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BORCHILD LIMITED

Annual Report and Consolidated
Financial Statements
31 October 2015

	Pages
Directors' report	1 - 2
Independent auditor's report	3 - 4
Statements of financial position	5 - 6
Income statements	7
Statements of comprehensive income	8
Statements of changes in equity	9 - 11
Statements of cash flows	12
Notes to the financial statements	13 - 53

Directors' report

The directors present their report and the audited financial statements for the year ended 31 October 2015.

Principal activities

The Group's principal activities, which are unchanged since last year, are mainly the manufacture and sale of quality menswear and ladies wear locally and within the European Union and from the operations of a hotel locally

The company's principal activity, which is unchanged since last year, is that of holding investments.

Review of the business

The Group's level of business continued to decrease during the current financial year. The Group's and company's financial positions remain satisfactory. The directors expect that the Group's present level of activity and results will improve in the foreseeable future.

Results and dividends

The consolidated financial results are set out on page 7. The directors have proposed and paid a final dividend on ordinary shares of €143,000 (2014: €194,000) and on preference shares of €37,970 (2014: €10,831).

Directors

The directors of the company who held office during the year were

Peter Borg (Managing Director)
Karen Bugeja
Sam Borg
Alexandra Borg
Christine Demicoli

The company's Articles of Association do not require any directors to retire.

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act, 1995 to prepare consolidated financial statements which give a true and fair view of the state of affairs of the Group as at the end of each reporting period and of the profit or loss for that period.

In preparing the consolidated financial statements, the directors are responsible for

- ensuring that the consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU (as modified by Article 174 of the Maltese Companies Act, 1995);
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Group will continue in business as a going concern.

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

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

The consolidated financial statements of Borchild Limited for the year ended 31 October 2015 are included in the Annual Report 2015, which is published in hard-copy printed form and may be made available on the Group'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 Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of consolidated financial statements may differ from requirements or practice in Malta.


Auditors

PricewaterhouseCoopers have indicated their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

On behalf of the board



Peter Borg
Director



Karen Bugeja
Director

Registered office
"St Therese"
Hughes Hallet Street
Sliema
Malta

05 September 2017



Independent auditor's report

To the Shareholders of Borchild Limited

Report on the Financial Statements for the year ended 31 October 2015

We have audited the consolidated and the stand-alone parent company financial statements of Borchild Limited on pages 5 to 53 which comprise the consolidated and parent company statements of financial position as at 31 October 2015, the consolidated and parent company statements of income, comprehensive income, of changes in equity, and the consolidated and parent company statements of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. As described in the statement of directors' responsibilities on pages 1 and 2, this responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the Group and the parent company as at 31 October 2015, and of the Group's and the parent company's financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU, and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements for the year ended 31 October 2015

We also have responsibilities under the Maltese Companies Act, 1995 to report to you if, in our opinion

- The information given in the directors' report is not consistent with the financial statements.
- 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
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report

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

PricewaterhouseCoopers

78 Mill Street
Qormi
Malta

A handwritten signature in black ink, appearing to read 'F. Axisa'.

Fabio Axisa
Partner

05 September 2017

Statements of financial position

		Group			Company	
		At 31 October		At 1 November	At 31 October	
Notes		2015 €	2014 €	2013 €	2015 €	2014 €
ASSETS						
Non-current assets						
Property, plant and	4	10,877,619	10,186,188	9,894,571	-	-
Investment property	5	1,825,014	1,868,401	1,910,899	-	-
Other assets	6	-	238,203	-	-	-
Investments in subsidiaries	7	-	-	-	26,136	26,136
Investment in joint venture	8	19,370	15,687	41,803	-	-
Available-for-sale	10	243,337	1,916,175	2,583,048	-	-
Loans and advances	11	1,973,539	1,973,539	1,973,539	-	-
Trade and other receivables	13	477,453	502,786	528,119	-	-
Total non-current assets		15,416,332	16,700,979	16,931,979	26,136	26,136
Current assets						
Inventories	12	14,514,885	10,261,854	10,315,150	-	-
Trade and other receivables	13	4,432,099	4,227,200	5,038,776	76,031	73,033
Current tax assets		150,349	16,102	16,102	-	-
Term placements	14	7,579	7,450	7,324	-	-
Cash and cash equivalents	15	550,818	1,513,746	693,879	4,871	4,871
Total current assets		19,655,730	16,026,352	16,071,231	80,902	77,904
Total assets		35,072,062	32,727,331	33,003,210	107,038	104,040

Statements of financial position - continued

	Notes	Group			Company	
		At 31 October		At 1 November	At 31 October	
		2015 €	2014 €	2013 €	2015 €	2014 €
EQUITY AND LIABILITIES						
Capital and reserves to equity holders of the company						
Share capital	16	46,587	46,587	46,587	46,587	46,587
Revaluation reserves	17	579,692	570,168	587,778	-	-
Other reserves	18	86,229	86,229	86,168	-	-
Retained earnings		5,543,933	5,340,579	5,067,253	887	881
		6,256,441	6,043,563	5,787,786	47,474	47,468
Non-controlling interests	19	17,703,435	17,107,688	16,524,228	-	-
Total equity		23,959,876	23,151,251	22,312,014	47,474	47,468
Non-current liabilities						
Deferred taxation	20	658,693	790,430	790,430	-	-
Borrowings	21	1,884,417	2,345,151	2,343,854	-	-
Total non-current liabilities		2,543,110	3,135,581	3,134,284	-	-
Current liabilities						
Borrowings	21	5,561,572	3,312,326	4,826,555	-	-
Trade and other payables	22	2,958,628	3,113,802	2,719,896	51,485	48,493
Current tax liabilities		48,876	14,371	10,461	8,079	8,079
Total current liabilities		8,569,076	6,440,499	7,556,912	59,564	56,572
Total liabilities		11,112,186	9,576,080	10,691,196	59,546	56,572
Total equity and liabilities		35,072,062	32,727,331	33,003,210	107,038	104,040

The notes on pages 13 to 53 are an integral part of these consolidated financial statements

The financial statements on pages 5 to 53 were authorised for issue by the board on 05 September 2017 and were signed on its behalf by

Peter Borg
Director

Karen Bugeja
Director

Income Statements

	Notes	Year ended 31 October			
		Group		Company	
		2015 €	2014 €	2015 €	2014 €
Revenue	23	21,721,846	25,091,494	-	-
Cost of sales	24	(15,078,972)	(18,646,430)	-	-
Gross profit		6,642,874	6,445,064	-	-
Administrative expenses	24	(2,456,011)	(2,472,817)	(2,994)	(3,310)
Selling expenses	24	(3,462,643)	(2,899,418)	-	-
Other operating (expenses)/income		(40,149)	(56,258)	2,998	-
Operating profit/(loss)		684,071	1,016,571	4	(3,310)
Investment and other related income	27	405,478	311,896	37,194	50,459
Finance income	28	51,672	54,680	-	-
Finance costs	29	(233,625)	(218,576)	-	-
Share of profit/(loss) from joint venture	8	3,683	(26,116)	-	-
Profit before tax		911,279	1,138,455	37,198	47,149
Tax expense	30	(56,524)	(26,680)	-	-
Profit for the year		854,755	1,111,775	37,198	47,149
Profit for the year					
Owners of the company		221,824	323,846		
Non-controlling interests		632,931	787,929		
		854,755	1,111,775		
Earnings per share	31	11.09	16.19		

The notes on pages 13 to 53 are an integral part of these consolidated financial statements

Statements of comprehensive income

	Notes	Year ended 31 October			
		Group		Company	
		2015	2014	2015	2014
		€	€	€	€
Profit for the year		854,755	1,111,775	37,198	47,149
Other comprehensive income					
<i>Items that will not be reclassified to profit or loss</i>					
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals	20	131,737	-	-	-
<i>Items that may be subsequently reclassified to profit or loss</i>					
Available-for-sale financial assets					
- Gains from changes in fair value	10	175,532	12,181	-	-
- Reclassification adjustments for net gains included in profit or loss upon disposal	17,19	(270,548)	(79,889)	-	-
Currency translation differences		98,119	-	-	-
Total comprehensive income for the year		989,595	1,044,067	37,198	47,149
Total comprehensive income attributable					
Owners of the Company		250,070	306,236	37,198	47,149
Non-controlling interests		739,525	737,831	-	-
		989,595	1,044,067	37,198	47,149

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the parent				Non-	Total
		Share capital	Revaluation reserves	Other reserves	Retained earnings	controlling interests	
		€	€	€	€	€	€
Balance at 1 November 2013		46,587	587,778	86,168	5,067,253	16,524,228	22,312,014
Comprehensive income							
Profit for the year		-	-	-	323,846	787,929	1,111,775
Other comprehensive income							
Available-for-sale financial assets							
- Gains from changes in fair value	17,19	-	3,167	-	-	9,014	12,181
- Reclassification adjustment for the net gains included in profit or loss upon disposal	17,19	-	(20,777)	-	-	(59,112)	(79,889)
Total comprehensive income		-	(17,610)	-	323,846	737,831	1,044,067
Transfer to/(from) other reserve		-	-	61	(61)	-	-
Transactions with owners							
Dividends for 2014	31	-	-	-	(50,459)	(154,371)	(204,830)
Balance at 31 October 2014		46,587	570,168	86,229	5,340,579	17,107,688	23,151,251

Statements of changes in equity - continued

Group

	Notes	Attributable to owners of the parent				Non-	Total
		Share capital	Revaluation reserves	Other reserves	Retained earnings	controlling interests	
		€	€	€	€	€	€
Balance at 1 November 2014		46,587	570,168	86,229	5,340,579	17,107,688	23,151,251
Comprehensive income							
Profit for the year		-	-	-	221,824	632,931	854,755
Other comprehensive income.							
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals	17	-	34,242	-	-	97,495	131,737
Available-for-sale financial assets							
- Gain from changes in fair value	17,19	-	45,652	-	-	129,880	175,532
- Reclassification adjustment for the net gains included in profit or loss upon disposal	17,19	-	(70,370)	-	-	(200,178)	(270,548)
- Currency translation differences		-	-	-	18,722	79,397	98,119
Total comprehensive income		-	9,524	-	240,546	739,525	989,595
Transactions with owners							
Dividends for 2015	31	-	-	-	(37,192)	(143,778)	(180,970)
Balance at 31 October 2015		46,587	579,692	86,229	5,543,933	17,703,435	23,959,876

During previous financial year, exchange differences arising from the translation of the net investment in foreign Group entities were deemed immaterial and accordingly have been recognised directly in the income statement

Statements of changes in equity - continued

Company

	Share capital €	Retained earnings €	Total €
Balance at 1 November 2013	46,587	4,191	50,778
Comprehensive income			
Profit for the year	-	47,149	47,149
Transactions with owners			
Dividends for 2014	-	(50,459)	(50,459)
Balance at 31 October 2014	46,587	881	47,468
Balance at 1 November 2014	46,587	881	47,468
Comprehensive income			
Profit for the year	-	37,198	37,198
Transactions with owners			
Dividends for 2015	-	(37,192)	(37,192)
Balance at 31 October 2015	46,587	887	47,474

The notes on pages 13 to 53 are an integral part of these consolidated financial statements

Statements of cash flows

		Year ended 31 October			
Notes	Group		Company		
	2015	2014	2015	2014	
	€	€	€	€	
Cash flows from operating activities					
Cash (used in)/ generated from operations	33	(3,152,951)	2,966,848	-	-
Investment income		405,478	314,730	37,194	50,459
Finance income		51,672	51,784	-	-
Finance expense		(233,625)	(218,576)	-	-
Tax paid		(156,267)	(18,089)	-	-
Net cash (used in)/ generated from operating activities		(3,085,693)	3,096,697	37,194	50,459
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(1,354,168)	(905,042)	-	-
Purchase of investment property	5	-	(889)	-	-
Purchase of other assets		-	(238,202)	-	-
Purchase of available-for-sale investments	10	(549,195)	(986,698)	-	-
Proceeds from disposal of available-for-sale investments	10	2,127,017	1,585,861	-	-
Proceeds from sale of other assets		238,203	-	-	-
Term placement		(129)	-	-	-
Net cash generated from/(used in) investing activities		461,728	(544,970)	-	-
Cash flows from financing activities					
Repayments of bank borrowings		(158,555)	12,602	-	-
Repayment of shareholder loan		(309,208)	-	-	-
Dividends paid		(180,970)	(204,831)	(37,194)	(50,459)
Net cash used in financing activities		(648,733)	(192,229)	(37,194)	(50,459)
Movement in cash and cash equivalents		(3,272,698)	2,359,498	-	-
Cash and cash equivalents at beginning of year	15	(1,634,980)	(4,013,536)	4,871	4,871
Effects of currency translation on cash and cash equivalents		53,494	19,058	-	-
Cash and cash equivalents at end of year	15	(4,854,184)	(1,634,980)	4,871	4,871

The notes on pages 13 to 53 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Borchild Limited and its subsidiary undertakings. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act, 1995. They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment and available-for-sale investments and equity accounting of the investment in joint venture.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires management to exercise its judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3 - Critical accounting estimates and judgments.

Acquisition of subsidiary

During the current financial year the Group acquired a subsidiary, Chansel Limited (Note 7), which was ultimately fully owned and controlled by the same ultimate beneficial owners as the Group. Accordingly, the transaction referred to above involves an entity under common control, whereby this entity is controlled by the same parties before and after the transaction, and that control is not transitory. The key feature of a transaction among entities under common control is that there is no change in the ultimate ownership of the entities involved as a result of the transaction. Control is exercised by a group of individuals that are all part of the same close family group when they have the collective power to govern the financial and operating policies of the respective entities which are involved in the transactions.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Acquisition of subsidiary - continued

For the purposes of preparing these consolidated financial statements, Borchild Limited has applied the predecessor method of accounting to reflect the transaction referred to above involving an entity under common control. Accordingly Borchild Limited:

- a) recorded the acquisitions as if they had already taken place at the beginning of the earliest period presented within the financial statements, i.e. 1 November 2013;
- b) incorporated the assets and liabilities attributable to the acquired entity using predecessor book values derived from the financial statements of the acquired entity with the addition as a result of this acquisition being already reflected at the beginning of the earliest period presented,
- c) incorporated the financial results, by reference to the financial statements, registered by the acquired entity during the years ended 31 October 2015 and 2014; and
- d) reflected the difference between the consideration and the aggregate book value of the assets and liabilities attributable to the acquire entity as adjustments to equity.

The impacts of the application of the predecessor accounting treatment described highlighted above on the consolidated financial position of Borchild Limited are reflected in the table below.

	31 October 2014 €	1 November 2013 €
Inventories	6,938	6,938
Trade and other receivables: current amounts	37,435	37,435
Cash and cash equivalents	168,105	201,134
Trade and other payables: current amounts	(77,453)	(105,238)
	<hr/> 135,025	<hr/> 140,269
<i>Represented by:</i>		
Retained earnings	<hr/> 158,696	<hr/> 140,269

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

Acquisition of subsidiary - continued

The impacts of the accounting treatment highlighted above on the group's results for the year ended 31 October 2014 are reflected below

	31 October 2014 €
Revenue	1,019,336
Cost of sales	(988,289)
Gross profit	31,047
Administrative expenses	(7,699)
Operating profit	23,348
Finance income	62
Profit before tax	23,410
Taxation	(4,681)
Profit for the year	18,729

Standards, interpretations and amendments to published standards effective in current year

During the current financial year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 November 2014. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, impacting the company's financial performance and position.

Standards, interpretations and amendments to published standards that are not yet effective

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning after 1 November 2014. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

IFRS 13, 'Fair value measurement', aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. The requirements do not extend the use of fair value accounting, but provide guidance on how it should be applied where its use is already required or permitted by other standards.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 9, 'Financial instruments', addresses the classification and measurement of financial assets, and replaces the multiple classification and measurement models in IAS 39 with a single model that has only two classification categories: amortised cost and fair value. Classification under IFRS 9 is driven by the reporting entity's business model for managing the financial assets and the contractual characteristics of the financial assets. IFRS 9, 'Financial instruments', also addresses the classification and measurement of financial liabilities, and retains the majority of the requirements in IAS 39 in relation to financial liabilities. The Group is considering the implications of the standard and its impact on the company's financial results and position, together with the timing of its adoption taking cognisance of the endorsement process by the European Commission, and will also consider the impact of the remaining phases of IFRS 9 when complete.

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

1.2 Consolidation

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.

1. Summary of significant accounting policies - continued

1.2 Consolidation – continued

(a) Subsidiaries - continued

Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with IAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not re-measured, and its subsequent settlement is accounted for within equity

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of Group undertakings are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

A listing of the Group's subsidiary undertakings is set out in Note 7.

(b) Joint arrangements

The Group applies IFRS 11 to all joint arrangements. Under IFRS 11 investments in joint arrangements are classified as either joint operations or joint ventures depending on the contractual rights and obligations each investor. The Group has assessed the nature of its joint arrangements and determined them to be joint ventures. Joint ventures are accounted for using the equity method.

Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses and movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

In the company's separate financial statements, investments in joint ventures are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of joint ventures are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

A listing of the Group's joint ventures is shown in Notes 8.

1. Summary of significant accounting policies - continued

1.2 Consolidation – continued

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

Unrealised gains on transactions between the group and its associates are eliminated to the extent of the group's interest in the associates. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the group.

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

1.3 Foreign currency translation

(a) Functional and presentation currency

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.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the rates of exchange 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 the income statement.

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(c) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyper-inflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of the statement of financial position;
- (ii) income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- (iii) all resulting exchange differences are recognised in the income statement since they are deemed to be immaterial.

Fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in the income statement since they are deemed to be immaterial.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying foreign currency purchases of property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognized. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Increases in the carrying amount arising on revaluation of land and buildings are credited to other comprehensive income and shown as revaluation reserves in shareholders' equity. Decreases that offset previous increases of the same asset are charged in other comprehensive income and debited against revaluation reserves directly in equity; all other decreases are charged to the income statement. Each year the difference between depreciation based on the revalued carrying amount of the asset charged to the income statement, and depreciation based on the asset's original cost is transferred from 'revaluation reserves' to 'retained earnings'.

Freehold land is not depreciated as it is deemed to have an indefinite life. Assets in the course of construction are not depreciated.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

No depreciation is charged on linen, crockery, cutlery, glassware, uniforms and hotel loose tools. Normal replacements are charged to the income statement.

Depreciation is calculated using the straight-line method to allocate their cost or revalued amounts to their residual values over their estimated useful lives, as follows

		%
Buildings	1	- 16½
Plant and equipment	7	- 33½
Furniture, fixtures, fittings and soft furnishings	7	- 25
Motor vehicles	13	- 20

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

Property, plant and equipment is reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are Grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Gains and losses on disposals of property, plant and equipment are determined by comparing proceeds with carrying amount and are included in the income statement. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

1.5 Investment property

Investment property, principally comprising freehold office buildings, is held for long-term rental yields or for capital appreciation or both, and is not occupied by the Group. Investment property also includes property that is being constructed or developed for future use as investment property, when such identification is made.

The Group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. 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.

1. Summary of significant accounting policies - continued

1.5 Investment property - continued

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.

Land is not depreciated as it is deemed to have an indefinite life. The capitalised costs of buildings are amortised using the straight-line method over a maximum of 50 years, in accordance with their useful lives. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its cost and accumulated amortisation at the date of the reclassification becomes its cost and accumulated depreciation for subsequent accounting purposes. When the Group decides to dispose of an investment property without development, the Group continues to treat the property as an investment property. Similarly, if the Group begins to redevelop an existing investment property for continued future use as investment property, it remains an investment property during the redevelopment.

If an item of property, plant and equipment becomes an investment property because its use has changed, its cost and accumulated depreciation at the date of the reclassification becomes its cost and accumulated amortisation for subsequent accounting purposes.

1.6 Financial assets

1.6.1 Classification

The Group classifies its financial assets (other than investments in joint ventures and associates, and shares in subsidiary undertakings only in the company's case) in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are also categorised as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months, otherwise they are classified as non-current.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise: loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position.

1. Summary of significant accounting policies - continued

1.6 Financial assets – continued

1.6.1 Classification - continued

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

1.6.2 Recognition and measurement

Regular purchases and sales of financial assets are recognised on the trade-date – the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the income statement within 'Other (losses)/gains – net' in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in the income statement as part of other income when the Group's right to receive payments is established.

Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in other comprehensive income.

When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the income statement as 'Gains and losses from investment securities'.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of finance income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

1.6.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the company or the counterparty.

1. Summary of significant accounting policies - continued

1.6.4 Impairment of financial assets

(a) Assets carried at amortised cost

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or Group of financial assets is impaired. A financial asset or a Group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or Group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a Group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

For loans and receivables category, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

(b) Assets classified as available for sale

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a Group of financial assets is impaired

For debt securities, if any such evidence exists, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

For equity investments, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement.

1. Summary of significant accounting policies - continued

1.7 Loans and advances

Under the requirements of IAS 39, the group's loans and advances, consisting in the main of advances to related parties, and only in the company's case, to a subsidiary, are classified as loans and receivables, unless the group has the intention of trading the asset immediately or in the short-term, in which case the loans and advances are categorised as instruments held-for-trading.

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

1.8 Inventories

(a) Goods held in relation to hotel operations and for resale

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined by the weighted average cost method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(b) Property held for developments and resale

When the main object of a property project is development for resale purposes, the asset is classified in the financial statements as inventories. Property is also classified as inventory, where there is a change in use of investment property evidenced by the commencement of development with a view to sale. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1.9 Trade receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Organisation will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited to profit or loss.

1. Summary of significant accounting policies - continued

1.10 Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. In the consolidated balance sheet, bank overdrafts are shown within borrowings in current liabilities

1.11 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds

1.12 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 (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

1.13 Financial liabilities

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IAS 39. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The group derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires

1.14 Borrowings

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

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period

1.15 Borrowing costs

Interest costs are charged against income without restriction. No borrowing costs have been capitalised

1.16 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously

1. Summary of significant accounting policies - continued

1.17 Current and deferred tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity respectively.

Deferred tax is recognised in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

The principal temporary differences arise from the fair valuation of land and buildings category of property, plant and equipment and investment property, depreciation on property, plant and equipment and provisions for impairment of trade and other receivables. Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.18 Retirement benefit costs

Group undertakings contribute towards the government pension scheme in accordance with local legislation and do not provide for any other post-employment defined contribution or benefit retirement plans. These costs are recognised as an expense in the income statement during the year in which they are incurred.

1.19 Government grants

Training grants received from the government under the provision of the Business Promotion Act are credited to the income statement upon receipt. An amount equivalent to the training grants received is transferred to the Incentives and Benefits Reserve.

1.20 Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable, and represents amounts receivable for goods supplied, stated net of discounts, returns and value added taxes. The Group recognises revenue when the amount of revenue can be reliably measured; when it is probable that future economic benefits will flow to the entity, and when specific criteria have been met for each of the Group's activities, as described below.

1. Summary of significant accounting policies - continued

1.20 Revenue recognition – continued

(a) Sales of goods

Sales of goods are recognised when the Group has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured.

(b) Sales of services

Sales of services are recognised in the accounting period in which the services are rendered

(c) Interest income

Interest income is recognised in the income statement for all interest-bearing instruments as it accrues, on a time-proportion basis using the effective interest method, unless collectability is in doubt

(d) Dividend income

Dividend income is recognised when the right to receive payment is established

(e) Sales of property

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the

(f) Other operating income

Other operating income, consisting in the main of management fees receivable from Group undertakings, is recognised on an accrual basis unless collectability is in doubt

1.21 Leases

Leases of assets where a significant portion of the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

1.22 Dividend distribution

Dividend distribution to the company's shareholders is recognised as a liability in the financial statements in the period in which the dividends are approved by the shareholders

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The nature of the Group's operations implies that financial instruments are extensively used in the course of its activities. The Group's financial instruments principally consist of cash and bank balances, investments (both marketable and otherwise), loans and advances, receivables, loans and borrowings, and payables. The Group's overall risk management, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The parent company's board of directors provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the group's sales, purchases and subcontracted labour from a subsidiary are denominated primarily in Tunisian Dinar, Great British Pound, US dollar and Swedish Krona, accordingly the group is exposed to foreign exchange risk arising from such sales and purchases. A subsidiary domiciled overseas has a functional currency which is different from the euro and is subject to currency risk in respect of intra-group balances denominated in euro amounting to €1,373,095 (2014: €1,218,283). The exposures from these instruments and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the group's figures.

The group's main risk exposure reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant.

Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the respective undertakings manage the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices by entering into forward contracts in certain instances as outlined previously.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies to be significant. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

2. Financial risk management - continued

2.1 Financial risk factors – continued

(a) Market risk - continued

(ii) Price risk

The Group is exposed to equity securities price risk in view of investments held by the group which have been classified in the statement of financial position as available-for-sale and fair value through profit or loss. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio in terms of listing status and business sectors of investees. A significant portion of the group's investments are quoted on the Malta Stock Exchange and are accordingly incorporated in the MSE equity index. The impact of a reasonable possible shift in the MSE equity index on the group's available-for-sale revaluation reserve is not deemed significant in the context of the group's figures reported in the statement of financial position. The analysis is based on the assumption that the equity index had increased/decreased by 5% at the end of the reporting period, with all other variables held constant, and that all the equity instruments listed on the Malta Stock Exchange moved accordingly to the historical correlation with the index.

(iii) Cash flow and fair value interest rate risk

The Group's operating income and cash flows are substantially independent of changes in market interest rates. The Group's significant interest-bearing instruments comprise mainly fixed interest rate advances to related parties and floating rate bank borrowings. Interest rate and related information is disclosed in the respective notes to the consolidated financial statements. As at the end of the reporting period, the Group did not have any hedging policy with respect to interest rate risk as exposure to such risk was not deemed to be significant by the directors. Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the reporting date to be immaterial taking cognisance of the fact that floating rate instruments comprise bank borrowings.

Fair value interest rate risk is the risk that the value of a financial instrument will fluctuate because of changes in market interest rates. The Group is exposed to fair value interest rate risk principally in respect of its investments, consisting primarily of corporate bonds, which are subject to fixed interest rates. However, the impact of a defined interest rate risk as at the end of the reporting period on the fair value of such financial assets and on the amounts accordingly recognised in equity is deemed immaterial in the context of the figures reported in the Group's statement of financial position.

(b) Credit risk

Credit risk arises from cash and cash equivalents, deposits with banks, investments, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Company's exposures to credit risk are analysed as follows.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Loans and advances (Note 11)	1,973,539	1,973,539	-	-
Trade and other receivables (Note 13)	4,432,099	4,227,200	76,031	73,033
Term deposits (Note 14)	7,579	7,450	-	-
Cash and cash equivalents (Note 15)	550,818	1,513,746	4,871	4,871
	6,964,035	7,721,935	80,902	77,904

The maximum exposure to credit risk at the end of reporting period in respect of the financial assets mentioned above is equivalent to their carrying amount as disclosed in the respective notes to the financial statements

The Group banks only with local financial institutions with high quality standing or rating

In view of nature of the Group's activities and the market in which it operates, a limited number of customers account for a certain percentage of the Group's trade and other receivables. Whilst no individual customer or Group of dependent customers is considered by management as a significant concentration of credit risk with respect to trade receivables, these exposures are monitored and reported more frequently and rigorously. These customers trade frequently with the Group and are deemed by management to have positive credit standing, usually taking cognisance of the performance history without defaults

The Group manages credit limits and exposures actively in a practicable manner such that past due amounts receivable from customers are within controlled parameters. The Group's trade and other receivables, which are not impaired financial assets, are principally debts in respect of transactions with customers whom there is not recent history of default. Management does not expect any losses from non-performance by these customers

The Group also assesses the credit quality of related parties taking into account financial position, performance and other factors. The Group takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default

As at 31 October 2015, trade receivables of €31,472 (2014: €31,472) were impaired and the amount of the provisions in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The Group does not hold any collateral as security in respect of the impaired assets.

The movements in the Group's provisions for impairment of trade receivables are disclosed in Note 13 to the financial statements

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

As at 31 October 2015 trade receivables of €193,167 (2014: 434,769) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these trade receivables is such that these amounts have been past due mainly for more than three months but for less than one year.

The Group has no significant exposure to credit risk with respect to available-for-sale investments since these mainly consist of investments quoted on the Malta Stock Exchange and advances to related parties.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 21) and trade and other payables (Note 22). 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. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 October 2015					
Bank borrowings	5,616,403	203,443	598,149	1,060,831	7,478,826
Borrowings from related parties	-	351,436	-	-	351,436
Trade and other payables	2,958,628	-	-	-	2,958,628
	8,575,031	554,879	598,149	1,060,831	10,788,890
At 31 October 2014					
Bank borrowings	3,652,618	211,401	609,185	1,252,153	5,725,357
Borrowings from related parties	-	660,644	-	-	660,644
Trade and other payables	3,113,802	-	-	-	3,113,801
	6,766,420	872,045	609,185	1,252,153	9,499,803

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year.

2. Financial risk management - continued

2.1 Financial risk factors - continued

(c) Liquidity risk - continued

The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other related party financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

The table above analyses the Group's financial liabilities into relevant maturity groupings based on the remaining period at the end of the reporting period to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

2.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group maintains a strong capital base to support the development of its business. The Group's capital, which consists of its equity as disclosed in the statement of financial position, is monitored taking cognisance of the financial obligations and commitments arising from operational requirements. As at the end of the reporting period, the capital level was deemed adequate by the directors.

2.3 Fair value estimation

The table below analyses financial assets carried at fair value, by valuation method. The different levels have been defined as follows.

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2)
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3)

The following table presents the Group's financial assets that are measured at fair value at 31 October 2015 and 2014.

	Level 1	
	2015	2014
	€	€
Assets		
Available-for-sale financial assets (Note 10)	243,337	1,916,175

2. Financial risk management - continued

2.3 Fair value estimation - continued

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Group, pricing service, or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held by the Company is the current bid price. These instruments are included in level 1. Instruments included in level 1 for the company comprise primarily listed bonds and equities classified as available-for-sale.

As 31 October 2015 and 2014 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term 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 value of non-current financial instruments for disclosure purposes are estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments. The carrying amount of the Group's non-current advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate borrowings as at the end of the reporting period is not significantly different from the carrying amounts.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in term of the requirements of IAS 1.

As referred to in Note 4 to the financial statements, the Group's land and buildings category of property, plant and equipment are fair valued on the basis of professional advice, which considers current market prices in an active market for all properties.

4. Property, plant and equipment

Group	Land and buildings €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Total €
At 1 November 2013					
Cost or valuation	8,201,619	4,908,235	4,386,146	271,354	17,767,354
Accumulated depreciation	(693,447)	(3,772,996)	(3,172,565)	(233,775)	(7,872,783)
Net book amount	7,508,172	1,135,239	1,213,581	37,579	9,894,571
Year ended 31 October 2014					
Opening net book amount	7,508,172	1,135,239	1,213,581	37,579	9,894,571
Exchange differences	(865)	(14,937)	(3,585)	329	(19,058)
Additions	80,213	401,936	330,903	91,990	905,042
Depreciation charge	(111,150)	(214,629)	(247,753)	(20,835)	(594,367)
Closing net book amount	7,476,370	1,307,609	1,293,146	109,063	10,186,188
At 31 October 2014					
Cost or valuation	8,280,967	5,295,234	4,713,464	363,673	18,653,338
Accumulated depreciation	(804,597)	(3,987,625)	(3,420,318)	(254,610)	(8,467,150)
Net book amount	7,476,370	1,307,609	1,293,146	109,063	10,186,188
Year ended 31 October 2015					
Opening net book amount	7,476,370	1,307,609	1,293,146	109,063	10,186,188
Exchange differences	1,917	32,739	9,248	721	44,625
Additions	101,566	343,828	908,774	-	1,354,168
Disposals	-	-	-	(32,378)	(32,378)
Depreciation charge	(118,725)	(245,668)	(323,486)	(19,483)	(707,362)
Depreciation on disposal	-	-	-	32,378	32,378
Closing net book amount	7,461,128	1,438,508	1,887,682	90,301	10,877,619
At 31 October 2015					
Cost or valuation	8,384,450	5,671,801	5,631,486	332,016	20,019,753
Accumulated depreciation	(923,322)	(4,233,293)	(3,743,804)	(241,715)	(9,142,134)
Net book amount	7,461,128	1,438,508	1,887,682	90,301	10,877,619

Fair valuation of property

The directors have reviewed the carrying amounts of the property as at 31 October 2015 and 31 October 2014, on the basis of assessments carried out by the independent professionally qualified property valuers taking cognisance of developments that occurred during the current financial year. No adjustments to the carrying amounts as at 31 October 2015 and 31 December 2014 were deemed necessary.

4. **Property, plant and equipment** - continued

Fair valuation of property - continued

Valuations are made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

The group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

- Quoted prices (unadjusted) in active markets for identical assets (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (that is, as prices) or indirectly (that is, derived from prices) (Level 2);
- Inputs for the asset that are not based on observable market data (that is, unobservable inputs) (Level 3)

The group's land and buildings, within property, plant and equipment, consists of operational premises that are owned and managed by group undertakings. All the recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above

Valuation processes

The valuations of the properties are performed regularly on the basis of valuation reports prepared by third party qualified valuers. These reports are based on both:

- information provided by the group which is derived from the respective company's financial systems and is subject to the company's overall control environment, and
- assumptions and valuation models used by the valuers, with assumptions being typically market related and based on professional judgement and market observation

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective company's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment performed by the third party property valuers. The officers report to the Board on the outcome of this assessment.

4. Property, plant and equipment - continued

Valuation processes - continued

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2015 €	2014 €
Cost	5,627,649	5,524,166
Accumulated depreciation	(1,299,113)	(1,182,705)
Net book amount	4,328,536	4,341,461

Bank borrowings in the name of undertakings forming part of the Borchild Group are secured on the major assets constituting the Group's land and buildings category.

5. Investment property

Group

	Property €	Furniture €	Total €
At 1 November 2013			
Cost	1,704,629	278,008	1,982,637
Accumulated depreciation	(32,368)	(39,370)	(71,738)
Net book amount	1,672,261	238,638	1,910,899
Year ended 31 October 2014			
Opening net book amount	1,672,261	238,638	1,910,899
Additions	-	889	889
Depreciation charge	(17,899)	(25,488)	(43,387)
Closing net book amount	1,654,362	214,039	1,868,401
At 31 October 2014			
Cost	1,704,629	278,897	1,983,526
Accumulated depreciation	(50,267)	(64,858)	(115,125)
Net book amount	1,654,362	214,039	1,868,401
Year ended 31 October 2015			
Opening net book amount	1,654,362	214,039	1,868,401
Depreciation charge	(17,899)	(25,488)	(43,387)
Closing net book amount	1,636,463	188,551	1,825,014
At 31 October 2015			
Cost	1,704,629	278,897	1,983,526
Accumulated depreciation	(68,166)	(90,346)	(158,512)
Net book amount	1,636,463	188,551	1,825,014

5. Investment property - continued

The fair value of the investment property as at 31 October 2016 is estimated by the directors to approximate the property's carrying amount reflecting the actual market state, conditions and circumstances as at the reporting date

6. Other assets

As at 31 October 2014, other assets comprised of payments on account amounting to €238,203 in respect of a promise of sale agreement covering investment property. The acquired asset was meant to be recognised as investment property, once risks and rewards would be transferred to the Company

The company disposed of the investment property on 28 October 2015

7. Investments in subsidiaries

Group

Investments in subsidiaries excluded from consolidation

	2015 €	2014 €
Years ended 31 October		
At beginning and end of year	-	-
At 31 October		
Cost	14,128	14,128
Provisions for impairment	(14,128)	(14,128)
Net book amount	-	-

Two subsidiary undertakings i.e. Favell Enterprises Limited and Pragma International Company Limited have been excluded from the consolidation in terms of section 170(3) of the Companies Act, 1995 since their inclusion is not material for the purpose of giving a true and fair view

Company

	2015 €	2014 €
Years ended 31 October		
At beginning and end of year	26,136	26,136
At 31 October		
Cost	26,136	26,136

The subsidiaries at 31 October 2016, whose results and financial position affected the figures of the group, are shown below

7. Investments in subsidiaries - continued

(a) Held directly by Borchild Limited

Subsidiary undertaking	Registered office	Class of shares held	Percentage of shares held	
			2015 %	2014 %
Combmed Holdings Company Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	51	51

(b) Held through Combmed Holdings Company Limited

	Registered office	Class of shares held	Percentage of shares held	
			2015 %	2014 %
Consolidated Coborg Company Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	51	51

(c) Held through Consolidated Coborg Company Limited

	Registered office	Class of shares held	Percentage of shares held	
			2015 %	2014 %
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary "A" shares	100	100
		Ordinary "B" shares	100	100
Roosendaal Hotels Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	62	62
Roosendaal Trading Limited	A12 Industrial Estate Marsa Malta	Ordinary shares	100	100
Germal Company Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100
Shanal Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100

The remaining 38% of shares held in Roosendaal Hotels Limited are held through Germal Company Limited, effectively giving the Group a 100% shareholding

7. Investments in subsidiaries - continued

(d) Held through Bortex Clothing Company Limited

	Registered office	Class of shares held	Percentage of shares held	
			2015	2014
			%	%
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London W1B5TE	Ordinary shares	100	100
Bortex Tunisia S A R.L	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	100	100
Chansel Limited	415 Linen Hall 162 – 168 Regent Street London W1B5TE	Ordinary shares	100	100
Sandpiper Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	80	80
Favell Enterprises Limited (In dissolution)	KW 28B Corradino Industrial Estate Paola Malta	Ordinary shares	60	60

The remaining 20% of shares held in SandPiper Company Limited are held through Consolidated Coborg Company Limited, effectively giving the Group a 100% shareholding

(e) Held through Roosendaal Hotels Limited

	Registered office	Class of shares held	Percentage of shares held	
			2015	2014
			%	%
Roosentours Limited	"St Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	100	100

8. Investment in joint venture

	Group	
	2015	2014
	€	€
Year ended 31 October		
At beginning of year	15,687	41,803
Share of profit/ (loss)	3,683	(26,116)
At end of year	19,370	15,687
At 31 October		
Cost	7,279	7,279
Share of undertaking's profits and reserves	12,091	8,408
Net carrying amount	19,370	15,687

The interest in Simon Borg Tailoring Limited has been accounted for on an equity basis

The Group's share of profit of the joint venture, disclosed in the table above and on the face of the income statement, is after tax and minority interests in the joint venture.

The joint venture at 31 October, whose results and financial position affected the figures of the Group, is shown below.

Joint venture	Registered office	Class of shares held	Percentage of shares held	
			2015	2014
			%	%
Simon Borg Tailoring Limited	Victoria House 64 Paul Street London W1B5TE	Ordinary shares	50	50

The holding reflect percentage of shares directly held by Group undertakings

9. Investment in associate

	Company and group	
	2015	2014
	€	€
Years ended 31 October		
At beginning of year	-	-
Provision for impairment	-	-
At end of year	-	-

9. Investment in associate- continued

	Company and group	
	2015	2014
	€	€
At 31 October		
Cost	11,647	11,647
Provisions for impairment	(11,647)	(11,647)
Net book amount	-	-

The interest in Willows Property Development Company Limited has been accounted for on a cost basis in view of the relative immateriality of the effect of accounting for it on an equity basis. Borchild Limited is exempt from application of the equity method by virtue of section 21(12) of the Fourth Schedule to the Maltese Companies Act, 1995.

The associated undertaking at 31 October is shown below

Associated undertaking	Registered office	Class of shares held	Percentage of shares held	
			2015	2014
			%	%
Willows Property Development Company Limited (In liquidation)	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	50	50

10. Available-for-sale investments

	Group	
	2015	2014
	€	€
Years ended 31 October		
Opening carrying amount	1,916,175	2,583,048
Additions	549,195	986,698
Disposals	(2,397,565)	(1,665,752)
Fair value gains	175,532	12,181
Closing carrying amount	243,337	1,916,175
At 31 October		
Cost	51,075	1,628,896
Fair value gains	192,262	287,279
Closing carrying amount	243,337	1,916,175

10. Available-for-sale investments - continued

The available-for-sale investments are summarised as follows.

	Group	
	2015	2014
	€	€
As at 31 October		
Local fixed interest quoted corporate debt securities	-	321,294
Local fixed interest quoted government debt securities	-	259,545
Foreign fixed interest quoted corporate debt securities	-	560,595
Local listed equity securities	243,337	311,983
Foreign listed equity securities	-	462,758
At end of year	243,337	1,916,175

11. Loans and advances

	Group	
	2015	2014
	€	€
Year ended 31 October		
At beginning of year and end of year	1,973,539	1,973,539
At 31 October		
Cost	1,973,539	1,973,539

The loans and advances consist of balances with a related party, comprising loans to an entity which is ultimately controlled by the ultimate shareholders of Borchild Limited, are secured by properties held by the related parties and have no fixed date of repayment. Included with the receivables from related parties is an amount of €1,291,800 (2014: 1,291,800) which is subject to a fixed interest rate of 4% (2014: 4%) per annum.

12. Inventories

	Group	
	2015	2014
	€	€
Raw materials and consumables	2,882,210	2,359,988
Work in progress	2,234,910	1,979,589
Finished goods	2,264,878	640,130
Spare parts and other stocks	336,500	313,746
Inventories held for resale	6,796,387	4,968,401
	14,514,885	10,261,854

The cost of inventories recognised as expense is appropriately disclosed in Note 24 to the financial statements. During the current financial year, inventory write-downs amounted to €327,277 (2014: €114,459). These amounts have been included in 'Cost of sales' in the income statement.

13. Trade and other receivables

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Current				
Trade receivables	3,242,252	3,012,436	-	-
Amounts owed by Group undertakings	-	-	53,232	50,234
Amounts owed by other related parties	685,734	446,798	22,799	22,799
Other receivables	111,773	304,968	-	-
Indirect taxation	159,632	198,215	-	-
Prepayments and accrued income	232,708	264,783	-	-
	4,432,099	4,227,200	76,031	73,033
Non-current				
Prepaid operating lease rentals	477,453	502,786	-	-
Total receivables	4,909,552	4,729,986	76,031	73,033

Trade receivables as at 31 October 2015 are disclosed net of provisions for impairment amounting to €31,472 (2014: €31,472).

14. Term placements

	Group	
	2015	2014
	€	€
Term deposits	7,579	7,450

The term deposits as at 31 October mature within 12 months and are subject to interest at 2% (2014 2%)

15. Cash and cash equivalents

For the purposes of the cash flow statement, the year-end cash and cash equivalents comprise the following

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Cash at bank and in hand	550,818	1,513,746	4,871	4,871
Bank overdrafts (Note 21)	(5,405,002)	(3,148,726)	-	-
	(4,854,184)	(1,634,980)	4,871	4,871

16. Share capital

	Group and Company	
	2015	2014
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373399 each	46,587	46,587

17. Revaluation reserves

	Group	
	2015	2014
	€	€
At 31 October		
Surplus arising on fair valuation of		
Available-for-sale financial assets	48,917	73,635
Land and buildings	530,775	496,533
	579,692	570,168

The movements are analysed as follows

	Group	
	2015	2014
	€	€
Revaluation reserve on available-for-sale financial assets		
Year ended 31 October		
At beginning of year	73,635	91,245
Net gains from changes in fair value	45,652	3,167
Reclassification adjustment for the net gains included in profit or loss upon disposal	(70,370)	(20,777)
At end of year	48,917	73,635

The share of gains and losses arising from changes in fair value of available-for-sale financial assets, which is attributable to the Group, is recognised directly in equity through the revaluation reserve in accordance with the Group's accounting policy. When the assets are disposed of, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, are transferred to the income statement as gains and losses from available-for-sale financial assets

	Group	
	2015	2014
	€	€
Revaluation reserve on land and buildings		
At beginning and end of year	496,533	496,533
Movement in deferred tax liability determined on the basis applicable to property disposals	34,242	-
	530,775	496,533

The revaluation reserves are non-distributable.

18. Other reserves

The balance of other reserves at year-end is analysed as follows.

	Group	
	2015	2014
	€	€
Capital reserve	33,133	33,133
Incentives and benefits reserve	52,283	52,283
Other reserve	813	813
	86,229	86,229

The movements in each category are analysed as follows

	Group	
	2015	2014
	€	€
(a) Capital reserve		
Year ended 31 October		
At beginning and end of year	33,133	33,133
(b) Incentives and benefits reserve		
Year ended 31 October		
At beginning and end of year	52,283	52,283

Incentive and benefits reserve

In accordance with Section 36 of the Business Promotion Act, Cap 325, the Company maintains an 'Incentives and Benefits' reserve representing the value of government training grants from which the Company has benefited. The incentives and benefits reserve is a non-distributable reserve.

In accordance with the provisions of the aforementioned Act, the Incentives and benefits reserve can be distributed by means of a bonus issue.

19. Non-controlling interests

	Group	
	2015	2014
	€	€
Year ended 31 October		
At beginning of year	17,107,688	16,524,228
Share of results for the year	632,931	787,929
Share of currency translation differences arising during the year	79,397	-
Movement in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	97,495	-
Gains from changes in fair value for available-for-sale financial assets	129,880	9,014
Reclassification adjustment for the net gains included in profit or loss upon disposal	(200,178)	(59,112)
Dividends	(143,778)	(154,371)
At end of year	17,703,435	17,107,688

20. Deferred taxation

Deferred income taxes are calculated on 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 realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The principal tax rate used is 35% (2014 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 i.e. tax effect of 10% (2014 12%) of the transfer value

Following changes to the taxation rules of capital gains arising on transfer of immovable property as announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An act to implement Budget measures for the financial year 2015 and other administrative measures' came into effect on 30 April 2015, the final tax on transfers of immovable property acquired before 1 January 2004 was reduced to 10% of the transfer value. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the Company's property was a decrease amounting to €131,737

The movement on the deferred tax account was as follows.

	Group	
	2015	2014
	€	€
Year ended 31 October		
At beginning of year	790,430	790,430
Movement in deferred tax liability on the basis applicable to property disposals	(131,737)	-
At the end of the year	658,693	790,430

The balance at 31 October represents:

	Group	
	2015	2014
	€	€
Temporary differences arising on fair valuation of property	658,693	790,430

As at 31 October 2015, the Group undertakings had unutilised tax credits arising from unabsorbed capital allowances of amounting to €1,211,610 (2014: €2,366,880). As at the end of the reporting period, the Group also had net deductible temporary differences, arising from investment tax credits amounting to €759,886 (2014: €731,364) and property, plant and equipment amounting to €25,775 (2014: €26,739).

The Company is eligible to qualify for tax incentives under the Business Promotion Regulations, 2001. The Company is entitled to investment tax credits on its "qualifying" capital expenditure, the full amount of which would be available for set-off against the Company's tax liability. The balance of unutilised investment tax credits increases annually at the rate of 0.17% (2014 0.53%) at the end of each financial year. Deferred income taxes are calculated on all temporary differences under the liability method using a principal tax rate of 35% (2014 35%).

21. Borrowings

	Group 2015 €	2014 €
Current		
Bank overdrafts	5,405,002	3,148,726
Bank loan	156,570	163,600
	5,561,572	3,312,326
Non-current		
Bank loans	1,532,981	1,684,507
Loans from ultimate shareholders	351,436	660,644
	1,884,417	2,345,151
Total borrowings	7,445,989	5,657,477

The Group's banking facilities are mainly secured by

- (a) a general hypothec over the assets of a subsidiary undertaking, supported by a special hypothec over the undertaking's property and by a guarantee by the ultimate shareholders, and
- (b) a first general hypothec over the assets of a subsidiary undertaking, a pledge on insurance policies covering the hypothecated assets and various letters of undertaking.

All other borrowings are unsecured and interest free. These borrowings are repayable on demand, however, the Group has the option to defer such repayment for a maximum period of twelve months. The interest rate exposure of the Group's borrowings is as follows.

	Group 2015 €	2014 €
Total borrowings.		
At floating rates	7,094,553	4,996,833
Interest free loans	351,436	660,644
	7,445,989	5,657,477

The weighted average effective interest rates as at the end of the reporting period are as follows

	Group 2015 %	2014 %
Bank overdrafts	3.22	3.19
Bank loans	3.65	3.64

21. Borrowings - continued

Maturity of long-term borrowings:

	Group	
	2015	2014
	€	€
Between 1 and 2 years	501,157	813,110
Between 2 and 5 years	469,854	464,501
Over 5 years	913,406	1,067,540
	1,884,417	2,345,151

22. Trade and other payables

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Current				
Trade payables	1,850,838	1,978,694	-	-
Amounts owed to subsidiary undertaking	-	-	33,385	30,885
Amounts owed to related parties	38,959	38,959	-	-
Other payables	146,915	158,891	-	-
Indirect taxation and social security	100,643	91,488	-	-
Preference dividends payable	-	54,158	-	-
Accruals and deferred income	821,273	791,612	18,102	17,608
	2,958,628	3,113,802	51,487	48,493

23. Revenue

The Group's turnover is analysed as follows

	Group	
	2015	2014
	€	€
By segment		
Apparel	20,178,194	23,552,931
Hotel operations	1,543,652	1,538,563
	21,721,846	25,091,494

Revenue is derived mainly from two activities:-

- (i) the manufacture and sale of quality menswear and ladies wear locally and within the European Union. The business activity of the group accounts for the major portion of the group's turnover and financial results and
- (ii) the operations of a hotel locally

24. Expenses by nature

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Cost of goods sold and materials consumed	6,249,975	8,195,344	-	-
Movement in work in progress and subcontracted costs and labour	5,308,189	5,666,136	-	-
Hotel food and beverage costs	215,243	209,898	-	-
Travelling and entertainment	364,502	257,242	-	-
Employee benefit costs (Note 25)	5,708,021	5,020,540	-	-
Depreciation of property, plant and equipment (Note 4)	707,362	594,367	-	-
Depreciation of investment property (Note 5)	43,387	43,387	-	-
Utilities and similar charges	42,869	142,530	-	-
Property operating lease rentals payable	522,914	427,084	-	-
Other expenses	1,875,313	3,518,395	2,994	3,310
Total cost of sales, administrative and selling expenses	21,037,775	24,074,923	2,994	3,310

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2015 and 31 October 2014 relate to the following.

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Annual statutory audit	23,464	23,964	844	3,310
Other non-audit services	6,755	6,755	-	-
	30,219	30,719	844	3,310

25. Employee benefit costs

	Group	
	2015	2014
	€	€
Wages and salaries	5,531,163	4,841,655
Social security costs	176,858	178,885
	5,708,021	5,020,540

25. Employee benefit costs - continued

Average number of persons employed during the year

	Group	
	2015	2014
By class of business		
Apparel	771	746
Hotel operations	39	42
	810	788
By category		
Direct	689	682
Selling and distribution	39	42
Administration	82	64
	810	788

26. Directors' emoluments

	Group	
	2015 €	2014 €
Salaries and other emoluments	66,645	65,484

27. Investment and other related income

	Group		Company	
	2015 €	2014 €	2015 €	2014 €
Net gains on disposal of available-for-sale financial assets	270,548	79,889	-	-
Investment Income	134,930	232,007	37,194	50,459
	405,478	311,896	37,194	50,459

28. Finance income

	Group	
	2015 €	2014 €
Interest receivable from other related parties	51,672	54,680

29. Finance costs

	Group	
	2015	2014
	€	€
Bank interest and charges	233,625	218,576

30. Tax expense

	Group	
	2015	2014
	€	€
Current tax expense	56,524	26,680

The tax on the profit/(loss) before tax differs from the theoretical amount that would arise using the applicable tax rate as follows

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Profit before tax	911,279	1,138,455	37,198	47,149
Tax on profit calculated at the rates applicable to the Group undertakings concerned	318,948	398,459	13,019	16,502
Tax effect of:				
Income subject to reduced rates of tax	(10,879)	(13,604)	-	-
Income subject to final tax	-	-	(14,960)	(19,812)
Income not subject to tax	(93,682)	(39,645)	-	-
Unrecognised deferred tax	(189,541)	(385,814)	-	-
Share of results of associates	(1,289)	-	-	-
Expenses not deductible for tax purposes	6,020	67,284	2,990	3,310
Other	26,947	-	(1,049)	-
	56,524	26,680	-	-

31. Earnings per share

Earnings per share is calculated by dividing the profit attributable to equity holders of the company by the weighted average number of ordinary shares of Borchild Limited in issue during the year

	Group	
	2015	2014
Profit for the year attributable to equity holders of the company	€221,824	€323,846
Weighted average number of ordinary shares in issue	20,000	20,000
Earnings per share	€11.09	€16.19

32. Dividends

Final dividends paid on ordinary shares

	Group	
	2015	2014
	€	€
Gross	143,000	194,000
Tax at source	-	-
Net	143,000	194,000
Dividends per share	7.15	9.7

Final dividends paid on preference shares

	Group	
	2015	2014
	€	
Gross	37,970	10,831
Tax at source	-	-
Net	37,970	10,831
Dividends per share	0.26	0.07

33. Cash (used in)/ generated from operations

Reconciliation of operating profit/(loss) to cash (used in)/ generated from operations

	Group		Company	
	2015	2014	2015	2014
	€	€	€	€
Operating profit/(loss)	684,071	1,016,571	4	(3,310)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	707,362	594,367	-	-
Depreciation of investment property (Note 5)	43,387	43,387	-	-
Changes in working capital:				
Inventories	(4,253,031)	50,806	-	-
Receivables	(179,567)	864,004	(2,998)	-
Payables	(155,173)	397,713	2,994	3,310
Cash (used in)/generated from operations	(3,152,951)	2,966,848	-	-

34. Commitments

Operating lease commitments – where a subsidiary undertaking is the lessee

The future minimum lease payments under non-cancellable property operating leases for retail outlets, with a weighted average residual period of 19 years expire within a period ranging from 1 to 21 years from the end of the reporting period. The future minimum lease payment obligations under non-cancellable property operating leases are as follows:

	Group 2015 €	2014 €
Less than one year	411,944	394,339
Between one and five years	665,756	822,897
More than five years	1,919,833	1,772,894
	2,997,533	2,990,130

35. Contingencies

The Group had the following contingencies as at the end of the reporting period

- (a) At 31 October 2015, subsidiaries had contingent liabilities amounting to €114,600 (2014: €124,600) in respect of guarantees issued by banks on behalf of the company in favour of third parties in the ordinary course of business
- (b) At 31 October 2015, subsidiaries had a contingent liability amounting to €6,988 (2014: €6,988) in respect of the uncalled share capital of an unquoted investment.
- (c) At 31 October 2015, subsidiaries had filed objections with the Commissioner of Inland Revenue relating to years of assessment 1979 to 1988 concerning disputed income tax amounting to €45,278 (2014: €45,278), in respect of which no provision has been made in these accounts.

36. Related party transactions

As at 31 October 2015, the Group was ultimately owned by Saviour Borg, Peter Borg and Karen Bugeja. All companies which are ultimately controlled by these individuals but which are not within the Group of companies of which Borchild Limited is the parent, are considered by the directors to be related parties.

Year-end balances with related parties are disclosed in Notes 11, 13, 21 and 22 to these financial statements. These amounts are unsecured, interest free and repayable on demand.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 26 to these financial statements.

37. Statutory information

Borchild Limited is a limited liability company and is incorporated in Malta.

The company is registered in Malta, with its registered address at "St Therese", Highes Hallet Street, Sliema.