Company Registration No.: C 5067

Hal Mann Vella Group p.l.c.

Annual Report and Consolidated Financial Statements
for the year ended
31 December 2021

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Chairman's Statement
for the year ended 31 December 2021

The Coronavirus pandemic carried on longer than we imagined and continued to dominate the year 2021. Economic events were largely influenced in some way by the pandemic. Other than waves of Covid-19, businesses had to deal with disruptions to supply chains, skills shortages and inflationary pressures. With the arrival of Covid-19 vaccines, and Malta's ability to vaccinate almost the entire population in a short period of time, enabled the country to start returning to close to normal. I would like to reiterate my appreciation and thanks to all our employees who have responded with great dedication that enabled Halmann Vella to retain business continuity in a safe environment for themselves, their colleagues and our customers.

Our performance

Despite the challenges, the business has shown resilience and agility delivering a good financial performance in 2021. We have strengthened our relationship with customers and consolidated the business for our shareholders. The business pillars of the Group, manufacturing, property development and property letting, have all recorded an improved performance year-on-year, Our diversified and balanced business model is a key strength.

Once again, Halmann Vella worked a number of major projects during the year, notably of which Trident Park and Project House. Even though there remains a degree of uncertainty within the economy we maintain a stable pipeline of work.

Our property development projects progressed well during the years with projected sales reached and contracts signed. We have meanwhile commenced a number of new projects. The property letting business has continued to be 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 and have plans for further investment. A new warehouse was completed in 2021 and now fully operational and we will shortly commence expanding our manufacturing facilities.

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.

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.

Hal Mann Vella Group p.l.c.

Chairman's Statement
for the year ended 31 December 2021

Looking Forward

Some uncertainty remains and a lag impact of the pandemic on the economy cannot be excluded. The effects of the coronavirus pandemic will continue to be felt for some time to come. In the coming months it is crucial that economic activity transits from fire-fighting to more sustainable long term planning. The uncertain job market is a key risk to the economy.

We remain vigilant but optimistic that Halmann Vella is well positioned to deliver on its goals. The Group has significant opportunities ahead of it and I look forward to the future with confidence.

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 2021

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 2021.

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 €25,259,819 (2020: €23,462,069) and an operating profit of €4,795,577 (2020: €3,707,100).

The Group registered a consolidated profit before tax of €2,012,815 during the year ended 31 December 2021 (2020: €2,314,761).

The Company registered a profit before tax of €587,522 during the year ended 31 December 2021 (2020: €1,522,128).

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 Group continued to achieve satisfactory results showing resilience and agility. Group sales have increased by 7.12%, improving both gross profit margins and operating profits. All segments reported a year-on-year improved operational performance closing the year in line with our projections. Contracting business drove higher turnover in the manufacturing segment with improved operational efficiencies driving an improved financial performance.

The higher turnover was contracting business benefitted from large scale projects as manufacturing efficiencies improved. Revenue generated from property development increased from €3,138,500 in 2020 to €3,750,500 during the year under review.

An additional property has been added to the property letting portfolio which has contributed to balancing the impact of lower revenue from a selective number of tenants which have experienced difficulties to meet their commitments due to Covid-19 disruption to their respective business activity.

The Group EBITDA margin decreased to 22.49% (2020: 25.24%).

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.

The key risks faced by the Group include credit risk, strategic risk, operational risk, liquidity risk, and reputational risk. 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.

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.

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 two years, 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 2021 for the Group and the Company are included in these consolidated financial statements.

The effects of Russia's invasion of Ukraine on 24 February 2022 are higlighted in Note 37. The Directors are closely monitoring the possible impact on its operations and financial performance and is committed to take all necessary steps to mitigate the impact. Management has assessed that there is no impact on the Group and Company's financial statements as at date of approval.

Future Developments
Political, economic and public health developments worldwide remain difficult to predict in 2022. The outcome of the tragic Russia/Ukraine conflict and its ramifications are highly uncertain. The expectations of a strong economic recovery are clouded by various downside risks, not least with the disruption of an election in Q1, supply chain bottlenecks and risking logistics and commodity costs.

Despite these headwinds, the Group has entered 2022 with a good momentum where our customers continue to place their trust in us and entrust us with their projects. The Board retains a cautiously optimistic outlook for the Group for 2022 in view of the stable order book and the balanced and diversification of the business.

Directors' Report
for the year ended 31 December 2021

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 €11,770,328 (2020: €10,579,635) for the Group and €3,486,812 (2020: €3,261,095) for the Company.

Directors

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

Mr. Martin Vella - Chairman
Mr. Mark Vella - Director
Mr. Joseph Vella - Director
Dr. Arthur Galea Salomone - Non-Executive Director
Ms. Miriam Schembri - Non-Executive Director
Mr. Mario Galea - Non-Executive Director (appointed on 27 April 2021)
Mr. William Van Buren - Non-Executive Director (resigned on 27 April 2021)

Company Secretary

Dr. Louis de Gabriele

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.

Directors' Report
for the year ended 31 December 2021

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 and 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 2021 are included in the Annual Report 2021, 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.

Statement of responsibility pursuant to the Capital Markets Rules of the Malta Financial Services 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 2021, 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 Capital Markets 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

The Directors, as required by the Capital Markets 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. For this reason, in preparing the financial statements, they continue to adopt the going concern basis in preparing the financial statements.

Hal Mann Vella Group p.l.c.

Directors' Report
for the year ended 31 December 2021

Shareholder register information pursuant with Capital Markets Rule 5.64

- **Structure of Capital**

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

- **Appointment and removal of Directors**

Article 55.1 of the Company's Memorandum and Articles of Association states that the Directors of the Company shall be appointed by the Members in the annual general meeting (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.

- **Auditors**

Pursuant to the Company's statutory obligations in terms of Companies Act and Capital Markets 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.

Hal Mann Vella Group p.l.c.

Directors' Report
for the year ended 31 December 2021

These financial statements were approved for issue by the Board and signed on its behalf on 26 April 2022 by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director

Registered Office
The Factory,
Mosta Road,
Lija
Malta

Corporate Governance Statement
for the year ended 31 December 2021

Introduction

Pursuant to the Capital Markets Rules issued by the Malta Financial Services Authority (the "Rules"), Hal Mann Vella Group p.l.c. ("the Company") should endeavour to adopt the Code of Principles of Good Corporate Governance contained in Appendix 5.1 to Chapter 5 of the Rules ("the Principles") and accordingly, in terms of Rule 5.94, the Company is hereby reporting on the extent of its adoption of the Code, with respect to the financial year under review.

The Company became subject to the Rules when its bonds were admitted to listing and subsequent trading on the Malta Stock Exchange.

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, bondholders and other stakeholders, and that compliance with the Code, is not only expected by investors but also evidences the directors' and the Company's commitment to maintaining a high standard of good governance.

The Company has only issued debt securities which have been admitted to trading on the Malta Stock Exchange, and accordingly, in terms of Rule 5.101, is exempt from reporting on the matters prescribed in 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 by virtue of Rule 5.101, that the directors of the Company 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 set out in the Code 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 Principles 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.

Hal Mann Vella Group p.l.c.

Corporate Governance Statement
for the year ended 31 December 2021

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 the following 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 of the Company 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 has adopted prudent and effective systems which ensure an open dialogue between the Board and Senior Management. The Board is composed of fit and proper 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 a structure that ensures a mix of Executive and Non-Executive Directors and that enables the Board to have direct information about the Company's performance and business activities.

Principle Two - Chairman and Chief Executive Officer (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 Company'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 Board believes that these functions have been conducted in compliance with the dictates of Code provision 2.2. 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, in line with the requirements of Code provision 3, of a mix of executive and non-executive directors, including independent non-executives. During 2021, the Board was composed of 6 members, with 3 executive and 3 non-executive directors, 2 of whom are independent from the Company. It is responsible for the overall long-term strategy and general policies of the Company, of monitoring the Company's systems of internal control, managing the Company's exposure to financial risk, financial reporting, and ensuring effective communication 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.

Principle Three - Composition of the Board (continued)

The Board of Directors consists of the following:

Mr. Martin Vella - Director and Chairman
Mr. Mark Vella - Executive Director
Mr. Joseph Vella - Executive Director
Dr. Arthur Galea Salomone - Non-Executive Director
Ms. Miriam Schembri - Non-Executive Director
Mr. Mario Galea - Non-Executive Director (appointed on 27 April 2021)
Mr. William Van Buren - Non-Executive Director (resigned on 27 April 2021)

In accordance with the provisions of the Company's Articles of Association, the appointment of directors to the Board is exclusively reserved to the Company's shareholders, except in so far as appointment is made by the Board to fill a casual vacancy, which appointment would be valid until the conclusion of the next annual general meeting ("AGM") of the Company, following such an appointment. In terms of the Company's 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. Mario Galea are considered by the Board to be independent non-executive members of the Board. Ms. Miriam Schembri on the other hand, is also a non-executive member of the Board, however, is not independent.

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.

In terms of Code provision 3.4, each non-executive director of the Board has declared in writing to the Board that he/she undertakes:

a) to maintain in all circumstances his independence of analysis, decision and action;
b) not to seek or 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, meets on a regular basis, with such meetings usually focusing on business strategy, operational and financial performance, and 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 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 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 the Company's policies, 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 ensures 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.

The Audit Committee

The Company has established an Audit Committee in line with the requirements of the Rules. 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 to monitor and review the financial reporting processes, financial policies and internal control structure of the Company. 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 reference of the Audit Committee that establish its composition, role and function, the parameters of its remit as well as the basis for the processes that it is required to comply with. The Audit Committee is a sub-committee of the Board and is directly responsible and accountable to the Board. The Board reserves the right to change these terms of reference from time to time.

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

The Audit Committee is composed of 3 Non-Executive Directors, 2 of whom are also independent:

- Dr. Arthur Galea Salomone – Member
- Mr. Mario Galea – Member
- Ms. Miriam Schembri – Member

Mr. Mario Galea 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 Capital Markets Rules.

Principle Five - Board meetings

The Directors meet regularly to dispatch the business of the Company. The Directors are notified in advance of forthcoming meetings so as to provide adequate time to Directors to prepare themselves for such meetings. Notification thereof, together with the issue of an agenda and supporting board papers, which are circulated in advance of the meeting, is carried out by the company secretary of the Company. Minutes are prepared during Board meetings recording faithfully attendance, and resolutions taken at the meeting. These minutes are subsequently circulated to all Directors as soon as practicable after the meeting. The Chairman ensures that all relevant issues are on the agenda supported by all available information, whilst encouraging the presentation of views pertinent to the subject matter and giving all Directors every opportunity to contribute to relevant issues on the agenda. The agenda on the Board seeks to achieve a balance between long-term strategic and short-term performance issues.

The Board meets as often and as frequently required in line with the nature and demands of the business of the Company. Directors attend meetings on a frequent and regular basis and dedicate the necessary time and attention to their duties as directors of the Company. The Board met 4 times during the financial year under review. The following Directors attended meetings as follows:

Mr. Martin Vella – Chairman - 4 meetings
Mr. Mark Vella – Director - 4 meetings
Mr. Joseph Vella – Director - 4 meetings
Mr. Mario Galea - Non-Executive Director - 2 meetings
Dr. Arthur Galea Salomone - Non-Executive Director - 4 meetings
Ms. Miriam Schembri - Non-Executive Director - 4 meetings
Mr. William Van Buren - Non-Executive Director - 2 meetings

Principle Five - Board meetings (continued)

Shareholders' influence is exercised at the AGM of the Company, which is the highest decision-making body. All shareholders have the right to participate and to vote in the meeting. Shareholders who cannot participate in the meeting can be represented by a proxy.

Business at the Company's AGM will cover the Annual Report and Financial Statements, the declaration of dividends if any, election of directors and the approval of their remuneration, appointment of the auditors and the authorisation of the directors to set the auditors' fees. Shareholders' meetings are called with enough notice to enable the use of proxies to attend, vote and abstain. The Company recognises the importance of maintaining dialogue with its shareholders to ensure its strategies and performance.

Principle Six - Information and Professional Development

The directors believe that for the financial year under review they conducted sufficient professional development for its directors and officers, and the Company will continue with this commendable practice. In this respect, 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.

Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense, and have access to the advice and services of the company secretary of the Company.

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, in accordance with Code principle 8.A.2, 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 of the Company, 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.

Corporate Governance Statement
for the year ended 31 December 2021

Principle Eight - Committees (continued)

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. (continued)

The maximum annual aggregate emoluments that may be paid to the directors of the Company 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

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 of the Company.

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

Fixed remuneration from Company	€22,651
Fixed remuneration from Subsidiaries	€241,809

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 Capital Markets 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 of the Code 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. Mario Galea are Executive Officers of the Company. The 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 of the Code 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 high standards of ethical conduct and to contribute to the development of the well-being of employees and their families as well as the local community and society at large.

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

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

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

Internal Control

The Board is ultimately responsible for the Company's system of internal controls and for reviewing its effectiveness. The directors of the Company are aware that internal control systems are designed to manage, rather than eliminate, the risk of failure to achieve business objectives of the Company, 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.

Corporate Governance Statement
for the year ended 31 December 2021

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, with the assistance of the management team of the Company, 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 of the Code throughout the period under review as befits a company of this size and nature.

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

Code Provision	Explanation
4.2.7	The Board has not formally developed a succession policy for the future composition of the Board 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 26 April 2022 and signed on its behalf by:

Mr. Martin Vella - Chairman

Mr. Mark Vella - Director

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Independent Auditors' Report
to the shareholders of Hal Mann Vella Group p.l.c.

Report on the Financial Statements for the year ended 31 December 2021

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 2021, 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 2021, 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 Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code), together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap.281) in Malta, and we have fulfilled our other ethical responsibilities in accordance with the IESBA code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

We do not provide a separate opinion on these matters.

1. **Investment property valuations**

   Risk description

   The Group carries its investment property at fair value, with changes in fair value being recognised in the profit or loss. Fair value is based on market valuation performed by independent professional architects. The last market valuation was performed on 30 December 2020. Investment property amounted to €50,174,457 as at 31 December 2021 (2020: €49,291,304) and is deemed material to the financial statements.

   The last market valuation for an investment property not included in the revaluation in 2020 was in 2019. Revaluation for all investment properties is to take place in 2022. Directors' response was that Company's policy is to revalue buildings every 2 years and according to the directors' assessment, the market value of its investment properties were equal to the net book value as at 31 December 2021.

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

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

   Relevant references in the annual report and financial statements:
   - Accounting policy: notes 2.7 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 2021, the Group has recognised a deferred tax asset amounting to €1,619,261 (2020: €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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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 Capital Markets Rules issued by the Malta Financial Services 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 appea+A20rs 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 2021 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.

HLB CA FALZON
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Independent Auditors' 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 auditors' 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.

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Auditors' Responsibilities for the Audit of the Financial Statements (continued)

- 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 auditors' 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.

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 2021 contains other areas required by legislation on which we are required to report. The Directors are responsible fir these other areas.

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Independent Auditors' Report
to the shareholders of Hal Mann Vella Group p.l.c.

Report on the Statement of Compliance with the Principles of Good Corporate Governance

The Capital Markets Rules issued by the Malta Financial Services 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 Capital Markets Rules also require the auditor to include a report on the Corporate Governance Statement prepared by the Directors. We read the Corporate Governance Statement and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with any other information included in the annual report.

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

In our opinion, the Corporate Governance Statement set out on pages 10 to 18 has been properly prepared in accordance with the requirements of the Capital Markets Rules 5.94 and 5.97.

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive (the 'ESEF Directive 6') on the Annual Report and Financial Statements of Hal Mann Vella Group p.l.c. for the year ended 31 December 2021, entirely prepared in a single electronic reporting format.

Responsibilities of the directors

The directors are responsible for the preparation of the Annual Report, including the consolidated Financial Statements, and the relevant mark-up requirements therein, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

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Independent Auditors' Report
to the shareholders of Hal Mann Vella Group p.l.c.

Report on compliance with the requirements of the European Single Electronic Format Regulatory Technical Standard (the "ESEF RTS"), by reference to Capital Markets Rule 5.55.6 ***(continued)***

Our responsibilities

Our responsibility is to obtain reasonable assurance about whether the Annual Report, including the consolidated Financial Statements and the relevant electronic tagging therein, complies in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:
- obtaining an understanding of the entity's financial reporting process, including the preparation of the Annual Report, in accordance with the requirements of the ESEF RTS;
- obtaining the Annual Report and performing validations to determine whether the Annual Report has been prepared in accordance with the requirements of the technical specifications of the ESEF RTS;
- examining the information in the Annual Report to determine whether all the required taggings therein have been applied and whether, in all material respects, they are in accordance with the requirements of the ESEF RTS.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Opinion

In our opinion, the Annual Report for the year ended 31 December 2021 has been prepared, in all material respects, in accordance with the requirements of the ESEF RTS.

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 Capital Markets Rules to review the statement 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.

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 5 years. The Company became listed on a regulated market on 11 November 2014.

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CERTIFIED PUBLIC ACCOUNTANTS

Independent Auditors' Report
to the shareholders of Hal Mann Vella Group p.l.c.

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 auditors' report is Jozef Wallace Galea for and on behalf of

HLB CA Falzon
Registered Auditors

26 April 2022

Hal Mann Vella Group p.l.c.

Consolidated Statement of Profit or Loss and Other Comprehensive Income

for the year ended 31 December 2021

		The Group		The Company	
		2021	2020	2021	2020
	Note	€	€	€	€
Revenue from contracts with customers	6	23,071,255	21,335,174	-	-
Rental income	17,24	2,188,564	2,126,895	847,156	860,147
Revenue		25,259,819	23,462,069	847,156	860,147
Cost of sales and services	7	(17,021,875)	(15,754,890)	-	-
Gross profit		8,237,944	7,707,179	847,156	860,147
Distribution and selling costs	7	(213,923)	(224,101)	-	-
Administrative expenses	7	(4,116,935)	(4,164,736)	(238,353)	(225,183)
Other operating income	8	888,491	388,758	19,219	9,004
Operating profit		4,795,577	3,707,100	628,022	643,968
Change in fair value of investment properties	17	-	1,506,227	-	1,142,984
Share in profit of joint ventures	15	14,561	40,576	-	-
Dividends income		-	-	274,731	-
Loss on derecognition of lease	24	(443,847)	(729,051)	-	-
Finance and similar income	9	627	194,645	1,403,597	1,450,617
Finance costs	10	(2,354,103)	(2,404,736)	(1,718,828)	(1,715,441)
Profit before tax		2,012,815	2,314,761	587,522	1,522,128
Income tax expense	12	(822,122)	(879,025)	(361,805)	(276,268)
Profit for the year		1,190,693	1,435,736	225,717	1,245,860

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 2021

		The Group		The Company	
		2021	2020	2021	2020
	Note	€	€	€	€
Profit for the year		1,190,693	1,435,736	225,717	1,245,860
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	157	149	-	-
Debt instruments at fair value through other comprehensive income:					
- change in fair value, net of deferred tax	29	2,559	3,004	2,559	3,004
Total comprehensive income for the year		1,193,409	2,173,192	228,276	1,248,864
Earnings per share (cents)					
- Basic profit for year attributable to ordinary equity holders of the parent	**27**	**0.24**	**0.29**	**0.05**	**0.25**

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 2021

	Note	The Group 2021	The Group 2020	The Company 2021	The Company 2020
		€	€	€	€
ASSETS					
Non-current assets					
Property, plant & equipment	13	33,133,600	33,844,960	25,035	-
Investment in subsidiaries	14	-	-	8,256,343	8,256,343
Investment in joint ventures	15	1,721,867	1,917,224	165,720	165,720
Other non-current financial assets	16	755,963	837,857	18,153,072	17,244,341
Investment property	17	50,174,457	49,291,304	32,373,877	32,361,465
Right-of-use assets	24	7,725,277	7,489,724	-	-
Deferred taxation	25	1,619,261	1,609,041	790,544	843,088
Goodwill	18	62,888	62,888	-	-
Total non-current assets		95,193,313	95,052,998	59,764,591	58,870,957
Current assets					
Inventories	19	4,354,663	3,785,745	-	-
Property held-for-sale	20	6,307,487	6,391,935	-	-
Trade and other receivables	21	14,211,205	12,715,909	4,606,712	4,112,951
Contract assets	22	1,774,950	1,473,454	-	-
Current tax recoverable	12	-	-	-	241
Other current financial assets	16	91,000	91,000	-	-
Cash and cash equivalents	33	1,819,027	2,884,668	549,302	1,649,045
Total current assets		28,558,332	27,342,711	5,156,014	5,762,237
Total assets		123,751,645	122,395,709	64,920,605	64,633,194

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 2021

	Note	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
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	24,778,131	-	-
Fair value reserve	29	62,629	59,913	61,536	58,977
Revaluation reserve on investment property	30	6,249,374	6,249,374	17,011,883	17,011,883
Capital redemption reserve	31	47,852	47,852	-	-
Incentives and benefits reserves	32	604,060	604,060	-	-
Retained earnings		11,770,328	10,579,635	3,486,812	3,261,095
Total equity		48,512,194	47,318,785	25,560,051	25,331,775
Non-current liabilities					
Interest bearing loans and borrowings	16	41,201,845	40,657,964	32,006,948	31,939,712
Finance lease liability	16, 24	8,292,602	7,762,145	798,644	797,446
Trade and other payables	23	-	9,621	-	-
Deferred taxation	25	4,717,885	4,589,705	2,588,146	2,573,706
Total non-current liabilities		54,212,332	53,019,435	35,393,738	35,310,864
Current liabilities					
Current borrowings	16	7,147,502	7,465,815	2,637,915	2,603,942
Finance lease liability	16,24	-	52,064	39,500	39,500
Trade and other payables	23	13,698,524	13,591,134	1,249,055	1,347,113
Current tax due	12	181,093	948,476	40,346	-
Total current liabilities		21,027,119	22,057,489	3,966,816	3,990,555
Total liabilities		75,239,451	75,076,924	39,360,554	39,301,419
Total equity and liabilities		123,751,645	122,395,709	64,920,605	64,633,194

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

26 April 2022

Mr. Mark Vella - Director

Hal Mann Vella Group p.l.c.

Consolidated Statement of Changes in Equity

for the year ended 31 December 2021

	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.

Consolidated Statement of Changes in Equity
for the year ended 31 December 2021

	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 2021	4,999,820	24,778,131	6,249,374	59,913	10,579,635	604,060	47,852	47,318,785
Profit for the year	-	-	-	-	1,190,693	-	-	1,190,693
Other comprehensive income (notes 28 and 29)	-	-	-	2,716	-	-	-	2,716
Total comprehensive income for the year	-	-	-	2,716	1,190,693	-	-	1,193,409
Transfer of fair value gain on investment property, net of deferred tax (note 30)	-	-	-	-	-	-	-	-
Balance as at 31 December 2021	4,999,820	24,778,131	6,249,374	62,629	11,770,328	604,060	47,852	48,512,194

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 2021

	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.

Hal Mann Vella Group p.l.c.

Statement of Changes in Equity
for the year ended 31 December 2021

	The Company				
	Issued capital	Revaluation reserve on financial assets	Revaluation reserve on investment property	Retained earnings	Total Equity
	€	€	€	€	€
Balance as at 1 January 2021	4,999,820	58,977	17,011,883	3,261,095	25,331,775
Profit for the year	-	-	-	225,717	225,717
Other comprehensive income	-	2,559	-	-	2,559
Total comprehensive income for the year	-	2,559	-	225,717	228,276
Balance as at 31 December 2021	4,999,820	61,536	17,011,883	3,486,812	25,560,051

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

	Note	The Group 2021 €	The Group 2020 €	The Company 2021 €	The Company 2020 €
Cash flows from operating activities					
Profit before tax		2,012,815	2,314,761	587,522	1,522,128
Adjustments for:					
Change in fair value of investment properties	17	-	(1,506,227)	-	(1,051,545)
Share in profit of joint ventures	15	(14,561)	(40,576)	-	-
Depreciation of right-of-use assets and property, plant and equipment	13, 24	1,312,883	1,201,754	-	-
Provision for expected credit losses (ECL)	34	(56,499)	151,974	16,768	(45,868)
Income from government grants	23	(16,576)	(16,576)	-	-
Loss on reclassification of property, plant and equipment		-	11,896	-	-
Dividends income		-	-	(274,731)	-
Finance and similar income	9	(627)	(194,645)	(1,403,597)	(1,450,617)
Finance costs	10	2,354,103	2,404,736	1,718,828	1,715,441
Working capital changes:					
(Increase)/decrease in inventories		(568,918)	307,506	-	-
Decrease/(increase) in property held-for-sale		84,448	(165,784)	-	-
(Increase)/decrease in contract assets		(312,612)	1,446,872	-	-
(Increase)/decrease in receivables		(834,545)	3,512,126	(41,839)	(961,102)
Increase/(decrease) in payables		122,330	(2,873,381)	(9,896)	(70,204)
(Advances to)/receipts from related undertakings		(3,900)	53,739	-	-
Interest received from banks	9	627	690	-	-
Interest paid on overdraft	10	(47,723)	(50,724)	-	(16)
Taxation paid	12	(1,472,922)	(185,437)	(88,936)	-
Net cash generated from operating activities		2,558,323	6,372,704	504,119	(341,783)

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

Consolidated Statement of Cash Flows
for the year ended 31 December 2021

		The Group		The Company	
	Note	2021	2020	2021	2020
		€	€	€	€
Cash flows from investing activities					
Payments to acquire property, plant and equipment	13	(990,672)	(2,525,364)	(25,035)	-
Payments to acquire investment property	17	(883,153)	(2,780,734)	(12,412)	(1,372,208)
Payments to acquire investment in subsidiary	14	-	-	(700,000)	(1,200)
Dividends received		210,075	-	274,731	-
(Advances to)/receipts from group companies		-	-	(298,218)	2,688,961
Receipts from/(advances to) joint venture		94,400	(94,400)	86,063	-
Finance income	9	-	-	1,403,597	1,450,617
Net cash used in investing activities		(1,569,350)	(5,400,498)	728,726	2,766,170
Cash flows from financing activities					
(Repayment to)/advances from banks loans		(442,650)	694,416	-	-
Repayment to group companies		-	-	(553,924)	(192,721)
Advances from related companies		46,082	73,676	-	-
Advances from joint ventures		89,161	3,689	-	-
Repayment of principal portion of lease liability		(358,927)	(362,863)	(39,500)	(29,869)
Receipt of principal portion of finance lease receivable		-	267,531	-	-
Interest paid on bonds		(1,567,239)	(1,618,933)	(1,620,853)	(1,618,933)
Interest paid on bank loans		(372,332)	(443,370)	(118,790)	(5,015)
Net cash used in financing activities		(2,605,905)	(1,385,854)	(2,333,067)	(1,846,538)
Effect of ECL on cash in banks		(511)	(229)	479	(229)
Net movement in cash and cash equivalents		(1,616,932)	(413,648)	(1,100,222)	577,849
Cash and cash equivalents at beginning of year		1,588,369	2,002,246	1,649,045	1,071,425
Cash and cash equivalents at end of year	33	(29,074)	1,588,369	549,302	1,649,045

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

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 2021 were authorized for issue in accordance with a resolution of the Directors on 26 April 2022.

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.

Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. 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.

2.1 Basis of preparation and consolidation *(continued)*

Consolidation (continued)

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 (FVTOCI). 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 FVTOCI, 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 FVTOCI with recycling of cumulative gains and losses (debt instruments)
- financial assets designated at FVTOCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
- financial assets at FVTPL

2.4 Financial instruments *(continued)*

Financial assets (continued)

Financial assets at amortised cost (debt instruments)

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 FVTOCI (debt instruments)

For debt instruments at FVTOCI, 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 2021 and 2020, the Group has no debt instruments at FVTOCI.

Financial assets designated at FVTOCI (equity instruments)

Upon initial recognition, the Group can elect to classify irrevocably its equity investments as equity instruments designated at FVTOCI 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 FVTOCI are not subject to impairment assessment.

The Group elected to classify irrevocably its equity investments under this category.

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 FVTOCI. 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 2021 and 2020, the Group has no financial assets at FVTPL.

2.4 Financial instruments *(continued)*

Financial assets (continued)

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.

2.4 Financial instruments *(continued)*

Financial assets - Impairment (continued)

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)

2.4 Financial instruments *(continued)*

Financial liabilities (continued)

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 2021 and 2020.

Financial liabilities at amortised cost (loans and borrowings)

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.

2.7 Investment property *(continued)*

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 p.l.c.), generally upon exportation of the generated electricity to the solar grid. Enemalta p.l.c. 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 p.l.c., 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.

2.16 Revenue recognition ***(continued)***

Revenue from contracts with customers (under IFRS 15) ***(continued)***

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 2021 and 2020, 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 financing.

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 2021 and 2020, the contract liabilities are subsequently recognised as revenue within one year.

2.16 Revenue recognition *(continued)*

Revenue from contracts with customers (under IFRS 15) *(continued)*

Rendering of general construction and other services (continued)

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.

2.16 Revenue recognition *(continued)*

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

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 2.21 (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).

2.17 Leases *(continued)*

The Group as a lessee (continued)

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 FVTOCI, 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.

3. Critical accounting estimates and judgements *(continued)*

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 valuations were 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 FVTOCI

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.

3. Critical accounting estimates and judgements *(continued)*

Estimates and assumptions *(continued)*

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.

3. Critical accounting estimates and judgements *(continued)*

Estimates and assumptions *(continued)*

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 €8,292,602 (2020: €7,814,209) as at 31 December 2021 and 2020, 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 2021.

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

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

Interest Rate Benchmark Reform – Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16

The amendments provide temporary reliefs which address the financial reporting effects when an interbank offered rate (IBOR) is replaced with an alternative nearly risk-free interest rate (RFR). The amendments include the following practical expedients:

- A practical expedient to require contractual changes, or changes to cash flows that are directly required by the reform, to be treated as changes to a floating interest rate, equivalent to a movement in a market rate of interest
- Permit changes required by IBOR reform to be made to hedge designations and hedge documentation without the hedging relationship being discontinued
- Provide temporary relief to entities from having to meet the separately identifiable requirement when an RFR instrument is designated as a hedge of a risk component

These amendments had no impact on the financial statements of the Group. The Group intends to use the practical expedients in future periods if they become applicable.

Covid-19-Related Rent Concessions beyond 30 June 2021 Amendments to IFRS 16

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 from the 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 amendment was intended to apply until 30 June 2021, but as the impact of the Covid-19 pandemic is continuing, on 31 March 2021, the IASB extended the period of application of the practical expedient to 30 June 2022. The amendment applies to annual reporting periods beginning on or after 1 April 2021. However, the Company has not received Covid-19-related rent concessions, but plans to apply the practical expedient if it becomes applicable within allowed period of application.

4. Application of New and Revised IFRS *(continued)*

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
Definition of Accounting Estimates - Amendments to IAS 8	1 January 2023
Disclosure of Accounting Policies - Amendments to IAS 1 and IFRS Practice Statement 2	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 are 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.

5. Segment information (continued)

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

Year ended 31 December 2021	Property development and Letting	Manufacturing and general contracting services	Total segments	Eliminations	Consolidated
	€	€	€	€	€
External customers	5,939,064	19,320,755	25,259,819	-	25,259,819
Inter-segment	674,351	7,462,326	8,136,677	(8,136,677)	-
Total revenue	6,613,415	26,783,081	33,396,496	(8,136,677)	25,259,819
Income/(expenses)					
Finance and similar income	1,404,224	53,222	1,457,446	(1,456,819)	627
Finance cost	(2,709,444)	(1,360,467)	(4,069,911)	1,715,808	(2,354,103)
Depreciation and amortisation	(800)	(1,017,874)	(1,018,674)	-	(1,018,674)
Share in profit of joint ventures	14,561	-	14,561	-	14,561
Income tax expense	(975,966)	162,160	(813,806)	(8,316)	(822,122)
Segment profit before tax	**2,303,573**	**(59,948)**	**2,243,625**	**(230,810)**	**2,012,815**
Total assets	**119,967,394**	**42,693,022**	**162,660,416**	**(38,908,771)**	**123,751,645**
Total liabilities	**68,421,067**	**38,452,175**	**106,873,242**	**(31,633,791)**	**75,239,451**
Other disclosures					
Interest in joint ventures	165,720	-	165,720	1,556,147	1,721,867
Capital expenditure	-	990,672	990,672	-	990,672

5. Segment information (continued)

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

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

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

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 2021		
	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	1,979,710	-	1,979,710
Sale of electricity generated from PV panels	286,265	-	286,265
Rendering of general construction and other services	17,054,780	-	17,054,780
Sale of properties	-	3,750,500	3,750,500
	19,320,755	3,750,500	23,071,255
Geographical markets			
Local	19,315,380	3,750,500	23,065,880
Foreign	5,375	-	5,375
	19,320,755	3,750,500	23,071,255
Timing of revenue recognition			
Goods transferred at a point in time	2,265,975	3,750,500	6,016,475
Services transferred over time	17,054,780	-	17,054,780
	19,320,755	3,750,500	23,071,255

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

	For the year ended 31 December 2020		
	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	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

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			
	2021	2021	2020	2020
	Manufacturing and general contracting services	Property development	Manufacturing and general contracting services	Property development
	€	€	€	€
Revenue				
External customer	19,320,755	3,750,500	18,196,674	3,138,500
Inter-segment	7,462,326	-	5,590,448	-
	26,783,081	3,750,500	23,787,122	3,138,500
Inter-segment adjustments and eliminations	(7,462,326)	-	(5,590,448)	-
Total revenue from contracts with customers	19,320,755	3,750,500	18,196,674	3,138,500

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

Contract balances

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Trade receivables - net of ECL (note 21)	9,568,769	7,756,613	-	-
Contract assets - net of ECL (note 22)	1,774,950	1,473,454	-	-

In 2021, €67,588 was recognised as reversal of excess provision for ECL on trade receivables (2020: provision expense of €183,941), 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 2021, allowance for ECL on contract assets increased by €11,116 (2020: decreased by €33,870).

Contract liabilities include short term advances received under construction contracts. The balance was nil in 2021 (2020: decrease by €95,000) 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, non-cash consideration and consideration payable to the customer relating to the sale of stones, marbles, granites, patterned tiles, terrazzo and precast related products.

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

Performance obligations (continued)

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 non-cash 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.

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

Performance obligations (continued)

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.

As at 31 December 2021 and 2020, the transaction price allocated to the remaining performance obligations (unsatisfied or partially unsatisfied) amounted to nil.

7. Expenses by nature

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Cost of sales				
Depreciation (note 13)	301,447	317,742	-	-
Direct wages (note 11)	3,109,067	3,285,625	-	-
Social security contributions (note 11)	239,212	244,747	-	-
Cost of property sold (note 20)	2,402,636	2,068,097	-	-
Cost of rent	-	-	-	-
Onsite expenditure	62,514	47,150	-	-
Cost of goods sold (note 19)	10,413,779	9,554,381	-	-
Other direct costs	493,220	237,148	-	-
	17,021,875	15,754,890	-	-
Distribution and selling costs				
Depreciation (note 13)	140,890	142,600	-	-
Advertising and promotions	64,190	77,398	-	-
Other distribution costs	8,843	4,103	-	-
	213,923	224,101	-	-

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7. Expenses by nature *(continued)*

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Administrative expenses				
Depreciation (notes 13 and 24)	870,546	741,412	-	-
Directors' remuneration (note 11)	264,460	226,894	22,651	14,068
Office salaries (note 11)	1,049,498	824,465	-	-
Social security contributions and maternity (note 11)	91,999	80,333	32	56
Auditors' remuneration	37,923	37,034	3,000	3,000
Provision for ECL (notes 16, 21, 22 and 33)	(56,499)	143,188	16,768	(45,868)
Legal and professional fees	393,778	512,016	174,166	173,411
Repairs and maintenance	386,915	291,356	1,025	995
Rent (note 24)	(7,919)	67,187	2,452	57,403
Utilities	40,272	49,003	4,048	12,933
Information and communication technology fees	220,213	380,613	-	-
Insurance	218,618	202,573	9,651	-
Motor vehicle expenses	104,745	71,489	-	-
Other administrative expenses	502,386	537,173	4,560	9,185
	4,116,935	4,164,736	238,353	225,183

Auditors' fees

Fees charged by the auditors for services rendered during the financial years ended 31 December 2021 and 2020 relate to the following:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Annual statutory audit	37,923	37,034	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	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Tax advisory and compliance	1,800	1,800	200	200
Other non-assurance services	15,240	15,240	15,240	15,240
	17,040	17,040	15,440	15,440

8. Other operating income

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Other income from construction works	33,945	33,227	19,219	9,004
Income from government grants	113,705	113,744	-	-
Exchange fluctuation	7,954	24,640	-	-
Income from insurance claims received	16,793	726	-	-
Works and installations	74,527	-	-	-
Property management fee	33,635	-	-	-
Key money	30,000	-	-	-
Gain on rent concessions	-	205,303	-	-
Gain on assignment of property	566,050	-	-	-
Others	11,882	11,118	-	-
	888,491	388,758	19,219	9,004

9. Finance and similar income

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Interest from banks	627	690	-	-
Interest on finance lease receivables (note 24)	-	193,955	-	-
Interest from related and subsidiary undertakings	-	-	1,403,597	1,450,617
	627	194,645	1,403,597	1,450,617

10. Finance costs

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Bank overdraft interest	47,723	29,747	-	(16)
Interest on bonds and amortisation of bond issue cost	1,567,239	1,563,876	1,567,239	1,563,876
Bank loan interest	372,332	443,370	110,891	111,021
Interest on finance lease liability (note 24)	361,085	367,324	40,698	40,560
Other interest	5,724	419	-	-
	2,354,103	2,404,736	1,718,828	1,715,441

11. Staff costs and employee information

Staff costs for the year comprised the following:

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Wages and salaries (including Directors' remuneration) (note 7)	4,423,025	4,336,984	22,651	14,068
Social security contributions (note 7)	331,211	325,080	32	56
	4,754,236	4,662,064	22,683	14,124

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

	The Group		The Company	
	2021	2020	2021	2020
	No.	No.	No.	No.
Operational	110	121	-	-
Administration	64	69	2	2
Distribution	10	11	-	-
	184	201	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	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Income tax expense:				
Tax at source	-	-	(64,656)	-
Current tax charge	(75,222)	(509,527)	(40,587)	-
Final withholding tax at 15%	(430,363)	(28,786)	(24,280)	-
Final withholding tax at 8%	(49,040)	(1,200)	-	-
Final withholding tax at 5%	(150,914)	(146,500)	-	-
Underprovision of tax in prior years	-	7	-	-
Total current tax expense	(705,539)	(686,006)	(129,523)	-
Consideration payable by the company in respect of the tax benefit, attaching to tax losses surrendered by a subsidiary company under the Group Relief provision of the Income Tax Act	-	-	(166,676)	-
Deferred taxation (note 25):				
Charge for the year	(116,583)	(193,019)	(65,606)	(276,268)
Income tax expense for the year	(822,122)	(879,025)	(361,805)	(276,268)

Tax reconciliation

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Profit before tax	2,012,815	2,314,761	587,522	1,522,128
Taxation charge thereon	823,089	811,253	205,633	532,745
Tax effect of:				
- excess of carrying amount of property, plant and equipment over tax base	(11,162)	308,614	-	-
- expenses not allowed for tax purposes	1,652,315	1,628,348	671,188	668,764
- income not allowed for tax purposes	(180,294)	(161,542)	-	-
- income taxed at different rates	(1,008,931)	(800,336)	(396,709)	(633,341)
- unabsorbed capital allowances	138,209	-	-	-
- unabsorbed tax losses	(118,307)	(447,540)	(118,307)	(168,123)
- unabsorbed capital losses	(64,518)	92,754	-	
- change in the fair value of	(420)	(774,602)	-	(400,045)
- group relief	(166,676)	-	-	-
- effect of adoption of IFRS 16	(241,183)	(54,192)	-	-
- deferred tax charge	-	276,268	-	276,268
Income tax expense for the year	822,122	879,025	361,805	276,268

12. Income tax (*continued*)

Current taxation

Taxation due/recoverable is made up as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
As at 1 January	948,476	447,900	(241)	(241)
Underprovision of tax in prior years	(4,975)	7	-	-
Income tax expense	710,514	686,006	129,523	-
	1,654,015	1,133,913	129,282	(241)
Payments:				
Provisional tax	-	-	-	-
Settlement tax	(842,605)	(8,958)	-	-
Final withholding tax	(630,317)	(176,479)	(24,280)	-
Tax at source	-	-	(64,656)	-
	(1,472,922)	(185,437)	(88,936)	-
As at 31 December	181,093	948,476	40,346	(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. As at 31 December 2021, management also assessed whether there are any significant changes to the significant inputs of the valuation.

If these assets were included in the financial statements at cost, their carrying amounts would have been €4,924,892 (2020: €4,936,727).

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 2020	23,303,092	5,431,705	236,600	614,701	227,924	35,357	4,686	713,970	769,124
Transfers	-	-	-	-	-	-	-	-	-
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
Additions	-	369,174	-	29,006	6,232	-	-	13,670	4,400
Disposals	-	-	-	-	-	-	-	-	-
Transfers	-	-	-	-	-	-	-	-	-
As at 31 December 2021	24,101,247	5,945,620	236,600	654,316	265,167	38,565	4,686	743,085	1,362,214
Depreciation									
As at 1 January 2020	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
Charge for the year	-	300,034	1,411	16,066	19,151	2,663	-	73,343	135,772
Transfers	-	-	-	-	-	-	-	-	-
As at 31 December 2021	19,422	2,954,385	177,301	578,608	205,529	30,296	4,271	493,064	813,717
Net book amount									
As at 31 December 2020	24,081,825	2,922,095	60,710	62,768	72,557	10,932	415	309,694	679,869
As at 31 December 2021	24,081,825	2,991,235	59,299	75,708	59,638	8,269	415	250,021	548,497

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 2020	-	3,800,439	118,283	1,776,220	32,769	357,406	37,422,276
Transfers	-	(11,889)	-	-	-	-	(11,889)
Additions	-	1,724,597	7,063	-	-	-	2,525,364
Revaluation surplus (note 28)							798,155
As at 31 December 2020	-	5,513,147	125,346	1,776,220	32,769	357,406	40,733,906
Additions	-	564,048	4,142	-	-	-	990,672
Disposals	-	(683,358)	-	-	-	-	(683,358)
Transfers	-	(11,889)	-	-	-	-	(11,889)
As at 31 December 2021	-	5,381,948	129,488	1,776,220	32,769	357,406	41,029,331
Depreciation							
As at 1 January 2020	-	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
As at 31 December 2020	-	1,096,152	93,388	642,226	32,769	296,258	6,888,946
Charge for the year	-	345,487	18,449	106,298	-	-	1,018,674
Transfers	-	(11,889)	-	-	-	-	(11,889)
As at 31 December 2021	-	1,429,750	111,837	748,524	32,769	296,258	7,895,731
Net book amount							
As at 31 December 2020	-	4,416,995	31,958	1,133,994	-	61,148	33,844,960
As at 31 December 2021	-	3,952,198	17,651	1,027,696	-	61,148	33,133,600

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14. Investment in subsidiaries

The Company

	2021	2020
	€	€
Cost		
As at 1 January	8,256,343	8,255,143
Additions	-	1,200
As at 31 December	8,256,343	8,256,343

As at 31 December 2021, the Company held the following equity interests:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2021 (2020)
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.

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%

The Company is 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	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Cost				
As at 1 January	1,917,224	1,876,499	165,720	165,720
Share in profit	14,561	40,576	-	-
Share in other comprehensive income	157	149	-	-
Dividends received	(210,075)	-	-	-
As at 31 December	1,721,867	1,917,224	165,720	165,720

15. Investment in joint ventures

As at 31 December 2021, the Company held the following equity interests:

Undertaking / Registered Office	Number, class and nominal value of shares held	Percentage of issued shares held 2021 (2020)
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 year-end, the joint venture is in the process of winding up its business.

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 2015
HMK International Ltd	31 December 2021
Zokrija Limited	31 December 2021

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	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
Percentage owenrship interest	50%	50%	50%	50%	50%	50%	50.00%	50.00%		
Non-current assets	-	-	364,915	364,915	252,939	253,759	-	-	617,854	618,674
Current asset	1,107,216	1,107,216	2,255,538	2,255,538	755,539	1,006,560	18,949	201,978	4,137,242	4,571,292
Non-current liabilities	-	-	-	-	-	-	-	-	-	-
Current liabilities	(5,008)	(5,008)	(95,526)	(95,526)	(621,036)	(663,770)	(1,438)	(2,859)	(723,008)	(767,163)
Net Asset (100%)	1,102,208	1,102,208	2,524,927	2,524,927	387,442	596,549	17,511	199,119	4,032,088	4,422,803
Group's share on net asset	551,104	551,104	1,262,464	1,262,464	193,722	298,276	8,757	99,560	2,016,047	2,211,404
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	196,115	300,669	8,757	99,560	1,721,867	1,917,224
Net assets include (100%):										
Cash and cash equivalent	157,485	157,485	131,760	131,760	27,896	3,823	18,949	200,549	336,090	493,617
Non-current financial assets	-	-	113,875	113,875	-	-	-	-	113,875	113,875
Dividend declaration	-	-	-	-	240,150	-	180,000	-	420,150	-
Dividend received by the Group	-	-	-	-	120,075	-	90,000	-	210,075	-
Revenue and other income	-	-	-	-	209,779	417,670	-	-	209,779	417,670
Cost of sale	-	-	-	-	(162,032)	(250,701)	-	-	(162,032)	(250,701)
Depreciation	-	-	-	-	(261)	(348)	-	-	(261)	(348)
Interest expense	-	-	-	-	(158)	(312)	-	-	(158)	(312)
Other expense	-	-	-	-	(4,077)	(38,779)	(1,608)	(3,224)	(5,685)	(42,003)
Profit before tax	-	-	-	-	43,251	127,530	(1,608)	(3,224)	41,643	124,306
Income tax expense	-	-	-	-	(12,521)	(43,155)	-	-	(12,521)	(43,155)
Other comprehensive income (OCI)	-	-	-	-	313	298	-	-	313	298
Total comprehensive income (100%)	-	-	-	-	31,043	84,673	(1,608)	(3,224)	29,435	81,449
Group’s share of profit for the year	-	-	-	-	15,365	42,188	(804)	(1,612)	14,561	40,576
Group’s share of OCI	-	-	-	-	157	149	-	-	157	149
Group’s share of profit for the year	-	-	-	-	15,522	42,337	(804)	(1,612)	14,718	40,725

16. Financial assets and financial liabilities

16.1 Financial assets

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Debt instruments at amortised cost:				
Bank term deposit	91,000	91,000	-	-
Trade receivables - net of ECL (note 21)	9,568,769	7,756,613	93,239	68,423
Amounts owed by subsidiary undertakings - net of ECL (note 21)	-	-	4,022,130	3,444,231
Amounts owed by joint ventures - net of ECL (note 21)	17,568	111,968	-	-
Amounts owed by other related undertakings - net of ECL (note 21)	275,248	270,494	187,943	187,943
Loans to subsidiary undertakings - net	-	-	16,697,109	16,406,484
Loans to joint ventures - net of ECL	163,957	249,787	163,957	249,787
Total debt instuments at amortised cost	10,116,542	8,479,862	21,164,378	20,356,868
Equity instruments designated at FVOCI				
Non-listed equity investments	592,006	588,070	1,292,006	588,070
Total equity instruments at FVOCI	592,006	588,070	1,292,006	588,070
Total financial assets	10,708,548	9,067,932	22,456,384	20,944,938
Total current	9,952,585	8,230,075	4,303,312	3,700,597
Total non-current	755,963	837,857	18,153,072	17,244,341

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 €444 (2020: €677).

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

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

16.2 Financial liabilities: Loans and borrowings

			The Group		The Company	
	Interest rate	Maturity	2021	2020	2021	2020
Current loans and borrowings			€	€	€	€
Bank overdrafts (note 34)	2.35%-8.25%	on demand	1,848,101	1,296,299	-	-
Bank loans	2.50%-5.50%	2020-2030	1,904,159	2,823,454	-	-
Amounts due to subsidiary undertakings	no interest	on demand	-	-	365,497	331,524
Amounts due to joint ventures	no interest	on demand	1,580,705	1,577,607	1,407,804	1,407,804
Amount due to other related undertakings	no interest	on demand	141,242	95,160	-	-
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%	2086	-	52,064	39,500	39,500
			7,147,502	7,517,879	2,677,415	2,643,442
Non-current loans and borrowings						
300,000 (€100 face value) secured bonds 2014 – 2024	5.27%	2024	29,789,132	29,721,896	29,789,132	29,721,896
Bank loans	2.50%-5.50%	2020-2030	9,194,897	8,718,252	-	-
Shareholders' loan	5.00%	indefinite	2,117,816	2,117,816	2,117,816	2,117,816
Loans due to other parties	5.00%	indefinite	100,000	100,000	100,000	100,000
Finance lease liability (note 24)	4.41%-4.89%	2086	8,292,602	7,762,145	798,644	797,446
			49,494,447	48,420,109	32,805,592	32,737,158
Other Financial Liabilities at amortised cost, other than loans and borrowings						
Trade and other payables (note 23)			13,698,524	13,600,755	1,249,055	1,347,113
Total current (note 23)			13,698,524	13,591,134	1,249,055	1,347,113
Total non-current (note 23)			-	9,621	-	-

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

16.2 Financial liabilities: Loans and borrowings *(continued)*

The Company

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 (2020: €2,117,816) and loans from other parties of €100,000 (2020: €100,000) bear interest at 5%, are unsecured and have no fixed repayment date but is not expected to be settled within a year. The rest of the shareholders' loans amounting to €864,614 (2020: €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:

	2021	2020
	€	€
Face value of the secured bonds	30,000,000	30,000,000
Unamortised bond issue cost	210,868	278,104
Amortised cost	29,789,132	29,721,896

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 2021 for the secured bonds was €104.00 (2020: €105.50), 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.

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

16.2 Financial liabilities: Loans and borrowings *(continued)*

The Group

The bank overdraft and bank loans bear interest ranging between 2.35% to 8.25% per annum (2020: 2.35% to 8.25%). 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.

Shareholders' loans of €2,117,816 (2020: €2,117,816) and loans due to other parties of €100,000 (2020: €100,000) bear interest at 5%, unsecured and have no fixed repayment date but is not expected to be settled within a year. The remaining portion of shareholders' loans of €1,673,295 (2020: €1,673,295) are interest free, unsecured and payable on demand.

The interest rate exposures of borrowings are as follows:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Total borrowings:				
At fixed rates	53,246,707	52,591,926	32,845,092	32,776,658
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	5.00%	5.00%	5.00%	5.00%
Lease liability	4.41%-4.89%	4.41%-4.89%	4.89%	4.89%

This note provides information about the Company and the Group's borrowings. For more information about the Company and the Group's exposure to interest rate and liquidity risk, see note 34.

17. Investment property

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Valuation				
As at 1 January	49,291,304	45,004,343	32,361,465	29,937,712
Additions	883,153	2,780,734	12,412	1,280,769
Change in fair value	-	1,506,227	-	1,142,984
As at 31 December	50,174,457	49,291,304	32,373,877	32,361,465
Rental income derived from investment properties	2,188,564	2,126,895	847,156	860,147

Fair value

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

An independent valuation of the Group's investment property was performed by independent external valuers having an appropriate recognised professional qualifications and experience in the location and category of the property being valued. Last fair value assessment made by an external valuer was made on 31 December 2020 with the next valuation 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 2021, 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 2020	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
Purchases	2,588	23,245	842,040	15,280	-
As at 31 December 2021	1,974,679	5,379,927	30,009,571	5,235,280	7,575,000

17. Investment property *(continued)*

Valuation techniques and inputs

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

Comparison method:

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

Discounted cash flow (DCF) method:

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

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

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

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

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

	Valuation technique	**Significant inputs**	**Range (weighted average)**
			2020
Commercial properties	DCF	Long-term pre-tax rate	4%
		Inflation rate	2.09%
		Risk premium	4.5%
		DCF	8.5%
		Gross profit rate	95%
Office properties	DCF	Estimated rental value	6.5%-8.5%
Hotel	DCF	Estimated rental value and extrapolated residual land value	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.

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18. Goodwill

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
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	
	2021	2020	2021	2020
	€	€	€	€
Raw materials	4,321,659	3,739,486	-	-
Finished good	-	44,455	-	-
Showroom items	1,804	1,804	-	-
Containers	31,200	-	-	-
	4,354,663	3,785,745	-	-

During 2021, €10,413,779 (2020: €9,554,381) 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	
	2021	2020	2021	2020
	€	€	€	€
Cost				
As at 1 January	6,391,935	6,226,151	-	-
Additions	2,318,188	2,233,881	-	-
Disposals (note 7)	(2,402,636)	(2,068,097)	-	-
As at 31 December	6,307,487	6,391,935	-	-

In 2021, the Group sold properties for a total consideration of €3,750,500 (2020: €3,138,500) recognised as part of revenue from contracts with customers in the statement of profit or loss and other comprehensive income (note 6). Net profit amounted to €1,347,864 (2020: €1,070,403). The carrying amount of the disposed properties amounting to €2,402,636 (2020: €2,068,097) formed part of cost of sales and services in the statement of profit or loss and other comprehensive income (note 7).

21. Trade and other receivables

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Current				
Trade receivables	10,173,039	8,428,471	93,763	69,607
Amounts owed by subsidiary undertakings	-	-	4,091,710	3,503,813
Amounts owed by joint ventures	17,568	111,968	-	-
Amounts owed by related undertakings	280,124	276,224	191,194	191,194
Other receivables	90,136	700	-	-
Other advances	3,726,334	3,840,643	-	-
Accrued rental income	353,871	290,787	280,279	233,627
Indirect taxation	53,491	379,914	-	177,591
Prepayments	130,310	68,763	27,643	5,109
	14,824,873	13,397,470	4,684,589	4,180,941
Allowance for ECL on (note 34):				
Trade receivables	(604,270)	(671,858)	(524)	(1,184)
Amounts owed by subsidiary undertakings	-	-	(69,580)	(59,582)
Amounts owed by related undertakings	(4,876)	(5,730)	(3,251)	(3,251)
Accrued rental income	(4,522)	(3,973)	(4,522)	(3,973)
	(613,668)	(681,561)	(77,877)	(67,990)
Total trade and other receivables	14,211,205	12,715,909	4,606,712	4,112,951

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

The amounts owed by subsidiaries, joint ventures, related and other companies are unsecured, interest free and repayable on demand.

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

The trading terms and conditions related to the related party receivables are referred to in note 36.

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

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	681,561	504,732	67,990	52,667
Provision for ECL (note 7)	(67,893)	176,829	9,887	15,323
As at 31 December	613,668	681,561	77,877	67,990

22. Contract assets

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
As at 1 January	1,473,454	2,886,456	-	-
Movement during the year	341,073	(1,384,541)	-	-
Allowance for ECL	(39,577)	(28,461)	-	-
As at 31 December	1,774,950	1,473,454	-	-

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	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
As at 1 January	28,461	62,331	-	-
Provision/(reversal) of ECL (note 7)	11,116	(33,870)	-	-
As at 31 December	39,577	28,461	-	-

23. Trade and other payables

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Current				
Amount received in advance	1,686,571	477,174	14,982	14,464
Trade payables	4,956,871	5,625,130	170,181	209,099
Amounts due to subsidiary undertakings	-	-	-	-
Amounts due to joint ventures	225,375	225,375	225,375	225,375
Other payables	-	9,006	-	-
Indirect taxes and Social Security Contributions	2,317,783	3,539,476	35,035	241
Accruals	4,487,276	3,683,370	803,482	897,934
Deferred rental income	15,027	15,027	-	-
Deferred income from government grants	9,621	16,576	-	-
	13,698,524	13,591,134	1,249,055	1,347,113
Non-current				
Deferred income from government grants	-	9,621	-	-
Total trade and other payables	13,698,524	13,600,755	1,249,055	1,347,113

Trade payables are non-interest bearing and are normally settled between 60 to 90 days.

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.

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 2021, the Group had significant improvements to its industrial building which resulted to an additional right-of-use asset recognised upon completion amounting to €2,478,018.

The Group also leased a hotel in prior years with a maturity term on 31 May 2034 which was terminated as at end of March 2021. The right-of-use asset and lease liability derecognised upon termination amounted to €1,948,256 and €2,001,783, respectively.

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 Group 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 2020	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
Additions	-	2,478,018	-	2,478,018
Lease termination	(1,948,256)	-	-	(1,948,256)
Depreciation expense (note 7)	(210,190)	(71,683)	(12,336)	(294,209)
As at 31 December 2021	2,742,292	4,973,752	9,233	7,725,277

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	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	14,403,465	8,527,771	836,946	826,255
Prior year adjustment	(6,589,256)	-	-	-
Additions	2,478,018	-	-	-
Accretion of interest (note 10)	361,085	367,324	40,698	40,560
Payments	(358,927)	(362,863)	(39,500)	(29,869)
Negative lease payments	-	(205,303)	-	-
Termination of lease	(2,001,783)	(512,720)	-	-
As at 31 December	8,292,602	7,814,209	838,144	836,946
Current	-	52,064	39,500	39,500
Non-current	8,292,602	7,762,145	798,644	797,446

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	
	2021	2020	2021	2020
	€	€	€	€
Depreciation expense of right-of-use assets	294,209	258,616	-	-
Interest expense on lease liabilities	361,085	367,324	40,698	40,560
Expense relating to short-term leases and leases of low-value assets (included in cost of sales and administrative expenses) (note 7)	(7,919)	67,187	2,452	57,403
	647,375	693,127	43,150	97,963

The Group had total cash outflows for leases of €358,927 in 2021 (2020: €362,863). The Group also had non-cash additions to right-of-use assets and lease liabilities of €2,478,018 (2020: addition to right-of-use assets of €2,970,708) and non-cash disposal of lease liabilities amounting to €2,001,783 (2020: €512,720).

24. Leases (*continued*)

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 €2,188,564 (2020: €2,126,895).

In 2020, two sublease agreements were preterminated. The carrying amount of lease receivable terminated was €4,212,479. Loss on termination recognised under profit or loss amounted to €729,051.

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

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
Within one year	2,065,749	2,086,653	869,253	869,253
After one year but not more than five years	10,172,678	10,397,170	4,134,311	4,134,311
More than five years	549,894	843,007	4,558,422	5,427,675
	12,788,321	13,326,830	9,561,986	10,431,239

25. Deferred taxation

Deferred tax liability

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	(4,589,705)	(4,043,910)	(2,573,706)	(2,477,394)
Charge in profit or loss (note 12)	(126,803)	(480,327)	(13,063)	(94,695)
Charge in other comprehensive income	-	(63,851)	-	-
Tax effect on change in fair value of equity instrument at FVOCI	(1,377)	(1,617)	(1,377)	(1,617)
As at 31 December	(4,717,885)	(4,589,705)	(2,588,146)	(2,573,706)

25. Deferred taxation *(continued)*

Deferred tax liability (continued)

The balance represents:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(16,331)	(13,280)	-	-
Provision for ECL	62	(89)	-	-
Asset revaluations	(4,186,257)	(4,047,464)	(2,476,534)	(2,476,534)
Leases	(483,602)	(497,114)	(78,477)	(65,414)
Change in fair value of equity instruments at FVOCI	(31,757)	(31,758)	(33,135)	(31,758)
	(4,717,885)	(4,589,705)	(2,588,146)	(2,573,706)

Deferred tax asset

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
As at 1 January	1,609,041	1,321,733	843,088	1,024,661
Charge in profit or loss (note 12)	10,220	287,308	(52,544)	(181,573)
As at 31 December	1,619,261	1,609,041	790,544	843,088

The balance represents:

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Tax effect of temporary differences relating to:				
Excess of capital allowances over depreciation	(497,037)	(482,983)	-	-
Unabsorbed capital allowances	608,567	746,776	-	-
Unabsorbed capital lossses	378,956	378,956	378,956	378,956
Unrelieved tax losses	858,756	929,398	118,238	171,201
Leases	619,113	511,790	293,350	292,931
Fixed asset revaluation	(2,042,705)	(2,168,507)	-	-
Investment tax credit	1,693,611	1,693,611	-	-
	1,619,261	1,609,041	790,544	843,088

25. Deferred taxation (continued)

Deferred income taxes are calculated on all temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax used is 35% (2020: 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% (2020: 5% and 8%) of the transfer value.

The company did not have unrecognised deferred income tax assets that could be carried forward against future taxable income as at 31 December 2021and 31 December 2020.

26. Share capital

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
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	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Profit for the year attributable to shareholders:				
- Basic profit for year attributable to ordinary equity holders of the parent	1,190,693	1,435,736	225,717	1,245,860
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	0.24	0.29	0.05	0.25

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	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	24,778,131	24,043,828	-	-
Revaluation surplus (note 13)	-	734,303	-	-
As at 31 December	24,778,131	24,778,131	-	-

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	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	59,913	56,760	58,977	55,973
Change in fair value	2,559	3,004	2,559	3,004
Share in OCI of joint ventures (note 15)	157	149	-	-
As at 31 December	62,629	59,913	61,536	58,977

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	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	6,249,374	4,912,271	17,011,883	15,960,338
Transfer from retained earnings	-	1,337,103	-	1,051,545
As at 31 December	6,249,374	6,249,374	17,011,883	17,011,883

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	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January and 31 December	47,852	47,852	-	-

This reserve represents tax benefits related to industrial activities.

32. Incentives and benefits reserves

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
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	
	2021	2020	2021	2020
	€	€	€	€
Cash at banks and in hand	1,820,066	2,885,196	549,351	1,649,573
Allowance for ECL	(1,039)	(528)	(49)	(528)
Bank overdrafts (note 16)	(1,848,101)	(1,296,299)	-	-
As at 31 December	(29,074)	1,588,369	549,302	1,649,045

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

	The Group		The Company	
	2021	2020	2021	2020
	€	€	€	€
As at 1 January	528	299	528	299
Provision for ECL (note 7)	511	229	(479)	229
As at 31 December	1,039	528	49	528

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 FVTOCI. 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 €372,332 (2020: €443,370) that is subject to interest at floating rates linked to Euribor (note 10).

b. Other market price risk - Equity price risk

The Group is exposed to equity price risk, which arises from equity securities measured at FVTOCI 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 €592,006 (2020: €588,070), 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 2021

	The Group								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 21 and 24)**	**Accrued rental income (notes 16 and 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*	N/A	*General*	*General*	*General*	*General*	*General*	
Probability of default	0.04% - 2.27%	2.49% - 40%	-	0.04% - 2.27%	0.02% - 2.49%	0.36% - 2.27%	0.36%	0.067% - 0.36%	
Loss given default	0.75 - 7.75	N/A	-	0.75	0.75 - 1.00	0.75	0.75	0.45	
Estimated gross carrying amount at default	1,512,178	4,100,566	-	353,871	1,814,527	637,762	164,401	998,157	9,581,462
Allowance for ECL	191,472	412,798	-	4,522	39,577	4,876	444	1,039	654,728
Increase/(decrease) in provision for ECL (note 7)	(78,486)	10,898	-	549	11,116	(854)	(233)	511	(56,499)

31 December 2020

	The Group								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 21 and 24)**	**Accrued rental income (notes 16 and 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*	*N/A*	*General*	*General*	*General*	*General*	*General*	
Probability of default	0.36% - 2.30%	2.49% - 40%	-	2.27%	0.36% - 2.49%	0.36% - 2.67%	0.36% - 2.67%	0.10%	
Loss given default	0.75	N/A	-	0.75	0.75	0.75	0.75	0.45	
Estimated gross carrying amount at default	1,326,011	7,102,460	-	290,787	1,501,915	847,422	250,464	1,610,855	12,929,914
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

Hal Mann Vella Group p.l.c.

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

31 December 2021	**The Company**								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 21 and 24)**	**Accrued rental income (note 16)**	**Contract assets (note 22)**	**Amounts owed by subsidiary and related undertakings (notes 16 and 21)**	**Loans to joint ventures (notes 16 and 21)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*N/A*	*N/A*	*General*	*N/A*	*General*	*General*	*General*	
Probability of default	0.36% - 2.27%	-	-	0.36% - 2.27%	-	0.36% - 2.27%	0.36%	0.067%	
Loss given default	0.75	-	-	0.75	-	0.75	0.75	0.45	
Estimated gross carrying amount at default	93,763	-	-	280,279	-	21,239,465	164,401	388,111	22,166,019
Allowance for ECL	524	-	-	4,522	-	332,283	444	49	337,822
Increase/(decrease) in provision for ECL (note 7)	(660)	-	-	549	-	17,591	(233)	(479)	16,768

31 December 2020	**The Company**								
	Trade receivables (notes 16 and 21)		**Lease receivables (notes 21 and 24)**	**Accrued rental income (note 16)**	**Contract assets (note 22)**	**Amounts owed by subsidiary and related undertakings (notes 16 and 21)**	**Loans to joint ventures (notes 16 and 21)**	**Cash and cash equivalents (note 33)**	**Total**
Approach in measuring ECL	*General*	*N/A*	*N/A*	*General*	*N/A*	*General*	*General*	*General*	
Probability of default	0.36% - 2.27%	-	-	2.27%	-	0.36% - 2.27%	0.36%	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	-	20,353,050	250,464	1,610,855	22,517,603
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)

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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 2021

	The Group			
	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	**€**	**€**	**€**
Bank overdrafts and loans	3,573,839	7,987,375	1,385,943	12,947,157
Finance lease liabilities	203,750	1,874,803	2,758,541	4,837,094
5% secured bonds and interest	1,500,000	32,750,000	-	34,250,000
Trade and other payables (note 23)	13,698,524	-	-	13,698,524
Shareholders' loans (note 16)	1,673,295	-	2,117,816	3,791,111
Other financial liabilities (note 16)	1,721,947	-	8,392,602	10,114,549
	22,371,355	42,612,178	14,654,902	79,638,435

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	6,943,583	1,774,669	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	34,250,000	-	35,750,000
Trade and other payables (note 23)	13,591,134	9,621	-	13,600,755
Shareholders' loans (note 16)	1,673,295	-	2,117,816	3,791,111
Other financial liabilities (note 16)	1,672,767	-	7,862,145	9,534,912
	22,955,987	42,783,183	17,349,182	83,088,352

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

Liquidity risk (continued)

Year ended 31 December 2021

	The Company			
	Less than 1 year	**1 to 5 years**	**> 5 years**	**Total**
	€	€	€	€
Finance lease liabilities	39,500	158,000	1,709,589	1,907,089
5% secured bonds and interest	1,500,000	32,750,000	-	34,250,000
Trade and other payables (note 23)	1,249,055	-	-	1,249,055
Shareholders' loans (note 16)	864,614	-	2,117,816	2,982,430
Other financial liabilities (note 16)	-	100,000	1,773,301	1,873,301
	3,653,169	33,008,000	5,600,706	42,261,875

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	34,250,000	-	35,750,000
Trade and other payables (note 23)	1,347,113	-	-	1,347,113
Shareholders' loans (note 16)	864,614	-	2,117,816	2,982,430
Other financial liabilities (note 16)	-	100,000	1,739,328	1,839,328
	3,751,227	34,508,000	5,606,233	43,865,460

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

Fair value risk

As at 31 December 2021 and 2020, the carrying amounts of trade and other receivables, cash and cash equivalents, 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 2021				
Investment property	-	14,758,157	35,416,300	50,174,457
Property, plant and equipment	-	23,984,716	-	23,984,716
Equity instrument at FVOCI	-	-	592,006	592,006
	-	38,742,873	36,008,306	74,751,179
As at 31 December 2020				
Investment property	-	13,901,749	35,389,555	49,291,304
Property, plant and equipment	-	23,984,716	-	23,984,716
Equity instrument at FVPL	-	-	588,070	588,070
	-	37,886,465	35,977,625	73,864,090

	The Company			
	Level 1	**Level 2**	**Level 3**	**Total**
	€	€	€	€
As at 31 December 2021				
Investment property	-	32,373,877	-	32,373,877
Equity instrument at FVOCI	-	-	1,292,006	1,292,006
	-	32,373,877	1,292,006	33,665,883
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

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

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 2021 and 2020.

	The Group		The Company	
	2021	**2020**	**2021**	**2020**
	€	**€**	**€**	**€**
Interest-bearing loans and other borrowings (note 16)	48,349,347	48,123,779	32,006,948	31,939,712
Trade and other payables (note 23)	13,698,524	13,600,755	1,249,055	1,347,113
Finance lease liability (note 24)	8,292,602	7,814,209	838,144	836,946
Less: cash and cash equivalents (note 33)	(1,819,027)	(2,884,668)	(549,302)	(1,649,045)
Net debt	68,521,446	66,654,075	33,544,845	32,474,726
Equity	48,512,194	47,318,785	25,560,051	25,331,775
Net debt to equity ratio	1.4:1	1.4:1	1.3:1	1.3:1

No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2021 and 2020.

Notes to the Consolidated Financial Statements
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35. Supplemental cash flow information

Changes in liabilities arising from financing activities
The Group

	1 January 2021	Cash flows	Non-cash changes	31 December 2021
	€	€	€	€
Bank overdrafts	1,296,299	551,802	-	1,848,101
Bank loans	11,541,706	(442,650)	-	11,099,056
5% secured bonds	29,721,896	-	67,236	29,789,132
Amount due to joint ventures	1,577,607	89,161	(86,063)	1,580,705
Shareholders' loans	3,791,111	-	-	3,791,111
Amount due to related undetakings	95,160	46,082	-	141,242
Other loan	100,000	-	-	100,000
Finance lease liability	7,814,209	(358,927)	837,320	8,292,602
Total liabilities from financing activities	55,937,988	(114,532)	1,178,638	58,024,527

	1 January 2020	Cash flows	Non-cash changes	31 December 2020
	€	€	€	€
Bank overdrafts	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 companies	21,484	73,676	-	95,160
Other loan	100,000	-	-	100,000
Finance lease liability	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

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).

Notes to the Consolidated Financial Statements
for the year ended 31 December 2021

35. Supplemental cash flow information *(continued)*

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

	1 January 2021	Cash flows	Non-cash changes	31 December 2021
	€	€	€	€
5% secured bonds	29,721,896	-	63,795	29,785,691
Loans from related party	100,000	-	-	100,000
Loans from subsidiaries	331,524	33,973	-	365,497
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	836,946	(39,500)	40,698	838,144
Total liabilities from financing activities	35,380,600	(5,527)	104,493	35,479,566

	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

36. Related party transactions

The Company

Related party relationships

As at the date of statement of financial position the Company had related party transactions with its shareholders, group and related undertakings. Amounts due from/to shareholders, group and related parties are disclosed in notes 16, 21 and 23.

The following companies are related by virtue of being controlled by Hal Mann Vella Group p.l.c.

	Percentage of shares held by Hal Mann Vella Group plc	
	2021	**2020**
Mavina Holiday Complex Ltd	99.93%	99.93%
Sudvel Limited	100%	100%
Hal Mann International Limited	100%	100%
Hal Mann Properties Ltd	99.99%	99.99%
Hal Mann (Letting) Ltd	100%	100%
Hal Mann Vella Limited	100%	100%
Halmann Solar Limited	100%	100%
HMK Limited	100%	100%

The following companies are related by virtue of being jointly controlled by Hal Mann Vella Group p.l.c.

	Percentage of shares held by Hal Mann Vella Group plc	
	2021	**2020**
Hal Mann Holdings Ltd	50%	50%
Madliena Ridge Limited	50%	50%
HMK International Ltd.	50%	50%
Zokrija Limited	50%	50%

36. Related party transactions *(continued)*

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 Company:					
Mavina Holiday Complex Ltd	2021	-	2,142	-	25,427
	2020	-	-	101,004	-
Sudvel Limited	2021	-	323,659	5,189,873	-
	2020	-	226,409	5,542,680	-
Hal Mann International Limited	2021	202,770	534,175	7,101,352	-
	2020	202,770	619,774	5,543,090	-
Hal Mann Properties Ltd	2021	3,072	203,041	4,062,775	-
	2020	3,072	186,879	4,123,619	-
Halmann Solar Limited	2021	-	-	-	340,070
	2020	-	-	-	331,524
Hal Mann (Letting) Ltd	2021	-	139,480	1,987,636	-
	2020	-	94,512	2,095,377	-
Hal Mann Vella Limited	2021	468,509	201,100	2,673,835	-
	2020	438,980	323,042	2,756,086	-
HMK Limited	2021	-	-	32,800	-
	2020	-	-	300	-
Joint venture in which the Company is a venturer:					
Madliena Ridge Limited	2021	-	-	-	591,174
	2020	-	-	-	591,174
Hal Mann Holdings Ltd	2021	-	-	-	816,630
	2020	-	-	-	816,630
HMK International Ltd	2021	7,733	4,607	164,401	-
	2020	7,733	4,607	250,464	-

36. Related party transactions (*continued*)

		Rental income	Interest income	Amount owed by related parties	Amount owed to related parties
		€	€	€	€
Other related undertakings					
Klikk Finance p.l.c.	2021	-	-	-	225,375
	2020	-	-	-	225,375
Klikk Limited	2021	-	-	191,194	-
	2020	-	-	191,194	-
Shareholders' loans	2021	-	-		2,982,430
	2020	-	-		2,982,430

Terms and conditions of transactions with related parties

The rental income and purchases from/to related parties are made on terms equivalent to those that prevail in arm's length transactions. Outstanding balances at the year-end are unsecured, interest free except for amounts due from subsidiaries which bear interest at 5.3% annually, 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 2021, the Company 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

37. Events after the reporting date

The Group evaluated subsequent events after year end until the date the financial statements are approved, as follows:

The geopolitical situation in Eastern Europe intensified on 24 February 2022 with Russia's invasion of Ukraine. The war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighboring countries (e.g., Belarus) or that conduct business with their counterparties, the war is increasingly affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The Group are closely monitoring the possible impact on its operations and financial performance and is commited to take all necessary steps to mitigate the impact. There is no impact on the financial statements of the Group as at date of approval.

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 5.99% 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 13.43% of the issued share capital.