	-	-
Cash and cash equivalents	33	2,884,668	2,528,826	1,649,045	1,080,074
Total current assets		27,342,711	28,517,945	5,762,237	4,247,487
Total assets		122,395,709	117,625,048	64,633,194	63,497,984

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Financial Position
as at 31 December 2020

	Note	The Group 2020 €	The Group 2019 €	The Company 2020 €	The Company 2019 €
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	24,778,131	24,043,828	-	-
Fair value reserve	29	59,913	56,760	58,977	55,973
Revaluation reserve on investment property	30	6,249,374	4,912,271	17,011,883	15,960,338
Capital redemption reserve	31	47,852	47,852	-	-
Incentives and benefits reserves	32	604,060	604,060	-	-
Retained earnings		10,579,635	10,481,002	3,261,095	3,066,780
Total equity		47,318,785	45,145,593	25,331,775	24,082,911
Non-current liabilities					
Interest bearing loans and borrowings	16	40,657,964	40,736,915	31,939,712	31,875,917
Finance lease liability	16, 24	7,762,145	8,167,507	797,446	796,386
Trade and other payables	23	9,621	26,197	-	-
Deferred taxation	25	4,589,705	4,043,910	2,573,706	2,477,394
Total non-current liabilities		53,019,435	52,974,529	35,310,864	35,149,697
Current liabilities					
Current borrowings	16	7,465,815	5,781,568	2,603,942	2,805,312
Finance lease liability	16,24	52,064	360,264	39,500	29,869
Trade and other payables	23	13,591,134	12,915,194	1,347,113	1,430,195
Current tax due	12	948,476	447,900	-	-
Total current liabilities		22,057,489	19,504,926	3,990,555	4,265,376
Total liabilities		75,076,924	72,479,455	39,301,419	39,415,073
Total equity and liabilities		122,395,709	117,625,048	64,633,194	63,497,984

The notes on page 37–108 form part of these financial statements.

The financial statements set out on pages 27 to 108 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

27 April 2021

Hal Mann Vella Group P.L.C.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	The Group							
	Issued capital	Revaluation reserve on property, plant and equipment	Revaluation reserve on investment property	Revaluation reserve on financial assets	Retained earnings	Incentives and benefits reserves	Capital redemption reserve	Total Equity
	€	€	€	€	€	€	€	€
Balance as at 1 January 2019	4,999,820	24,043,828	4,751,591	110,456	8,955,896	604,060	47,852	43,513,503
Underprovision of expected credit losses (note 21)	-	-	-	-	(22,758)	-	-	(22,758)
Effect of adoption of new accounting standard	-	-	-	-	(1,288,643)	-	-	(1,288,643)
Balance as at 1 January 2019 (adjusted)	4,999,820	24,043,828	4,751,591	110,456	7,644,495	604,060	47,852	42,202,102
Profit for the year	-	-	-	-	2,885,472	-	-	2,885,472
Other comprehensive income (note 29)	-	-	-	58,019	-	-	-	58,019
Total comprehensive income for the year	-	-	-	58,019	2,885,472	-	-	2,943,491
Transfer (from) to retained earnings (notes 16 and 29)	-	-	-	(111,715)	111,715	-	-	-
Transfer of fair value gain on investment property, net of deferred tax (note 30)	-	-	160,680	-	(160,680)	-	-	-
Balance as at 31 December 2019	4,999,820	24,043,828	4,912,271	56,760	10,481,002	604,060	47,852	45,145,593

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2020

	The Group							
	Issued capital	**Revaluation reserve on property, plant and equipment**	**Revaluation reserve on investment property**	**Revaluation reserve on financial assets**	**Retained earnings**	**Incentives and benefits reserves**	**Capital redemption reserve**	**Total Equity**
	€	**€**	**€**	**€**	**€**	**€**	**€**	**€**
Balance as at 1 January 2020	4,999,820	24,043,828	4,912,271	56,760	10,481,002	604,060	47,852	45,145,593
Profit for the year	-	-	-	-	1,435,736	-	-	1,435,736
Other comprehensive income (notes 28 and 29)	-	734,303	-	3,153	-	-	-	737,456
Total comprehensive income for the year	-	734,303	-	3,153	1,435,736	-	-	2,173,192
Transfer of fair value gain on investment property, net of deferred tax (note 30)	-	-	1,337,103	-	(1,337,103)	-	-	-
Balance as at 31 December 2020	4,999,820	24,778,131	6,249,374	59,913	10,579,635	604,060	47,852	47,318,785

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Statement of Changes in Equity

for the year ended 31 December 2020

	The Company				
	Issued capital	**Revaluation reserve on financial assets**	**Revaluation reserve on investment property**	**Retained earnings**	**Total Equity**
	€	**€**	**€**	**€**	**€**
Balance as at 1 January 2019	4,999,820	111,715	15,529,138	2,266,535	22,907,208
Effect of adoption of new accounting standard	-	-	-	(532,856)	(532,856)
Balance as at 1 January 2019 (adjusted)	4,999,820	111,715	15,529,138	1,733,679	22,374,352
Profit for the year	-	-	-	1,652,586	1,652,586
Other comprehensive income	-	55,973	-	-	55,973
Total comprehensive income for the year	-	55,973	-	1,652,586	1,708,559
Transfer (from) to retained earnings (note 16)	-	(111,715)	-	111,715	-
Transfer of fair value gain on investment property, net of deferred tax (note 30)	-	-	431,200	(431,200)	-
Balance as at 31 December 2019	4,999,820	55,973	15,960,338	3,066,780	24,082,911

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Statement of Changes in Equity

for the year ended 31 December 2020

	The Company				
	Issued capital	**Revaluation reserve on financial assets**	**Revaluation reserve on investment property**	**Retained earnings**	**Total Equity**
	€	**€**	**€**	**€**	**€**
Balance as at 1 January 2020	4,999,820	55,973	15,960,338	3,066,780	24,082,911
Profit for the year	-	-	-	1,245,860	1,245,860
Other comprehensive income	-	3,004	-	-	3,004
Total comprehensive income for the year	-	3,004	-	1,245,860	1,248,864
Transfer of fair value gain on investment property, net of deferred tax (note 30)	-	-	1,051,545	(1,051,545)	-
Balance as at 31 December 2020	4,999,820	58,977	17,011,883	3,261,095	25,331,775

The notes on page 37–108 form part of these financial statements.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	The Group		The Company	
		2020	2019	2020	2019
		€	€	€	€
Cash flows from operating activities					
Profit before tax		2,314,761	4,338,707	1,522,128	2,675,096
Adjustments for:					
Change in fair value of investment properties		(1,506,228)	(479,480)	(1,051,545)	(479,480)
Share in profit of joint ventures		(40,576)	(1,391,457)	-	-
Depreciation of right-of-use assets and property, plant and equipment		1,201,754	921,616	-	-
Loss on loans to joint venture		-	77,195	-	77,195
Profit on sale of quoted equity securities		-	(46,506)	-	(46,506)
Provision for expected credit losses (ECL)		151,974	43,320	(45,868)	108,789
Overprovision of expenses in the prior years		-	(54,900)	-	-
Income from government grants		(16,576)	(16,578)	-	-
Profit on sale of investment properties		-	(82,200)	-	-
Loss on reclassification of property, plant and equipment		11,896	-	-	-
Dividends income		-	(3,904)	-	(1,926,981)
Finance and similar income		(194,645)	(333,540)	(1,450,617)	(1,412,266)
Finance costs		2,404,736	2,410,827	1,715,441	1,711,430
Working capital changes:					
Decrease/(increase) in inventories		307,506	(480,184)	-	-
Increase in property held-for-sale		(165,784)	(1,711,816)	-	-
Decrease/(increase) in contract assets		1,446,872	(689,743)	-	-
Decrease / (increase) in receivables		3,512,126	856,308	(961,102)	161,444
(Decrease) / increase in payables		(2,873,381)	(1,004,537)	(70,204)	48,510
Receipts from related undertakings		53,739	74,459	-	-
Interest received from banks		690	701	-	-
Interest paid on overdraft		(50,724)	(25,814)	(16)	(63)
Taxation paid		(185,437)	(464,417)	-	(673,077)
Net cash generated from operating activities		6,372,703	1,938,057	(341,783)	244,091

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Consolidated Statement of Cash Flows
for the year ended 31 December 2020

	Note	The Group 2020	The Group 2019	The Company 2020	The Company 2019
		€	€	€	€
Cash flows from investing activities					
Payments to acquire property, plant and equipment		(2,525,364)	(1,316,190)	-	-
Payments to acquire investment property		(2,780,734)	(1,340,246)	(1,372,208)	(124,021)
Payments to acquire financial assets		-	-	(1,200)	(200,002)
Receipts from sale of equity instruments		-	328,575	-	328,575
Dividends received		-	1,253,904	-	1,926,981
Receipts from/(advances to) group companies		-	-	2,688,961	(324,979)
(Advances to)/receipts from joint venture		(94,400)	1,000	-	150,053
Receipts from related companies		-	-	-	6,977
Receipts from sale of investment properties		-	1,387,200	-	-
Finance income		-	-	1,450,617	1,412,266
Net cash (used in)/generated from investing activities		(5,400,498)	314,243	2,766,170	3,175,850
Cash flows from financing activities					
Advances from banks loans		694,416	513,690	-	-
Repayment to group companies		-	-	(192,721)	(1,023,336)
Advances from related companies		73,676	(3,001)	-	75,229
Advances from joint ventures		3,689	363,579	-	124,881
Repayment of principal portion of lease liability		(362,863)	(495,257)	(29,869)	(29,869)
Receipt of principal portion of finance lease receivable		267,531	473,138	-	-
Interest paid on bonds		(1,618,933)	(1,372,838)	(1,618,933)	(1,372,838)
Interest paid on bank loans		(443,370)	(496,587)	(5,015)	(82,783)
Net cash used in financing activities		(1,385,854)	(1,017,276)	(1,846,538)	(2,308,716)
Effect of ECL on cash in banks		(229)	(299)	(229)	(299)
Net movement in cash and cash equivalents		(413,649)	1,235,024	577,620	1,110,926
Cash and cash equivalents at beginning of year		2,002,247	767,522	1,071,425	(39,501)
Cash and cash equivalents at end of year	33	1,588,369	2,002,247	1,649,045	1,071,425

The notes on page 37–108 form part of these financial statements.

Hal Mann Vella Group P.L.C.

Notes to the Consolidated Financial Statements
for the year ended 31 December 2020

1. Corporate information

The consolidated financial statements of Hal Mann Vella Group P.L.C. and its subsidiaries ("the Group") for the year ended 31 December 2020 were authorized for issue in accordance with a resolution of the Directors on 27 April 2021.

Hal Mann Vella Group P.L.C. ("the Company") is a public limited liability company incorporated in Malta, under the Companies Act, Cap. 386 of the Laws of Malta. The Company is principally a finance and investment company in connection with the ownership, development, operation and financing of the business activities of Hal Mann Vella Group of companies. Its registered office is at The Factory, Mosta Road, Lija, Malta.

2. Significant accounting policies

2.1 Basis of preparation and consolidation

Basis of preparation

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.

On 11 March 2020, the Word Health Organisation (WHO) declared the Covid-19 outbreak to be a global pandemic. The local authorities responded by introducing measures aimed at containing the spread of the virus and minimising the fatalities. Social distancing rules, restrictions on capitacity inside establishments and control on overall physical movement continued throughout the year and still in place at the date of the approval of these financial statements.

The Group operates in two business segments, property development and letting and manufacturing products and general contracting services. The Covid-19 pandemic has not directly impacted the Group's business sectors but has negatively affected the tenants of its two hotels namely the Mavina Holiday Complex and the Huli Hotel. The hospitality sector was constrained to close all the hotels, restaurants and bars resulting to the loss of revenue for the months of April, May and June. The Group has provided some relief to its tenants by deferring the collection of rent and reducing rent rates until there is a return to normality.

Although the construction and property sectors were not part of the containment measures taken by the government to stem the spread of Covid-19, such sectors were undoubtedly impacted negatively due to high level of uncertainty concerning the duration of this pandemic and resulting adverse effect on the Maltese economy and market sentiments. The Group's performance is also affected by the tourism sector, which has been performing at a strong level in the last few yers. This upward trend has increased the demands on Malta's infrastructure and encouraged some hotel owners to upgrade and refurbish their properties. Furthermore, the country has experienced an increase in new hotels, including the development of a number of boutique hotels in the capital city. Such projects tend to generate more demand for the Group's product and services. Following the Covid-19 outbreak, some property developments relating to the hospitality industry were delayed or shelved, which in turn affect the demand for the Group's products and services.

Finishing works continued to be carried out at a significantly reduced capacity and modified working practices while showrooms were temporarily closed. The Group remained profitable during the year amidst the pandemic when economic activity in a number of sectors was severely curtailed. The Group has secured a €2 million loan under the MDB Covid-19 Guarantee scheme to manage its working capital scheme. On the basis of the Group's experience to date, and on the basis of its detailed projections for the coming 12 months and beyond, factoring in the disruption created by the Covid-19 pandemic, the board considers that there are no factors which may cast about the ability of the Group to continue operating as a going concern and accordingly continues to adopt the going concern basis in preparing the Group's financial statements.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2020. 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.
After initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units (CGUs) that are expected to benefit from the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

Where goodwill has been allocated to a CGU and part of the operation within that unit is disposed of, the goodwill associated with the disposed operation is included in the carrying amount of the operation when determining the gain or loss on disposal. Goodwill disposed in these circumstances is measured based on the relative values of the disposed operation and the portion of the CGU retained.

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 profit or loss and other comprehensive income includes the share of profit or loss in joint venture.

2.4 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets measured at amortized cost, fair value through profit or loss (FVTPL) and fair value through other comprehensive income (FVOCI). All financial assets are recognized initially at fair value plus, in the case of financial assets not recorded at FVTPL, transaction costs that are attributable to the acquisition of the financial asset.

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 FVTPL, 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 FVOCI, 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. Financial assets with cash flows that are not SPPI are classified and measured at FVTPL, irrespective of the business model.

The Group'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 Group commits to purchase or sell the asset.

Subsequent measurement

For purposes of subsequent measurement, financial assets in these financial statements are classified in four categories:

- financial assets at amortised cost (debt instruments)
- financial assets at FVOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL

<u>Financial assets at amortised cost (debt instruments)</u>

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 Group's financial assets at amortised cost include bank term deposits, trade receivables, and receivables from joint ventures and other related undertakings which are included both under current and non-current financial assets.

Financial assets at FVOCI (debt instruments)

For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in the statement of profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in OCI. Upon derecognition, the cumulative fair value change recognised in OCI is recycled to profit or loss.

As at 31 December 2020 and 2019, the Group has no debt instruments at FVOCI.

Financial assets designated at FVOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVOCI when they meet the definition of equity under *IAS 32 Financial Instruments: Presentation* and are not held for trading. The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at FVOCI are not subject to impairment assessment.

As at 31 December 2020 and 2019, this category consists of investment in quoted and unquoted equity shares.

Financial assets at FVTPL

Financial assets at FVTPL are carried in the statement of financial position at fair value with net changes in fair value recognised in the statement of profit or loss.

This category includes derivative instruments and listed equity investments which the Group had not irrevocably elected to classify at FVOCI. Dividends on listed equity investments are recognised as other income in the statement of profit or loss when the right of payment has been established.

A derivative embedded in a hybrid contract, with a financial liability or non-financial host, is separated from the host and accounted for as a separate derivative if: the economic characteristics and risks are not closely related to the host; a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured at fair value through profit or loss. Embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is either a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required or a reclassification of a financial asset out of the fair value through profit or loss category.

As at 31 December 2020 and 2019, the Group has no financial assets at FVTPL.

Derecognition

A financial asset (or, where applicable, a part of a financial asset or part of a Group of similar financial assets) is primarily derecognised (i.e., removed from the Group's statement of financial position) when:

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

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, 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 Group continues to recognise the transferred asset to the extent of its continuing involvement. In that case, the Group 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 Group 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 Group could be required to repay.

Impairment

Further disclosures relating to impairment of financial assets are also provided in notes 3 and 34 to the consolidated financial statements.

The Group recognises an allowance for expected credit losses (ECLs) for all 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, 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 lease receivables and majority of trade receivables, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group 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.

For cash in bank, contract assets and amounts due from joint ventures and other related undertakings, the Group applies a general approach in calculating ECLs. Therefore, the Group tracks changes in credit risk, and recognises a loss allowance based on either 12-month ECLs or lifetime ECLs, depending on whether there has been a significant increase in credit risk on the financial instrument since initial recognition. This is being done by considering the change in the risk of default occurring over the remaining life of the financial instrument.

The following are the key elements in the calculation of ECLs:

a. Probability of Default (PD)	The PD is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the financial asset has not been previously derecognised.
b. Exposure at Default (EAD)	The EAD is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date.
c. Loss Given Default (LGD)	The LGD is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive.

The mechanics of the ECL method are summarised below:

Stage 1:	The 12-month ECL is calculated as the portion of lifetime ECL that represent the ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. The Group calculates the 12-month ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to a forecast EAD and multiplied by the expected LGD.
Stage 2:	When a financial asset has shown a significant increase in credit risk since origination, the Group records an allowance for the lifetime ECL. The mechanics are similar to those explained above, but PDs and LGDs are estimated over the lifetime of the instrument.
Stage 3:	For financial asset considered as credit-impaired, the Group recognises the lifetime ECL. The method is similar to that for Stage 2 financial assets, with the PD set at 100%.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. 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 financial liabilities at FVTPL, loans and borrowings or as derivatives designated as hedging instruments in an effective hedge, 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 Group's financial liabilities include trade and other payables, loans and borrowings including bank overdrafts.

Subsequent measurement

For purposes of subsequent measurement, financial liabilities are classified in two categories:

- financial liabilities at FVTPL
- financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at FVTPL

Financial liabilities at FVTPL include financial liabilities held for trading and financial liabilities designated upon initial recognition as at FVTPL.

Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by IFRS 9. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss.

Financial liabilities designated upon initial recognition at FVTPL are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group has not designated any financial liability at FVTPL as at 31 December 2020 and 2019.

<u>Financial liabilities at amortised cost (loans and borrowings)</u>

This is the category most relevant to the Group. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the 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 notes 16 and 34 to the consolidated financial statements.

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.

Offsetting of financial instruments
Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

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.

An increase in the carrying amount arising on the revaluation of such land and buildings is recognised in the consolidated statement of profit or loss and other comprehensive income and afterwards held in the revaluation reserve on property, plant and equipment relating to a previous revaluation of that asset.

Freehold land is not depreciated as it deemed to have an indefinite life.

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 equipment	6.67%
Plant and machinery	10%
Furniture and fittings	10%
Improvements to premises	10%
Air-conditioning equipment	16.67%
Tools	20%
Exhibits	20%
Exhibition stand and site offices	20% and 25%
Motor vehicles	20%
Computer equipment and software	25%
Office equipment	25%
Telecommunications equipment	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 profit or loss and other 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 statement of profit or loss and other comprehensive income 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 on a regular basis (usually every two 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 transferred to "Revaluation reserve on investment property" 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

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements are presented in euro, which is the Company's functional and presentation currency.

Foreign currency translations are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. All foreign exchange gains and losses are presented in the income statement within 'Other income' or 'Other expenses'.

2.16 Revenue recognition

Revenue from contracts with customers (under IFRS 15)

The Group's principal activities relate to the manufacture and business of stones, marbles, granites, patterned tiles, terrazzo and precast related products, as well as supply, installation, operation and maintenance of photovoltaic (PV) systems. The Group is also involved in property development and resale. Revenue from contracts is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects in exchange for those goods or services. The Group has generally concluded that it is the principal in its revenue arrangements, because it typically controls the goods or services before transferring them to the customer. 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 Group's revenue recognition is straight-forward, hence no significant accounting judgement, estimates and assumptions (i.e., in terms of estimating variable considerations and stand-alone selling price) are involved.

Sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products

Revenue from sale of manufactured construction materials is recognised at the point in time when control of asset is transferred to the customer, generally on delivery of products at the customer's location. The normal credit term is 30 to 90 days upon delivery.

Sale of electricity generated from PV panels

Revenue from sale of electricity is recognised at the point in time when control of the asset is transferred to the sole customer (i.e., Enemalta Plc), generally upon exportation of the generated electricity to the solar grid. Enemalta Plc pays the Group feed-in tariff (i.e., a tariff which is paid to a producer of electricity for the amount of electricity generated and exported to the electricity grid) based on the actual meter readings. In the case where the amount due to the Group from the electricity exported by the PV system exceeds the invoiced amount for the consumption of electricity for a particular billing period that is due to Enemalta Plc, such amount will be carried forward in the form of a credit note. When two consecutive scheduled bills based on actual meter readings are shown to be in credit, Enemalta P.L.C. is obliged to pay the Group the credit within 60 days of the date of the second scheduled bill.

Sale of properties

Revenue from sale of real properties is recognised at the point in time when control of asset is transferred to the customer, generally upon signing of deed of sale where the customer obtains legal title to the property. Total fund is paid in full on date of deed.

Rendering of general construction and other services

The Group recognises revenue from construction and other services over time because the Group's performance creates or enhances an asset that the customer controls as the asset is enhanced or created. In some cases, the customer simultaneously receives and consumes the benefits provided to them as the Group performs. The Group uses an input method in measuring progress of the services since there is a direct relationship between the Group's effort (i.e., based on the costs incurred to date) and the transfer of service to the customer. The input method is implemented by first estimating the inputs required such as labor and other overheads, etc. to complete the service. The Group recognises revenue on the basis of the efforts expended to date relative to the total expected inputs to complete the service. The normal credit term is 30 to 90 days upon issuance of invoice.

Further, the Group provides services that are either sold separately or bundled together with the sale of tiles, marble stones and granites to a customer. Contracts for bundled sales of tiles, marble stones, granites and services are comprised of two performance obligations because the promise to transfer tiles, marbles, granites and provide services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transcation price based on the relative stand-alone selling prices of tiles, marbles, granites and services.

In determining the transaction price, the Group considers the effects of variable consideration, existence of significant financing component, non-cash consideration, and consideration payable to the customer.

i) Variable consideration

If the consideration in a contract includes a variable amount, the Group estimates the amount of consideration to which it will be entitled in exchange for transferring the goods to the customer. The variable consideration is estimated at contract inception and constrained until it is highly probable that a significant revenue reversal in the amount of cumulative revenue recognised will not occur when the associated uncertainty with the variable consideration is subsequently resolved. In general, contracts for the sale of tiles, marble stones and granites do not provide customers with a right to return the goods; hence, no refund liability is recognised. In cases of discounts and/or price concessions for good and services, such are already established with the customer at the inception of the contract, thus, are not considered contingents as the amounts agreed are fixed and unavoidable. As at and for the years ended 31 December 2020 and 2019, there are no known factors or events which could make the consideration to be variable. The validity of this assessment is reassessed at each reporting date.

ii) Significant financing component

In most cases, the Group has contract assets wherein payment for goods and services rendered is not due from the customer until the full services agreed upon are completed. 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. Generally, it is the customer's preference to withhold payments to ensure that all performance obligations are performed as specified in the contract. This falls under one of the exemptions of 'significant financing component' - *i.e.,* the difference between the promised consideration and the cash selling price of the goods or services is due to something other than

Further, the Group applies the practical expedient for short-term advances received from customers - *i.e.,* the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised goods or service and the payment is one year or less. As at and for the years ended 31 December 2020 and 2019, the contract liabilities are subsequently recognised as revenue within one year.

iii) Non-cash consideration

The Group does not receive non-cash considerations from customers for the sale of goods and services.

iv) Consideration payable to customer

The Group exports solar energy generated from PV panels to a customer who also supplies electricity to the Group for consumption. The consideration payable to a customer is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distint good or service that the customer transfers to the Group.

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 (*i.e.*, transfers control of the related goods or services to the customer).

Cost to obtain a contract

The Group applies the optional practical expedient to immediately expense costs to obtain a contract if the amortisation period of the asset that would have been recognised is one year or less. As such, payments for designers which constitute a relatively small amounts are immediately recognised as an expense in the consolidated statement of profit or loss and other comprehensive income.

Other revenue sources (not within the scope of IFRS 15)

The following recognition criteria must also be met before revenue is recognised:

Rental income

This relates to the rental income from the rental of immovable property in the ordinary couse of the Group's activities. For operating leases, it is recognised at profit or loss on a straight-line basis over the term of the lease and is stated net of value added tax. For finance leases, it is recognised at balance sheet as a lease receivable and amortised using effective interest method over the lease term.

Dividend income

Revenue from dividend income is recognised on the date the Group's right to receive payment is established.

Interest 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. Interest income is recognised on an accrual or time proportion basis.

Other operating income

Other operating income are 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.

2.17 Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Hotel	15 years
Industrial buildings	15 to 65 years
Offices	3 to 15 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

The right-of-use assets are also subject to impairment. Refer to the accounting policies in section 2.22 (Impairment of non-financial assets).

ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

The Group's lease liabilities are included in Interest-bearing loans and borrowings (see note 16).

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of assets that are considered to be low value. Lease payments on short-term leases and leases of lowvalue assets are recognised as expense on a straight-line basis over the lease term.

The Group as a lessor

Leases in which the Group does not transfer substantially all the risks and rewards incidental to ownership of an asset are classified as operating leases. Rental income arising is accounted for on a straight-line basis over the lease terms and is included in revenue in the statement of profit or loss and other comprehensive income due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as rental income. Contingent rents are recognised as revenue in the period in which they are earned.

2.18 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

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 consist of interest and other costs that an entity incurs in connection with the borrowing of funds. 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. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between the initial net proceeds and redemption value in respect of interest-bearing borrowings.

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 FVOCI, land and building and investment property is disclosed in notes 13, 16 and 17, respectively.

2.22 Impairment of non-financial assets

The Group assesses, at each reporting date, whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or CGU's fair value less costs of disposal and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. When the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples, quoted share prices for publicly traded companies or other available fair value indicators.

The Group bases its impairment calculation on most recent budgets and forecast calculations, which are prepared separately for each of the Group's CGUs to which the individual assets are allocated. These budgets and forecast calculations generally cover a period of five years. A long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in the statement of profit or loss in expense categories consistent with the function of the impaired asset, except for properties previously revalued with the revaluation taken to OCI. For such properties, the impairment is recognised in OCI up to the amount of any previous revaluation.

For assets excluding goodwill, an assessment is made at each reporting date to determine whether there is an indication that previously recognised impairment losses no longer exist or have decreased. If such indication exists, the Group estimates the asset's or CGU's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

Goodwill is tested for impairment annually and when circumstances indicate that the carrying value may be impaired.

Impairment is determined for goodwill by assessing the recoverable amount of each CGU (or group of CGUs) to which the goodwill relates. When the recoverable amount of the CGU is less than its carrying amount, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Intangible assets with indefinite useful lives are tested for impairment annually at the CGU level, as appropriate, and when circumstances indicate that the carrying value may be impaired.

3. Critical accounting estimates and judgements

In preparing the financial statements, the Directors are required to make judgments, estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. Use of available information and application of judgment 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 judgment and estimates are as follows:

Judgments

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

Determining the lease term of contracts with renewal and termination options – Group as lessee

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension and termination options. The Group applies judgment in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to renew or to terminate.

The Group includes the renewal period as part of the lease term for leases of assets with shorter non-cancellable period (i.e., three to five years). The Group typically exercises its option to renew for these leases because there will be a significant negative effect on production if a replacement asset is not readily available. The renewal periods for leases of assets with longer non-cancellable periods (i.e., 10 to 15 years) are not included as part of the lease term as these are not reasonably certain to be exercised. Furthermore, the periods covered by termination options are included as part of the lease term only when they are reasonably certain not to be exercised.

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. 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 commercial property, that it retains substantially all the risks and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Property lease classification – Group as intermediate lessor

The Group has entered into property leases on its right of use asset meeting the definition of investment property. Based on an evaluation of the terms and conditions of the arrangements, the Group has determined that it has the right to use the underlying asset for a period of time which is long term, and the sublease is not for all of the remaining term of the head lease. Then, the intermediate lessor, in effect has not transferred that right to another party and accounts for the contracts as operating leases. During the term of the sublease, the intermediate lessor recognises a depreciation charge for the right-of-use asset, interest on the lease liability and lease income from the sublease.

Fair value of investment property

The Group carries its investment property at fair value, with changes being recognised in profit or loss. This is based on market valuations performed by independent professional architect at least every two years. In a year when market valuations are not performed by the independent professional architect, an internal assessment of the fair value of investment property is performed to reflect market conditions at the year-end date.

The last market valuation was performed in October and December 2020 and the Group recognized fair values of investment property in note 17 to the financial statements.

Fair value of equity instruments designated at FVOCI

When the fair values of financial assets and financial liabilities recorded in the statement of financial position cannot be measured based on quoted prices in active markets, their fair value is measured using other valuation techniques including the net value asset method. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgement is required in establishing fair values. Judgements include considerations of inputs such as liquidity risk, credit risk and volatility. Changes in assumptions relating to these factors could affect the reported fair value of financial instruments. See note 34 for further disclosures.

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.

Estimates and assumptions

Impairment of non-financial assets

Impairment exists when the carrying value of an asset or CGU exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The value in use calculation is based on a discounted cash flow (DCF) model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets of the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to goodwill recognised by the Group.

Provision for ECL on trade receivables and lease receivables

The Group uses a provision matrix to calculate ECLs for trade receivables and lease receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns (i.e., by geography, product type, customer type and rating).

The provision matrix is initially based on the Group's historical observed default rates. The Group calibrates 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 Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

Provision for ECL on other financial assets

The measurement of the Group's ECL on cash in banks, contracts assets, and amounts due from joint ventures and other related undertakings is a function of the PD, LGD and the EAD. These financial assets are measured under Stage 1 of the impairment model, and therefore ECLs are calculated on 12-month basis.

Elements of the ECL model which are considered accounting judgments and estimates include:

- The Group's internal credit grading model, which assigns PDs to the individual grades
- The Group's criteria for assessing if there has been a significant increase in credit risk and so allowances should be measured on a liftetime ECL basis and the qualitative assessment
- Development of ECL models, including the various formulas and the choice of inputs
- Determination of associations between macroeconomic scenarios and, economic inputs, and the effect on PDs, EADs and LGDs
- Selection of forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models

It is the Group's policy to regularly review its model in the context of actual loss experience and adjust when necessary.

Leases - Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimation when no observable rates are available (such as for subsidiaries that do not enter into financing transactions) or when they need to be adjusted to reflect the terms and conditions of the lease (for example, when leases are not in the subsidiary's functional currency). The Group estimates the IBR using observable inputs (such as market interest rates) when available and is required to make certain entity-specific estimates (such as the subsidiary's stand-alone credit rating).

Assessing whether a change in payments is a lease modification

IFRS 16 defines a lease modification as a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease. In assessing whether there has been a change in the scope of the lease, an entity considers whether there has been a change in the right of use conveyed to the lessee by the contract. A rent holiday or rent reduction alone is not a change in the scope of a lease. In assessing whether there has been a change in the consideration for a lease, an entity considers the overall effect of any change in the lease payments. If there is no change in either the scope of the lease or the consideration for the lease, then there is no lease modification.

During the year, the Group benefited from reduced lease payments from its lease of plant and machinery and leasehold improvements as relief for the consequences of the Covid-19 pandemic. Per assessment, the change in consideration from the rent holidays and reduced lease payments do not constitute a lease modification since the revised consideration for the lease is substantially the same as, or less than, the consideration from the original lease. In addition, the reduction in lease payments would only be until January 2021. Lastly, there are no substantive change to other terms and conditions of the lease.

As a result of these assessments, the Group has applied the amendment to IFRS 16. Lease liability amounted to €7,814,209 and €8,527,771 as at 31 December 2020 and 31 December 2019, respectively (see notes 16 and 24).

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

4. Application of New and Revised IFRS

4.1 New and Revised IFRS effective for current year

The Group applied for the first-time certain standards and amendments, which are effective for annual periods beginning on or after 1 January 2020.

Several other amendments and interpretations apply for the first time in 2020 but do not have an impact on the consolidated financial statements of the Group. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Amendments to IFRS 3: Definition of a Business

The amendment to IFRS 3 Business Combinations clarifies that to be considered a business, an integrated set of activities and assets must include, at a minimum, an input and a substantive process that, together,significantly contribute to the ability to create output. Furthermore, it clarifies that a business can exist without including all of the inputs and processes needed to create outputs. These amendments had no impact on the consolidated financial statements of the Group, but may impact future periods should the Gorup enter into any business combinations.

Amendments to IFRS 7, IFRS 9 and IAS 39 Interest Rate Benchmark Reform

The amendments to IFRS 9 and IAS 39 Financial Instruments: Recognition and Measurement provide a number of reliefs, which apply to all hedging relationships that are directly affected by interest rate benchmark reform. A hedging relationship is affected if the reform gives rise to uncertainty about the timing and/or amount of benchmark-based cash flows of the hedged item or the hedging instrument. These amendments have no impact on the consolidated financial statements of the Group as it does not have any interest rate hedge relationships.

Amendments to IAS 1 and IAS 8 Definition of Material

The amendments provide a new definition of material that states, "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments clarify that materiality will depend on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements. A misstatement of information is material if it could reasonably be expected to influence decisions made by the primary users. These amendments had no impact on the consolidated financial statements of, nor is there expected to be any future impact to the Group.

Conceptual Framework for Financial Reporting issued on 29 March 2018

The Conceptual Framework is not a standard, and none of the concepts contained therein override the concepts or requirements in any standard. The purpose of the Conceptual Framework is to assist the IASB in developing standards, to help preparers develop consistent accounting policies where there is no applicable standard in place and to assist all parties to understand and interpret the standards. This will affect those entities which developed their accounting policies based on the Conceptual Framework. The revised Conceptual Framework includes some new concepts, updated definitions and recognition criteria for assets and liabilities and clarifies some important concepts. These amendments had no impact on the consolidated financial statements of the Group.

Amendments to IFRS 16 Covid-19 Related Rent Concessions

On 28 May 2020, the IASB issued Covid-19-Related Rent Concessions - amendment to IFRS 16 Leases. The amendments provide relief to lessees from applying IFRS 16 guidance on lease modification accounting for rent concessions arising as a direct consequence of the Covid-19 pandemic. As a practical expedient, a lessee may elect not to assess whether a Covid-19 related rent concession from a lessor is a lease modification. A lessee that makes this election accounts for any change in lease payments resulting fromthe Covid-19 related rent concession the same way it would account for the change under IFRS 16, if the change were not a lease modification.

The practical expedient applies only to rent concessions occurring as a direct consequence of COVID-19 and only if all of the following conditions are met:

a.) The change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;

b.) Any reduction in lease payments affects only payments originally due on or before 30 June 2021 (rent concession meets this condition if it results in reduced lease payments on or before 30 June 2021 and increased lease payments that extend beyond 30 June 2021); and

c.) There is no substantive change to other terms and conditions of the lease.

In the current financial year, the Group has applied the practical expedient to all rent concessions that meet the conditions of IFRS 16 Covid-19, and has not restated prior period figures

This amendment has remeasured the lease liability by €205,3030 as at 31 December 2020 (see notes 8 and 24). The rent concessions has been accounted for as a negative variable lease payment in the statement of comprehensive income.

4.2 New and Revised IFRS in issue but not 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 after***
Reference to the Conceptual Framework – Amendments to IFRS 3	1 January 2022
Property, Plant and Equipment: Proceeds before Intended Use – Amendments to IAS 16	1 January 2022
Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37	1 January 2022
IFRS 1 First-time Adoption of International Financial Reporting Standards –Subsidiary as a first-time adopter	1 January 2022
IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities	1 January 2022
IAS 41 Agriculture – Taxation in fair value measurements	1 January 2022
IFRS 17 Insurance Contracts	1 January 2023
Amendments to IAS 1: Classification of Liabilities as Current or Non-current	1 January 2023

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:

Property Development and Letting	This segment 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	This segment 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.

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Notes to the Financial Statements
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5. Segment information (continued)

Inter-segment transactions, assets and liabilites are eliminated upon consolidation and reflected in the 'eliminations' column.

Year ended 31 December 2020	Property development and Letting	Manufacturing and general contracting services	Total segments	Eliminations	Consolidated
	€	€	€	€	€
External customers	5,265,395	18,196,674	23,462,069	-	23,462,069
Inter-segment	639,980	5,590,448	6,230,428	(6,230,428)	-
Total revenue	5,905,375	23,787,122	29,692,497	(6,230,428)	23,462,069
Income/(expenses)					
Finance and similar income	1,627,799	74,474	1,702,273	(1,507,628)	194,645
Finance cost	(2,696,313)	(1,487,740)	(4,184,053)	1,779,317	(2,404,736)
Depreciation and amortisation	(889)	(942,249)	(943,138)	-	(943,138)
Share in profit of joint ventures	40,576	-	40,576	-	40,576
Income tax expense	(1,141,859)	211,333	(930,526)	51,501	(879,025)
Segment profit before tax	**3,529,624**	**(267,044)**	**3,262,580**	**(947,819)**	**2,314,761**
Total assets	**121,610,564**	**36,050,117**	**157,660,681**	**(35,264,972)**	**122,395,709**
Total liabilities	**72,079,843**	**31,892,272**	**103,972,115**	**(28,895,191)**	**75,076,924**
Other disclosures					
Interest in joint ventures	165,720	-	165,720	1,751,504	1,917,224
Capital expenditure	-	2,525,364	2,525,364	-	2,525,364

5. Segment information (continued)

Year ended 31 December 2019	Property development and Letting	Manufacturing and general contracting services	Total segments	Eliminations	Consolidated
	€	€	€	€	€
External customers	3,256,226	19,138,316	22,394,542	-	22,394,542
Inter-segment	637,414	6,923,128	7,560,542	(7,560,542)	-
Total revenue	3,893,640	26,061,444	29,955,084	(7,560,542)	22,394,542
Income/(expenses)					
Finance and similar income	1,719,357	86,750	1,806,107	(1,472,567)	333,540
Finance cost	(2,650,335)	(1,515,340)	(4,165,675)	1,754,848	(2,410,827)
Depreciation and amortisation	(988)	(812,795)	(813,783)	-	(813,783)
Share in net profit of joint ventures	1,391,457	-	1,391,457	-	1,391,457
Income tax expense	(1,586,159)	(305,809)	(1,891,968)	438,733	(1,453,235)
Segment profit before tax	**5,397,180**	**563,546**	**5,960,726**	**(1,622,019)**	**4,338,707**
Total assets	**117,002,082**	**45,706,436**	**162,708,518**	**(45,083,470)**	**117,625,048**
Total liabilities	**69,821,555**	**41,494,080**	**111,315,635**	**(38,836,180)**	**72,479,455**
Other disclosures					
Interest in joint ventures	165,720	-	165,720	1,710,779	1,876,499
Capital expenditure	-	1,316,190	1,316,190	-	1,316,190

5. Segment information (continued)

Capital expenditure consists of additions of property, plant and equipment, and investment properties.

6. Revenue from contracts with customers

Disaggregated revenue information

Set out below is the disaggregation of the Group's revenue from contracts with customers:

	For the year ended 31 December 2020		
	Manufacturing and general contracting services	Property development and Letting	Total
	€	€	€
Type of goods or service			
Sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products	1,656,732	-	1,656,732
Sale of electricity generated from PV panels	295,110	-	295,110
Rendering of general construction and other services	16,244,832	-	16,244,832
Sale of properties	-	3,138,500	3,138,500
	18,196,674	3,138,500	21,335,174
Geographical markets			
Local	18,170,241	3,138,500	21,308,741
Foreign	26,433	-	26,433
	18,196,674	3,138,500	21,335,174
Timing of revenue recognition			
Goods transferred at a point in time	1,951,842	3,138,500	5,090,342
Services transferred over time	16,244,832	-	16,244,832
	18,196,674	3,138,500	21,335,174

6. Revenue from contracts with customers (*continued*)

	For the year ended 31 December 2019		
	Manufacturing and general contracting services	Property development	Total
	€	€	€
Type of goods or service			
Sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products	2,214,218	-	2,214,218
Sale of electricity generated from PV panels	300,641	-	300,641
Rendering of general construction and other services	16,623,457	-	16,623,457
Sale of properties	-	956,000	956,000
	19,138,316	956,000	20,094,316
Geographical markets			
Local	19,034,834	956,000	19,990,834
Foreign	103,482	-	103,482
	19,138,316	956,000	20,094,316
Timing of revenue recognition			
Goods transferred at a point in time	2,514,859	956,000	3,470,859
Services transferred over time	16,623,457	-	16,623,457
	19,138,316	956,000	20,094,316

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information (see note 5):

	For the years ended 31 December			
	2020	2020	2019	2019
	Manufacturing and general contracting services	Property development	Manufacturing and general contracting services	Property development
	€	€	€	€
Revenue				
External customer	18,196,674	3,138,500	19,138,316	956,000
Inter-segment	5,590,448	-	6,923,128	-
	23,787,122	3,138,500	26,061,444	956,000
Inter-segment adjustments and eliminations	(5,590,448)	-	(6,923,128)	-
Total revenue from contracts with customers	18,196,674	3,138,500	19,138,316	956,000

6. Revenue from contracts with customers (*continued*)

Contract balances

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Trade receivables - net of ECL (note 21)	7,756,613	7,903,081	-	-
Contract assets - net of ECL (note 22)	1,473,454	2,886,456	-	-
Contract liabilities (note 23)	-	95,000	-	-

In 2020, €183,941 (2019: €11,724) was recognised as provision expense for ECL on trade receivables (see notes 21 and 34).

Contract assets relate to revenue earned from ongoing construction services and finishing works. As such, the balances of this account vary and depend on the number of ongoing construction services at the end of the year. In 2020, allowance for ECL on contract assets decreased by €33,870 (2019: €40,675 provision expense).

Contract liabilities include short term advances received under construction contracts. The balance decreased by €95,000 in 2020 (2019: nil) since the related performance obligations of which have already been satisfied.

Performance obligations

Information about the Group's performance obligations are summarised below:

Stones, marbles, granites, patterned tiles, terrazzo and precast related products

The performance obligation is satisfied upon delivery of stones, marbles, granites, patterned tiles, terrazzo and precast related products; and payment is generally due within 30 to 90 days from delivery.

The performance obligation to deliver stones, marbles, granites, patterned tiles, terrazzo and precast related products with a manufacturing lead time of one month has only one payment option. The customer pays the transaction price equal to the cash selling price within 30 to days upon delivery of the goods. This results to no significant financing component for those contracts.

The Group assesses that there are no other promises in the contract of sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products that are separate performance obligations to which a portion of the transaction price needs to be allocated, such as warranties and customer loyalty points. The transaction price, which is equal to the selling price indicated in the sales invoices issued, is therefore allocated to only one performance obligation. The Group assesses that there exist no variable considerations, noncash consideration and consideration payable to the customer relating to the sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products.

Electricity generated from PV panels

The performance obligation is satisfied upon exportation of the generated electricity to the solar grid.

In the case where the amount due to the Group from the electricity exported by the PV system exceeds the invoiced amount for the consumption of electricity for a particular billing period that is due to the customer, such amount will be carried forward in the form of a credit note. When two consecutive scheduled bills based on actual meter readings are shown to be in credit, Enemalta plc is obliged to pay the Group the credit within 60 days of the date of the second scheduled bill.

The Group assesses that there are no other promises in the contract of sale of electricity that are separate performance obligations to which a portion of the transaction price needs to be allocated. The transaction price, which is equal to the selling price indicated in the sales invoices issued, is therefore allocated to only one performance obligation. The Group assesses that there exist no variable considerations, and noncash consideration payable to the customer relating to the sale of electricity. The consideration payable to a customer who also supplies electricity to the Group for consumption is accounted for as a reduction of the transaction price unless the payment to the customer is in exchange for a distint good or service that the customer transfers to the Group.

General construction and other services

The performance obligation is satisfied over-time and payment is generally due upon completion of projects and acceptance of the customer. In some contracts, short-term advances are required before the construction is provided.

The Group uses an input method in measuring progress of the services since there is a direct relationship between the Group's effort (i.e., based on the costs incurred to date) and the transfer of service to the customer. The input method is implemented by first estimating the inputs required such as labor and other overheads, etc. to complete the service. The Group recognises revenue on the basis of the efforts expended to date relative to the total expected inputs to complete the service. The normal credit term is 30 to 90 days upon issuance of invoice.

Further, the Group provides services that are either sold separately or bundled together with the sale of tiles, marble stones and granites to a customer. Contracts for bundled sales of tiles, marble stones, granites and services are comprised of two performance obligations because the promise to transfer tiles, marbles, granites and provide services are capable of being distinct and separately identifiable. Accordingly, the Group allocates the transcation price based on the relative stand-alone selling prices of tiles, marbles, granites and services.

Properties held-for-sale

The performance obligation is satisfied at the point in time when control of the asset is transferred to the customer, generally upon signing of deed of sale where the customer obtains legal title to the property. The normal credit term is 30 to 90 days from date of deed.

The Group assesses that there are no other promises in the contract of sale of properties held-for-sale that are separate performance obligations to which a portion of the transaction price needs to be allocated. The transaction price, which is equal to the selling price indicated in the deed of sale signed by both parties, is therefore allocated to only one performance obligation. The Group assesses that there exist no variable considerations, noncash consideration and consideration payable to the customer relating to the sale of properties held-for-sale.

The transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) as at 31 December are, as follows:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Within one year	-	95,000	-	-
More than one year	-	-	-	-
	-	95,000	-	-

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7. Expenses by nature

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Cost of sales				
Depreciation (note 13)	317,742	327,449	-	-
Direct wages (note 11)	3,285,625	3,298,431	-	-
Social security contributions (note 11)	244,747	245,131	-	-
Cost of property sold (note 20)	2,068,097	585,629	-	-
Cost of rent	-	10,909	-	-
Onsite expenditure	47,150	133,316	-	-
Cost of goods sold (note 19)	9,554,381	9,444,566	-	-
Other direct costs	237,148	245,194	-	-
	15,754,890	14,290,625	-	-
Distribution and selling costs				
Depreciation (note 13)	142,600	54,330	-	-
Advertising and promotions	77,398	151,126	-	-
Other distribution costs	4,103	9,680	-	-
	224,101	215,136	-	-
Administrative expenses				
Depreciation (notes 13 and 24)	741,412	539,837	-	-
Directors' remuneration (note 11)	226,894	139,851	14,068	13,705
Office salaries (note 11)	824,465	679,526	-	-
Social security contributions and maternity (note 11)	80,333	65,464	56	55
Auditors' remuneration	37,034	35,772	3,000	3,000
Provision for ECL (notes 16, 21, 22 and 33)	143,188	43,320	(45,868)	108,789
Legal and professional fees	512,016	458,216	173,411	229,496
Repairs and maintenance	291,356	414,321	995	-
Rent (note 24)	67,187	13,182	57,403	-
Utilities	49,003	94,189	12,933	11,483
Information and communication technology fees	380,613	340,045	-	-
Insurance	202,573	145,604	-	-
Motor vehicle expenses	71,489	109,419	-	-
Other administrative expenses	537,173	527,152	9,185	45,583
	4,164,736	3,605,898	225,183	412,111

Auditor's fees

Fees charged by the auditor for services rendered during the financial years ended 31 December 2020 and 2019 relate to the following:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Annual statutory audit	37,034	35,772	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	
	2020	2019	2020	2019
	€	€	€	€
Tax advisory and compliance	1,800	1,600	200	200
Other non-assurance services	15,240	15,240	15,240	15,240
	17,040	16,840	15,440	15,440

8. Other operating income

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Other income from construction works	33,227	97,211	9,004	9,488
Income from government grants	113,744	16,578	-	-
Exchange fluctuation	24,640	18,384	-	-
Income from insurance claims received	726	3,518	-	-
Gain on rent concessions	205,303	-	-	-
Overprovision of expenses in the prior years	-	54,900	-	-
Others	11,118	16,168	-	-
	388,758	206,759	9,004	9,488

9. Finance and similar income

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Interest from banks	690	701	-	-
Interest on finance lease receivables (note 24)	193,955	332,839	-	-
Interest from related and subsidiary undertakings	-	-	1,450,617	1,412,266
	194,645	333,540	1,450,617	1,412,266

10. Finance costs

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Bank overdraft interest	29,747	25,794	(16)	71
Interest on bonds and amortisation of bond issue cost	1,563,876	1,560,528	1,563,876	1,560,528
Bank loan interest	443,370	496,587	111,021	110,891
Interest on finance lease liability (note 24)	367,324	326,800	40,560	39,940
Other interest	419	1,118	-	-
	2,404,736	2,410,827	1,715,441	1,711,430

11. Staff costs and employee information

Staff costs for the year comprised the following:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Wages and salaries (including Directors' remuneration) (note 7)	4,336,984	4,117,938	14,068	13,705
Social security contributions (note 7)	325,080	310,465	56	55
	4,662,064	4,428,403	14,124	13,760

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

	The Group		The Company	
	2020	2019	2020	2019
	No.	No.	No.	No.
Operational	121	118	-	-
Administration	69	67	2	2
Distribution	11	11	-	-
	201	196	2	2

12. Income tax

Tax expense on 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	
	2020	2019	2020	2019
	€	€	€	€
Income tax expense:				
Tax at source	-	-	-	(673,077)
Current tax charge	(509,527)	(355,643)	-	-
Final withholding tax at 15%	(28,779)	(24,822)	-	-
Final withholding tax at 8%	(87,450)	(100,544)	-	-
Final withholding tax at 5%	(60,250)	(45,000)	-	-
Underprovision of tax in prior years	-	(4,003)	-	-
Total current tax expense	(686,006)	(530,012)	-	(673,077)
Deferred taxation (note 25):				
Charge for the year	(193,019)	(923,223)	(276,268)	(349,433)
Income tax expense for the year	(879,025)	(1,453,235)	(276,268)	(1,022,510)

Tax reconciliation

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Profit before tax	2,314,761	4,338,707	1,522,128	2,675,096
Taxation charge thereon	811,253	1,518,548	532,745	936,284
Tax effect of:				
- excess of carrying amount of property, plant and equipment over tax base	308,614	140,094	-	-
- expenses not allowed for tax purposes	1,628,348	1,362,203	668,764	759,803
- income not allowed for tax purposes	(161,542)	(626,614)	-	-
- income taxed at different rates	(800,336)	(789,801)	(633,341)	(634,252)
- unabsorbed capital allowances	-	131,547	-	-
- unabsorbed tax losses	(447,540)	(333,696)	(168,123)	(220,940)
- unabsorbed capital losses	92,754	-	-	
- change in the fair value of	(774,602)	(271,498)	(400,045)	(167,818)
- effect of adoption of IFRS 16	(54,192)	(30,985)	-	-
- deferred tax charge	276,268	349,433	276,268	349,433
- under provision of prior year tax charge	-	4,003	-	-
Income tax expense for the year	879,025	1,453,235	276,268	1,022,510

12. Income tax (*continued*)

Current taxation

Taxation due/recoverable is made up as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
As at 1 January	447,900	382,305	(241)	(241)
Underprovision of tax in prior years	7	4,003	-	-
Income tax expense	686,006	526,009	-	673,077
	1,133,913	912,317	(241)	672,836
Payments:				
Settlement tax	(8,958)	(290,131)	-	-
Final withholding tax	(176,479)	(170,366)	-	-
Tax at source	-	(3,920)	-	(673,077)
	(185,437)	(464,417)	-	(673,077)
As at 31 December	948,476	447,900	(241)	(241)

13. Property, plant and equipment

The Group

Fair value

Freehold land and buildings were last revalued on 31 October 2020. 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 34.

If these assets were included in the financial statements at cost, their carrying amounts would have been €4,936,727 (2019: €4,948,562).

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

Transfer of property, plant and equipment

In 2019, industrial buildings with carrying amount of €2,413,461 were reclassified as effect of adoption of IFRS 16.

13. Property, plant and equipment (*continued*)

	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 2019	23,303,092	5,235,146	236,600	588,221	220,964	30,149	4,686	415,110	729,174
Additions		196,559	-	26,480	6,960	5,208	-	298,860	39,950
As at 31 December 2019	23,303,092	5,431,705	236,600	614,701	227,924	35,357	4,686	713,970	769,124
Additions	-	144,741	-	10,609	31,011	3,208	-	15,445	588,690
Revaluation surplus (note 28)	798,155	-	-	-	-	-	-	-	-
As at 31 December 2020	24,101,247	5,576,446	236,600	625,310	258,935	38,565	4,686	729,415	1,357,814
Depreciation									
As at 1 January 2019	19,422	2,013,136	171,915	524,625	144,259	21,879	4,271	282,268	491,900
Charge for the year	-	325,241	2,208	18,199	19,571	2,614	-	49,698	48,776
As at 31 December 2019	19,422	2,338,377	174,123	542,824	163,830	24,493	4,271	331,966	540,676
Charge for the year	-	315,974	1,767	19,718	22,548	3,140	-	87,755	137,269
As at 31 December 2020	19,422	2,654,351	175,890	562,542	186,378	27,633	4,271	419,721	677,945
Net book amount									
As at 31 December 2019	23,283,670	3,093,328	62,477	71,877	64,094	10,864	415	382,004	228,448
As at 31 December 2020	24,081,825	2,922,095	60,710	62,768	72,557	10,932	415	309,694	679,869

Hal Mann Vella Group P.L.C.

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13. Property, plant and equipment (*continued*)

	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 2019	2,500,000	3,158,255	65,852	1,728,662	32,769	357,406	38,606,086
Transfers	(2,500,000)		-	-	-	-	(2,500,000)
Additions	-	642,184	52,431	47,558	-	-	1,316,190
As at 31 December 2019	-	3,800,439	118,283	1,776,220	32,769	357,406	37,422,276
Additions	-	1,724,597	7,063	-	-	-	2,525,364
Transfers	-	(11,889)	-	-	-	-	(11,889)
As at 31 December 2020	-	5,513,147	125,346	1,776,220	32,769	357,406	40,733,906
Depreciation							
As at 1 January 2019	86,539	680,080	53,475	395,768	32,769	296,258	5,218,564
Transfers	(86,539)	-	-	-	-	-	(86,539)
Charge for the year	-	200,877	17,893	128,706	-	-	813,783
As at 31 December 2019	-	880,957	71,368	524,474	32,769	296,258	5,945,808
Charge for the year	-	215,195	22,020	117,752	-	-	943,138
Transfers	-	-	-	-	-	-	-
As at 31 December 2020	-	1,096,152	93,388	642,226	32,769	296,258	6,888,946
Net book amount							
As at 31 December 2019	-	2,919,482	46,915	1,251,746	-	61,148	31,476,468
As at 31 December 2020	-	4,416,995	31,958	1,133,994	-	61,148	33,844,960

14. Investment in subsidiaries

The Company

	2020	2019
	€	€
Cost		
As at 1 January	8,255,143	8,055,141
Additions	1,200	200,002
As at 31 December	8,256,343	8,255,143

As at 31 December 2020, the Company held the following equity interests:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2020 (2019)
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 subsidiary was engaged in the operation of two hotels.

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 subsidiary 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 P.L.C..

Hal Mann International Limited Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	5,000,000 Ordinary shares of €1 each fully paid up	100%

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

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

The subsidiary is engaged in dealing in immovable property.

Halmann Solar Limited The Factory, Mosta Road, Lija LJA 9016	150,000 Ordinary shares of €1 each fully paid up	100%

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

14. Investment in subsidiaries (*continued*)

Hal Mann (Letting) Ltd Hal Mann, The Factory, Mosta Road, Lija, LJA 9016	300,000 Ordinary shares of €1 each fully paid up	100%

The subsidiary is engaged in letting of movable and immovable property. In 2019, the Company purchased additional shares from the subsidiary amounting to €200,002 in consideration for the 200,000 increase in the latter's issued capital. The purchase did not result to change in the Company's interest over the subsidiary.

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 subsidiary 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.

HMK Limited The Factory, Mosta Road, Lija, LJA 9016	1,200 Ordinary shares of €1 each, fully paid up	100%

On 13 May 2020, the subsidiary was incorporated and engaged in the importation, supply, selling and or assembly of prefabricated structures and material relating to prefabricated structures and raised flooring.

15. Investment in joint ventures

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Cost				
As at 1 January	1,876,499	1,732,996	165,720	165,720
Share in profit	40,576	1,391,457	-	-
Share in other comprehensive income/(loss)	149	2,046	-	-
Dividends received	-	(1,250,000)	-	-
As at 31 December	1,917,224	1,876,499	165,720	165,720

As at 31 December 2020, the Company held the following equity interests:

Undertaking / Registered Office	**Number, class and nominal value of shares held**	**Percentage of issued shares held 2020 (2019)**
Madliena Ridge Limited 36/38, Triq l-Ispiera, Swieqi	3,000 Ordinary shares of €50 each fully paid	50%

The joint venture is engaged in dealing with immovable properties. As at yearend, the joint venture is in the process of winding up its business.

15. Investment in joint ventures (*continued*)

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 joint venture 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 joint venture has been non-trading after the demerger of the Group.

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

The joint venture 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 joint venture also trades in building materials and acts as a turnkey contractor.

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

The joint venture 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.

Summarised financial information of the joint ventures, based on their latest IFRS audited financial statements, and reconciliation with the carrying amount of the investments in the consolidated financial statements are set out below. The amounts presented are extracted from the most updated and available financial statements of the joint ventures as at and for the year ended:

Undertaking	Accounting period
Madliena Ridge Limited	31 December 2016
Hal Mann Holdings Ltd	31 December 2016
HMK International Ltd	31 December 2020
Zokrija Limited	31 December 2020

Hal Mann Vella Group P.L.C.

Notes to the Financial Statements
for the year ended 31 December 2020

15. Investment in joint ventures (*continued*)

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

	Madliena Ridge Limited		Hal Mann Holdings Ltd		HMK International Ltd		Zokrija Limited		Total	
	2020	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**	**2020**	**2019**
Percentage owenrship interest	50%	50%	50%	50%	50%	50%	50.00%	50.00%		
Non-current assets	-	-	364,915	364,915	253,759	253,575	-	-	618,674	618,490
Current asset	1,107,216	1,107,216	2,255,538	2,255,538	1,006,560	1,387,897	201,978	203,799	4,571,292	4,954,450
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Current liabilities	(5,008)	(5,008)	(95,526)	(95,526)	(663,770)	(1,129,596)	(2,859)	(1,456)	(767,163)	(1,231,586)
Net Asset (100%)	1,102,208	1,102,208	2,524,927	2,524,927	596,549	511,876	199,119	202,343	4,422,803	4,341,354
Group's share on net asset	551,104	551,104	1,262,464	1,262,464	298,275	255,938	99,560	101,171	2,211,403	2,170,677
Adjustments	-	-	(296,573)	(296,573)	2,393	2,393	-	-	(294,180)	(294,180)
Group's carrying amount of the investment	551,104	551,104	965,891	965,891	300,668	258,331	99,560	101,171	1,917,223	1,876,497
Net assets include (100%):										
Cash and cash equivalent	157,485	157,485	131,760	131,760	3,823	562,458	200,549	203,799	493,617	1,055,502
Non-current financial assets	-	-	113,875	113,875	-	-	-	-	113,875	113,875
Dividend declaration	-	-	-	-	-	-	-	2,500,000	-	2,500,000
Dividend received by the Group	-	-	-	-	-	-	-	1,250,000	-	1,250,000
Revenue and other income	-	-	-	91,854	417,670	808,059	-	5,000,000	417,670	5,899,913
Cost of sale	-	-	-	-	(250,701)	(695,295)	-	(1,843,923)	(250,701)	(2,539,218)
Depreciation	-	-	-	-	(348)	(465)	-	-	(348)	(465)
Interest expense	-	-	-	-	(312)	(18)	-	-	(312)	(18)
Other expense	-	-	-	(1,980)	(38,779)	(83,514)	(3,224)	(1,488)	(42,003)	(86,982)
Profit before tax	-	-	-	89,874	127,530	28,767	(3,224)	3,154,589	124,306	3,273,230
Income tax expense	-	-	-	(32,149)	(43,155)	(8,173)	-	(450,000)	(43,155)	(490,322)
Other comprehensive income (OCI)	-	-	-	-	298	4,092	-	-	298	4,092
Total comprehensive income (100%)	-	-	-	57,725	84,673	24,686	(3,224)	2,704,589	81,449	2,787,000
Group’s share of profit for the year	-	-	-	28,864	42,188	10,297	(1,612)	1,352,296	40,576	1,391,457
Group’s share of OCI	-	-	-	-	149	2,046	-	-	149	2,046
Group’s share of profit for the year	-	-	-	28,864	42,337	12,343	(1,612)	1,352,296	40,725	1,393,503

16. Financial assets and financial liabilities

16.1 Financial assets

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Debt instruments at amortised cost:				
Bank term deposit	91,000	91,000	-	-
Trade receivables - net of ECL (note 21)	7,756,613	7,903,081	68,423	78,322
Amounts owed by subsidiary undertakings - net of ECL (note 21)	-	-	3,444,231	2,702,488
Amounts owed by joint ventures - net of ECL (note 21)	111,968	17,568	-	-
Amounts owed by other related undertakings - net of ECL (note 21)	270,494	323,800	187,943	187,943
Loans to subsidiary undertakings - net	-	-	16,406,484	19,034,025
Loans to joint ventures - net of ECL	249,787	249,787	249,787	249,787
Total debt instuments at amortised cost	8,479,862	8,585,236	20,356,868	22,252,565
Equity instruments designated at FVOCI				
Non-listed equity investments	588,070	583,449	588,070	583,449
Total equity instruments at FVOCI	588,070	583,449	588,070	583,449
Total financial assets	9,067,932	9,168,685	20,944,938	22,836,014
Total current	8,230,075	8,335,449	3,700,597	2,968,753
Total non-current	837,857	833,236	17,244,341	19,867,261

Current portion of debt instruments at amortised cost include bank term deposit, trade receivables and amounts owed by subsidiary undertakings, joint ventures and other related undertakings which are interest free, unsecured and payable on demand.

Loans to subsidiary undertakings classified as debt instruments at amortised cost bear interest of 5.3% per annum, unsecured and have no fixed repayment date.

Loans to joint ventures and other related undertakings classified as debt instruments at amortised cost are interest free, unsecured and have no fixed repayment date. Allowance for ECL on loans to joint ventures amounted to €677 (2019: €677).

In 2019, the Group incurred a loss on loan to joint venture of €77,195 being the residual amount determined not to be recoverable after final settlement. The loss was calculated from the excess of loan to joint venture amounting to €227,712 over the proceeds from joint venture amounting to €150,517.

Equity instruments designated at FVOCI consist of investments in shares of a listed and non-listed companies, the carrying amounts of which are assessed to be reasonable approximations of their fair values.

In 2019, the Group sold its equity interest in Medirect Bank (Malta) P.L.C. as this investment no longer coincides with the Group's investment strategy. The fair value on the date of sale is €328,575 and the accumulated gain recognised in OCI of €111,715 was transferred to retained earnings.

16. Financial assets and financial liabilities (*continued*)

16.2 Financial liabilities: Loans and borrowings

	Interest rate	Maturity	The Group 2020	The Group 2019	The Company 2020	The Company 2019
Current loans and borrowings			€	€	€	€
Bank overdrafts (note 34)	2.35%-8.25%	on demand	1,296,299	526,579	-	8,649
Bank loans	2.5%-5.5%	2020-2030	2,823,454	1,986,292	-	-
Amounts due to subsidiary undertakings	no interest	on demand	-	-	331,524	524,245
Amounts due to joint ventures	no interest	on demand	1,577,607	1,573,918	1,407,804	1,407,804
Amount due to other related undertakings	no interest	on demand	95,160	21,484	-	-
Shareholders' loans	no interest	on demand	1,673,295	1,673,295	864,614	864,614
Finance lease liability (note 24)	4.41%-4.89%	2080	52,064	360,264	39,500	29,869
			7,517,879	6,141,832	2,643,442	2,835,181
Non-current loans and borrowings						
300,000 (€100 face value) secured bonds 2014 – 2024	5.27%	2024	29,721,896	29,658,101	29,721,896	29,658,101
Bank loans	2.5%-5.5%	2020-2030	8,718,252	8,860,998	-	-
Shareholders' loan	5%	indefinite	2,117,816	2,117,816	2,117,816	2,117,816
Loans due to other parties	5%	indefinite	100,000	100,000	100,000	100,000
Finance lease liability (note 24)	4.89%	2080	7,762,145	8,167,507	797,446	796,386
			48,420,109	48,904,422	32,737,158	32,672,303
Other Financial Liabilities at amortised cost, other than loans and borrowings						
Trade and other payables (note 23)			13,600,755	12,941,391	1,347,113	1,430,195
Total current (note 23)			13,591,134	12,915,194	1,347,113	1,430,195
Total non-current (note 23)			9,621	26,197	-	-

16. Financial assets and financial liabilities (*continued*)

16.2 Financial liabilities: Loans and borrowings (continued)

The Company

The bank overdrafts bear interest rate of 2.35% (2019: 2.35%) per annum and is payable on demand.

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

The shareholders' loans amounting to €2,117,816 (2019: €2,117,816) and loans from other parties of €100,000 (2019: €100,000) bear interest at 5%, are unsecured and have no fixed repayment date. The rest of the shareholders' loans amounting to €864,614 (2019: €864,614) are unsecured, interest free and have no fixed repayment date.

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

	2020	**2019**
	€	**€**
Face value of the secured bonds	30,000,000	30,000,000
Unamortised bond issue cost	(278,104)	(341,899)
Amortised cost	29,721,896	29,658,101

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 13 and 17), pursuant to and subject to the terms and conditions in the prospectus.

The bond bear interest rate of 5.27% 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 2020 for the secured bonds was €105.50 (2019: €107.95), 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 Group

The bank overdraft and bank loans bear interest ranging between 2.35% to 8.25% per annum (2019: 2.35% to 9.25%). 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 34.

The amounts due to joint venture and other related undertakings are unsecured, interest-free and payable on demand.

16. Financial assets and financial liabilities (*continued*)

16.2 Financial liabilities: Loans and borrowings (continued)

Shareholders' loans of €2,117,816 (2019: €2,117,816) and loans due to other parties of €100,000 (2019: €100,000) bear interest at 5%, unsecured and have no fixed repayment date. The remaining portion of shareholders' loans of €1,673,295 (2019: €1,673,295) are interest free, unsecured and payable on demand.

The interest rate exposures of borrowings are as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Total borrowings:				
At fixed rates	40,907,474	40,930,267	32,776,658	32,710,821
Effective interest rates:				
300,000 (€100 face value) secured bonds 2014 – 2024	5.27%	5.27%	5.27%	5.27%
Other loan (subrogated) and shareholders' loans	5%	5%	5%	5%
Lease liability	4.41%-4.89%	4.41%-4.89%	4.89%	4.89%

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 34.

17. Investment property

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Valuation				
As at 1 January	45,004,343	46,689,617	29,937,712	29,334,211
Additions	2,780,734	1,340,246	1,280,769	124,021
Change in fair value	1,506,227	479,480	1,142,984	479,480
Reclassification as effect of adoption of IFRS 16	-	(2,200,000)	-	-
Disposals	-	(1,305,000)	-	-
As at 31 December	49,291,304	45,004,343	32,361,465	29,937,712
Rental income derived from investment properties	2,126,895	2,300,226	860,147	1,001,111

Disposal of investment properties

In 2020, the Group did not dispose of any property (2019: €1,305,000). The gains on disposals (net of direct selling costs) amounting to nil (2019: €82,200) were recognised as part of other operating income in the statement of profit or loss and other comprehensive income.

17. Investment property (*continued*)

Fair value

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

As at 31 December 2020, the fair value of the Group's investment property has been arrived at on the basis of a valuation carried out in 2020 by Messrs TBA periti, independent valuers not related to the Group. Messrs TBA periti have appropriate recognised professional qualifications and experience in the location and category of the property being valued. Next valuation is to take place in 2022 according to the Group policy. The fair value movement were credited to profit or loss and subsequently transferred to other reserves under equity. As at 31 December 2020, management also assessed whether there are any significant changes to the significant inputs of the valuation.

The investment properties have 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 34. 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 2019	1,632,131	5,224,999	26,802,487	6,230,000	6,800,000
Purchases	103,425	24,206	1,196,929	13,931	1,755
Disposals	-	-	-	(1,305,000)	-
Fair value change recognised in profit or loss			479,480		-
Reclassification	-	-	(2,200,000)		-
As at 31 December 2019	1,735,556	5,249,205	26,278,896	4,938,931	6,801,755
Purchases	-	75,794	2,161,005	143,935	400,000
Fair value change recognised in profit or loss	236,535	31,683	727,630	137,134	373,245
As at 31 December 2020	1,972,091	5,356,682	29,167,531	5,220,000	7,575,000

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.

<u>Comparison method:</u>

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

17. Investment property (*continued*)

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:

	Valuation technique	**Significant inputs**	**Range (weighted average)**	
			2020	**2019**
Commercial properties	DCF	Long-term pre-tax rate	4%	2%
		Inflation rate	2.09%	1.9%
		Risk premium	4.5%	4.5%
		DCF	8.5%	8.4%
		Gross profit rate	95%	97.5%
Office properties	DCF	Estimated rental value	6.5%-8.5%	6.5%-8.5%
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.

18. Goodwill

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January and 31 December	62,888	62,888	-	-

Goodwill arose from acquisition of Mavina Holiday Complex Ltd.

19. Inventories

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Raw materials	3,739,486	3,561,754	-	-
Finished good	44,455	529,693	-	-
Showroom items	1,804	1,804	-	-
	3,785,745	4,093,251	-	-

During 2020, €9,554,381 (2019: €9,444,566) was recognised as an expense during the year and included in cost of sales (note 7).

20. Property held-for-sale

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Cost				
As at 1 January	6,226,151	4,514,335	-	-
Additions	2,233,881	2,297,445	-	-
Disposals (note 7)	(2,068,097)	(585,629)	-	-
As at 31 December	6,391,935	6,226,151	-	-

In 2020, the Group sold properties for a total consideration of €3,138,500 (2019: €956,000) recognised as part of revenue from contracts with customers in the statement of profit or loss and other comprehensive income. Net profit amounted to €1,036,903 (2019: €71,905). The carrying amount of the disposed properties amounting to €2,068,097 (2019: €585,629) formed part of cost of sales and services in the statement of profit or loss and other comprehensive income.

21. Trade and other receivables

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Current				
Trade receivables	8,428,471	8,390,998	69,607	79,121
Lease receivables (note 24)	-	531,751	-	-
Amounts owed by subsidiary undertakings	-	-	3,503,813	2,749,239
Amounts owed by joint ventures	111,968	17,568	-	-
Amounts owed by related undertakings	276,224	329,963	191,194	191,194
Other receivables	700	703	-	-
Other advances	3,840,643	3,522,636	-	1,181
Accrued rental income	290,787	243,556	233,627	186,562
Indirect taxation	379,914	128,309	177,591	-
Prepayments	68,763	31,509	5,109	12,542
	13,397,470	13,196,993	4,180,941	3,219,839
Allowance for ECL on (note 34):				
Trade receivables	(671,858)	(487,917)	(1,184)	(799)
Accrued rental income	(3,973)	(1,866)	(3,973)	(1,866)
Lease receivables (note 24)	-	(8,786)	-	-
Amounts owed by subsidiary undertakings	-	-	(59,582)	(46,751)
Amounts owed by related undertakings	(5,730)	(6,163)	(3,251)	(3,251)
	(681,561)	(504,732)	(67,990)	(52,667)
Total current trade and other receivables	12,715,909	12,692,261	4,112,951	3,167,172
Non-current				
Lease receivables (note 24)	-	3,754,304	-	-
Total trade and other receivables	12,715,909	16,446,565	4,112,951	3,167,172

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

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.

Other advances include cumulative costs incurred to date airising from construction contracts.

21. Trade and other receivables (*continued*)

Set out below is the movement in the allowance for ECL on trade and other receivables:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	504,732	476,718	52,667	22,755
Prior year adjustment	-	22,758	-	-
Provision for ECL (note 7)	176,829	5,256	15,323	29,912
As at 31 December	681,561	504,732	67,990	52,667

22. Contract assets

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	2,886,456	2,241,170	-	-
Movement during the year	(1,384,541)	707,617	-	-
Allowance for ECL	(28,461)	(62,331)	-	-
As at 31 December	1,473,454	2,886,456	-	-

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.

Contract assets arise from construction and finishing works.

Set out below is the movement in the allowance for ECL on contract assets:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	62,331	17,874	-	-
Provision (reversal) of ECL (note 7)	(33,870)	44,457	-	-
As at 31 December	28,461	62,331	-	-

23. Trade and other payables

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Current				
Amount received in advance	477,174	965,439	14,464	15,918
Trade payables	5,625,130	4,766,965	209,099	204,157
Amounts due to subsidiary undertakings	-	-	-	68,400
Amounts due to joint ventures	225,375	225,375	225,375	225,375
Other payables	9,006	159,057	-	-
Indirect taxes and Social Security Contributions	3,539,476	2,699,423	241	13,810
Contract liabilities (note 6)	-	95,000	-	-
Accruals	3,683,370	3,912,664	897,934	902,535
Deferred rental income	15,027	74,695	-	-
Deferred income from government grants	16,576	16,576	-	-
	13,591,134	12,915,194	1,347,113	1,430,195
Non-current				
Deferred income from government grants	9,621	26,197	-	-
Total trade and other payables	13,600,755	12,941,391	1,347,113	1,430,195

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 subsidiary undertakings are unsecured, interest-fee and repayable on demand.

Amount due to joint ventures 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 34.

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 2020, the amount of €26,197 will be fully amortised within two years.

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.

24. Leases

24.1 The Group as a lessee

The Group has lease contracts for industrial buildings, plant, machinery, offices, showroom exhibits, stores and boutique hotel used in its operations. Leases of plant and machinery generally have lease terms between 3 and 15 years. The industrial buildings used in operations have a lease term of 15 and 65 years. The boutique hotel generally has lease terms of 24 years. The Group's obligations under its leases are secured by the lessor's title to the leased assets. Generally, the Group is restricted from assigning and subleasing the leased assets and some contracts require the Group to maintain certain financial ratios. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The Group also had certain leases of machinery with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'lease of low-value assets' recognition exemptions for these leases.

In 2020, the Group had a lease for a boutique hotel which was subleased to a third party. The sublease agreement was preterminated in August 2020. The right-of-use asset recognised upon termination of sublease amounted to €2,970,708.

The Company also leased shops in prior years (headlease) which were subleased to third parties. As at end of September 2020, the headlease related sublease of its Bisazza property was terminated. The lease liability derecognised upon termination amounted to €512,720.

Set out below are the carrying amounts of the Group's right-of-use assets recognised and the movements during the period:

	Hotel	Industrial buildings	Offices	Total
	€	€	€	€
As at 1 January 2019	-	2,800,828	-	2,800,828
Additions	2,194,870	-	36,990	2,231,860
Adjustment to beginning retained earnings	-	(147,223)	-	(147,223)
Depreciation expense (note 7)	(61,654)	(43,094)	(3,085)	(107,833)
As at 31 December 2019	2,133,216	2,610,511	33,905	4,777,632
Additions	2,970,708	-	-	2,970,708
Depreciation expense (note 7)	(203,186)	(43,094)	(12,336)	(258,616)
As at 31 December 2020	4,900,738	2,567,417	21,569	7,489,724

24. Leases (*continued*)

24.1 The Group as a lessee (*continued*)

Set out below are the carrying amounts of lease liabilities included under interest-bearing loans and borrowings (note 16) and the movements during the period:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	8,527,771	2,375,000	826,255	-
Prior year adjustment	-	4,198,116	-	816,184
Additions	-	2,123,112	-	-
Accretion of interest (note 10)	367,324	326,800	40,560	39,940
Payments	(362,863)	(495,257)	(29,869)	(29,869)
Negative lease payments	(205,303)	-	-	-
Termination of lease	(512,720)	-	-	-
As at 31 December	7,814,209	8,527,771	836,946	826,255
Current	52,064	360,264	39,500	29,869
Non-current	7,762,145	8,167,507	797,446	796,386

The maturity analysis of lease liabilities are disclosed in note 34.
The following are the amounts reconised in profit or loss:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Depreciation expense of right-of-use assets	258,616	107,833	-	-
Interest expense on lease liabilities	367,324	326,800	40,560	39,940
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and administrative expenses) (note 7)	67,187	24,091	57,403	4,377
	693,127	458,724	97,963	44,317

The Group had total cash outflows for leases of €362,863 in 2020 (2019: €495,257). The Group also had non-cash additions to right-of-use assets of €2,970,708 (2019:€2,231,860) and non-cash disposal of lease liabilities amounting to €512,720 (2019: non-cash additions of €2,123,112).

24.2 The Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain office and industrial buildings (see note 17). These leases have terms of between five and 20 years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions. The lessee is also required to provide a residual value guarantee on the properties. Rental income recognised by the Group during the year is €2,126,895 (2019: €2,300,226).

During the year, two sublease agreements were preterminated. The carrying amount of lease receivable terminated was €4,212,479. Loss on termination recognised under profir or loss amounted to €729,051.

24. Leases (*continued*)

24.2 The Group as a lessor (*continued*)

Future minimum rentals receivable under non-cancellable operating leases as at 31 December are as follows:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Within one year	2,086,653	1,181,232	869,253	821,432
After one year but not more than five years	10,397,170	5,072,829	4,134,311	3,415,191
More than five years	843,007	4,697,048	5,427,675	7,619,093
	13,326,830	10,951,109	10,431,239	11,855,716

Set out below are the carrying amounts of finance lease receivables (included under trade and other receivables) and the movements during the period:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	4,286,055	-	-	-
Prior year adjustment	-	4,426,354	-	-
Termination	(4,212,479)	-	-	-
Accretion of interest (note 9)	193,955	332,839	-	-
Payments of principal	(267,531)	(473,138)	-	-
	-	4,286,055	-	-
Allowance for ECL (note 21)	-	(8,786)	-	-
As at 31 December	-	4,277,269	-	-
Current (note 21)	-	522,965	-	-
Non-current (note 21)	-	3,754,304	-	-

Set out below is the movement in the allowance for ECL on lease receivables:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
As at 1 January	8,786	-	-	-
Provision for ECL (note 7)	(8,786)	8,786	-	-
As at 31 December	-	8,786	-	-

25. Deferred taxation

Deferred tax liability

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
As at 1 January	(4,043,910)	(5,796,315)	(2,477,394)	(2,403,353)
Charge in profit or loss (note 12)	(480,327)	(406,461)	(94,695)	(100,517)
Charge in other comprehensive income	(63,851)	-	-	-
Tax effect on change in fair value of equity instrument at FVOCI	(1,617)	26,476	(1,617)	26,476
Reclassification	-	2,158,014	-	-
Effect of adoption of IFRS 16	-	(25,624)	-	-
As at 31 December	(4,589,705)	(4,043,910)	(2,573,706)	(2,477,394)

The balance represents:

	The Group		The Company	
	2020	**2019**	**2019**	**2019**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(13,280)	(15,143)	-	-
Provision for ECL	(89)	299	-	-
Asset revaluations	(4,047,464)	(3,881,050)	(2,476,534)	(2,395,017)
Leases	(497,114)	(117,876)	(65,414)	(52,237)
Change in fair value of equity instruments at FVOCI	(31,758)	(30,140)	(31,758)	(30,140)
	(4,589,705)	(4,043,910)	(2,573,706)	(2,477,394)

Deferred tax asset

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
As at 1 January	1,321,733	3,645,397	1,024,661	987,913
Charge in profit or loss (note 12)	287,308	(516,762)	(181,573)	(248,916)
Reclassification	-	(2,158,014)	-	-
Effect of adoption of IFRS 16	-	351,112	-	285,664
As at 31 December	1,609,041	1,321,733	843,088	1,024,661

25. Deferred taxation (*continued*)

Deferred tax asset (*continued*)

The balance represents:

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(482,983)	(471,865)	-	-
Unabsorbed capital allowances	746,776	467,359	-	-
Unabsorbed capital lossses	378,956	378,956	378,956	378,956
Unrelieved tax losses	929,398	848,439	171,201	356,516
Leases	511,790	(1,818,618)	292,931	289,189
Fixed asset revaluation	(2,168,507)	223,851	-	-
Investment tax credit	1,693,611	1,693,611	-	-
	1,609,041	1,321,733	843,088	1,024,661

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% (2019: 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% (2019: 5% and 8%) of the transfer value.

26. Share capital

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
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	
	2020	2019	2020	2019
	€	€	€	€
Profit for the year attributable to shareholders:				
- Basic profit for year attributable to ordinary equity holders of the parent	1,435,736	2,885,472	1,245,860	1,652,586
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	0.29	0.58	0.25	0.33

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	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	24,043,828	24,043,828	-	-
Revaluation surplus (note 13)	734,303	-	-	-
As at 31 December	24,778,131	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	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	56,760	110,456	55,973	111,715
Change in fair value	3,004	55,973	3,004	55,973
Recycled to retained earnings (note 16)	-	(111,715)	-	(111,715)
Share in OCI of joint ventures (note 15)	149	2,046	-	-
As at 31 December	59,913	56,760	58,977	55,973

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

30. Revaluation reserve on investment property

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	4,912,271	4,751,591	15,960,338	15,529,138
Transfer from retained earnings	1,337,103	160,680	1,051,545	431,200
As at 31 December	6,249,374	4,912,271	17,011,883	15,960,338

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.

31. Capital redemption reserve

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January and 31 December	47,852	47,852	-	-

This reserve represents tax benefits related to industrial activities.

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32. Incentives and benefits reserves

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
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.

33. Cash and cash equivalents

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

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
Cash at banks and in hand	2,885,196	2,529,125	1,649,573	1,080,373
Allowance for ECL	(528)	(299)	(528)	(299)
Bank overdrafts (note 16)	(1,296,299)	(526,579)	-	(8,649)
As at 31 December	1,588,369	2,002,247	1,649,045	1,071,425

Set out below is the movement in the allowance for ECL on cash in banks:

	The Group		The Company	
	2020	2019	2020	2019
	€	€	€	€
As at 1 January	299	-	299	-
Provision for ECL (note 7)	229	299	229	299
As at 31 December	528	299	528	299

34. 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 instruments at FVOCI. 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 and 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 16, 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 bank loans amounting to €443,370 (2019: €496,587) that is subject to interest at floating rates linked to Euribor.

b. Other market price risk - Equity price risk

The Group is exposed to equity price risk, which arises from equity securities measured at FVOCI 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.

At the reporting date, the exposure to unlisted equity investments at fair value was €586,453 (2019: €583,449). The Group disposed all its listed equity investments in 2019 (note 16).

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 related undertakings.

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.

34. Financial risk management objectives and policies (*continued*)

Set out below is the information about the credit risk exposure on the Group and Company's financial assets and contract assets subject to ECL under IFRS 9.

31 December 2020

	The Group								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 16 and 21)**	**Accrued rental income (note 21)**	**Contract assets (note 22)**	**Amounts owed by related undertakings (notes 16 and 21)**	**Loans to joint ventures (note 16)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*Simplified*	*Simplified*	*General*	*General*	*General*	*General*	*General*	
Probability of default	0.36% - 2.30%	2.49% - 40%	0.50%	2.27%	0.36% - 2.49%	0.36% - 2.67%	0.36% - 2.67%	0.10%	
Loss given default	0.75	N/A	N/A	0.75	0.75	0.75	0.75	0.45	
Estimated gross carrying amount at default	1,326,011	7,102,460	1,134,233	290,787	1,501,915	847,422	250,464	1,649,573	
Allowance for ECL	269,958	401,900	-	3,973	28,461	5,730	677	528	711,227
Increase / (decrease) in provision for ECL (note 7)	243,550	(59,609)	(8,786)	2,107	(33,870)	(433)	-	229	143,188

31 December 2019

	The Group								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 16 and 21)**	**Accrued rental income (note 21)**	**Contract assets (note 22)**	**Amounts owed by related undertakings (notes 16 and 21)**	**Loans to joint ventures (note 16)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*Simplified*	*Simplified*	*Simplified*	*Simplified*	*General*	*General*	*General*	
Probability of default	0.36% - 2.30%	2.49% - 40%	0.50%	0.77% - 1%	0.36% - 2.49%	0.36% - 2.67%	0.36% - 2.67%	79,121	
Loss given default	0.75	N/A	N/A	N/A	0.75	0.75	0.75	0.45	
Estimated gross carrying amount at default	990,961	7,400,037	1,757,148	243,556	2,941,451	917,914	250,464	1,080,373	
Allowance for ECL	26,408	461,509	8,786	1,866	62,331	6,163	677	299	568,039
Increase / (decrease) in provision for ECL (note 7)	3,650	8,074	8,786	(1,916)	44,457	(13,162)	(6,868)	299	43,320

34. Financial risk management objectives and policies (*continued*)

31 December 2020	**The Company**							
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 16 and 21)**	**Accrued rental income (note 21)**	**Amounts owed by subsidiary and related undertakings (notes 16 and 21)**	**Loans to joint ventures (note 16)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*Simplified*	*Simplified*	*General*	*General*	*General*	*General*	
Probability of default	2.27%	-	-	2.27%	0.36% - 2.27%	0.36% - 2.27%	0.067%-0.10%	
Loss given default	0.75	-	-	0.75	0.75	0.75	0.45	
Estimated gross carrying amount at default	69,607	-	-	233,627	20,353,350	250,464	1,610,855	22,517,903
Allowance for ECL	1,184	-	-	3,973	314,692	677	528	321,054
Increase / (decrease) in provision for ECL (note 7)	385	-	-	2,107	(48,589)	-	229	(45,868)

31 December 2019	**The Company**							
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 16 and 21)**	**Accrued rental income (note 21)**	**Amounts owed by subsidiary and related undertakings (notes 16 and 21)**	**Loans to joint ventures (note 16)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*Simplified*	*Simplified*	*Simplified*	*General*	*General*	*General*	
Probability of default	0.36% - 2.27%	-	-	1%	0.36% - 2.27%	0.36% - 2.27%	79,121	
Loss given default	0.75	-	-	N/A	0.75	0.75	0.45	
Estimated gross carrying amount at default	56,154	-	-	186,562	22,491,632	250,464	988,820	23,973,632
Allowance for ECL	799	-	-	1,866	363,281	677	299	366,922
Increase / (decrease) in provision for ECL (note 7)	799	(368)	-	(1,916)	116,667	(6,692)	299	108,789

34. Financial risk management objectives and policies (*continued*)

Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities. Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations.

The table below summarises the maturity profile of the Group's financial liabilities based on contractual undiscounted payments.

Year ended 31 December 2020

	The Group			
	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Bank overdrafts and loans	4,119,753	6,794,992	1,923,260	12,838,005
Finance lease liabilities	399,038	1,579,979	5,594,552	7,573,569
5% secured bonds and interest	1,500,000	34,500,000	-	36,000,000
Trade and other payables	13,591,134	9,621	-	13,600,755
Shareholders' loans	1,673,295	-	2,117,816	3,791,111
Other financial liabilities	1,672,767	-	7,862,145	9,534,912
	22,955,987	42,884,592	17,497,773	83,338,352

Year ended 31 December 2019

	The Group			
	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Bank overdrafts and loans	2,512,871	6,115,895	2,745,103	11,373,869
Finance lease liabilities	374,118	1,567,963	6,101,168	8,043,249
5% secured bonds and interest	1,500,000	34,250,000	1,500,000	37,250,000
Trade and other payables	12,915,194	26,197	-	12,941,391
Shareholders' loans	1,673,295	-	2,117,816	3,791,111
Other financial liabilities	1,595,402	-	3,588,652	5,184,054
	20,570,880	41,960,055	16,052,739	78,583,674

Year ended 31 December 2020

	The Company			
	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Finance lease liabilities	39,500	158,000	1,749,089	1,946,589
5% secured bonds and interest	1,500,000	34,500,000	-	36,000,000
Trade and other payables	1,346,872	-	-	1,346,872
Shareholders' loans	864,614	-	2,117,816	2,982,430
Other financial liabilities	-	100,000	1,739,328	1,839,328
	3,750,986	34,758,000	5,606,233	44,115,219

34. Financial risk management objectives and policies (*continued*)

Liquidity risk (continued)

Year ended 31 December 2019

	The Company			
	Less than 1 year	1 to 5 years	> 5 years	Total
	€	€	€	€
Finance lease liabilities	29,869	158,000	1,788,589	1,976,458
5% secured bonds and interest	1,500,000	34,250,000	1,500,000	37,250,000
Trade and other payables	1,416,385	-	-	1,416,385
Shareholders' loans	864,614	-	2,117,816	2,982,430
Other financial liabilities	-	100,000	1,932,049	2,032,049
	3,810,868	34,508,000	7,338,454	45,657,322

Fair value risk

As at 31 December 2020 and 2019, 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:

	The Group			
	Level 1	Level 2	Level 3	Total
	€	€	€	€
As at 31 December 2020				
Investment property	-	13,901,749	35,389,555	49,291,304
Property, plant and equipment	-	23,186,561	-	23,186,561
Equity instrument at FVOCI	-	-	588,070	588,070
	-	37,088,310	35,977,625	73,065,935
As at 31 December 2019				
Investment property	-	10,342,990	34,661,353	45,004,343
Property, plant and equipment	-	23,186,561	-	23,186,561
Equity instrument at FVPL	-	-	583,449	583,449
	-	33,529,551	35,244,802	68,774,353

34. Financial risk management objectives and policies (*continued*)

Fair value risk (continued)

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	€	€	€
As at 31 December 2020				
Investment property	-	32,361,465	-	32,361,465
Equity instrument at FVOCI	-	-	588,070	588,070
	-	32,361,465	588,070	32,949,535
As at 31 December 2019				
Investment property	-	29,937,712	-	29,937,712
Equity instrument at FVOCI	-	-	583,449	583,449
	-	29,937,712	583,449	30,521,161

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 2020 and 2019.

	The Group		The Company	
	2020	**2019**	**2020**	**2019**
	€	**€**	**€**	**€**
Interest-bearing loans and other borrowings	48,123,779	46,518,483	31,939,712	31,884,566
Trade and other payables (note 23)	13,600,755	12,941,391	1,347,113	1,430,195
Finance lease liability (note 24)	7,814,209	8,527,771	836,946	826,255
Less: cash and cash equivalents	(2,884,668)	(2,528,826)	(1,649,045)	(1,080,074)
Net debt	66,654,075	65,458,819	32,474,726	33,060,942
Equity	47,318,785	45,145,593	25,331,775	24,082,911
Net debt to equity ratio	1.4:1	1.5:1	1.3:1	1.4:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2020 and 2019.

35. Events after the reporting date

All events occuring after the balance sheet date until the date of authorisation for issue of these financial statements and that are relevant for valuation and measurement as at 31 December 2020 for the Group and the Company are included in these consolidated financial statements.

The effects of COVID-19 on the Company and the Group are higlighted in Note 2.1. The rapid development and the constant changes surrounding this pandemic make it difficult to predict its ultimate impact. The extent of the success resulting from the roll out of the vaccines in Malta and across the world amid the spread of new variants is still being observed.

Developments are being monitored closely, on a continuous basis, by the Management.

36. Supplemental cash flow information

Changes in liabilities arising from financing activities

The Group

	1 January 2020	Cash flows	Non-cash changes	31 December 2020
	€	€	€	€
Bank overdrafts (note 34)	526,579	769,720	-	1,296,299
Bank loans	10,847,290	694,416	-	11,541,706
5% secured bonds	29,658,101	-	63,795	29,721,896
Amount due to joint ventures	1,573,918	3,689	-	1,577,607
Shareholders' loans	3,791,111	-	-	3,791,111
Amount due to related undetakings	21,484	73,676	-	95,160
Other loan	100,000	-	-	100,000
Finance lease liability (note 24)	8,527,771	(362,863)	(350,699)	7,814,209
Total liabilities from financing activities	55,046,254	1,178,638	(286,904)	55,937,988

36. Supplemental cash flow information (*continued*)

Changes in liabilities arising from financing activities (*continued*)
The Group (*continued*)

	1 January 2019	Cash flows	Non-cash changes	31 December 2019
	€	€	€	€
Bank overdrafts (note 34)	762,071	(235,492)	-	526,579
Bank loans	10,333,600	513,690	-	10,847,290
5% secured bonds	29,597,573	-	60,528	29,658,101
Amount due to joint ventures	1,367,370	206,548	-	1,573,918
Shareholders' loans	3,791,111	-	-	3,791,111
Amount due to related companies	24,485	(3,001)	-	21,484
Finance lease liability (note 24)	2,375,000	(495,257)	6,648,028	8,527,771
Other loan	100,000	-	-	100,000
Total liabilities from financing activities	48,351,210	(13,512)	6,708,556	55,046,254

Non-cash changes refer to accumulated amortization of bond issue cost and adjustment made for the termination of leases, rent concessions and accretion of interest (see note 24).

The Company

	1 January 2020	Cash flows	Non-cash changes	31 December 2020
	€	€	€	€
Bank overdraft	8,649	(8,649)	-	-
5% secured bonds	29,658,101	-	63,795	29,721,896
Loans from related party	100,000	-	-	100,000
Loans from subsidiaries	524,245	(192,721)	-	331,524
Loans from joint ventures	1,407,804	-	-	1,407,804
Shareholders' loans	2,982,430	-	-	2,982,430
Lease liability (as restated through through opening retained earnings	826,255	10,691	-	836,946
Total liabilities from financing activities	35,507,484	(190,679)	63,795	35,380,600

	1 January 2019	Cash flows	Non-cash changes	31 December 2019
	€	€	€	€
Bank overdraft	134,411	(125,762)	-	8,649
5% secured bonds	29,597,573	-	60,528	29,658,101
Loans from related party	100,000	-	-	100,000
Loans from subsidiaries	460,752	63,493	-	524,245
Loans from joint ventures	1,282,923	124,881	-	1,407,804
Shareholders' loans	2,982,430	-	-	2,982,430
Lease liability (as restated through through opening retained earnings	816,184	(29,869)	39,940	826,255
Total liabilities from financing activities	35,374,273	32,743	100,468	35,507,484

37. Related party transactions

The Company

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

		Rental income	Interest income	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Subsidiaries of the the Company:					
Mavina Holiday Complex Ltd	Current	-	-	101,004	-
	2019	-	-	-	243,996
Sudvel Limited	Current	-	226,409	5,542,680	-
	2019	-	230,575	3,484,332	-
Hal Mann International Limited	Current	198,000	619,774	5,543,090	-
	2019	198,000	775,892	11,729,945	-
Hal Mann Properties Ltd	Current	3,000	186,880	4,123,619	-
	2019	-	161,133	3,158,879	-
Halmann Solar Limited	Current	-	-	-	331,524
	2019	-	-	-	280,249
Hal Mann (Letting) Ltd	Current	-	94,512	2,095,377	-
	2019	-	70,203	1,114,499	-
Hal Mann Vella Limited	Current	438,980	323,042	2,756,086	-
	2019	436,414	174,463	2,608,888	68,400
HMK Limited	Current	-	-	300	-
	2019	-	-	-	-

		Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Joint venture in which the Company is a venturer:					
Madliena Ridge Limited	Current	-	-	-	591,174
	2019	-	-	-	591,174
Hal Mann Holdings Ltd	Current	-	-	-	816,630
	2019	-	-	-	816,630

37. Related party transactions (*continued*)

		Sales to related parties	Purchases from related parties	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Joint venture in which the Company is a venturer:					
HMK International Ltd	Current	7,733	4,607	250,464	-
	2019	55,514	1,087	250,464	-
Other related undertakings					
Q Stone Limited	Current	-	64,973	21,930	-
	2019	-	105,034	75,669	-
Klikk Finance p.l.c.	Current	-	-	63,100	-
	2019	-	-	63,100	-
Klikk Limited	Current	-	-	191,194	-
	2019	-	-	191,194	-

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 2020, the Group recorded impairment of receivables relating to amounts owed by related parties disclosed in notes 21 and 34, in compliance with IFRS 9. 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.

38. Ultimate controlling parties

Hal Mann Vella Group P.L.C., the parent Company, is a public limited company 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.

39. Comparative information

Certain amounts from previously reported financial statements have been reclassified to bring them in line with the current year's presentation. 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 and financial position.

Below is a description of the nature of such reclassification and effect:

Current to noncurrent classification

A reclassification was made from current to noncurrent classification of the finance lease liability. Such reclassification do not impact the overall liabilities as at 31 December 2019.

	December 31, 2019 (As previously reported)	Effects of reclassification	December 31, 2019 (As Restated)
Statement of Financial Position			
Total current liabilities	24,183,781	(4,678,855)	19,504,926
Total non-current liabilities	48,295,674	4,678,855	52,974,529