BORTEX GROUP HOLDINGS COMPANY LIMITED

Annual Report and Consolidated and Separate
Financial Statements
31 October 2021

Company Registration Number: C 4863

CONTENT

DIRECTORS, OFFICERS AND OTHER INFORMATION

Directors	Mr Peter Borg Ms Karen Borg Ms Alexandra Borg Mr Sam Borg Mr David Debono Ms Christine Demicoli
Company Secretary	Ms Christine Demicoli
Registered Office	St Therese Hughes Hallet Street Sliema SLM 3142 Malta
Country of Incorporation	Malta
Auditors	Ernst & Young Malta Limited Regional Business Centre Archille Ferris Street Msida MSD 1751 Malta
Principal bankers	Bank of Valletta p.l.c. Corporate Finance BOV Centre Triq il-Kanun Santa Venera SVR 9030 Malta HSBC Bank Malta p.l.c. 116, Archbishop Street Valletta VLT 1444 Malta BNF Bank p.l.c. Level 2, 203 Rue D'Argens Gzira Malta

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements of Bortex Group Holdings Company Limited ('the Company') and its subsidiaries ('the Group') for the year ended 31 October 2021.

Principal activities

The Group's principal activities, which are unchanged since last year, are mainly the manufacture, sale and retailing of quality menswear and ladies wear, the operations of Hotel 1926 in Sliema and Palazzo Jean Parisot Boutique Suites in Valletta and real estate development. The Company's principal activity, which is unchanged since last year, is that of a holding entity.

Results and dividends

The statements of profit or loss and the statements of comprehensive income are set out on pages 12 and 13 respectively. During the year ended 31 October 2021, the Group and the Company declared a dividend amounting to € 415,334 (2020: Nil).

Performance review of the Group

The Group reported a turnover of € 19.7 million (2020: € 22.3 million) and earnings before interest, taxation, depreciation and amortisation less loss from discontinued operations (Adjusted EBITDA) of € 4.3 million (2020: € 1.6 million).

Calculation of Adjusted EBITDA	**Reference**	31 October 2021 €	31 October 2020 €
Operating profit from continuing operations	Consolidated statement of profit or loss	3,790,317	2,231,166
Loss from discontinued operations	Consolidated statement of profit or loss	(1,243,535)	(2,319,792)
Depreciation of property, plant and equipment and right-of-use asset	Note 28	1,737,303	1,736,294
		4,284,085	1,647,668

The second year of the Covid-19 pandemic was a year which brought serious challenges for all the Group's activities. The pandemic dominated this year since day one and although we were expecting a substantial improvement on 2020 as the World got vaccinated, the continuous evolution of the virus through mutations and variants made this very difficult to achieve. Nevertheless, the Group achieved better results than those budgeted in the face of this pandemic.

During the current financial year, the Group reported a profit before tax from continuing operations of € 2.8 million as against to a profit in 2020 of € 1.1 million. The sale of 4 apartments out of the remaining 5 in Project TEN in Sliema materialised during this year and this had a net positive impact on these results of € 769,392 (2020: € 2,726,676).

Manufacturing and Retail
During the year under review manufacturing and retail operations registered a positive EBITDA of € 2.3 million (2020: negative EBITDA of € 132,170).

Calculation of EBITDA for Clothing segment	**Reference**	31 October 2021 €	31 October 2020 €
Operating profit/(loss) from continuing operations	Note 27	1,465,387	(1,075,573)
Depreciation of property, plant and equipment and right-of-use asset	Note 28	907,373	943,403
		2,372,760	(132,170)

DIRECTORS' REPORT – continued

Performance review of the Group - continued

Formal clothing has been severely impacted both in own stores locally and overseas, as well as within private label customers stores abroad. Fresh lockdowns were imposed as from the beginning of the year and this had a negative effect on all sales, primarily in the retail sector. Although the Group was not constrained to close down stores as in the previous year, sales have been severely affected by the restrictions imposed by Governments both locally and abroad.

This year was also the first year wherein the Group has shifted its manufacturing operations from its own factory in Tunisia to partner factories in Bulgaria, Turkey and the Far East. This presented a number of challenges, mainly due to logistical and pricing issues. Moreover, the experienced decline in demand was less evident in the manufacturing section, which required more work and effort in meeting shipping deadlines.

Retail Sales picked up considerably following the easing of restrictions in Spring of this year and the Group saw the opening of a new GANT shop in Baystreet and a new concept store "Bortex & Friends", in the same shopping mall. The Group is seeing a consistent level of growth in retail sales coupled with an effective purchasing and stock clearance strategy.

The Group experienced a drop in retail sales of approximately 19% throughout the year and a drop in manufacturing sales of 32%when compared to pre-Covid budgets.

Hospitality
The first seven months of the year were particularly impacted by the effects of COVID-19 mainly the shortage of flight capacity and travel restrictions in our source markets. During this period, November 2020 to May 2021, total rooms revenue for Hotel 1926 was € 367,000 with an average occupancy of 20% and an Average Daily Rate ("ADR") of € 48.80.

During this difficult period preparatory measures were taken to optimise the hotels positioning in anticipation of the lifting of restrictions, measures that bore fruit during the remaining five months of the year. During this period total rooms revenue for Hotel 1926 was € 2.6 million with an average occupancy of 92% and an ADR of € 108.72.

The same can be said for Palazzo Jean Parisot, which achieved total revenue of € 52,000 with an average occupancy of 35% and an ADR of € 100 during the first seven months, and total revenue of € 126,000 with an average occupancy of 89% and an ADR of € 131 during the rest of the year.

	31 October 2021			31 October 2020		
ADR - annualised	**Hotel 1926**	**PJP**	**31 October 2021 €**	**Hotel 1926**	**PJP**	**31 October 2020 €**
Available rooms (A)	62,050	2,555		61,612	2,562	
Occupied rooms (B)	31,375	1,478		27,698	920	
Occupancy % (B)/(A)	50.56%	57.85%		44.96%	35.91%	
	€	€		€	€	
Rooms Revenue (C)	2,968,816	177,967	3,146,783	1,836,704	116,037	1,952,741
Commissions	(349,628)	(22,770)	(372,398)	(282,787)	(14,284)	(297,071)
Net Rooms revenue	2,619,188	155,197	2,774,385[1]	1,553,917	101,753	1,655,670[1]
ADR (C)/(B)	94.62	120.41		66.31	126.13	

[1] As disclosed in Note 26.

DIRECTORS' REPORT – continued

Performance review of the Group - continued

Hospitality - continued

Although these revenues are still a far cry from what these hotels can achieve in a normalised year which would be in the region of € 5.1 million, both hotels exceeded industry average occupancies and registered € 3.1 million in revenue when compared to € 2 million in 2020. Total rooms revenue from Hotel 1926 reached € 3 million (2020: € 1.8 million) with an average occupancy of 51% (2020: 45%) and an ADR of € 94.62 (2020: € 66.31) whereas revenue from Palazzo Jean Parisot was € 178,000 (2020: € 116,000). EBITDA pertaining to total hospitality operations amounted to € 1.2 million, a significantly higher result than € 91,292 achieved in 2020 as well as the revised estimate of € 388,000 made in March of this year. The Group considers this result to be, once again, a relevant achievement given the COVID-19 scenario.

Calculation of EBITDA for Hospitality segment (Hotel)	**Reference**	31 October 2021 €	31 October 2020 €
Operating profit	Note 27	1,134,557	2,025,077
Gain from sale of property	*Refer to the below*	(769,392)	(2,726,676)
Depreciation of property, plant and equipment	Note 28	829,531	792,891
EBITDA		**1,194,696**	91,292

Real Estate and Property Management
The Group sold 4 apartments and 11 car spaces by the end of the financial year resulting in revenue net of commissions of € 2.4 million. Profit thereon before tax was €769,392 (2020: €2,726,676). The Group entered into a promise of sale agreement to sell the remaining apartment and two car spaces which were sold during January 2022. Rental income from the properties in Mriehel and Sliema were not impacted by the COVID crisis.

Sales of properties	**Reference**	31 October 2021 €	31 October 2020 €
Sale of properties	Note 26	2,429,500	6,924,450
Cost of properties sold	Note 28	(1,660,108)	(4,197,774)
Gain from sale of property		**769,392**	2,726,676

Cash Flow
The Group has ended the financial year in a profitable position. The results achieved were however significantly influenced by the government subsidies, particularly the results of the manufacturing and retail sector. These have been phased out in the forecasts for the new financial year. The growth trajectory over the Group's activities as well as the optimisation of its cost base during the first months of the new financial year augur well. The Group will also retain its focus on liquidity and cash reserves to sustain its operations and absorb any potential unforeseen impact.

Outlook for financial year ending 2022
As we head towards the second anniversary of COVID-19 outbreak, the pandemic remains a key concern for everyone. It is expected that major economies continue their post-pandemic recovery. According to the latest Central Bank of Malta forecasts, the upward revision is primarily driven by stronger growth in investment and government consumption, and to a lesser extent, by a stronger projected recovery in private consumption. Tourism is expected to be more buyout and it is expected that we will experience a recovering labour market and revitalised consumer spending.

Manufacturing and Retail
The extended effects of the pandemic on the global supply chain have adversely influenced the Group's performance throughout the first part of 2022 and it is also being anticipated that demand and supply constraints will remain a key threat for the coming months. This phenomenon has prevailed within the local-domestic market and also within our international retail and manufacturing operations, which have seen demand for formal and casual fashion products being hindered by restrictions on events and leisure activities, with a direct effect on sales. The decline in demand was less evident in the manufacturing division probably due to a shift from Far East sourcing to locations within or nearer to Europe where the Group has a manufacturing presence.

DIRECTORS' REPORT – continued

Performance review of the Group - continued

Manufacturing and Retail - continued

It is expected that retail sales will stabilize to pre-pandemic levels once all restrictions are lifted and the tourism sector recovers. From an international perspective, the Group's retail operations have experienced similar challenges to those experienced domestically, with the situation expected to improve gradually over the coming months. The Group's financial projections for this year are founded on a lean and agile cost base whilst factoring in the external key challenges being anticipated throughout the coming months. The Group's retail strategy also includes a plan which balances risks derived from stock availability through the continuous utilization of existing stock and the introduction of fresh seasonal items. This strategy is expected to mitigate risks from stock shortages and delays whilst contributing towards accelerating stock utilization and cash flow optimization.

Over the past months, the Group has managed to successfully strengthen multiple manufacturing bases in Eastern Europe and Turkey. The plan for this financial year is to further consolidate this position and exploit our extensive production network to mitigate risk factors derived from labour shortages and inflation surges. Logistical issues in the Far East have shifted significant production demand closer to home and the Group is aiming at capturing these emerging opportunities. The business model of the manufacturing division has evolved into a relatively low capital-intensive model so the development of this business division remains an important distinctive capability for the Group.

Hospitality and Real Estate
The impacts of COVID-19 have continued to be felt on the industry and it is expected that they will continue to influence hospitality operations throughout 2022.

During the financial year ending 2022 the Group will continue to operate Hotel 1926 and Spa and Palazzo Jean Parisot. Budgets have taken into consideration the impacts of COVID-19 but are cautiously optimistic based on the sound and innovative brand positioning strategy. In addition, the Group will implement a state of the art digitalisation program, with particular focus on guest service excellence. Plans are also underway to expand the hospitality product by rolling out the Hotel 1926 and Spa brand.

The Group's property portfolio has not experienced any major adverse effects over the past months and cash inflows for the current financial year should remain relatively consistent. Vacant space in the Mriehel business centre will be filled as from April 2022. Throughout this financial year, the Group will embark on two new 'mixed use' projects which will see the Group establishing itself in the accommodation property lease sector and further expanding its commercial division segment.

The remaining apartment in project TEN was sold in January 2022.

Directors

During the year ended 31 October 2021, the Directors were as listed on page 1. In accordance with the Company's Articles of Association, the listed Directors presently remain in office.

Financial risk management

There are a number of financial risks that could potentially impact the activities of the Group and Company and include, but not solely, the following: credit risk, liquidity risk, and currency risk. The Group and the Company's objective in managing such risks is the creation and protection of shareholder's value. In order to manage and mitigate such risks, the Group and Company employs a number of risk management tools in its day-to-day operation. Further detail can be found under Note 5 of the financial statements.

DIRECTORS' REPORT – continued

Post balance sheet events

There were no events after year-end which would require adjustment or disclosure in the annual financial statements of the Group and Company.

Statement of directors' responsibilities

The Directors are required by the Companies Act (Cap. 386 of the Laws of Malta) to prepare financial statements in accordance with International Financial Reporting Standards as adopted by the EU, which give a true and fair view of the state of affairs of the Group and Company at the end of each financial year and of the profit or loss of the Group and Company for the year then ended. In preparing the financial statements, the Directors should:

- Select suitable accounting policies and apply them consistently;
- Make judgements and estimates that are reasonable;
- Prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and the Company will continue in business as a going concern;
- Account for income and charges relating to the accounting period on the accruals basis;
- Value separately the components of asset and liability items; and
- Report comparative figures corresponding to those of the preceding accounting period.

The Directors are responsible for ensuring that proper accounting records are kept which disclose with reasonable accuracy at any time the financial position of the Group and Company and which enable the Directors to ensure that the financial statements comply with the Companies Act (Cap. 386 of the Laws of Malta). This responsibility includes designing, implementing and maintaining such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error. The Directors are also responsible for safeguarding the assets of the Group and Company, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Auditors

Ernst & Young Malta Limited have expressed their willingness to continue in office and a resolution for their re-appointment will be proposed at the Annual General Meeting.

Approved by the board of Directors and signed on their behalf on 28 February 2022 by:

MR PETER BORG
Chairman

MS KAREN BORG
Director

Ernst & Young Malta Limited
Regional Business Centre
Achille Ferris Street
Msida MSD 1751, Malta

Tel: +356 2134 2134
Fax: +356 2133 0280
ey.malta@mt.ey.com
ey.com

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Bortex Group Holdings Company Limited

Report on the audit of the separate and consolidated financial statements

Opinion

We have audited the separate and consolidated financial statements of Bortex Group Holdings Company Limited (the "Company") and its subsidiaries (collectively the "Group"), set on pages 10 to 76, which comprise the separate and consolidated statement of financial position as at 31 October 2021, and the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the separate and consolidated statement of cash flows for the year then ended, and notes to the separate and consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and the Group as at 31 October 2021, and of their financial performance and their cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU ("IFRS") and the Companies Act, Cap. 386 of the Laws of Malta (the "Companies Act").

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards) as issued by the International Ethics Standards Board of Accountants (IESBA Code)* together with the ethical requirements that are relevant to our audit of the financial statements in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

The directors are responsible for the other information. The other information comprises the information included in the Annual Report, other than the separate and consolidated financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Building a better working world

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Bortex Group Holdings Company Limited - continued

Responsibilities of the directors for the separate and consolidated financial statements

The directors are responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of the separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the separate and consolidated financial statements, the directors are responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company and the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the separate and consolidated financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these separate and consolidated financial statements.

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

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

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

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

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

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of Bortex Group Holdings Company Limited - continued

Auditor's responsibilities for the audit of the separate and consolidated financial statements - continued

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

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

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

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

We are required to express an opinion as to whether the directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the consolidated directors' report. We have nothing to report in this regard.

We also have responsibilities under the Companies Act to report to you if in our opinion:

- proper accounting records have not been kept;
- proper 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;
- we have not received all the information and explanations we require for our audit.

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

The partner in charge of the audit resulting in this independent auditor's report is Christopher Portelli for and on behalf of

Ernst & Young Malta Limited
Certified Public Accountants

28 February 2022

CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL POSITION

		As at 31 October			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	8	**36,711,629**	29,499,035	**-**	-
Right-of-use assets	9	**7,295,307**	5,027,189	**-**	-
Investment property	10	**3,219,957**	2,167,239	**-**	-
Investment in subsidiaries	11	**-**	-	**3,601,316**	3,602,481
Investment in associates	12	**197,400**	196,770	**-**	-
Non-current financial assets	13	**170,997**	170,302	**11,954**	11,109
Loans receivable	14	**645,900**	1,464,000	**-**	-
Trade and other receivables	15	**-**	891,845	**-**	-
Total non-current assets		**48,241,190**	39,416,380	**3,613,270**	3,613,590
Current assets					
Inventories	16	**11,544,106**	15,319,565	**-**	-
Contract Assets		**66,302**	-	**-**	-
Trade and other receivables	15	**4,113,303**	5,280,384	**485,372**	634,755
Current tax assets		**8,236**	14,575	**4,620**	4,620
Term placements with banks	17	**7,878**	7,878	**-**	-
Cash and cash equivalents	18	**3,328,219**	1,370,669	**16,597**	8,174
Total current assets		**19,068,044**	21,993,071	**506,589**	647,549
Total assets		**67,309,234**	61,409,451	**4,119,859**	4,261,139

STATEMENTS OF FINANCIAL POSITION - continued

		As at 31 October			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	19	**46,587**	46,587	**46,587**	46,587
Revaluation reserves	20	**11,685,398**	5,870,438	**8,091**	7,246
Other reserves	21	**704,101**	506,652	**58,234**	58,234
Retained earnings		**20,328,017**	20,236,337	**1,915,007**	2,344,521
Capital and reserves attributable to owners of the parent		**32,764,103**	26,660,014	**2,027,919**	2,456,588
Non-controlling interests	22	**14,005**	21,247	**-**	-
Total equity		**32,778,108**	26,681,261	**2,027,919**	2,456,588
Non-current liabilities					
Interest-bearing loans and borrowings	23	**19,242,041**	19,417,574	**-**	-
Deferred tax liabilities	24	**3,030,315**	1,696,076	**-**	-
Other non-current liabilities		**41,250**	21,259	**-**	-
Lease liabilities	9	**6,740,672**	4,863,097	**-**	-
Total non-current liabilities		**29,054,278**	25,998,006	**-**	-
Current liabilities					
Trade and other payables	25	**4,231,875**	5,782,008	**2,091,940**	1,804,551
Contract Liabilities		**90,350**	-	**-**	-
Current tax liabilities		**7,487**	15,832	**-**	-
Interest-bearing loans and borrowings	23	**985,798**	2,613,080	**-**	-
Lease liabilities	9	**161,338**	319,264	**-**	-
Total current liabilities		**5,476,848**	8,730,184	**2,091,940**	1,804,551
Total liabilities		**34,531,126**	34,728,190	**2,091,940**	1,804,551
Total equity and liabilities		**67,309,234**	61,409,451	**4,119,859**	4,261,139

The notes on pages 18 to 76 are an integral part of these consolidated financial statements.

The financial statements on pages 10 to 76 were authorised for issue by the Board on 28 February 2022 and were signed on its behalf by:

MR PETER BORG
Chairman

MS KAREN BORG
Director

STATEMENTS OF PROFIT OR LOSS

		Year ended 31 October			
		Group		Company	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Continuing operations					
Revenue	26	**19,668,752**	22,357,621	**-**	-
Cost of sales	28	**(11,650,357)**	(14,183,132)	**-**	-
Gross profit		**8,018,395**	8,174,489	**-**	-
Selling expenses and other direct expenses	28	**(3,833,076)**	(3,934,109)	**-**	-
Administrative expenses	28	**(1,808,530)**	(2,226,055)	**(18,335)**	(42,124)
Other operating income	31	**1,413,528**	216,841	**-**	-
		(4,228,078)	(5,943,323)	**(18,335)**	(42,124)
Operating profit/(loss)		**3,790,317**	2,231,166	**(18,335)**	(42,124)
Finance income	32	**26,577**	52,634	**-**	-
Finance costs	33	**(1,046,608)**	(1,085,553)	**(254)**	(48)
Share of results of profit/(loss) of associate	12	**630**	(53,789)	**-**	-
Profit/(loss) before income tax from continuing operations		**2,770,916**	1,144,458	**(18,589)**	(42,172)
Income tax expense	34	**(447,626)**	(12,922)	**-**	-
Profit/(loss) after income tax from continuing operations		**2,323,290**	1,131,536	**(18,589)**	(42,172)
Discontinued operations					
Loss after tax for the year from discontinued operations	35	**(1,243,535)**	(2,319,792)	**-**	-
Profit/(loss) for the year		**1,079,755**	(1,188,256)	**(18,589)**	(42,172)
Attributable to:					
Equity holders of the company		**1,082,640**	(1,175,989)	**(18,589)**	(42,172)
Non-controlling interest		**(2,885)**	(12,267)	-	-
		1,079,755	(1,188,256)	**(18,589)**	(42,172)

The notes on pages 18 to 76 are an integral part of these consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

	Note	Year ended 31 October			
		Group		Company	
		2021	2020	**2021**	2020
		€	€	**€**	€
Profit/(loss) for the year		**1,079,755**	(1,188,256)	**(18,589)**	(42,172)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Gains from changes in fair value on revalued land and buildings	20	**6,854,426**	-	**-**	-
Movements in deferred tax liability on revalued land and buildings	20	**(1,040,161)**	34,923	**-**	-
Net gain/(loss) on equity instruments designated at fair value through other comprehensive income	20	**695**	(32,091)	**845**	-
				-	-
Items that may be reclassified to profit or loss					
Currency translation differences		**(21,481)**	(34,404)	**-**	-
Total comprehensive income for the year		**6,873,234**	(1,219,828)	**(17,744)**	(42,172)
Attributable to:					
is attributable to:					
Owners of the parent		**6,876,119**	(1,198,101)	**(17,744)**	(42,172)
Non-controlling interests		**(2,885)**	(21,727)	**-**	-
		6,873,234	(1,219,828)	**(17,744)**	(42,172)

The notes on pages 18 to 76 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

Group

		Attributable to owners of the parent					
	Notes	Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	Non-controlling Interests €	Total €
Balance at 1 November 2019		46,587	5,867,606	506,652	21,437,270	42,974	27,901,089
Comprehensive income							
Loss for the year		-	-	-	(1,175,989)	(12,267)	(1,188,256)
Other comprehensive income:							
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals		-	34,923	-	-	-	34,923
Losses from changes in fair value of financial assets at FVOCI	13	-	(32,091)	-	-	-	(32,091)
Currency translation differences		-	-	-	(24,944)	(9,460)	(34,404)
Total other comprehensive income		-	2,832	-	(24,944)	(9,460)	(31,572)
Total comprehensive income		-	2,832	-	(1,200,933)	(21,727)	(1,219,828)
Balance at 31 October 2020		**46,587**	**5,870,438**	**506,652**	**20,236,337**	**21,247**	**26,681,261**
Comprehensive income							
Reclassifications	7	-	-	197,449	(558,502)	-	(361,053)
Profit/(Loss) for the year		-	-	-	1,082,640	(2,885)	1,079,755
Other comprehensive income:							
Fair value movement of land and building, net of tax		-	5,814,265	-	-	-	5,814,265
Gains from changes in fair value of financial assets at FVOCI	13	-	695	-	-	-	695
Currency translation differences		-	-	-	(17,124)	(4,357)	(21,481)
Total other comprehensive income		-	5,814,960	-	(17,124)	(4,357)	5,793,479
Dividends declared	41	-	-	-	(415,334)	-	(415,334)
Total comprehensive income		-	5,814,960	197,449	91,680	(7,242)	6,096,847
Balance at 31 October 2021		**46,587**	**11,685,398**	**704,101**	**20,328,017**	**14,005**	**32,778,108**

STATEMENTS OF CHANGES IN EQUITY - continued

Company

	Note	**Share capital €**	**Revaluation reserve €**	**Other Reserves €**	**Retained earnings €**	**Total €**
Balance at 1 November 2019		46,587	7,246	58,234	2,386,693	2,498,760
Profit for the year		-	-	-	(42,172)	(42,172)
Other comprehensive income		-	-	-	-	-
Total comprehensive income		-	-	-	(42,172)	(42,172)
Balance at 31 October 2020		46,587	7,246	58,234	2,344,521	2,456,588
Profit for the year		-	-	-	(18,589)	(18,589)
Other comprehensive income		-	845	-	-	845
Total comprehensive income		-	845	-	(18,589)	(17,744)
Dividend declared	41	-	-	-	(415,334)	(415,334)
Effect of legal merger	36	-	-	-	4,409	4,409
Balance at 31 October 2021		**46,587**	**8,091**	**58,234**	**1,915,007**	**2,027,919**

The notes on pages 18 to 76 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

	Notes	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
		Year ended 31 October			
Cash flows from operating activities					
Profit before tax from continuing operations		**2,770,916**	1,144,458	**(18,589)**	(42,172)
Loss before tax from discontinued operations		**(1,243,535)**	(2,319,792)	**-**	-
Profit/(loss) before tax		**1,527,381**	(1,175,334)	**(18,589)**	(42,172)
Adjustments to reconcile profit before tax to net cash flows:					
Depreciation and impairment of property, plant and equipment and right-of-use assets		**1,737,303**	1,738,296	**-**	-
Share in profits of associates	12	**(630)**	53,789	**-**	-
Impairment of Inventory	16	**150,000**	1,189,682	**-**	-
Impairment of property, plant and equipment	8	**296,754**	423,352	**-**	-
Loss on disposal of property, plant and equipment		**-**	227,138	**-**	-
Interest income	32	**(25,836)**	(51,672)	**-**	-
Finance costs	33	**1,046,608**	1,085,553	**-**	-
Income from rent concessions	9	**(36,753)**	(63,125)	**-**	-
(Gain)/loss on revaluation of investment property	31	**(1,083,537)**	54,522	**-**	-
Amounts written off in respect of trade receivables		**-**	92,921	**-**	-
Operating profit/(loss) before working capital		**3,611,290**	3,575,122	**(18,589)**	(42,172)
Movement in inventories		**3,625,459**	2,432,170	**-**	-
Movement in trade and other receivables		**391,190**	(188,165)	**-**	-
Movement in trade and other payables		**(1,735,126)**	(2,440,642)	**(176,804)**	43,115
Cash flows from/(used in) operating activities		**5,892,813**	3,378,485	**(195,393)**	943
Interest received		**25,836**	51,672	**-**	-
Taxation paid		**(155,554)**	(124,209)	**110**	-
Net cash flows from / (used in) operating activities		**5,763,095**	3,305,948	**(195,283)**	943
Cash flows (used in) / from investing activities					
Purchase of property, plant and equipment	8	**(1,249,514)**	(1,420,908)	**-**	-
Purchase of investment property	10	**(4,901)**	(47,669)	**-**	-
Receipts on disposal of property, plant and equipment		**-**	38,427	**-**	-
Investments in term placements with banks		**-**	(51)	**-**	-
Additional investments in associate	12	**-**	(250,000)	**-**	-
Net cash flows (used in) investing activities		**(1,254,415)**	(1,680,201)	**-**	-
Cash flows from financing activities					
Funds raised (repayments of)/from bank borrowings		**(8,837)**	1,556,286	**-**	-
Payments of lease liabilities		**(352,931)**	(308,377)	**-**	-
Receipt of related party loans		**901,045**	-	**464,620**	-
Dividends paid	41	**(264,500)**	-	**(264,500)**	-
Interest paid		**(754,166)**	(885,419)	**-**	(48)
Net cash flows (used in) / from financing activities		**(479,389)**	362,490	**200,120**	(48)
Net movement in cash and cash equivalents		**4,029,291**	1,988,237	**4,837**	895

STATEMENTS OF CASH FLOWS – continued

		Year ended 31 October			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Net movement in cash and cash equivalents		**4,029,291**	1,988,237	**4,837**	895
Cash and cash equivalents at beginning of year		**(671,382)**	(2,648,740)	**8,174**	7,279
Cash receipts as a result of merger	36	**-**	-	**3,586**	-
Effects of currency translation on cash and cash equivalents		**(29,690)**	(10,879)	**-**	-
Cash and cash equivalents at end of year	18	**3,328,219**	(671,382)	**16,597**	8,174

The Group and the Company engaged in the following non-cash investing and financing activities during the year:

		Year ended 31 October			
		Group		**Company**	
	Notes	**2021**	2020	**2021**	2020
		€	€	**€**	€
Non-cash investing activities					
Purchase of property, plant and equipment	8	**704,200**	-	**-**	-
Non-cash financing activities					
Dividend paid	41	**150,834**	-	**150,834**	-

The notes on pages 18 to 76 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The consolidated financial statements of Bortex Group Holdings Company Limited ('the Company') and its subsidiaries (collectively, 'the Group') for the year ended 31 October 2021 were authorised for issue in accordance with a resolution of the directors on 28 February 2022. The Company is a limited company incorporated and domiciled in Malta with its registered office is located at St Therese, Hughes Hallet Street, Sliema in Malta.

The Group is principally engaged in the garment manufacturing, retailing and franchising industries as well as the hospitality and luxury real estate markets. Information on the Group's structure is provided in Note 2. One of the Company's subsidiary has issued public bond in December 2017, following which the proceeds were advanced to other companies within the Group to finance mainly the refurbishment and extension of Hotel 1926 and the beach club development project in Sliema, redevelopment of the Group's existing retail outlet in Mosta, the development of a plot of land in Mriehel into a mixed-use complex, part fund of opening Gagliardi retail outlets in a number of overseas territories and refinancing part of the Group's existing bank facilities.

2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Companies Act (Cap. 386 of the Laws of Malta). These financial statements have been prepared on a historical cost basis, except for investment properties, land and buildings and financial assets through other comprehensive income (OCI) which are stated at fair value.

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 and Company's accounting policies. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated and separate financial statements are disclosed in Note 6 - Critical accounting estimates and judgments.

2.1 Going concern

As at 31 October 2021, the Company's current liabilities exceeded its current assets by €1,585,351 (2020: €1,157,002). In this respect, subsidiaries have undertaken not to request repayment of amounts due to them until cash is available. Furthermore, the Company's shareholders have confirmed in writing their commitment to continue to provide financial support to the Company for the foreseeable future as to ensure that the Company continues as going concern.

Bortex Group (comprising of the Company as the Guarantor (the 'Guarantor') and the companies listed in Note 2.3) has prepared projections for the coming 16 month period ending 28 February 2023, based on forecasts which factors in the uncertainty created by the pandemic and those inherent to the specific industry in which these companies operate. These forecasts project positive cash flows for the Group throughout. At the end of the current financial year, the Group has a cash reserve of € 3.3 million, together with unutilised banking facilities of around € 5.3 million, and forecasts a cash reserve of around € 4.9 million by 28 February 2023.

The Directors of the Group have concluded that Bortex Group should be able to ensure that it does meet its commitments both financial and otherwise and hence the Group's obligations to bondholders and third parties should be met in full. In this respect, the Directors of the Group have assessed that the Group is expected to have the necessary funds to finance the payment of bond interest falling due in December 2021 (which has been already settled by the date these financial statements have been authorised for issue), in 2022 and going forward. On this basis, the board continues to adopt the going concern basis in preparing the Group's and the Company's financial statements and considers that there are no material uncertainties which may cast doubt about the ability of the Group and the Company to continue operating as a going concern.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. BASIS OF PREPARATION - continued

2.2 Voluntary change in accounting policy

As disclosed in Note 3.1 the Group elected to change the method of accounting for the Investment Property which was previously measured using the cost model. The change in accounting policy is deemed to provide more relevant information to the users of the financial statements and more appropriately depict the financial position of the Group. The change is thus deemed to be in accordance with IFRS as adopted by EU.

2.3 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December 2021. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if, and only if, the Group has:

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

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

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

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

Profit or loss and each component of OCI are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets, liabilities, non-controlling interest and other components of equity, while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

NOTES TO THE FINANCIAL STATEMENTS - continued

2. BASIS OF PREPARATION - continued

2.3 Basis of consolidation - continued

These consolidated financial statements comprise the Company and its subsidiaries, namely:

	Percentage of shares held	
	2021	2020
	%	%
Bortex Clothing Industry Company Limited	**100**	100
Bortex Group Finance p.l.c.	**100**	100
Roosendaal Hotels Limited	**100**	100
Roosendaal Trading Limited	**100**	100
Shanal Limited (i)	**-**	100
Bortex Clothing Industry Company Limited (UK)	**100**	100
Bortex Tunisia S.A.R.L (ii)	**-**	100
Chansel Limited	**100**	100
Gagliardi Polska Sp. z.o.o.	**75**	75

(i) Effective from 1 November 2020, Shanal Limited was legally merged with Bortex Group Holdings Company Limited (Note 36)
(ii) On 23 April 2021, the Group lost control and abandoned over Bortex Tunisia S.A.R.L (Note 35)

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

3.1 Investment property cost model policy changed to fair value model

The Group re-assessed its accounting for Investment Property with respect to measurement after initial recognition. The Group had previously measured its Investment Property using the cost model whereby, after initial recognition of the asset is classified as Investment Property, the asset was carried at cost less accumulated depreciation and accumulated impairment losses.

During the financial year ended 31 October 2021, the Group elected to change its accounting policy to the fair value model. The Group believes that the Investment Property measured at fair value provides more relevant information to the users of its financial statements as it is more aligned to the land and building owned by the Group which are carried at revalued amounts. This policy was applied retrospectively. Retrospective application requires the adjustment of the opening balance of each affected component of equity for the earliest prior period presented and the other comparative amounts disclosed for each prior period presented as if the new accounting policy had always been applied.

Since as at 1 November 2019 and as well as 31 October 2020, the fair value of the Investment Property approximated its carrying amount, the Directors concluded that there is no material effect on the profit before tax and on the opening balances of the comparative financial statements but merely a statement of profit or loss presentation and disclosure change. The Group is not presenting a third statement of financial position as at the beginning of the preceding period since it does not have a material effect on the information in the statements of the financial position at the beginning of the preceding period.

NOTES TO THE FINANCIAL STATEMENTS - continued

3. CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES - continued

3.2 Standards, interpretations and amendments to published standards endorsed by the European Union effective in the current year

The accounting policies adopted are consistent with those of the previous financial year, except for the following amendments to IFRS effective during the year:

- Amendments to IAS 1 and IAS 8: Definition of Material (effective for period beginning on or after 1 January 2020);
- Amendments to References to the Conceptual Framework in IFRS Standards (effective for period beginning on or after 1 January 2020);
- Amendments to IFRS 9, IAS 39 and IFRS 17: Interest Rate Benchmark Reform (effective for periods beginning on or after 1 January 2020);
- Amendments to IFRS 3 Business Combinations (effective for periods beginnings on or after 1 January 2020);
- Amendment to IFRS 16 Leases COVID-19 Related Rent Concessions (effective for periods beginning on or after 1 June 2020).

These amendments and interpretations do not have an impact on the financial statements of the Group and the Company.

3.3 Standards, interpretations and amendments to published standards as adopted by the EU which are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but which are not yet effective for the current reporting year and which the Group and Company has not early adopted but plans to adopt upon their effective date. The new and amended standards follow:

- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023);
- Amendments to IFRS 3 Business Combinations; IAS 16 Property, Plant and Equipment; IAS 37 Provisions, Contingent Liabilities and Contingent Assets; IFRS 9 Annual Improvements 2018-2020 Cycle. (All issued 14 May 2020) (effective for financial year beginning on or after 1 January 2022).

The changes resulting from these standards, interpretations and amendments are not expected to have a material effect on the financial statements of the Group and the Company.

3.4 Standards, interpretations and amendments that are not yet endorsed by the European Union

These are as follows:

- Amendments to IAS 1 Presentation of Financial Statements: Classification of Liabilities as Current or Non-current and Classification of Liabilities as Current or Non-current - Deferral of Effective Date (issued on 23 January 2020 and 15 July 2020 respectively);
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting policies (issued on 12 February 2021) ;
- Amendments to IAS 8 Accounting policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021);
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021);
- Amendments to IFRS 17 Insurance contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021).

The Group and the Company are still assessing the impact that these new standards, interpretation and amendments will have on the consolidated and separate financial statements.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

4.1 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 and separate financial statements are presented in Euro, which is the Group's and 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 statement of profit or loss.

(c) Group companies

The results and financial position of all the Group entities (none of which have 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 end of each reporting period;

(ii) income and expenses for each performance 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 directly in other comprehensive income.

4.2 Property, Plant and Equipment

All property, plant and equipment is initially recorded at cost. Land and buildings are subsequently measured 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. Cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs are capitalised within property, plant and equipment.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.2 Property, Plant and Equipment - continued

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 profit or loss 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 presented 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 profit or loss.

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 - 16.67
Leasehold improvements	2 - 33.33
Plant and equipment	7 - 33.33
Furniture, fixtures, fittings and soft furnishings	5 - 25
Motor vehicles	13 - 20

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

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 statement of profit or loss. When revalued assets are sold, the amounts included in the revaluation reserve relating to the assets are transferred to retained earnings.

4.3 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.

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are stated at fair value, which reflects market conditions at the reporting date. Gain or losses arising from changes in the fair values of investment properties are included in profit or loss in the period in which they arise, including the corresponding tax effect. Fair values are determined based on an annual valuation performed by an accredited external independent valuer applying a valuation model recommended by the International Valuation Standards Committee.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.3 Investment property - continued

Investment properties are derecognised either when they have been disposed of (i.e. at the date the recipient obtains control) or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. The difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss in the period of derecognition. In determining the amount of consideration from the derecognition of investment property the Group consider the effects of variable consideration, existence of a significant financing component, non-cash consideration and consideration payable to the buyer (if any).

Transfers are made to (or from) investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change in use. If owner-occupied property becomes an investment property, the Group accounts for such property in accordance with the policy stated under property, plant and equipment up to the date of change in use.

4.4 Investments in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group and the Company has control. The Group and the Company control an entity when the Group and the Company is exposed to, or has rights to, variable return 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. These are deconsolidated from the date that control ceases.

Company

Investments in subsidiaries are initially recognised at cost, being the fair value of the consideration given, including transaction costs associated with the investment.

4.5 Investment in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control over those policies. The considerations made in determining significant influence or joint control are similar to those necessary to determine control over subsidiaries. The Group’s investment in its associate is accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group’s share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately. Distributions received from an investee reduce the carrying amount of the investment.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.5 Investment in associates - continued

The statement of profit or loss reflects the Group's share of the results of operations of the associate. Any change in OCI of those investees is presented as part of the Group's OCI. In addition, when there has been a change recognised directly in the equity of the associate, the Group recognises its share of any changes, when applicable, in the statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and the associate are eliminated to the extent of the interest in the associate.

The aggregate of the Group's share of profit or loss of an associate is presented on the face of the statement of profit or loss outside operating profit and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate. The financial statements of the associate are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group.

After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss within 'Share of profit of an associate' in the statement of profit or loss.

Upon loss of significant influence over the associate over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

4.6 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever there is an indication that an asset may be impacted. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's 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). A previously recognised impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognised. The reversal is limited so that their carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the statement of profit or loss unless the asset is carried at a revalued amount, in which case, the reversal is treated as a revaluation increase.

4.7 Financial instruments

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

i. Financial assets

Initial recognition and measurement

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

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.7 Financial instruments - continued

The classification of financial assets at initial recognition depends on the financial asset's contractual cash flow characteristics and the Group's and Company's business model for managing them. With the exception of trade receivables that do not contain a significant financing component or for which the Group and Company has applied the practical expedient, the Group and Company initially measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs.

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

The Group's business model for managing financial assets refer to how it manages its financial assets in order to generate cash flows. The business model determines whether cash flows will result from collecting contractual cash flows, selling the financial assets, or both. Financial assets classified and measured at amortised cost are held within a business model with the objective to hold financial assets in order to collect contractual cash flows while financial assets classified and measured at fair value through OCI are held within a business model with the objective of both holding to collect contractual cash flows and selling.

Subsequent measurement

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

i. Financial assets at amortised cost (debt instruments)
ii. Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)
iii. Financial assets designated at fair value through OCI with no recycling of cumulative gains and losses upon derecognition (equity instruments)
iv. Financial assets at fair value through profit or loss

Financial assets at amortised cost (debt instruments)

Financial assets at amortised cost (debt instruments) are the most relevant to the Group and the Company. The Group and the Company measure financial assets at amortised cost if both of the following conditions are met:

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

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

The Group's and the Company's debt instruments at amortised cost includes loans to related parties, trade and other receivables, cash and cash equivalents and term placements with banks which are classified under this category.

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments)

The Group and the Company measures debt instruments at fair value through OCI if both of the following conditions are met:

- The financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.7 Financial instruments - continued

Financial assets at fair value through OCI with recycling of cumulative gains and losses (debt instruments) - continued

- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

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

The Group and Company holds no financial assets in this category.

Financial assets at fair value through OCI (equity instruments)

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

Gains and losses on these financial assets are never recycled to profit or loss. Dividends are recognised as other income in the statement of profit or loss when the right of payment has been established, except when the Group and Company benefits from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in OCI. Equity instruments designated at fair value through OCI are not subject to impairment assessment. The Group and Company holds listed equities as disclosed in Note 13.

Financial assets at fair value through profit or loss

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income (FVTOCI) are measured at fair value through profit or loss (FVTPL). Specifically:

- Investments in equity instruments are classified as at FVTPL. However, a Group and Company may designate an equity investment that is neither held for trading nor a contingent consideration arising from a business combination as at FVTOCI on initial recognition.
- Debt instruments that do not meet the amortised cost criteria or the FVTOCI criteria are classified as at FVTPL.

In addition, debt instruments that meet either the amortised cost criteria or the FVTOCI criteria may be designated as at FVTPL upon initial recognition if such designation eliminates or significantly reduces a measurement or recognition inconsistency that would arise from measuring assets or liabilities or recognising the gains and losses on them on different bases.

Financial assets measured at FVTPL are subsequently measured at fair value at the end of each reporting period, with any fair value gains or losses including foreign exchange gains and losses, recognised in profit or loss.

Where applicable, dividend income is recognised with other dividend income, if any, arising on other financial assets within the line item ‘Investment income’. Where applicable, interest income is disclosed within the line item ‘Finance income’. Fair value gains and losses are recognised within the line items ‘Finance income’ and ‘Finance losses’ respectively.

The Group and Company holds no financial assets in this category.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.7 Financial instruments - continued

Derecognition
A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised when:

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

When the Group and Company has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if, and to what extent, it has retained the risks and rewards of ownership. When it has neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and Company continues to recognise the transferred asset to the extent of its continuing involvement.

ii. Impairment

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months (a 12-month ECL). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

iii. Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, payables, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

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

The Group’s and Company’s financial liabilities include debt securities in issue and other payables.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.7 Financial instruments - continued

Subsequent measurement

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

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost (loans and borrowings)

Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated upon initial recognition as at fair value through profit or loss.

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

Gains or losses on liabilities held for trading are recognised in the statement of profit or loss. Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in IFRS 9 are satisfied. The Group and the Company has not designated any financial liability as at fair value through profit or loss.

Financial liabilities at amortised cost (loans and borrowings)

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

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as finance costs in the statement of profit or loss.

Derecognition

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

Offsetting of financial instruments

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

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.8 Inventories

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

Inventories are stated at the lower of cost and net realisable value (NRV). 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. Provision is made where necessary for obsolete, slowing moving and defective stock.

(b) Property held for development and resale

Property acquired or being constructed for sale in the ordinary course of business, rather than to be held for rental or capital appreciation, is held as inventory property and is measured at the lower of cost and NRV.

Principally, this is residential property that the Group develops and intends to sell on completion of development. Cost incurred in bringing each property to its present location and conditions includes:

- Freehold and leasehold rights for land;
- Amounts paid to contractors for development;
- Planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, development overheads and other related costs.

NRV is the estimated selling price in the ordinary course of the business, based on market prices at the reporting date, less estimated costs of completion and the estimated costs necessary to make the sale.

When an inventory property is sold, the carrying amount of the property is recognised as an expense in the period in which the related revenue is recognised. The carrying amount of inventory property recognised in profit or loss is determined with reference to the directly attributable costs incurred on the property sold and an allocation of any other related costs based on the relative size of the property sold.

4.9 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at cost. In the 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. Bank overdrafts are presented within borrowings in current liabilities.

4.10 Share capital

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

4.11 Taxes

Current income tax
Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the reporting date in the countries where the Group operates and generates taxable income.

Current income tax relating to items recognised directly in equity is recognised in equity and not in the statement of profit or loss. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.11 Taxes - continued

Deferred tax

Deferred tax is provided using the liability method on temporary differences between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes at the reporting date.

Deferred tax liabilities are recognised for all taxable temporary differences, except:
- When the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future

Deferred tax assets are recognised for all deductible temporary differences, the carry forward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised, except:
- When the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint arrangements, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are re-assessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered. In assessing the recoverability of deferred tax assets, the Group relies on the same forecast assumptions used elsewhere in the financial statements and in other management reports. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in OCI or directly in equity. Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, are recognised subsequently if new information about facts and circumstances change. The adjustment is either treated as a reduction in goodwill (as long as it does not exceed goodwill) if it was incurred during the measurement period or recognised in profit or loss.

The Group offsets deferred tax assets and deferred tax liabilities if and only if it has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.11 Taxes - continued

Sales tax

Expenses and assets are recognised net of the amount of sales tax, except:

- When the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case, the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item, as applicable
- When receivables and payables are stated with the amount of sales tax included

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statement of financial position.

4.12 Revenue recognition

The Group is in the business of manufacturing and selling garments and other related items and providing services within the hospitality industry.

Revenue from contracts with customers is recognised when control of the goods or services are transferred to the customer at an amount that reflects the consideration to which the Group expects to be entitled in exchange for those goods and services. The Group has concluded that it is the principal in its revenue arrangements because it controls the goods or services before transferring them to the customer. Revenue is recorded net of value added tax and discounts to customers are recognised as a reduction in revenue.

The Group measures revenue on a basis that reflects the amount of consideration that it expects to be entitled to; this measurement of revenue is however limited to amounts to which the Group has enforceable rights, and it excludes amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation, which occurs when it transfers control of a promised good or service to a customer. Control of a promised good or service is transferred to a customer when the customer is able to direct the use of the promised good or service. A performance obligation is satisfied at a point in time unless it meets certain criteria that indicate that it is satisfied over time.

The Group considers whether there are other promises in the contract that are separate performance obligations to which a portion of the transaction price need to be allocated. In determining the transaction price for the sale, the Group considers the effects of variable consideration, the existence of financing components, non-cash consideration and consideration payable to the customer (if any). The main performance obligation is to provide hospitality and leisure services as and when customer make use of the services and when buy goods. The transaction price follows a fee structure which is known at the date of booking or consumption of service or at the date of the sale and thus no significant estimates are required in this respect.

Management has determined that none of the Group's contracts with customers contain a significant financing component as the period between the recognition of revenue and the payment due date is of less than one year. Consequently, the Group applies the practical expedient for short-term advances received from customers. That is, the promised amount of consideration is not adjusted for the effects of a significant financing component if the period between the transfer of the promised good or service and the payment is one year or less.

Revenue mainly represents income earned from accommodation, catering and sale of goods. Revenue from accommodation is recognized over time whereas revenue from retail sales is recognized at a point in time.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.12 Revenue recognition - continued

Sales of goods - retail

The Group sells goods on a retail basis relating to clothing and other related items from the Group's owned or leased outlets. Sales of goods are recognised when the Group has delivered products to the customer and there are no unfulfilled obligations that could affect the customer's acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products.

The goods are distinct performance obligation and the charged amounts to customers represented the goods' stand-along selling prices. These obligations are fulfilled at a point in time when they are provided to the customers.

It is the Group's policy to sell its products to the retail customer with a right to return within 30 days from the date of purchase. The Group does not operate any loyalty programmes. Deferring income in relation to gift card redemptions is estimated on the basis of historical redemption rates.

Sales of goods and services

Accommodation and catering revenue correspond to all the revenues received from guests by owned hotels. The services rendered (including room rentals, food and beverages sales and other ancillary services) are distinct performance obligation, for which prices invoices to the guest are representative of their stand-alone selling prices. These obligations are fulfilled over time when they relate to room rentals, along the stay in the hotel, and at a point in time for other goods or services, when they have been delivered or rendered.

Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet (previously recognised in deferred income).

Property for development and resale

The Group enters into contracts with customers to sell property that are completed. The sale of completed property constitutes a single performance obligation and the Group has determined that this is satisfied at the point in time when control transfers. For unconditional exchange of contracts, this generally occurs when legal title transfers to the customers. For conditional exchanges, this generally occurs when all significant conditions are satisfied.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.12 Revenue recognition - continued

Property for development and resale - continued

Payments are received when legal title transfers which is usually upon the date when the contracts are signed.

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. This is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract. Such amounts are accounted as contract liabilities in the statement of financial position.

Rental income

The Group earns revenue from acting as a lessor in operating leases which do not transfer substantially all of the risk and rewards incidental to ownership of an investment property.

Rental income arising from operating leases on investments property is accounted for on a straight-line basis over the lease term and is included in revenue in the statement of profit or loss due to its operating nature. Initial direct costs incurred in negotiating and arranging an operating lease are recognised as an expense over the lease term on the same basis as the lease income.

Dividend income

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

Other operating income

Other operating income is recognised on an accrual basis unless collectability is in doubt.

Interest income

Interest income is recognised for all interest-bearing instruments on a time-proportion basis using the effective interest method.

4.13 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.

4.14 Leases

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

Group as a lessee

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

NOTES TO THE FINANCIAL STATEMENTS - continued

4. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** - continued

4.14 **Leases** - continued

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets. Depreciation charged varies from 10 to 65 years.

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

The right-of-use assets are also subject to impairment.

ii) Lease liabilities

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

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

The Group’s lease liabilities are included in note 9, Leases.

iii) Short-term leases

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

The Group is the lessor

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

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.15 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received, and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate. Government grants related to assets, i.e., in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented within 'Other operating income'. Grants related to income are presented as a deduction in reporting the related expense.

4.16 Provisions

Provisions are recognised when the Group and the Company has a present obligation as a result of a part event, and a reliable estimate can be made of the amount of the obligation. Provisions are measured at management's best estimate of the expenditure required to settle the present obligation at the financial reporting date and are discounted to present value when the effect is material. Provisions are reviewed each financial reporting date and adjusted to reflect the current best estimate.

4.17 Related parties

A related party is defined as a person or an entity that is related to the entity that is prepared its financial statements. Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control,and common significant influence and Related parties may be individuals or corporate entities. Related party loan and other receivables are carried at cost, net of any impairment charge whereas liabilities due to related parties are initially at fair value and subsequently at amortised cost.

4.18 Employee benefits

The Group contributes towards the state pension in accordance with local legislation. The only obligation of the Group is to make the required contributions. Costs are expensed in the period in which they are incurred.

4.19 Legal merger

The merger is accounted using the book value method of accounting, whereby the acquiring company (being the Company) recognises the assets acquired and liabilities assumed at the carrying amounts in the separate financial statements as of the date of the legal merger, on the accounting date of as stipulated in the Draft Terms of Merger. The difference between the amounts assigned to the assets and liabilities in the Company's financial statements after the legal merger and the carrying amount of the investment in the merged subsidiary between the legal merger are recognised directly in equity. The legal merger only relates the Company's separate financial statements and there is no effect on the consolidated financial statements.

4.20 Discontinued operations and abandoned disposal groups

The Group does not classify as held for sale a non-current asset or disposal group that is to be abandoned. This is because its carrying amount will be recovered principally through continuing use. However, if the disposal group to be abandoned meets the criteria of i) represents a separate major line of business or geographical area of operations, ii) is part of a single co-ordinated plan to dispose of a sperate major line of business or geographical area of operations or iii) is a subsidiary acquired exclusively with a view to resale, the Group shall present the results and cash flows of the disposal group as discontinued operations at the date on which it ceased to be used.

The Group disclosed a single amount in the statement of comprehensive income and an analysis of the single amount. This is due to the fact that the entity being abandoned represented a separate major line of business as it was the main manufacturing arm of the Group.

NOTES TO THE FINANCIAL STATEMENTS - continued

4. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - continued

4.20 Discontinued operations and abandoned disposal groups - continued

The Group also represent the disclosures required for discontinued operations for prior period presented in the financial statements so that the disclosures relate to all operations that have been discontinued by the end of the reporting period for the latest period presented. Discontinued operations are excluded from the results of continuing operations and are presented as a single amount as profit or loss after tax from discontinued operations in the statements of profit or loss.

4.21 Financial Guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

If not measured as a financial liability at FVTPL and if not arising from a transfer of a financial asset, financial guarantee contracts issued by the Group and the Company are subsequently measured at the higher of the following:

a) the amount of the loss allowance determined in accordance with IFRS 9; and
b) the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies. In the case of financial guarantee contracts, the maximum exposure to credit risk is the maximum amount the entity could have to pay if the guarantee is called on.

5. FINANCIAL RISK MANAGEMENT

5.1 Financial risk factors

The Group's and the Company'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 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 Group'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. The Group did not make use of derivative financial instruments to hedge certain risks exposures during the current and preceding financial years.

(a) Market risk

(i) Foreign exchange risk

Foreign currency risk is the risk that the fair value or future cash flows of an exposure will fluctuate because of changes in foreign exchange rates. The Group's exposure to the risk of changes in foreign exchange relates primarily to the Group's operating activities (when revenue or expense is denominated in a foreign currency). The Group's is also exposed on the carrying amount payables and receivables denominated in foreign currencies at the end of the reporting period. The main currencies giving rise to this risk is Great British pound and US Dollar.

The risk arising from foreign currency transactions is managed by regular monitoring of the relevant exchange rates and management's reaction to material movements thereto.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT - continued

5.1 Financial risk factors – continued

(a) Market risk - continued

(i) Foreign exchange risk - continued

Foreign currency sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in Great British pound and US Dollar, with all other variables held constant. The impact on the Group's profit before tax is due to changes in the fair value of monetary assets and liabilities. An increase of 5% means that the foreign currency appreciates over Euro.

	Change in GBP	Effect on profit before tax €
2021	**+/- 5%**	**+/- 486**
2020	+/- 5%	+/- 3,497

	Change in USD	Effect on profit before tax €
2021	**+/- 5%**	**+/- 1,063**
2020	+/- 5%	+/- 496

(ii) Price risk

The Group's listed equity investments are susceptible to market price risk arising from uncertainties about future values of the investment securities. The Group manages the equity price risk through diversification and by placing limits on individual and total equity instruments and business sectors of investees. The Group's investments are quoted on the Malta Stock Exchange and are accordingly incorporated in the MSE equity index. At the reporting date, the exposure to equity investments at fair value listed on the MSE was €170,997 (2020: €170,302). Given that the changes in fair values of the equity instruments held are strongly positively correlated with changes of the MSE market index, management has determined that an increase/(decrease) of 10% on the MSE market index, with all other variables held constant will have an impact of +- €17,100 (2020: € 17,030) on the OCI.

(iii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to the risk of changes in market interest rates relates primarily to the Group's bank borrowing with floating interest rates. The Group manages its interest rate risk by having a balanced portfolio of fixed and variable rate borrowings. The interest rates on the borrowings are disclosed in Note 23 to these financial statements.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected, with all other variables held constant, of the Group's profit before tax.

	Increase/decrease in basis points	Effect on profit before tax €
2021	**+/- 100**	**+/- 64,000**
2020	+/- 100	+/- 55,400

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT - continued

5.1 Financial risk factors - continued

(b) Credit risk

Credit risk arises from loans receivable to related parties, cash and cash equivalents, term deposits with banks, as well as credit exposures to customers, including outstanding receivables and committed transactions. The Group's exposures to credit risk are analysed as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans receivable (Note 14)	**645,900**	1,464,000	**-**	-
Trade and other receivables (Note 15)	**3,633,076**	4,678,825	**485,372**	634,755
Term placements with banks (Note 17)	**7,878**	7,878	**-**	-
Cash and cash equivalents (Note 18)	**3,328,219**	1,370,669	**16,597**	8,174
	7,615,073	7,521,372	**501,969**	642,929

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 does not hold any significant collateral as security in this respect except for the loans receivable (which are due from related parties) which are secured by properties. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and indirect taxation.

<u>Cash and cash equivalents and term deposits with financial institutions</u>
Credit risk with respect to the cash at bank is limited due to the fact that the Group banks only with local financial institutions with high quality standing. In fact, the majority of the cash is held with a bank having an A-3 (2020: A-3) short term credit rating.

<u>Loans receivables to related parties and associate</u>
The Group's loans and advances include loans effected to associate and related parties subject to common ultimate shareholding (Note 14). The Group monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these 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 significant losses from non-performance or default.

The Group's concentration of credit risk arising from these receivables is considered limited as there are no other indications that the related parties are unable to meet their obligation taking into consideration that the loans receivables are secured by properties held by the related parties as disclosed in Note 14.

<u>Trade receivables and contract assets</u>
The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors such as forward looking information specific to the debtors and the economic environment. It has policies in place to ensure that sales of products and services are affected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are affected in cash.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group's standard payment and service delivery terms and conditions are offered.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT - continued

5.1 Financial risk factors - continued

(b) Credit risk - continued

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 which as at year end it represented 6.1% (2020: 6.5%) of the Group's total assets. 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.

Impairment of trade receivables and contract assets

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. Credit loss allowances also include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables.

The expected loss allowance as at 31 October 2021 and 2020 for trade receivables was determined to be around 1% of the revenue generated for the respective financial year.

The expected loss rates also reflect the fact that a 100% loss rate is triggered for receivables which are past due by 365 days or more.

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, credit loss allowances in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of credit loss allowances of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group does not hold any collateral as security in respect of the credit impaired assets.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than a year past due.

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges which are presented in the statement of profit or loss within the Impairment losses. Subsequent recoveries of amounts written off are credited against the same line item.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT – continued

5.1 Financial risk factors – continued

(b) Credit risk – continued

Ageing analysis of trade receivables

As at 31 October 2021, trade receivables of €1,021,469 (2020: €738,607) were past due but not credit impaired. Such past due debtors comprise mainly debts which were still due past the respective credit terms, together with those debts allocated to the over 90 days past due category where no credit terms have been formalised with the debtors. These past due debtors 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.

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. At 31 October 2021 and 2020, the Group's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, did not result in material amounts and the Group did not recognise any additional impairment on trade receivables during financial year 2021.

Set out below is the information about the credit risk exposure on the Group's trade receivables and contract assets using a provision matrix:

31 October 2021		Trade receivables					
			Days past due				
	Contract assets	**Current**	**<30 days**	**30–60 days**	**61–90 days**	**>91 days**	**Total**
	€	€	€	€	€	€	€
Estimated total gross carrying amount	66,302	496,860	582,379	136,753	55,140	247,197	1,518,329

31 October 2020		Trade receivables					
			Days past due				
	Contract assets	Current	<30 days	30–90 days	61–90 days	>91 days	Total
	€	€	€	€	€	€	€
Estimated total gross carrying amount	-	716,894	486,374	83,546	43,689	124,998	1,455,501

Financial Guarantee

For each financial guarantee contract issued, the Group has to determine the amount of expected credit loss in accordance with IFRS 9. The Company provided a financial guarantee to secure the banking facilities of a subsidiary for an amount of €1,500,000 (2020: €1,500,000). During the year ended 31 October 2021, the subsidiary fully paid the banking facilities. Consequently, the expected credit loss as at reporting date is deemed to be € Nil.

As disclosed in Note 23, the Company has provided a corporate guarantee in favour of the bondholders for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the prospectus. Management has carried out an assessment on the loans receivable provided by the Issuer to other related parties (Note 1) which has been quantified as immaterial. Therefore, the financial guarantee in the Company is deemed not to be material.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT – continued

5.1 Financial risk factors – continued

(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 23) and trade and other payables (Note 25). 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.

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. 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. As disclosed in Note 23, the Group had an unutilised banking facility amounting to €5.3 million (2020: €3.3 million). 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 below 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.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
At 31 October 2021					
Lease liabilities	375,644	394,722	1,300,434	11,369,817	13,440,617
Bank borrowings	1,267,997	1,278,909	3,599,255	2,312,579	8,458,740
Debt securities in issue	478,125	478,125	1,434,375	13,228,125	15,618,750
Borrowings from related parties	216,525	-	-	-	216,525
Trade and other payables	4,231,873	-	-	-	4,231,873
	6,570,164	**2,151,756**	**6,334,064**	**26,910,521**	**41,966,505**

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
At 31 October 2020					
Lease liabilities	319,170	340,277	1,125,151	9,253,966	11,038,564
Bank borrowings	549,232	1,268,236	3,836,728	4,001,898	9,656,094
Debt securities in issue	478,125	478,125	1,434,375	13,706,250	16,096,875
Borrowings from related parties	543,312	-	-	-	543,312
Trade and other payables	3,063,767	-	-	-	3,063,767
	4,953,606	**2,086,638**	**6,396,254**	**26,962,114**	**40,398,612**

The Group's and the Company's trade and other payables are entirely repayable within one year from the end of the reporting.

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT – continued

5.2 Capital risk management

For the purpose of the Group's capital management, capital includes issued capital, and all other equity reserves attributable to the equity holders of the parent. 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 number of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

The Group also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the respective consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, (as shown in the respective consolidated statement of financial position), plus net debt.

The aggregated figures in respect of the Group's equity and borrowings are reflected below:

	2021	2020
	€	€
Total borrowings	**20,227,839**	22,030,654
Less: cash and cash equivalents	**(3,328,219)**	671,382
Net debt	**16,899,620**	22,702,036
Total equity	**32,778,108**	26,681,261
Total capital	**49,677,728**	49,383,297
Net debt/total capital	**34%**	46%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of the Group, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the Directors.

5.3 Fair values of financial instruments

The Group is required to disclose for financial instruments that are measured in the statement of financial position at fair value, fair value measurements by level of the following fair value measurement hierarchy:

- 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).

NOTES TO THE FINANCIAL STATEMENTS - continued

5. FINANCIAL RISK MANAGEMENT – continued

5.3 Fair values of financial instruments - continued

The fair value of the Group's and the Company's financial assets at FVOCI as at 31 October 2021 and 2020, consisting of equity securities traded in active markets, is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker 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 Group and the Company is the current bid price. The Group's and the Company's financial instruments disclosed in the table below are categorised as level 1 instruments since they are listed in an active market.

	Level 1 Group		**Level 1 Company**	
	2021	2020	**2021**	2020
	€	€	**€**	€
Equity instrument designated at FVOCI - Note 13	**170,997**	170,302	**11,954**	11,109

5.3.1 Financial instruments not carried at fair value

As 31 October 2021 and 2020 the carrying amounts of the Group's and the Company's 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 loan receivable to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows due to the fact that the fixed interest rate is approximates the current market rate.

The fair value of the Group's non-current floating interest rate bank borrowings as at the end of the reporting period is not significantly different from the carrying amounts. The carrying amounts of the other financial liabilities as at 31 October 2021, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the group's internal borrowing rate since the date of transition to IFRS 16.

The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 13 *Fair Value Measurement*. Information on the fair value of the debt securities in issue is disclosed in Note 23 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

NOTES TO THE FINANCIAL STATEMENTS - continued

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require a material adjustment to the carrying amount of assets or liabilities affected in future period.

Judgements

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

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

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

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

Property lease classification – Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risk and rewards incidental to ownership of these properties and accounts for the contracts as operating leases.

Classification of property between inventory, investment property and PPE

An entity shall transfer a property to, or from investment property when and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. During the financial year ended 31 October 2020, the Group transferred an amount of €1,082,966 from inventory as it was considered to be owner occupied since the Group will establish an office from where one of the subsidiaries operations will take place. Furthermore, during financial year 31 October 2021, the Group transferred an amount of €35,720 from investment property since this property is being used as the Group's store. Consequently, in line with IAS 40 *Investment Property* such property ceased to meet the definition of investment property and classified as property plant and equipment.

Classification of Milti Company D.O.O. as an associate

As disclosed in Note 12, during financial year 2020, the Group acquired 50% of the issued share capital in Milti Company D.O.O, whose primary activity is the retail of fashion wear from specialised stores in Serbia. Based on the assessment carried out by the Group the investment is classified as investment in associate due to the fact that the other 50% is held by other three shareholders holding 24%, 19% and 7% respectively. Based on this management concluded that is an associate.

NOTES TO THE FINANCIAL STATEMENTS - continued

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Estimates

The key assumptions concerning the future and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the consolidated financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising that are beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Fair value of land and building and investment property

The Group uses the services of professional valuers to revalue the land and buildings and investment property. The professional valuers take into account market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use. The highest and best use of a non-financial asset takes into account the use of the asset that is physically possible, legally permissible and financially feasible, as follows:

- A use that is physically possible, takes into account the physical characteristics of the asset that market participants would take into account when pricing the asset (e.g. the location or size of a property).
- A use that is legally permissible takes into account any legal restrictions on the use of the asset that market participants would take into account when pricing the asset (e.g. the zoning regulations applicable to a property).
- A use that is financially feasible takes into account whether a use of the asset that is physically possible and legally permissible generates adequate income or cash flows (taking into account the costs of converting the asset to that use) to produce an investment return that market participants would require from an investment in that asset put to that use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimising the use of unobservable inputs. As described in Note 8 and Note 10, the Group uses valuation techniques that include inputs that are not always based on observable market data in order to estimate the fair value of land and building and investment property. Notes 8 and 10 provide detailed information regarding these valuation methods and the key assumptions used in performing such valuations.

Leases – Estimating the incremental borrowing rate

The Group cannot readily determine the interest rate implicit in the lease, therefore, it uses its incremental borrowing rate (IBR) to measure lease liabilities. The IBR is the rate of interest that the Group would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. The IBR therefore reflects what the Group 'would have to pay', which requires estimated when no observable rates are available or when they need to be adjusted to reflect the terms and conditions of the lease. The Group estimates the IBR using observable input such the debt securities in issue and the bank borrowings (Note 23).

Provision for expected credit losses of trade receivables

The Group applies the simplified model of recognising lifetime expected credit losses for all trade receivables as these items do not have a significant financing component. In measuring the expected credit losses, the trade receivables have been assessed on a collective basis as they possess shared credit risk characteristics. They have been grouped based on the days past due. The Group calibrates this data by adjusting the historical credit loss experience with forward-looking information such as forecast economic conditions.

NOTES TO THE FINANCIAL STATEMENTS - continued

6. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS - continued

Estimates – continued

Provision for expected credit losses of trade receivables – continued

During financial year ended 31 October 2020, the Group wrote off an amount of €92,921 which based on management assessment these were not recoverable due to the financial distress such receivable was facing. No provision for expected credit losses of trade receivables was recorded during the year ended 31 October 2021.

Write downs in inventory and PPE

As a result of the unexpected adverse trading and operating condition in Bortex Tunisia S.A.R.L., one of the Group's subsidiaries, management assessed the recoverability of the assets held by this subsidiary. Following thorough considerations, management concluded that as at 31 October 2020, the Group impaired the entire inventory held by the subsidiary which amounted to €1,189,682. In addition to this, management also fully impaired the plant and equipment owned by the same subsidiary amounted to €423,352.

Net realisable value of inventories

The selling prices of inventory are estimated to determine the NRV of inventory. Historical patterns and post year end trading performance are used to determine these. A provision is made to write down slowing-moving inventory to net realisable value. Following an assessment carried out by management, a provision of €150,000 (2020: € Nil) was recognised.

7. ERRORS AND RECLASSIFICATIONS

Errors and reclassifications have been identified which should be treated as correction of prior period errors and corrected retrospectively. However, management decided to correct the below errors and reclassifications in the current period because these are limited to the statement of financial position and there is no significant impact on the statement of profit or loss. Management also considers these errors and reclassifications as not being overall material to warrant a restatement.

Below is a description of the nature of such errors and effects on the items affected as at 1 November 2020 and for the year then end.

Right-of-use asset and lease liability
Effective from 1 November 2019, the Group has adopted IFRS 16 Leases with a modified retrospective approach. During the year ended 31 October 2021, management identified an error in the measurement of a lease contract whereby the lease payments and lease term was based on an outdated lease contract. The most recent lease contact has a higher lease charge and a longer duration (a).

Furthermore, management noted that an element of initial direct costs pertaining to leases (which mainly represents an upfront down payment to acquire the lease) were being presented within the trade and other receivables and amortised over the term of the respective agreements. Management has assessed that these balances should have been classified within the Right-of-Use Asset (b).

Reserves
A reclassification between the other reserves and retained earnings was required to rectify the calculations of these reserves as at 1 November 2020 (c).

Trade payables
Upon consolidation an amount of €361,053 pertaining to trade payables was presented within retained earnings. Consequently, a reclassification was required to correct the effect (d).

NOTES TO THE FINANCIAL STATEMENTS - continued

7. ERRORS AND RECLASSIFICATIONS - continued

The impact of correction of prior period errors on the consolidated statement of financial position is as follows (positive numbers indicate a debit while the negative a credit):

	Adjustment	As previously reported	Correction of error and re-classification	As re-adjusted
Effect on amounts as at 31 October 2020				
Consolidated Statement of financial position				
Right-of-use assets	a, b	5,027,189	1,594,358	6,621,547
Trade and other receivables	b	6,172,229	(814,288)	5,357,941
Retained earnings	c, d	(20,236,337)	558,502	(19,677,835)
Other reserves	c	(506,652)	(197,449)	(704,101)
Trade and other payables	d	(5,782,008)	(361,053)	(6,143,061)
Lease Liabilities	a	(5,182,361)	(780,070)	(5,962,431)

Interest free related party balances

A reclassification between the non-current to current related party balances was required to rectify and align the presentation with the terms of the respective loan. Comparative figures were reclassified accordingly.

8. PROPERTY, PLANT AND EQUIPMENT

Group	Land and buildings €	Leasehold improvements €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Assets in course of construction and advance payments €	Total €
Year ended 31 October 2020							
Opening net book amount	18,125,350	969,948	2,703,479	7,318,561	36,493	-	29,153,831
Exchange differences	(236)	-	(8,642)	(14,647)	-	-	(23,525)
Additions	575,926	25,943	221,183	597,856	-	-	1,420,908
Reclassification from inventory (Note 16)	-	-	-	-	-	1,082,966	1,082,966
Disposals	-	-	-	(402,712)	-	-	(402,712)
Impairment	(60,539)	-	(144,135)	(218,035)	(643)	-	(423,352)
Depreciation charge	(286,986)	(60,912)	(271,339)	(816,816)	(10,175)	-	(1,446,228)
Depreciation on disposal	-	-	-	137,147	-	-	137,147
Closing net book amount	18,353,515	934,979	2,500,546	6,601,354	25,675	1,082,966	29,499,035
At 31 October 2020							
Cost or valuation	19,574,326	1,080,678	7,492,943	12,145,174	326,441	1,082,966	41,702,528
Accumulated depreciation	(1,220,811)	(145,699)	(4,992,397)	(5,543,820)	(300,766)	-	(12,203,493)
Net book amount	18,353,515	934,979	2,500,546	6,601,354	25,675	1,082,966	29,499,035

NOTES TO THE FINANCIAL STATEMENTS - continued

8. PROPERTY, PLANT AND EQUIPMENT - continued

	Land and buildings €	Leasehold improvements €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Assets in course of construction and advance payments €	Total €
Year ended 31 October 2021							
Opening net book amount	18,353,515	934,979	2,500,546	6,601,354	25,675	1,082,966	29,499,035
Reclassifications[1]	1,353,304	(934,979)	397,612	270,558	(3,529)	(1,082,966)	-
	19,706,819	-	2,898,158	6,871,912	22,146	-	29,499,035
Impairment loss	(296,754)	-	-	-	-	-	(296,754)
Additions	1,211,555	-	114,605	627,556	-	-	1,953,716
Transfer from IP (Note 10)	35,720	-	-	-	-	-	35,720
Revaluation of Land & Buildings	6,854,091	-	-	-	-	-	6,854,091
Depreciation charge	(305,712)	-	(263,442)	(754,449)	(10,576)	-	(1,334,179)
Closing net book amount	**27,205,719**	**-**	**2,749,321**	**6,745,019**	**11,570**	**-**	**36,711,629**
At 31 October 2021							
Cost or valuation	29,028,996	-	8,005,160	13,043,288	322,912	-	50,400,356
Accumulated depreciation	(1,823,277)	-	(5,255,839)	(6,298,269)	(311,342)	-	(13,688,727)
Net book amount	**27,205,719**	**-**	**2,749,321**	**6,745,019**	**11,570**	**-**	**36,711,629**

[1] These reclassifications relate to normal reclassification between assets and not corrections of errors. The leasehold improvements were reclassified to plant and equipment and to the furniture and fitting category whereas the asset under construction was mainly reclassified to land and buildings.

During the year ended 31 October 2021, the Group engaged an independent qualified valuer to determine the fair value of the properties owned by the Group. It resulted that the revalued amount of one of the Group's property was below its carrying amount. Consequently, an impairment amounting to €296,754 was recognised in the statement of profit or loss.

During the year ended 31 October 2021, the Group acquired a property from an associate amounting to €704,200 which was settled through intragroup loans. Moreover during the financial year 2021, the Group reclassified to property plant and equipment a property amounting to €35,720 which was previously classified under Investment Property as this property is being used as the Group's warehouse.

During the year ended 31 October 2020, the Group reclassified to property, plant and equipment from inventories, property developed with the initial view to sale. However, the Directors decided to establish an office which forms part of the Group's operation premises. Consequently, an amount of €1,082,966 was reclassified from inventories to property, plant and equipment.

Also during 2020, an impairment loss of €423,352 was recognised in respect of plant and equipment of Bortex Tunisia S.A.R.L. as a result of unexpected adverse trading and operating conditions. The Group also wrote-off certain shop fittings and furniture primarily those relating to the foreign retail outlets that were closed permanently which amounted to €227,138. Other write-offs in the ordinary course of business amounted to €38,427.

Fair valuation of property

The principal element of the Group's land and buildings, within property, plant and equipment, comprising the hotels which were recently revalued by an independent professionally qualified valuer. The book value of this property was adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, was credited to the revaluation reserve in shareholders' equity (Note 20). The valuation was 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.

NOTES TO THE FINANCIAL STATEMENTS - continued

8. PROPERTY, PLANT AND EQUIPMENT - continued

Fair valuation of property *- continued*

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).

Type of property	**Level 3** **€**	**Total** **€**	**Date of valuation**
Commercial Property	26,000,000	26,000,000	15 February 2021
Commercial Property	2,450,000	2,450,000	15 September 2021
Offices	1,500,000	1,500,000	15 February 2021
Commercial Property	250,000	250,000	11 February 2022
Commercial Property	1,801,865	1,801,865	11 February 2022
Commercial Property	965,000	965,000	11 February 2022

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.

Valuation processes

The valuation of the revalued property is 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 Group'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.

NOTES TO THE FINANCIAL STATEMENTS – continued

8. PROPERTY, PLANT AND EQUIPMENT – continued

***Fair valuation of property** - continued*

Type of property	Fair Value EUR	Valuation Technique	Inputs	Sensitivity
Commercial Property	26,000,000	Income capitalisation approach	EBIDTA €2.2 million, capitalization yield of 8%, discount rate at 10%	The higher the EBITDA and capitalisation yield, the higher the fair value. The higher the discount rate the lower the fair value.
Commercial Property	2,450,000	Market approach	The value of the property is based on the selling price of a similar commercial property	The higher the market rates, the higher the fair value.
Offices	1,500,000	Income capitalisation approach	The main inputs used are a rental income of €225 per m2 per year and a capitalisation rate of 5.75%	The higher the capitalisation rate, the lower the fair value. The higher the rental income the higher the fair value.
Commercial Property	250,000	Income capitalisation approach	The main inputs used are a comparable rental income ranging €20 - €115 per m2 per year and a capitalisation rate of 6%	The higher the capitalisation rate, the lower the fair value. The higher the rental income the higher the fair value.
Commercial Property	1,801,865	Market approach	The value of the property is based on the selling price of a similar commercial property	The higher the market rate, the higher the fair value.
Commercial Property	965,000	Market and replacement cost approach	This method takes into account the actual physical building fabric constituting the facility, together with an estimated land value. The valuation relies on estimated going rates of the various component of the existing building	The higher the rates for construction, finishing services and fittings the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS – continued

8. PROPERTY, PLANT AND EQUIPMENT – continued

If the revalued portion of the land and buildings was stated on the historical cost basis, the amounts would be as follows:

	2021	2020
	€	€
Cost	**17,721,694**	14,437,612
Accumulated depreciation	**(1,220,811)**	(1,051,524)
Net book amount	**16,500,883**	13,386,088

As disclosed in Note 23, the Group's bank borrowings are secured by general hypothecs on the assets of the principal operating entities with the Group, supported by special hypothecs over assets and properties, held together with special privileges on the Group's property.

9. LEASES

The Group has lease contracts for various outlets used in its operations which generally have lease terms between 10-65 years. There are several lease contracts that include extension and termination options and variable lease payments, which are further discussed below.

The statement of financial position reflects the following assets relating to leases:

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the year:

	Properties	**Total**
	€	**€**
As at 1 November 2019	**-**	**-**
First time application of IFRS 16	5,317,255	5,317,255
Depreciation expense	(290,066)	(290,066)
As at 31 October 2020	**5,027,189**	**5,027,189**
Adjustment to the Right of Use (Note 7)	1,594,358	1,594,358
Additions	1,076,884	1,076,884
Depreciation expense	(403,124)	(403,124)
As at 31 October 2021	**7,295,307**	**7,295,307**

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Properties	**Total**
	€	**€**
As at 1 November 2019	**-**	**-**
First time application of IFRS 16	5,284,871	5,284,871
Accretion of interest	205,867	205,867
Payments	(308,377)	(308,377)
As at 31 October 2020	**5,182,361**	**5,182,361**
Adjustment to the lease liability (Note 7)	780,070	780,070
Additions	1,076,884	1,076,884
Accretion of interest	260,894	260,894
Income from rent concession	(36,753)	(36,753)
Payments	(361,446)	(361,446)
As at 31 October 2021	**6,902,010**	**6,902,010**

Current	161,338
Non-current	6,740,672

NOTES TO THE FINANCIAL STATEMENTS - continued

9. LEASES - continued

The following are the amounts recognised in profit or loss:

	2021 €	2020 €
Depreciation expense of right-of-use assets	403,124	290,065
Interest expense on lease liabilities	260,895	205,867
Variable lease payments (included in selling and direct and other expense)	442,536	555,853
Expenses relating to short-term leases (included in selling and direct and other expense)	56,894	112,063
Income from sub-letting of right-of-use asset (included within the other operating income)	66,259	72,916
Income from lease concession (included under selling and other direct expenses)	36,753	63,125

The Group had total cash outflows for leases of €972,415 in 2021 (€996,839 in 2020). The Group also had non-cash additions to right-of-use assets of €1,856,953 in 2021 and of €5,317,255 in 2020. The Group have non-cash additions to lease liabilities of €1,856,953 in 2021 and €5,284,871 in 2020.

The Group has lease contracts for properties that contains both fixed and variable payments based on the sales generated by the Group in the respective lease property. The following provides information on the Group's variable lease payments, including the magnitude in relation to fixed.

	Fixed payments €	Variable payments €	Total €
2021			
Fixed rent	446,578	-	**446,578**
Variable rent only	-	442,536	**442,536**
	446,578	442,536	**889,114**
2020			
Fixed rent	420,440	-	**420,440**
Variable rent only	-	555,853	**555,853**
	420,440	555,853	**976,293**

The Group has several lease contracts that include termination options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group's business needs. Management exercises significant judgement in determining whether these termination options are reasonably certain to be exercised. Management has assessed that the termination options will not be exercised and thus the lease term includes the period with termination options.

COVID-19 Rent Concession

The expense relating to variable lease payments amounting to €525,837 (2020: €576,399) disclosed in the table above is stated net of lease payment concessions. Such concessions for an amount of €36,753 (2020: €63,125) represent discounts granted by the Group's lessors as a result of the COVID-19 pandemic. In this respect, the Group has elected to apply the practical expedient permitted by the IFRS 16 COVID-19 related rent concessions amendment to all its rent concessions and has presented these rent concessions netted off from the variable lease payments in accordance with the amendment's provisions.

NOTES TO THE FINANCIAL STATEMENTS - continued

9. LEASES - continued

Group as a lessor

The Group has entered into operating leases on its investment property portfolio consisting of certain offices. These leases have terms of five year. Rental income recognised by the Group during the year is €81,259 (2020: €66,749).

Future minimum rental receivable under non-cancellable operating leases as at 31 October are as follows:

	2021	2020
	€	€
Within one year	**222,702**	216,216
After one year but not more than five year	**327,517**	550,219
	550,219	766,435

10. INVESTMENT PROPERTY

Group

	Land and buildings
	€
Year ended 31 October 2020	
Opening balance	2,174,092
Reclassification from property, plant and equipment (Note 8)	47,669
Loss in fair value of property (Note 31)	(54,522)
Closing balance	**2,167,239**
Year ended 31 October 2021	
Opening balance	2,167,239
Additions	4,901
Transfer to property, plant and equipment (Note 8)	(35,720)
Increase in fair value of property (Note 31)	1,083,537
Closing balance	**3,219,957**

NOTES TO THE FINANCIAL STATEMENTS - continued

10. INVESTMENT PROPERTY - continued

The Group's land and buildings are classified as either property, plant and equipment or investment property depending on their intended use. The Group's investment properties consist of commercial properties. Land and buildings are revalued by professionally independent qualified architects or surveyors on the basis of assessments of the fair value of the property in accordance with international valuations standards and professional practice.

In the years where a valuation is not obtained, management verifies all major inputs to the independent valuation report, assesses any property valuation movements when compared to the prior year valuation report and holds discussions with the independent valuer, as necessary.

As at 31 October 2021, the fair value of the properties is based on valuation performed by an accredited independent architect. A valuation model in accordance with that recommended by the International Valuation Standards Committee has been applied.

	31 October 2021	31 October 2020
	€	€
Rental income derived from investment properties (Note 31)	**215,072**	210,805
Direct operating expenses (including repairs and maintenance) generating rental income	**(105,441)**	(94,386)
Profit arising from investment property carried at fair value	**109,631**	116,419

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment properties or for repairs, maintenance, and enhancements.

The Group's property has been determined to fall within level 3 of the fair valuation hierarchy. The different levels in the fair value hierarchy are defined in Note 5.3.

The Group's policy is to recognise transfers into and out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between levels during the year.

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

The valuation was determined based on the assets-based approach with reference to market prices based on database of valuations and sales of properties in the relevant area, as applicable.

Type of property	**€**	**Valuation Technique**	**Inputs**	**Sensitivity**
Offices	3,204,877	Market approach	The value of the property is based on the selling price of a similar commercial property	The higher the market rate (selling prices), the higher the fair value.

NOTES TO THE FINANCIAL STATEMENTS - continued

11. INVESTMENTS IN SUBSIDIARIES

Company

	2021	2020
	€	€
At 31 October		
Opening and closing cost and carrying amount	**3,601,316**	3,602,481

The subsidiaries at 31 October 2021, whose results and financial position affected the figures of the Group, are presented below:

(a) Held directly by Bortex Group Holdings Company Limited

	Registered office	**Class of shares held**	**Percentage of shares held 2021**	2020
			%	%
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary "A" shares	**100**	100
		Ordinary "B" shares	**100**	100
Bortex Group Finance p.l.c.	32, Hughes Hallet Street Sliema Malta	Ordinary shares	**100**	100
Roosendaal Hotels Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	**100**	100
Roosendaal Trading Limited	A12 Industrial Estate Marsa Malta	Ordinary shares	**100**	100
Shanal Limited (i)	A11 Industrial Estate Marsa Malta	Ordinary shares	**-**	100

NOTES TO THE FINANCIAL STATEMENTS - continued

11. INVESTMENTS IN SUBSIDIARIES - continued

(b) Held through Bortex Clothing Industry Company Limited

	Registered office	Class of shares held	Percentage of shares held 2021 %	2020 %
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE United Kingdom	Ordinary shares	**100**	100
Bortex Tunisia S.A.R.L. (ii)	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	**-**	100
Chansel Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE United Kingdom	Ordinary shares	**100**	100
Gagliardi Polska Sp. z.o.o.	Bluszczańska 73/7 00-712 Warsaw Poland	Ordinary shares	**75**	75

(i) Effective from 1 November 2020, Shanal Limited was legally merged with Bortex Group Holdings Company Limited (Note 36)

(ii) On 23 April 2021, the Group lost control and abandoned over Bortex Tunisia S.A.R.L (Note 35)

12. INVESTMENTS IN ASSOCIATES

	Group 2021 €	Group 2020 €	Company 2021 €	Company 2020 €
Years ended 31 October				
Opening carrying amount	**196,770**	559	**-**	-
Additions	**-**	250,000	**-**	-
Share of results	**630**	(53,789)	**-**	-
Closing carrying amount	**197,400**	196,770	**-**	-

The Group's share of profit from associates, disclosed in the tables above and in profit or loss, is after tax.

During financial year 2020, the Group acquired 50% of Milti Company D.O.O., who's primary activity is the retail of fashion wear from specialised stores in Serbia. The consideration for this acquisition amounted to €250,000.

NOTES TO THE FINANCIAL STATEMENTS – continued

12. INVESTMENTS IN ASSOCIATES - continued

The associates as at 31 October whose results and financial position affected the figures of the group are presented below:

	Registered Office	Class of shares held	Percentage of shares held	
			2021	2020
			%	%
P.J.P. Company Limited	32, Hughes Hallet Street Sliema Malta	Ordinary shares	**24**	24
Milti Company D.O.O	Luke Vojvodica 29 11000 Belgrade Serbia	Ordinary shares	**50**	50

P.J.P. Company Limited was incorporated in 2016 with the involvement of the Group's two ultimate controlling parties. The Group's shareholding in this associate is held through Roosendaal Hotels Limited, a subsidiary. The shareholding in Milti Company D.O.O. is held through Bortex Clothing Industry Company Limited, also a subsidiary.

The results of the associates and their assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit/(Loss)
	€	**€**	**€**	**€**
2021				
P.J.P. Company Limited	**-**	**2,329**	**-**	**(9,425)**
Milti Company D.O.O	**665,920**	**292,616**	**721,415**	**1,260**
2020				
P.J.P. Company Limited	713,954	720,300	-	(3,550)
Milti Company D.O.O	705,116	413,760	851,734	(107,578)

The unrecognised share of losses of P.J.P. Company Limited incurred up to 31 October 2021 amounted to €2,262 (2020: €852).

NOTES TO THE FINANCIAL STATEMENTS - continued

13. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

Equity investments

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Year ended 31 October				
Opening carrying amount	**170,302**	202,393	**11,109**	11,109
Net gain/(loss) from changes in fair value (Note 20)	**695**	(32,091)	**845**	-
Closing carrying amount	**170,997**	170,302	**11,954**	11,109

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
At 31 October				
Cost	**85,722**	85,722	**3,863**	3,863
Fair value gains	**85,275**	84,580	**8,091**	7,246
Closing carrying amount	**170,997**	170,302	**11,954**	11,109

The carrying amount of equity investments at FVOCI as at 31 October comprise the following individual investments:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank of Valletta p.l.c.	**103,459**	123,223	**-**	-
Mapfre Middlesea p.l.c.	**67,538**	47,079	**11,954**	11,109
	170,997	170,302	**11,954**	11,109

All the Group's and Company's investments in equity instruments consist of equity investments listed on the Malta Stock Exchange. Such instruments are fair valued annually and the fair value is determined by reference to quoted market prices, being Level 1 in IFRS 13: *Fair Value Measurement* hierarchy.

14 LOANS RECEIVABLE

	Group	
	2021	2020
	€	€
Non-current		
Loans to related parties	**645,900**	1,291,800
Loan to associate	**-**	172,200
	645,900	1,464,000

These loans are subject to 4% interest per annum. As at 31 October 2021, accrued interest amounting to €436,865 (2020: €411,029) is included within the Amounts owned by other related parties (Note 15). These amounts are secured by underlying properties which their market value is considered to be equivalent to the carrying amount of the loans receivable.

NOTES TO THE FINANCIAL STATEMENTS - continued

15. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Non-current				
Prepaid operating lease rentals	**-**	743,445	**-**	-
Other receivables	**-**	148,400	**-**	-
	-	891,845	**-**	-
Current				
Trade receivables	**1,518,329**	1,455,501	**-**	-
Amounts owed by subsidiaries	**-**	-	**485,372**	634,755
Amounts owed by other related parties	**1,371,734**	1,567,696	**-**	-
Amounts owed by associate	**224,572**	221,956	**-**	-
Amounts due by shareholders	**179,072**	617,830	**-**	-
Other receivables	**337,483**	741,597	**-**	-
Indirect taxation	**1,886**	74,345	**-**	-
Advance payments to suppliers	**229,580**	195,743	**-**	-
Prepaid operating lease rentals	**25,000**	70,843	**-**	-
Other prepayments	**225,647**	334,873	**-**	-
	4,113,303	5,280,384	**485,372**	634,755
Total trade and other receivables	**4,113,303**	6,172,229	**485,372**	634,755

Trade receivables as at 31 October 2021 are disclosed net of credit loss allowances amounting to €68,395 (2020: €68,395). During the current year, the group wrote-off an amount of € Nil (2020: €92,921) with respect to trade customers which were in unexpectedly difficult trading conditions.

An amount of €424,484 included in other receivables for the year ended 31 October 2020, primarily comprise of amounts due from an insurance claim. Such amount was received during the current financial year. Other amounts relate to receivables in the ordinary course of business. Such amounts are receivable within 12 months from the end of the financial reporting period. Non-current other receivables represent amounts which are due after more than twelve months.

As disclosed in Note 7, during 2021, management noted that an element of direct cost pertain to lease (which mainly represent an upfront down payment to acquire the lease) were being presented within the trade and other receivables as prepared operating lease rentals and amortised over the term of the respective agreement. Management has assessed that these balances would be better classified within Leases (Note 9).

NOTES TO THE FINANCIAL STATEMENTS - continued

16. INVENTORIES

Property held for development with a view to sale

	Group	
	2021	2020
	€	€
At 1 November	**2,270,572**	4,837,646
Additions resulting from subsequent expenditure	**189,970**	2,614,369
Transfers to cost of sales	**(1,628,338)**	(4,098,477)
Reclassifications to property, plant and equipment (Note 8)	**-**	(1,082,966)
At 31 October	**832,204**	2,270,572

Goods held for resale

	Group	
	2021	2020
	€	€
Inventories held for resale	**9,894,532**	10,914,454
Finished goods	**115,388**	176,485
Raw materials and consumables	**408,917**	781,110
Work in progress	**63,031**	970,761
Spare parts and other stocks	**22,625**	23,738
Inventories held in relation to hotel operations	**207,409**	182,445
	10,711,902	13,048,993
Total inventories	**11,544,106**	15,319,565

The reclassification to property, plant and equipment from inventories, property developed with a view to sale, during financial year 2020 is attributable to the change in use of the related property elements. Such property for an aggregate amount of €1,082,966 was considered to be owner occupied and as at year end forms part of the Group’s operational premises thereby being classified as property, plant and equipment.

During the current financial year, the group completed and transferred to the respective purchases residential units and car spaces constructed. The cost allocated to these units were recognised within cost of sales in profit or loss (refer to Note 28).

The cost of inventories recognised as expense relating to hotel and fashion operations is also appropriately disclosed in Note 28 to the financial statements. During the current financial year, a provision for inventories at the lower of net realisable value and costs amounting to €150,000 (2020: €1,189,682) was recognised. These amounts have been included in ‘Cost of sales’ in the statement of profit or loss. The write-downs during the year ended 31 October 2020 relate to the manufacturing operation in Tunisia and primarily to raw materials and consumables for an amount of €1,000,000 and another amount of €189,682 relating to spare parts.

NOTES TO THE FINANCIAL STATEMENTS - continued

17. TERM PLACEMENTS WITH BANKS

	Group	
	2021	2020
	€	€
Term deposits	**7,878**	7,878

The term deposits as at 31 October mature within 12 months from the end of the financial reporting period and are subject to interest at 0.75% (2020: 0.75%).

18. CASH AND CASH EQUIVALENTS

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Cash at bank and in hand	**3,328,219**	1,370,669	**16,597**	8,174
Overdrawn bank balances (Note 23)	**-**	(2,042,051)	**-**	-
Total	**3,328,219**	(671,382)	**16,597**	8,174

19. SHARE CAPITAL

	Group and Company	
	2021	2020
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373each	**46,587**	46,587

20. REVALUATION RESERVES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Surplus arising on fair valuation of:				
Equity instruments designated at FVOCI	**85,275**	84,580	**8,091**	7,246
Land and buildings	**11,600,123**	5,785,858	**-**	-
	11,685,398	5,870,438	**8,091**	7,246

The movements in each category are analysed as follows:

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Financial assets at FVOCI				
At beginning of year	**84,580**	116,671	**7,246**	7,246
Net gains/(losses) from changes in fair value (Note 13)	**695**	(32,091)	**845**	-
At end of year	**85,275**	84,580	**8,091**	7,246

NOTES TO THE FINANCIAL STATEMENTS – continued

20. REVALUATION RESERVES – continued

Gains and losses arising from changes in fair value of financial assets at FVOCI, are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the Group's accounting policy. When the equity investments are disposed of, the cumulative gain or loss recognised in OCI remains in equity.

	Group	
	2021	2020
	€	€
Revaluation reserve on land and buildings		
At beginning of year	**5,785,858**	5,750,935
Revaluation of Land and Buildings	**6,854,426**	-
Movement in deferred tax liability determined on the basis applicable property disposals (Note 24)	**(1,040,161)**	34,923
At end of year	**11,600,123**	5,785,858

The tax impact included in the revaluation reserves as at 31 October 2021, relates to deferred taxation arising on the surplus on fair valuation of land and buildings for an amount of €3,030,315 (2020: €1,696,076). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial year is presented in the respective table above.

The revaluation reserves are non-distributable.

21. OTHER RESERVES

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

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Capital reserve	**58,234**	408,142	**58,234**	58,234
Incentives and benefits reserve	**645,867**	95,370	**-**	-
Other reserve	**-**	3,140	**-**	-
	704,101	506,652	**58,234**	58,234

The incentives and benefits reserve has been created in accordance with Section 36 of the Business Promotion Act (Cap. 325 of the Laws of Malta) whereby a group undertaking maintains an 'Incentives and Benefits' reserve representing the value of government training grants from which the entity has benefited. The incentives and benefits reserve are a non-distributable reserve. In accordance with the provisions of the aforementioned Act, the Incentives and benefits reserve can only be distributed by means of a bonus issue.

22. NON-CONTROLLING INTERESTS

	Group	
	2021	2020
	€	€
Year ended 31 October		
At beginning of year	**21,247**	42,974
Share of the result of subsidiary	**(7,242)**	(21,727)
At end of year	**14,005**	21,247

NOTES TO THE FINANCIAL STATEMENTS - continued

23. INTEREST-BEARING LOANS AND BORROWINGS

	Group	
	2021	2020
	€	€
Current		
Bank overdrafts (Note 18)	**-**	2,042,051
Bank loans	**985,798**	571,029
	985,798	2,613,080
Non-current		
Debt securities in issue	**12,586,232**	12,562,498
Bank loans	**6,655,809**	6,855,076
	19,242,041	19,417,574
Total borrowings	**20,227,839**	22,030,654

Debt securities in issue
By virtue of a prospectus dated 30 October 2017, Bortex Group Finance plc (the ‘Issuer’) issued €12,750,000 bonds with a face value of €100 each. The bonds have a coupon interest of 3.75% which is payable annually in arrears on 1 December of each year. The bonds are redeemable at par and are due for redemption on 1 December 2027, unless they are previously re-purchased and cancelled.

The bonds are guaranteed by the Company as Guarantor, which has bound itself jointly and severally liable with the Issuer, as issuer of the bonds, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the prospectus.

The bonds were admitted on the Official List of the Malta Stock Exchange on 4 December 2017. The quoted market price as at 31 October 2021 for the bonds was €100.05 (2020: €100.25), which in the opinion of the directors fairly represents the fair value of these financial liabilities.

At the end of the reporting period, bonds having a face value of €334,000 (2020: €297,000) were held by Group directors.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Issuer to related parties (Note 1).

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

	2021	2020
	€	€
Original face value of bonds issued	**12,750,000**	12,750,000
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(89,605)**	(65,871)
Unamortised bond issue costs	**163,768**	187,502
Amortised cost and closing carrying amount of the bonds	**12,586,232**	12,562,498

NOTES TO THE FINANCIAL STATEMENTS - continued

23. INTEREST-BEARING LOANS AND BORROWINGS - continued

Bank loans

The Group's banking facilities as at 31 October 2021 amounted to €7,646,608 (2020: €14,050,000). These facilities are mainly secured by:

(a) general hypothecs on the assets of the principal operating entities within the group, supported by special hypothecs over assets and properties held, together with special privileges on property; and

(b) pledges over insurance policies covering hypothecated property.

The Group's bank borrowings are all subject to floating rates of interest. The weighted average effective interest rates for bank borrowings as at the end of the reporting period are as follows:

	Group	
	2021	2020
	%	%
Bank overdrafts	**3.4**	3.4
Bank loans	**3.6**	3.6

Maturity of non-current bank borrowings:

	Group	
	2021	2020
	€	€
Less than 1 year	**985,799**	571,029
Between 1 and 2 years	**1,045,392**	1,049,219
Between 2 and 5 years	**3,090,527**	3,024,171
Over 5 years	**2,519,889**	2,781,686
	7,641,607	7,426,105

As from 26 May 2020 and on 3 July 2020, the Group was granted a 6-month and 12-month moratorium on the repayment of the principal and interest on its bank borrowings.

Bank overdraft

During the year, the Group had an unutilised bank facility amounting to €5,300,000 (2020: €3,257,949).

NOTES TO THE FINANCIAL STATEMENTS - continued

24. 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% (2020: 35%), with the exception of deferred taxation on the fair valuation of property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 10% (2020: 10%) of the transfer value. Reconciliation of deferred tax liability:

	2021	2020
	€	€
At beginning of year	**1,696,076**	1,847,333
Tax expense/(credit) during the period recognised in statement of profit or loss (Note 34)	**294,078**	(116,334)
Tax expense during the period recognised in OCI (Note 20)	**1,040,161**	(34,923)
	3,030,315	1,696,076

Deferred tax related to items recognised in OCI during the year:

	2021	2020
	€	€
Movement in deferred tax liability on revaluated land and buildings	**1,040,161**	(34,923)

Deferred tax related to items recognised in statement of profit or loss during the year:

	2021	2020
	€	€
Movement in deferred tax liability on revaluated investment property	**320,488**	-
Movement in deferred tax liability on property sold during the year	**(26,410)**	-
Other movement in statement of profit or loss against deferred tax asset	**-**	(116,334)
	294,078	(116,334)

The balance at 31 October represents:

	2021	2020
	€	€
Temporary differences arising on fair valuation of property	**3,030,315**	1,696,076

The recognised deferred tax liabilities are expected to be settled principally after more than twelve months from the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS - continued

25. TRADE AND OTHER PAYABLES

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current				
Trade payables	**2,143,117**	2,159,678	**-**	-
Payables and accruals in respect of capital expenditure	**80,167**	531,896	**-**	-
Amounts owed to shareholders	**216,525**	474,635	**-**	619,165
Amounts owed to subsidiary	**-**	-	**2,038,774**	1,105,303
Amounts owed to related parties	**-**	68,677	**-**	22,781
Other payables	**447,095**	184,219		-
Indirect taxation and social security	**481,382**	1,004,605		-
Accruals	**863,589**	1,358,298	**53,166**	57,302
	4,231,875	5,782,008	**2,091,940**	1,804,551

Payments received in advance from customers represent amounts paid by various purchasers on promise of sale agreements, in respect of residential apartments.

Loans due to shareholders
The loans from ultimate shareholders are unsecured and interest free. These borrowings are repayable on demand.

26. REVENUE

The Group's revenue consists of income from retail fashion, accommodation, catering and sale of property development.

Revenue by geographical region:

	Group	
	2021	2020
	€	€
Malta	**14,539,886**	16,778,893
Spain	**1,519,515**	2,120,629
UK	**1,225,616**	1,539,183
Dubai	**1,116,214**	-
Others	**1,267,521**	1,918,916
	19,668,752	22,357,621

Revenue by category:

	Group	
	2021	2020
	€	€
Retail	**9,248,442**	8,132,008
Wholesale	**4,940,535**	5,433,081
Accommodation	**2,774,382**	1,655,670
Sale of Property Developed	**2,429,500**	6,924,450
Others	**275,893**	212,412
	19,668,752	22,357,621

NOTES TO THE FINANCIAL STATEMENTS - continued

27 SEGMENT INFORMATION

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

Clothing
The clothing operating segment carries out the design and manufactures a vast range of formal tailoring, outerwear casual clothing, footwear and accessories. It also manufactures its own brand Gagliardi as well as for other private labels.

Within this operating segment the Group is involved in the sale and distribution of such clothing through the operation of a number of retail outlets located around the Maltese Islands.

Revenue from clothing operating segment is a distinct performance obligation and the charged amounts to customers represented the good's stand-along selling prices. These obligations are fulfilled at a point in time when they are provided to the customers.

Hospitality
This hospitality segment operates a portfolio of hotel properties located in Valletta and Sliema. Revenue generated by the hospitality operating segment includes revenue from accommodation and other ancillary services. Each of the service rendered is recognised at a point in time when transferring control of the contracted service to the customer.

Finance and Investments
The finance and investment segment comprises of two entities whose principal activity is that of either holding investments or acting as a financing arm for the Group.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on profit or loss and is measured consistently with profit or loss in the consolidated financial statements.

Year ended 31 October 2021	Clothing €	Hospitality €	Finance & Investments €	Total segments €	Adjustments and eliminations €	Consolidated €
Revenue	**15,852,453**	**5,479,775**	**-**	**21,332,228**	**(1,663,476)**	**19,668,752**
Cost of Sales	**(10,590,022)**	**(3,679,177)**	**-**	**(14,269,199)**	**2,618,842**	**(11,650,357)**
Selling expenses	**(3,867,490)**	**-**	**-**	**(3,867,490)**	**34,414**	**(3,833,076)**
Administration expense	**(1,111,407)**	**(666,041)**	**(69,331)**	**(1,846,779)**	**38,249**	**(1,808,530)**
Other operating income	**1,181,853**	**-**	**-**	**1,181,853**	**231,675**	**1,413,528**
Finance Income	**741**	**25,836**	**560,265**	**586,842**	**(560,265)**	**26,577**
Finance costs	**(496,722)**	**(608,292)**	**(501,859)**	**(1,606,873)**	**560,265**	**(1,046,608)**
Share of profit from associate	**630**	**-**	**-**	**630**	**-**	**630**
Segment Profit before tax	**970,036**	**552,101**	**(10,925)**	**1,511,212**	**1,259,704**	**2,770,916**
Total assets	**50,258,471**	**34,908,041**	**17,445,882**	**102,612,394**	**(35,303,160)**	**67,309,234**
Total liabilities	**29,852,839**	**20,438,314**	**15,128,986**	**65,420,139**	**(30,889,013)**	**34,531,126**

NOTES TO THE FINANCIAL STATEMENTS - continued

27 SEGMENT INFORMATION - continued

Year ended 31 October 2020	Clothing	Hospitality	Finance & Investments	Total segments	Adjustments and eliminations	Consolidated
	€	€	€	€	€	€
Revenue	16,039,257	8,792,531	-	24,831,788	(2,474,167)	22,357,621
Cost of Sales	(10,383,198)	(6,154,491)	-	(16,537,689)	2,354,557	(14,183,132)
Selling expenses	(3,891,530)	-	-	(3,891,530)	(42,579)	(3,934,109)
Administration expense	(3,086,596)	(612,963)	(78,580)	(3,778,139)	1,552,084	(2,226,045)
Other operating income	246,494	-	-	246,494	(29,653)	216,841
Share of profit from associate	(53,789)	-	-	(53,789)	-	(53,789)
Finance Income	962	51,672	539,469	592,103	(539,469)	52,634
Finance costs	(502,166)	(621,859)	(500,995)	(1,625,020)	539,467	(1,085,553)
Segment Profit before tax	(1,630,566)	1,454,890	(40,106)	(215,782)	1,360,240	1,144,458
Total assets	50,186,892	30,257,447	17,557,959	98,002,298	(36,592,847)	61,409,451
Total liabilities	31,700,491	20,810,607	14,819,618	67,330,716	(32,602,526)	34,728,190

The revenue information presented below is based on the location of the customers.

Year ended 31 October 2021	**Clothing**	**Hospitality**	**Finance & Investments**	**Total segments**	**Adjustments and eliminations**	**Consolidated**
	€	**€**	**€**	**€**	**€**	**€**
Malta	**10,911,919**	**5,479,775**	**-**	**16,391,694**	**(1,663,476)**	**14,728,218**
Spain	**1,519,515**	**-**	**-**	**1,519,515**	**-**	**1,519,515**
UK	**1,225,616**	**-**	**-**	**1,225,616**	**-**	**1,225,620**
Dubai	**1,116,214**	**-**	**-**	**1,116,214**	**-**	**1,116,214**
Other	**1,079,189**	**-**	**-**	**1,079,189**	**-**	**1,079,189**
	15,852,453	**5,479,775**	**-**	**21,332,228**	**(1,663,476)**	**19,668,752**

Year ended 31 October 2020	**Clothing**	**Hospitality**	**Finance & Investments**	**Total segments**	**Adjustments and eliminations**	**Consolidated**
	€	€	€	€	€	€
Malta	10,606,176	8,792,531	-	19,398,707	(2,474,167)	16,924,540
Spain	2,120,629	-	-	2,120,629	-	2,120,629
UK	1,539,183	-	-	1,539,183	-	1,539,183
Dubai	-	-	-	-	-	-
Other	1,773,269	-	-	1,773,269	-	1,773,269
	16,039,257	8,792,531	-	24,831,788	(2,474,167)	22,357,621

NOTES TO THE FINANCIAL STATEMENTS - continued

28. EXPENSES BY FUNCTION AND NATURE

Group	2021	2020
	€	€
Cost of sales		
Cost of goods sold	**5,349,662**	6,306,174
Cost of garments sold	**2,070,006**	329,513
Cost of property developed	**1,660,108**	4,197,774
Depreciation	**844,730**	858,455
Employees benefits	**528,390**	499,275
Hotel operating suppliers	**549,655**	466,487
Laundering and cleaning	**313,784**	315,019
Provision on inventory	**150,000**	1,000,000
Transport and other costs	**184,022**	210,435
	11,650,357	14,183,132
Selling and Distribution		
Employee benefits	**1,621,339**	1,611,099
Depreciation	**732,885**	568,260
Rent	**499,430**	667,916
Advertising	**251,049**	219,444
Commissions	**101,160**	16,491
Office expenses	**88,171**	76,100
Bank charges	**77,536**	68,972
Maintenance and other fees	**438,159**	683,623
Professional fees	**23,347**	22,204
	3,833,076	3,934,109
Administrative expenses		
Employees benefits	**525,487**	651,085
Maintenance costs	**99,113**	127,417
Depreciation	**159,688**	255,057
Audit fees	**57,000**	38,412
Professional fees	**208,039**	235,001
Impairment of property, plant and equipment	**296,748**	423,352
Other expenses	**462,455**	402,815
Provision for bad debts	**-**	92,916
	1,808,530	2,226,055

Company	2021	2020
	€	€
Professional fees	**17,885**	42,124
Other expenses	**450**	-
	18,335	42,124

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2021 and 2020 relate to the following:

	Group	
	2021	2020
Annual statutory audit	**€**	€
- Parent company auditors	**55,000**	45,000
- Other auditors	**-**	4,500
Other assurance services	**-**	1,500
Tax compliance and advisory services	**8,000**	8,845
Other non-audit services	**-**	17,375
	63,000	77,220

The auditors' remuneration for the Company attributable to the year ended 31 October 2020 amounted to €1,000 (2020: €1,000).

NOTES TO THE FINANCIAL STATEMENTS - continued

29. EMPLOYEE BENEFIT COSTS

	Group	
	2021	2020
	€	€
Wages and salaries	**2,453,562**	2,544,941
Social security costs	**221,653**	216,518
	2,675,215	2,761,459

Wages and salaries for 2021 are presented net of payroll grants received from Government amounting to €768,232 (2020: €592,015) in view of the COVID-19 pandemic.

Average number of persons employed during the year:

	Group	
	2021	2020
By class of business		
Apparel	**110**	115
Hotel operations	**35**	33
	145	148
By category		
Direct	**33**	78
Selling and distribution	**62**	51
Administration	**52**	19
	147	148

30. DIRECTORS' EMOLUMENTS

	Group	
	2021	2020
	€	€
Salaries and other emoluments	**370,245**	321,052

31. OTHER OPERATING INCOME/(EXPENSE)

	Group	
	2021	2020
	€	€
Property operating lease rental income	**281,331**	283,721
Foreign exchange differences	**31,300**	(12,358)
Other Income	**17,360**	-
Gain/(loss) on revaluation of property (Note 10)	**1,083,537**	(54,522)
	1,413,528	216,841

NOTES TO THE FINANCIAL STATEMENTS - continued

32. FINANCE INCOME

	Group	
	2021	2020
	€	€
Investment Income	**741**	962
Interest income from related parties	**25,836**	51,672
	26,577	52,634

33. FINANCE COSTS

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Bank interest and charges	**283,861**	378,738	**254**	48
Bond interest expense	**501,859**	500,948	**-**	-
Interest charges on lease liabilities	**260,888**	205,867	**-**	-
	1,046,608	1,085,553	**254**	48

34. TAX EXPENSE

	Group		Company	
	2021	2020	**2021**	2020
	€	€	**€**	€
Current taxation:				
Current tax expense	**153,548**	129,256	**-**	-
Deferred taxation (Note 24)	**294,078**	(116,334)	**-**	-
	447,626	12,922	**-**	-

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	
	2021	2020	**2021**	2020
	€	€	**€**	€
Profit/(loss) before tax from continuing operations	**2,770,916**	1,144,458	**(18,589)**	(42,172)
Loss before tax from discontinued operations	**(1,243,535)**	(2,319,792)	**-**	-
Tax thereon at 35%	**534,583**	(411,367)	**(6,506)**	(14,760)
Tax effect of:				
Income not subject to tax or charged at reduced rates	**(277,212)**	(455,025)	**-**	-
Expenses not deductible for tax purposes	**263,277**	305,285	**6,506**	14,760
Movement in unrecognised temporary difference	**(73,022)**	574,029		
	447,626	12,922	**-**	-

NOTES TO THE FINANCIAL STATEMENTS - continued

34. TAX EXPENSE - continued

As at the reporting date the Group had an unrecognised deferred tax of €3,988,057 (2020: €3,866,171) arising on temporary differences arising predominantly from unabsorbed capital allowances and unabsorbed tax losses. The net deferred tax asset has not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefit through future taxable profits. Deferred tax assets are recognised only to the extent that sufficient future profits will be available such that realisation of the tax benefits is probable. Trading losses and unabsorbed capital allowances held by the Group are available indefinitely for offsetting against future taxable profits for the Companies in which the losses arose.

Under the Business Promotion Regulations 2001, a Group undertaking is entitled to investment tax credits on its "qualifying" capital expenditure, the full amount of which would be available for set-off against the undertaking's tax liability. During the financial year ended 31 October 2019, the Group has benefitted from a conversion into cash of unutilised investment tax credits that were awarded to the Group in prior years through the provisions of the Business Promotion Regulation 2001. Accordingly, in accordance with the certificate issued by Malta Enterprise, the Group is entitled to receive an amount of €370,200 in cash in 3 equal instalments during December 2020, December 2021 and December 2021. Furthermore, the Group has unutilised investment tax credits amounting to € 3,944,212 (2020: €3,944,212) that can be deducted from the tax due in a particular year. Any credits that are not utilised in any particular year are carried forward the future years.

35. DISCONTINUED OPERATIONS

On 23 April 2021, as a result of unexpected adverse trading and operating conditions, the Group decided to close off Bortex Tunisia S.A.R.L., a company registered in Tunisia which was fully owned by the Group and Bortex Clothing Industry Company Limited. Bortex Tunisia S.A.R.L. was the manufacturing arm of the Group. The results of Bortex Tunisia S.A.R.L. for the year are presented below:

	2021	2020
	€	€
Direct Cost	**965,994**	1,982,760
Administration expenses	**177,749**	329,297
Finance costs	**-**	5,733
Income tax expense	**-**	2,002
Loss for the year from discontinued operations	**1,143,743**	2,319,792

The major classes of assets and liabilities of Bortex Tunisia S.A.R.L. as at the latest available management accounts as at 31 March 2021 are as follows:

	2021
	€
Assets	
Other receivables	**85,745**
Cash and cash equivalent	**17,187**
	102,932
Liabilities	
Other payables	**(3,140)**
Loss of control	**99,792**

During the year ended 31 October 2020, the Group impaired an amount of €423,352 and €189,682 in respect of plant and equipment and spare parts. For the year ended 31 October 2021, there were no further write-downs.

NOTES TO THE FINANCIAL STATEMENTS - continued

36. LEGAL MERGER

On 28 September 2021 the board of Directors of Shanal Limited, a company registered in Malta and the board of Directors of the Company, approved a Draft Terms of Merger, whereby Shanal Limited ("the company being acquired") was amalgamated into the Company. The merger became effective on the 17 February 2022, on which date Shanal Limited was struck off from the Malta Business Registry. The Draft Terms of Merger stipulated that the transactions of the company being acquired are accounted for in the annual accounts of the Company as from 1 November 2020, this being in line with the provisions of article 358 of the Companies Act, Chapter 386 of the Laws of Malta.

Prior to the merger, the Company owned 100% of the ordinary shares in issue of the company being acquired. Shanal Limited was a dormant entity.

No cash payment was made; the legal merger is in substance the redemption by the Company of shares in Shanal Limited, in exchange for the assets of Shanal Limited. The assets acquired and liabilities assumed are recognised at the carrying amounts in the consolidated financial statements as of the date of the legal merger, are disclosed below which are not materially different from the once as at the date of merger:

	Shanal Limited 1 November 2020 €
ASSETS	
Current assets	
Receivables	**485,372**
Cash and cash equivalent	**3,586**
TOTAL ASSETS	**488,958**
LIABILITIES	
Current liabilities	
Payables	**484,440**
Current taxation	**109**
TOTAL LIABILITIES	**484,549**
Effect in Equity	**4,409**

37. COMMITMENTS

Capital commitments

Commitments for capital expenditure in relation to property development not provided for in these financial statements:

	Group	
	2021 €	2020 €
Authorised but not contracted	**3,950,000**	300,000
Contracted but not provided	**2,250,000**	-
	6,200,000	300,000

NOTES TO THE FINANCIAL STATEMENTS - continued

38. CONTINGENCIES

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

(a) At 31 October 2021, subsidiaries had contingent liabilities amounting to €108,476 (2020: €90,234) 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 2021, subsidiaries had a contingent liability amounting to €6,988 (2020: €6,988) in respect of the uncalled share capital of an unquoted investment.

(c) At 31 October 2021, 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 (2020: €45,278), in respect of which no provision has been made in these accounts.

39. FINANCIAL GUARANTEE

At 31 October 2021, the Company, together with Roosendaal Trading Limited, are jointly and severally liable in respect of a guarantee given to secure the banking facilities of a subsidiary for an amount of €1,500,000 (2020: €1,500,000).

40. RELATED PARTY TRANSACTIONS

Bortex Group Holdings Company Limited and its subsidiaries (Note 2) constitute the Bortex Group. The entities constituting the Bortex Group are ultimately fully owned by Mr Peter Borg and Ms Karen Borg. Accordingly, companies which are ultimately owned and controlled by these individuals are considered to be related parties to the Bortex Group.

The Group's and the Company's related parties include the ultimate beneficial owners, the Group's subsidiaries and all other parties forming part of the Group of which the Company is the parent and key management personnel. Transactions between the Company and its subsidiaries have been eliminated on consolidation. Details of transactions between the Group and its other related parties are disclosed below. Trading transactions with these companies would typically include interest charges, management fees, service charges and other such items which are normally encountered in a group context.

Group

During the year ended 31 October 2021, the Group entered into the following transactions with non-consolidated related parties.

	2021	2020
	€	€
Transactions with other related parties		
Interest income	**25,836**	51,672
Sale of property	**437,000**	-
Transactions with ultimate beneficial owners		
Sale of property	**1,248,000**	-
Transactions with associates		
Sales of garments	**218,149**	250,674
Acquisition of property	**704,200**	-

During 2021, the property sold to the ultimate beneficial owner amounting to €770,000 was settled against existing intergroup loans.

NOTES TO THE FINANCIAL STATEMENTS - continued

40. RELATED PARTY TRANSACTIONS - continued

Transactions with key management personnel

During the year ended 31 October 2021, the Group made transactions with key management personnel as disclosed below.

	2021	2020
	€	€
Directors' fees	**15,000**	3,000
Directors' remuneration	**370,245**	321,052

During 2021, a variable contractual compensation of €32,724 was paid to the Directors of the Group in relation to the Group's performance.

As at 31 October 2021, securities debt in issue having a face value of €334,000 (2020: €297,000) were held by the Group's directors.

Company

During the year ended 31 October 2021, the Company did not enter into transactions with related parties.

Related party balances

As at 31 October 2021, the Group had outstanding balances with the shareholders and other related parties. The amounts due to these specific categories of related parties and shareholders at year end and in prior year are disclosed in Notes 15 and 25 to these financial statements. The terms and conditions in respect of these balances are disclosed in respective notes.

Guarantees provided by the Group and the Company

As disclosed in Note 39, the Company together with a subsidiary provided a financial guarantee to another subsidiary within Bortex Group to secured the banking facilities for an amount of €1,500,000 (2020: €1,500,000). No liability is expected to arise since the banking facility was fully paid during financial year ended 31 October 2021.

41. DIVIDENDS

	2021	2020
	€	€
Gross dividend	**638,975**	-
Tax at source	**(223,641)**	-
Net dividend – €2.076 per share	**415,334**	-

42. SUBSEQUENT EVENTS

There were no events subsequent to reporting date.