BORTEX GROUP FINANCE p.l.c.

Annual Report and Financial Statements
31 October 2020

Company Registration Number: C 82346

Directors' report

The directors present their first report and the audited financial statements for the year ended 31 October 2020. The directors have prepared this report in accordance with Article 177 of the Maltese Companies Act (Cap. 386), ('the Act') including the further provisions as set out in the Sixth Schedule to the Act.

Directors, officers and other information

Directors:

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

Mr Peter Borg (Chairman)
Ms Karen Borg
Mr Joseph Cachia
Ms Christine Demicoli
Mr Emanuel Ellul
Mr Mario C. Grech

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

Company Secretary:

Ms Christine Demicoli

Registered Office and Country of Incorporation:

32
Hughes Hallet Street
Sliema SLM3142
Malta

Telephone (+356) 2133 3565

Auditors:

PricewaterhouseCoopers,
78, Mill Street,
Zone 5, Central Business District,
Qormi CBD 5090
Malta

Principal bankers:

Bank of Valletta p.l.c.,
Corporate Finance
BOV Centre
Triq il-Kanun
Santa Venera SVR 9030
Malta

Directors' report - continued

Principal activities

The Company's business is that of raising funds to support and finance the operations and capital projects of the Bortex Group of Companies, which operates in the garment manufacturing, retailing and franchising industries as well as the tourism, hospitality and luxury real estate markets.

Review of business

The main business activity of the Company has been the issue of bonds to the public in December 2017, following which the Company advanced the proceeds 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 funding of opening Gagliardi retail outlets in a number of overseas territories and refinancing of part of the Group's existing bank facilities.

During the current year, finance income on loans advanced to fellow subsidiaries amounted to €539,469 (2019: €562,312), whilst interest expense on bonds amounted to €500,948 (2019: €500,071). Administrative expenses mainly representing listing and compliance costs, together with directors' and professional fees amounted to €36,456 (2019: €47,546). Profit for the year was €2,065 (2019: €9,428) after deducting taxation. The Company's balance sheet is primarily made up of the bond issue for €12.75 million and corresponding loans to the group undertakings. The Company's equity as at the end of the financial reporting period is stated at €281,314 (2019: €279,249).

The Company recognises that the key risk of its business is that of the potential non-fulfilment by the borrowers (that is, the Group members) of their obligations under the relative loan agreements; and due to the borrowers' operations, this risk is impacted by developments in both the garment, hospitality and real estate markets.

Financial risk management
The company's activities expose it to a variety of financial risks, mainly credit risk and liquidity risk. Refer to Note 2 to these financial statements.

Guarantor's Performance for 2020 and Outlook for 2021
Bortex Group Holdings Company Limited is the Guarantor and is also the parent company of the Group. As such, its performance is dependent on the performance of the Group as a whole.

Performance during financial year 2020

The results of the Group represent the results of the parent company together with those of its subsidiaries for the year ended 31 October 2020.

The Group owns a number of subsidiaries involved in the retail and distribution of branded products in Malta as well as internationally, contract garment manufacturing, hospitality, real estate development and property management.

The Group reported a turnover of €22.3 million (2019: €20.4 million) and earnings before interest, taxation, depreciation and amortisation (EBITDA) of €2.1 million (2019: €2.3 million). Needless to say this has been an exceptional year for the Group with the COVID-19 pandemic and its consequences severely impacting the various sectors of the Group's activities on different levels and leading to a substantial decrease in projected revenues and consequently the final results.

Directors' report - continued

During the current financial year, the Group reported a profit before tax, and before non-recurring items, of €759,761 as against a profit in 2019 of €664,581, despite the adoption of IFRS 16 which had a negative impact of €232,136 on the Group's profit before tax. The sale of 15 apartments out of 20 in Project TEN in Sliema materialised during this year and this had a net positive impact on these results by €2.7 million. The Group has taken a prudent approach with regard to its manufacturing operations in Tunisia in view of the effects of COVID-19 on the tailoring industry, together with decisions to close specific foreign retail outlets. The impact of the related aggregate losses amounted to by taking an extraordinary provision for any possible future write-offs of €1.9 million. The total loss before tax for the year after non-recurring items is therefore €1,173,332 (2019: profit of €664,581).

<u>Manufacturing and Retail</u>
During the year under review manufacturing and retail operations registered a positive result of €1,517K before non-recurring items of €1,510K. After allowing for such non-recurring items EBITDA for the current financial year amounted to €7K (2019: €1.1 million).

At the beginning of the year, efforts to restore the private label order book levels and improve retail margins both locally as well as overseas had begun to bear fruit. In fact the results for the first quarter of the year for both manufacturing and retail were broadly in line with budgets. With the onset of the COVID-19 crisis in early March, retail and manufacturing revenues came to an almost complete halt as a result of the mandatory closure of all stores located in Malta as well as those located overseas. The factory in Tunisia was also forced to shut.

The Group converted its local manufacturing facility to the production of medical apparel and face masks, ramped up its online efforts and also embarked on a restructuring plan decreasing its total overheads by more than 20%. It also shortened the working week for all employees for a number of months and qualified for Government support mainly via wage supplements. Two Gagliardi retail stores in Sweden and one in U.K. were also closed permanently.

Operations started up again in early May and sales recovered slowly throughout the early Summer dipping again after the decision to prohibit events such as weddings as part of the measures implemented by governments to halt the spread of the pandemic. The Group experienced a drop in retail sales of approximately 37% throughout the year and a drop in manufacturing sales of 18% when compared to pre-COVID budgets.

<u>Hospitality</u>
The year under review was expected to be the first full year of operations for Hotel 1926. The year started on an excellent footing, with revenues exceeding budget by €179K for the first quarter of the year. Hotel 1926 and Palazzo Jean Parisot were budgeted to register an EBITDA of €2.3 million between them for the full year and pre-COVID business on the books indicated that this objective would not only be met but surpassed. The pandemic overturned this scenario entirely as the Group was forced to close both hotels in March following primarily the imposition of quarantine on travellers, followed by the closure of the airport.

Measures were taken to reduce costs and the hotels also qualified for the relevant Government support. The beach club was opened for the summer season with measures in place and in line with guidelines issued by MTA and Health authorities.

Directors' report - continued

Hotel operations resumed again as from July 2020 with the reopening of the airport. Although the revenues generated were a far cry from the pre-COVID 19 forecast, both hotels exceeded industry average occupancies and managed to register €2 million worth of sales as compared to the pre-COVID budget of €5.1 million. Total rooms revenue from Hotel 1926 reached € 1.8million with an average occupancy of 45% (2019: 71%) and an ADR of €65.67 (2019: €148) whereas revenue from Palazzo Jean Parisot was €116K. EBITDA pertaining to total hospitality operations amounted to €91K compared to a pre-COVID budget of €2.3 million, yet much better than the initial estimate of €331K that was projected as soon as the hotels were forced to close. The Group considers this result to be a significant achievement given the COVID-19 scenario.

<u>Real Estate and Property Management</u>
COVID-19 had fewer repercussions on the real estate division of the Group since the majority of the apartments in Project Ten were already covered by a promise of sale agreement. Finishing works continued to be carried out as programmed and were finalised by the end of the year, though dates for final contracts were delayed due to the government measures and the modified working practices of banks and notarial firms. The Group sold 15 apartments and 28 car spaces by the end of the current financial year which brought in €6.8 million in revenue net of commissions payable. Profit thereon was €2.7 million. Rental income from the properties in Mriehel and Sliema were not impacted by the COVID crisis.

<u>Cash Flow</u>
The Group confirms that, although this year's results were adversely effected, this has not and will not impact the going concern of both the Issuer and the Guarantor. In order to mitigate the deficiencies in the cash flow projections brought about by the impact of COVID-19, the Group has been granted a moratorium of one year on the payment of interest and principal on its existing loan to finance the refurbishment of Hotel 1926, and it has been granted further financing amounting to €2.8 million under the MDB Guarantee scheme, repayable over six years inclusive of one year moratorium.

Outlook for financial year ending 2021

The impacts of COVID-19 are far-reaching and have continued to ripple throughout the world and it is expected that they will continue to influence the Group's operations throughout 2021. Hospitality is among the sectors hardest hit due to fears of community spread through travel and group environments. With many people forced to work from home and all social events and occasions disallowed, fashion retail, particularly that segment related to business attire and formal occasions, has also been severely impacted.

<u>Manufacturing and Retail</u>
The continuous uncertainity brought about by COVID-19 will continue to have an effect over this year's results. Budgets have been prepared with this in mind assuming subdued levels retail sales both locally as well as overseas and the subsequent impact on the manufacturing arm's private label sales order book. There will be continued focus on the reduction of overhead costs and ongoing efforts to maximise sales, improve margins and manage inventories. During the second quarter of the year the Group will be opening its first Gant store at the BayStreet Mall in St Julians and launching its new mixed use Bortex concept also at BayStreet.

Directors' report - continued

Hospitality and Real Estate
During the financial year ending 2021 the Group will continue to operate Hotel 1926 and Boutique Palazzo Jean Parisot. Budgets have allowed for the risks that this sector is facing during this year, mainly travel restrictions and lock downs in source markets, and they have also taken into consideration the expected positive upward trend this industry will be experiencing with the ease of these restrictions in the coming months.

Out of the five apartments that were not sold as at 31 October 2020, one apartment has been sold at the beginning of the following financial year and one other apartment is on a promise of sale agreement. The Group is confident that the remaining apartments will be sold or that a promise of sale agreement will be entered into by the end October 2021.

Results and dividends

The Company's financial results for the year ended 31 October 2020 are set out in the statement of comprehensive income. The directors did not pay or declare any interim dividend during the year and do not recommend the payment of a final dividend.

Retained profits carried forward as at 31 October 2020 amounted to €31,314 (2019: €29,249).

Statement of directors' responsibilities for the financial statements

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the company as at the end of each reporting period and of the profit or loss for that period.

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

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

The directors are also responsible for designing, implementing and maintaining 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, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Bortex Group Finance p.l.c. for the year ended 31 October 2020 are included in the Annual Report 2020, which is made available on the Bortex Group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Directors' report - continued

Statement of responsibility pursuant to the Listing rules issued by the Listing Authority

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

- the financial statements give a true and fair view of the financial position of the company as at 31 October 2020, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

- the Annual Report includes a fair review of the development and performance of the business and the position of the company, together with a description of the principal risks and uncertainties that the company and the guarantor face.

Going concern statement pursuant to Listing Rule 5.62

After making enquiries, the directors, at the time of approving the financial statements, have determined that it is reasonable to assume that the company has adequate resources to continue operating for the foreseeable future. For this reason, the directors have adopted the going concern basis in preparing the financial statements.

Auditors

A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the Annual General Meeting.

On behalf of the board

Mr Peter Borg
Chairman

Ms Karen Borg
Director

25 February 2021

Corporate Governance - Statement of Compliance

Introduction

Pursuant to the requirements of the Listing Rules issued by the Listing Authority of the Malta Financial Services Authority, Bortex Group Finance p.l.c. (the 'Issuer' or the 'Company') (a subsidiary of Bortex Group Holdings Company Limited – the 'Guarantor') hereby reports on the extent to which the Company has adopted the "Code of Principles of Good Corporate Governance" (the "Code") appended to Chapter 5 of the Listing Rules as well as the measures adopted to ensure compliance with these same Principles.

The Board of Directors of the Company (the 'Board') notes that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. Nonetheless, the Board strongly maintains that the Principles are in the best interest of both shareholders as well as investors, since they ensure that the directors adhere to internationally recognised high standards of corporate governance.

The Board recognises that in line with Listing Rule 5.101, the Company is exempt from making available the information set out in Listing Rules 5.97.1 to 5.97.3; 5.97.6 and 5.97.8.

Roles and responsibilities of the Board

The Board acknowledges its statutory mandate to conduct the administration and management of the Company. The Board, in fulfilling this mandate and discharging its duty of stewardship of the Company, assumes responsibility for:

- the Company's strategy and decisions with respect to the issue, servicing and redemption of its bonds;
- monitoring that its operations are in conformity with its commitments towards bondholders, shareholders, other external financiers and all relevant laws and regulations.

The Board is also responsible for ensuring that the Company installs and operates effective internal control and management information systems and that it communicates effectively with the market.

The Board of Directors

The Company has six directors who are appointed by its ultimate principal shareholder, Bortex Group Holdings Company Limited.

For the financial year ended 31 October 2020, three of the directors, Mr Peter Borg, Ms Karen Borg and Ms Christine Demicoli, occupied senior executive positions within the Group. The remaining three directors, Mr Joseph Cachia, Mr Emanuel Ellul and Mr Mario C. Grech served as non-executive and independent directors since they are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement.

In assessing the independence of Messrs Cachia, Ellul and Grech, due notice has been taken of Section 5.117 of the Listing Rules.

Corporate Governance - Statement of Compliance - continued

The exercise of the role of the Board

The activities of the Board are exercised in a manner designed to ensure that it can effectively supervise the operations of the Company and protect the interests of bondholders, external borrowers and the shareholders.

Meetings of the Board were held six times during the period from 1 November 2019 to 31 October 2020. Individual directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

The Board members are notified of forthcoming meetings by the Company Secretary with the issue of an agenda and supporting documents as necessary which were then discussed during the Board meetings held during the period mentioned in the preceding paragraph.

Apart from setting the strategy and direction of the Company, the Board retains direct responsibility for approving and monitoring:

- direct supervision, supported by expert professional advice as appropriate, on the issue and listing of bonds;
- that the proceeds of the bonds are applied for the purposes for which they were sanctioned as specified in the offering memorandum of the bonds in issue;
- proper utilisation of the resources of the Company;
- approval of the annual report and financial statements and of relevant public announcements and for the Company’s compliance with its continuing listing obligations.

The Board does not consider necessary to institute separate committees such as the remuneration and the nomination committees, as would be appropriate in an operating company. This is largely due to the fact that the Company does not have any employees.

Risk Management and Internal Control

The Board recognises that the Company must manage a range of risks in the course of its activities and the failure to adequately manage these risks could adversely impact the business. Whilst no system can provide absolute guarantees and protection against material loss, the risk management systems are designed to give the directors reasonable assurance that problems can be identified promptly and remedial action can be taken as appropriate.

The Board maintains sound risk management and internal control systems. It is responsible for determining the nature and extent of the risks it is willing to take in achieving its strategic objectives. The Board establishes formal and transparent arrangements to apply risk management and internal control principles, as well as maintaining an appropriate relationship with the company’s auditors.

Corporate Governance - Statement of Compliance - continued

The Audit Committee

The Terms of Reference of the Audit Committee, which were approved by the Listing Authority of the Malta Financial Services Authority, are modelled on the principles set out in the Listing Rules themselves. The Audit Committee assists the Board in fulfilling its supervisory and monitoring responsibility by reviewing the group financial statements and disclosures, monitoring the system of internal control established by management as well as the audit process.

The Board established the Audit Committee, which meets regularly, with a minimum of four times annually, and is currently composed of the following individuals:

- Mr Joseph Cachia (Chairman)
- Mr Emanuel Ellul
- Mr Mario C. Grech

All three members are independent and non-executive directors on the Board. Furthermore, Mr Emanuel Ellul is the independent non-executive director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

The Chief Financial Officer and other key management officials are regularly invited to attend Audit Committee meetings.

The Audit Committee held four meetings throughout the period from 1 November 2019 to 31 October 2020. Communication with and between the Company Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

As required by the Companies Act (Chapter 386 of the Laws of Malta) and the Malta Financial Services Authority Listing Rules, the financial statements of the Company are subject to annual audit by its external auditors. Moreover, the non-executive directors have direct access to the external auditors of the Company, who attend the Board meetings at which the Company's financial statements are approved. Moreover, in ensuring compliance with other statutory requirements and with continuing listing obligations, the Board is advised directly, as appropriate, by its appointed broker, legal advisor and the external auditors. Directors are entitled to seek independent professional advice at any time on any aspect of their duties and responsibilities, at the Company's expense.

The Company has formal mechanisms to monitor dealings by directors and senior officials in the bonds of the Company and has also put in place the appropriate mechanisms for the advance notification of such dealings.

Relations with the Market

The market is kept up to date with all relevant information, and the Company regularly publishes such information on its website to ensure consistent relations with the market.

Corporate Governance - Statement of Compliance - continued

Remuneration Statement

Pursuant to the Company's Memorandum and Articles of Association, the maximum annual aggregate emoluments that may be paid to the directors is approved by the shareholders in General Meeting. Furthermore, the remuneration of directors is a fixed amount per annum and does not include any variable component relating to profit sharing, share options or pension benefits.

During the year under review, the directors received emoluments amounting in total to €3,000 (2019: €18,000).

Other Information

The company is a member of the Bortex Group, which group has its own Corporate Social Responsibility program and initiatives.

Conclusion

The Board considers that the Company has generally been in compliance with the principles throughout the year under review as befits a company of this size and nature.

Approved by the Board of Directors and signed on its behalf on 25 February 2021 by:

Mr Peter Borg
Chairman

Ms Karen Borg
Director

Independent auditor's report

To the Shareholders of Bortex Group Finance p.l.c.

Report on the audit of the financial statements

Our opinion

In our opinion:

- The financial statements give a true and fair view of the financial position of Bortex Group Finance p.l.c. (the company) as at 31 October 2020, and of the company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

Our opinion is consistent with our additional report to the Audit Committee.

What we have audited

Bortex Group Finance p.l.c.'s financial statements, set out on pages 21 to 38, comprise:

- the statement of financial position as at 31 October 2020;
- the statement of comprehensive income for the year then ended;
- the statement of changes in equity for the year then ended;
- the statement of cash flows for the year then ended; and
- the notes to the financial statements, which include significant accounting policies and other explanatory information.

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

Independent auditor's report *- continued*

To the Shareholders of Bortex Group Finance p.l.c.

Independence

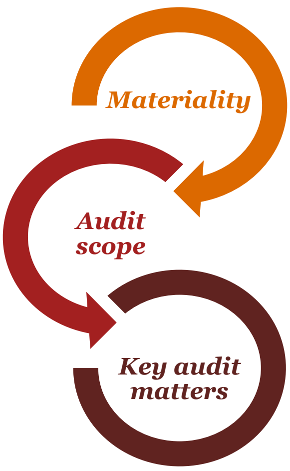
We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements of the Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act (Cap. 281) that are relevant to our audit of the financial statements in Malta. We have fulfilled our other ethical responsibilities in accordance with these Codes.

To the best of our knowledge and belief, we declare that non-audit services that we have provided to the company are in accordance with the applicable law and regulations in Malta and that we have not provided non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281).

The non-audit services that we have provided to the company in the period from 1 November 2019 to 31 October 2020, are disclosed in Note 12 to the financial statements.

Our audit approach

Overview



Overall materiality: €132,000, which represents 1% of total assets.

Recoverability of loans issued to fellow subsidiaries

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Finance p.l.c.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the company, the accounting processes and controls, and the industry in which the company operates.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall materiality for the financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall materiality	€132,000
How we determined it	1% of total assets
Rationale for the materiality benchmark applied	We chose total assets as the benchmark because, in our view, it is an appropriate measure for this entity. We chose 1%, which is within the range of quantitative materiality thresholds that we consider acceptable.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €13,200 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the Key audit matter
Recoverability of loans issued to fellow subsidiaries (Notes 2.1(b) and 4)	
Loans receivable represent funds advanced to fellow subsidiaries Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited. Loan balances with these related parties as at 31 October 2020 amounted to €12,496,627. As explained in accounting policy Note 1.3, the recoverability of the loans is assessed at the end of each financial year. The loans are the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms of these loans to supporting loan agreements. We have assessed the financial soundness of these related parties. In doing this, we made reference to the latest audited financial statements, management accounts, forecasts and other prospective information made available to us. We have also assessed the projected impact of the COVID-19 pandemic on the forecast financial performance and cash flows of the guarantor, Bortex Group Holdings Company Limited. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Finance p.l.c.

Other information

The directors are responsible for the other information. The other information comprises the Directors' report and the Corporate Governance – Statement of Compliance (but does not include the financial statements and our auditor's report thereon).

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information 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.

Responsibilities of the directors and those charged with governance for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for 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.

In preparing the financial statements, the directors are responsible for assessing the company'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 or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the company's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Finance p.l.c.

Auditor's responsibilities for the audit of the financial statements - *continued*

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company'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 ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the company's trade, customers and suppliers, and the disruption to its business and the overall economy.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

Independent auditor's report *- continued*

To the Shareholders of Bortex Group Finance p.l.c.

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 6) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	In our opinion: • the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and • the Directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Finance p.l.c.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Corporate Governance - Statement of Compliance (on pages 7 to 10) The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in the Annual Report a Statement of Compliance with the Code of Principles of Good Corporate Governance within Appendix 5.1 to Chapter 5 of the Listing Rules. The Statement's required minimum contents are determined by reference to Listing Rule 5.97. The Statement provides explanations as to how the Company has complied with the provisions of the Code, presenting the extent to which the Company has adopted the Code and the effective measures that the Board has taken to ensure compliance throughout the accounting period with those Principles.	We are required to report on the Statement of Compliance by expressing an opinion as to whether, in light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified any material misstatements with respect to the information referred to in Listing Rules 5.97.4 and 5.97.5, giving an indication of the nature of any such misstatements. We are also required to assess whether the Statement of Compliance includes all the other information required to be presented as per Listing Rule 5.97. We are not required to, and we do not, consider whether the Board's statements on internal control included in the Statement of Compliance cover all risks and controls, or form an opinion on the effectiveness of the Company's corporate governance procedures or its risk and control procedures.	In our opinion, the Statement of Compliance has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority. We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Finance p.l.c.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
	Other matters on which we are required to report by exception We also have responsibilities under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion: • adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us. • the financial statements are not in agreement with the accounting records and returns. • we have not received all the information and explanations which, to the best of our knowledge and belief, we require for our audit. We also have responsibilities under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.	We have nothing to report to you in respect of these responsibilities.

Other matter – use of this report

Our report, including the opinions, has been prepared for and only for the Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

Independent auditor's report - continued

To the Shareholders of Bortex Group Finance p.l.c.

Appointment

We were first appointed as auditors of the company on 13 September 2018. Our appointment has been renewed annually by shareholder resolution representing a total period of uninterrupted engagement appointment of 3 years.

PricewaterhouseCoopers
78, Mill Street,
Zone 5, Central Business District
Qormi
Malta

Fabio Axisa
Partner

25 February 2021

Statement of financial position

	Notes	As at 31 October 2020 €	2019 €
ASSETS			
Non-current assets			
Loans receivable	4	**12,496,627**	12,496,627
Current assets			
Loans receivable	4	**-**	150,000
Receivables	5	**492,575**	515,455
Cash and cash equivalents	6	**307,040**	119,577
Total current assets		**799,615**	785,032
Total assets		**13,296,242**	13,281,659
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	7	**250,000**	250,000
Retained earnings		**31,314**	29,249
Total equity		**281,314**	279,249
Non-current liabilities			
Borrowings	8	**12,562,498**	12,539,675
Current liabilities			
Payables	9	**452,430**	457,468
Current tax liabilities		**-**	5,267
Total current liabilities		**452,430**	462,735
Total liabilities		**13,014,928**	13,002,410
Total equity and liabilities		**13,296,242**	13,281,659

The notes on pages 25 to 38 are an integral part of these financial statements.

The financial statements on pages 21 to 38 were authorised for issue by the board on 25 February 2021 and were signed on its behalf by:

Mr Peter Borg
Chairman

Ms Karen Borg
Director

Statement of comprehensive income

		Year ended 31 October	
	Notes	**2020** **€**	2019 €
Finance income	10	**539,469**	562,312
Finance costs	11	**(500,948)**	(500,071)
Net interest income		**38,521**	62,241
Administrative expenses	12	**(36,456)**	(47,546)
Profit before tax		**2,065**	14,695
Tax expense	14	**-**	(5,267)
Profit for the year - total comprehensive income		**2,065**	9,428

The notes on pages 25 to 38 are an integral part of these financial statements.

Statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 November 2018	250,000	19,821	269,821
Comprehensive income			
Profit for the year - total comprehensive income	-	9,428	9,428
Balance at 31 October 2019	250,000	29,249	279,249
Comprehensive income			
Profit for the year - total comprehensive income	-	2,065	2,065
Balance at 31 October 2020	**250,000**	**31,314**	**281,314**

The notes on pages 25 to 38 are an integral part of these financial statements.

Statement of cash flows

	Notes	Year ended 31 October 2020 €	2019 €
Cash flows from operating activities			
Interest received		**562,349**	562,281
Interest paid		**(476,372)**	(476,577)
Taxation paid		**(5,267)**	-
Cash paid to service providers		**(43,247)**	(33,917)
Net cash generated from operating activities		**37,463**	51,787
Cash flows from investing activities			
Advances to related parties	4	**-**	(150,000)
Repayment of advances to related parties	4	**150,000**	-
Net cash generated from/(used in) investing activities		**150,000**	(150,000)
Net movement in cash and cash equivalents		**187,463**	(98,213)
Cash and cash equivalents at beginning of year		**119,577**	217,790
Cash and cash equivalents at end of year	6	**307,040**	119,577

The notes on pages 25 to 38 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Maltese Companies Act (Cap. 386). The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 3 – Critical accounting estimates and judgments).

In view of the current situation brought about by the COVID-19 pandemic, the company recognises that the key risk and uncertainty of its operations is that of the potential non-fulfilment by the borrowers, (that is Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited) of their obligations.

In this respect the Bortex Group (comprising the Guarantor and the companies referred to above) has prepared projections for the coming 12 month period ending 31 October 2021, based on forecasts which factor in the uncertainty created by the COVID-19 pandemic. These forecasts project positive cash flows for the Group throughout. During the year under review, the Group also secured a €2.85 million loan under the MDB COVID-19 Guarantee scheme to manage its working capital needs. At the end of current financial year, the Group has a cash reserve of €1.4 million, together with unutilised banking facilities of around €4.5 million, and forecasts a cash reserve of circa €2.8 million by 31 October 2021.

The directors of the guarantor have concluded that the group should be able to ensure that it does meet its commitments both financial and otherwise and hence the company's obligations to bondholders should be met in full. In this respect, the directors of the company have assessed that Bortex Group Finance p.l.c. is expected to have the necessary funds to finance the payment of bond interest falling due in December 2020 (which has been settled already by the date that these financial statements have been authorised for issue) and 2021 and going forward. On this basis, the board continues to adopt the going concern basis in preparing the financial statements.

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

In the current financial year, the company adopted new standards, amendments and interpretations to existing standards that are mandatory for the company's accounting period beginning on 1 November 2019. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies impacting the company's financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are mandatory for the company's accounting periods beginning after 1 November 2019. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

1. Summary of significant accounting policies - continued

1.2 Foreign currency translation

(a) Functional and presentation currency

Items included in these financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in euro which is the company's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.3 Financial assets

1.3.1 Classification

The company classifies its financial assets as financial assets measured at amortised cost. The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. The company classifies its financial assets as at amortised cost only if both the following criteria are met:

- The asset is held within a business model whose objective is to collect the contractual cash flows, and
- The contractual terms give rise to cash flows that are solely payments of principal and interest.

Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the company considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

1.3.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade date, which is the date on which the company commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all the risks and rewards of ownership.

At initial recognition, the company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset.

Interest income on debt instruments measured at amortised cost is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition of these instruments is recognised directly in profit or loss. Impairment losses are presented profit or loss.

1. Summary of significant accounting policies - continued

1.3.3 Impairment

The company assesses on a forward-looking basis the expected credit losses (ECL) associated with its debt instruments carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. The company's financial assets are subject to the expected credit loss model.

Expected credit loss model

The company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk has not increased significantly since initial recognition.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the company considers reasonable and supportable information that is relevant and available without undue cost or effort. The company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due, and it considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the company in full, without recourse by the company to actions such as realising security (if any is held); or the financial asset is more than 90 days past due.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. 12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months). The maximum period considered when estimating ECLs is the maximum contractual period over which the company is exposed to credit risk.

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset.

At each reporting date, the company assesses whether financial assets carried at amortised cost are credit-impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data such as significant financial difficulty of the borrower or issuer, or a breach of contract such as a default or being more than 90 days past due.

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

1.4 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks and bank overdrafts. Bank overdrafts, if any, are shown within borrowings in current liabilities in the statement of financial position.

1.5 Share capital

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

1. Summary of significant accounting policies - continued

1.6 Financial liabilities

The company recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The company's financial liabilities are classified as financial liabilities which are not at fair value through profit or loss (classified as 'Other liabilities') under IFRS 9. Financial liabilities not at fair value through profit or loss are recognised initially at fair value, being the fair value of the consideration received, net of transaction costs that are directly attributable to the acquisition or the issue of the financial liability. These liabilities are subsequently measured at amortised cost. The company derecognises a financial liability from its statement of financial position when the obligation specified in the contract or arrangement is discharged, is cancelled or expires.

1.7 Borrowings

Borrowings are recognised initially at the fair value of proceeds received, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period.

Issue costs incurred in connection with the issue of the bonds include professional fees, publicity, printing, listing, registration, underwriting, management fees, selling costs and other miscellaneous costs.

1.8 Payables

Payables comprise obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Accounts payable are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

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

1.9 Offsetting financial instruments

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

1.10 Current and deferred tax

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

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

1. Summary of significant accounting policies - continued

1.10 Current and deferred tax - continued

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

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

1.11 Interest income and expense

Interest income and expense are recognised in profit or loss for all interest-bearing financial instruments using the effective interest method. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the company estimates cash flows considering all contractual terms of the financial instrument but does not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Accordingly, interest expense includes the effect of amortising any difference between net proceeds and redemption value in respect of the company’s interest-bearing borrowings.

1.12 Dividend distribution

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

1.13 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board of directors that makes strategic decisions. The Board considers the company to constitute one reportable segment in view of its activities.

2. Financial risk management

2.1 Financial risk factors

The company's activities potentially expose it to a variety of financial risks: market risk (including fair value interest rate risk), credit risk and liquidity risk. The company's overall risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the company's financial performance. The company did not make use of derivative financial instruments to hedge certain risk exposures during the current and preceding financial years.

The Board provides principles for overall risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity.

(a) Market risk

(i) Foreign exchange risk

The company is not exposed to foreign exchange risk because its principal assets and liabilities, are denominated in euro. The company's interest income, interest expense and other operating expenses are also denominated in euro. Accordingly, a sensitivity analysis for foreign exchange risk disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting period is not deemed necessary.

(ii) Fair value interest rate risk

In view of the nature of its operations, the company's transactions mainly consist of earning interest income on advances effected, principally from the bond issue proceeds, and servicing its borrowings. The company's significant interest-bearing instruments, comprising advances to related parties and bonds issued to the general public, are subject to fixed interest rates. The company has secured a spread between the return on its investments and its cost of borrowing. Accordingly the company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the fixed interest nature of its instruments, which are however measured at amortised cost. The company's operating income and cash flows are substantially independent of changes in market interest rates and on this basis, the directors consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

2. Financial risk management - continued

(b) Credit risk

Credit risk primarily arises from loans receivable from Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (Note 4), other receivables (Note 5) and cash and cash equivalents (Note 6).

The maximum credit exposure to credit risk at the end of the reporting period in respect of the company's financial assets is equivalent to their carrying amount, which is analysed as follows:

	2020	2019
	€	€
Financial assets measured at amortised cost:		
Loans receivable from fellow subsidiaries (Note 4)	**12,496,627**	12,646,627
Other receivables from fellow subsidiaries (Note 5)	**492,575**	515,455
Cash and cash equivalents (Note 6)	**307,040**	119,577
	13,296,242	13,281,659

Cash and cash equivalents

The company's cash and cash equivalents are held with local financial institutions with high quality standing or rating and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. As a result, while cash and cash equivalents are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

Loans receivable and other amounts owed by related parties

The company's loans receivable consist of advances to related parties forming part of the Bortex Group (refer to Note 4), which advances have been effected out of the company's bond issue proceeds. The company monitors intra-group credit exposures on a regular basis and ensures timely performance of these assets in the context of overall group liquidity management. The company's collateral held as security in respect of the financial assets is disclosed in Note 4 to the financial statements. The guarantor in relation to the bond issue is Bortex Group Holdings Company Limited. The company assesses the credit quality of the Bortex Group taking into account financial position, performance and other factors. The company takes cognisance of the related party relationship with these entities and management does not expect any losses from non-performance or default.

Loans receivable from related parties are categorised as Stage 1 for IFRS 9 purposes (i.e. performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12-month probability of default, capturing 12-month expected losses. At the end of the financial period, the company's directors reviewed the company's financial assets in particular the loans advanced to related parties (see Note 4). In view of the respective entity's history, results to date, gearing ratios and reserves, as well as forward looking estimates, the directors applied judgement in determining the appropriate expected credit loss provisions as a result of adopting the expected future loss framework under IFRS 9.

Following the assessment of the directors, all of the company's financial assets are considered to have low credit risk and a low risk of default. In this respect, the loss allowance was deemed immaterial to be recognised in the financial statements.

2. **Financial risk management** - continued

The company's other receivables from fellow subsidiaries mainly include interest receivable in respect of the advances referred to previously. Expected credit losses are based on the assumption that repayment of the balance is demanded at the reporting date. Accordingly, the expected credit loss allowance attributable to such balances is insignificant.

(c) Liquidity risk

The company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally the bonds issued to the general public and other payables (refer to Notes 8 and 9 respectively). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the company's obligations.

The company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to related parties effected out of the bond issue proceeds, together with any related interest receivable, match the cash outflows in respect of the company's bond borrowings, covering principal and interest payments, as referred to in Note 8 and reflected in the table below.

The following table analyses the company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances, as the impact of discounting is not significant.

	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
31 October 2020					
Borrowings	478,125	478,125	1,434,375	14,184,375	16,575,000
Payables	10,848	-	-	-	10,848
	488,973	**478,125**	**1,434,375**	**14,184,375**	**16,585,848**
31 October 2019					
Borrowings	478,125	478,125	1,434,375	14,662,500	17,053,125
Payables	17,639	-	-	-	17,639
	495,764	478,125	1,434,375	14,662,500	17,070,764

2. Financial risk management - continued

2.2 Capital risk management

The Bortex Group's objectives when managing capital at subsidiary level are to safeguard the respective company'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 company may issue new shares or adjust the amount of dividends paid to shareholders.

The company's equity, as disclosed in the statement of financial position, constitutes its capital. The company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. Taking cognisance of the nature of the company's assets, together with collateral held as security, backing the company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

2.3 Fair values of financial instruments

At 31 October 2020 and 2019, the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments. The fair values of the non-current interest bearing loans receivable were not significantly different from their carrying amounts at the end of the reporting period based on discounted cash flows using market interest rates prevailing at 31 October 2020 and 2019. 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 7, ' Financial instruments: Disclosures'. Information on the fair value of the company's bonds issued to the general public is disclosed in Note 8 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.

3. Critical accounting estimates and judgments

Estimates and judgments are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. In the opinion of the directors, the accounting estimates and judgments made in the course of preparing these financial statements are not difficult, subjective or complex to a degree which would warrant their description as critical in terms of the requirements of IAS 1.

4. Loans receivable

	2020	2019
	€	€
Loans to fellow subsidiaries	**12,496,627**	12,646,627

The loans to fellow subsidiaries are classified in the statement of financial position as follows:

	2020	2019
	€	€
Non-current	**12,496,627**	12,496,627
Current	**-**	150,000

The proceeds from the bond issue (see Note 8) have been advanced by the company to Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (fellow subsidiaries forming part of the Bortex Group). As noted in the prospectus dated 30 October 2017, the Bortex Group is utilising these proceeds to invest in each of the following projects: (i) refurbishment and extension of the newly branded Hotel 1926 in Sliema, Malta; (ii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iii) development of a mixed-use complex in Mriehel, Malta; (iv) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (v) refurbishment of the PJP Boutique Suites in Valletta, Malta.

As at 31 October 2020, the non-current portion of the loans is subject to interest at a rate of 4.3% (2019: 4.5%), are unsecured and repayable by not later than 1 December 2027.

As at 31 October 2019, the current portion of the loans related to a temporary advance to Roosendaal Hotels Limited which was unsecured, repayable within one year from the end of the financial reporting period and interest free.

5. Receivables

	2020	2019
	€	€
Current		
Accrued interest income on loans to fellow subsidiaries	**492,575**	515,455

Amounts owed by fellow subsidiaries are unsecured, interest free and repayable on demand.

6. Cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents comprise the following:

	2020	2019
	€	€
Cash at bank	**307,040**	119,577

7. Share capital

	2020	2019
	€	€
Authorised		
250,000 ordinary shares of €1 each	**250,000**	250,000
Issued and fully paid		
250,000 ordinary shares of €1 each	**250,000**	250,000

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the company. All shares rank equally with regard to the company's residual assets.

8. Borrowings

	2020	2019
	€	€
Non-current		
127,500 3.75% Bonds 2027	**12,562,498**	12,539,675

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 yield method as follows:

	2020	2019
	€	€
Original face value of bonds issued	**12,750,000**	12,750,000
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(65,871)**	(43,048)
Unamortised bond issue costs	**187,502**	210,325
Amortised cost and closing carrying amount of the bonds	**12,562,498**	12,539,675

By virtue of an offering memorandum dated 30 October 2017, the company 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 Bortex Group Holdings Company Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. 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 2020 for the bonds was €100.25 (2019: €102.90), 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 €397,000 (2019: €297,000) were held by company directors.

8. Borrowings - continued

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the company to related parties (refer to Note 4).

9. Payables

	2020 €	2019 €
Current		
Amounts owed to fellow subsidiary	**8,054**	11,138
Interest payable accrued	**441,582**	439,829
Other accruals	**2,794**	6,501
	452,430	457,468

Amounts owed to fellow subsidiary are unsecured, interest free and repayable on demand.

10. Finance income

	2020 €	2019 €
Interest income on loans to fellow subsidiaries	**539,469**	562,312

11. Finance costs

	2020 €	2019 €
Bond interest expense	**500,948**	500,071

12. Expenses by nature

	2020	2019
	€	€
Recharged salaries from fellow subsidiary	**8,054**	11,138
Listing and related compliance costs	**11,476**	10,081
Directors' emoluments (Note 13)	**3,000**	18,000
Other expenses, primarily legal and professional fees	**13,926**	8,327
Total administrative expenses	**36,456**	47,546

Auditor's fees

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

	2020	2019
	€	€
Annual statutory audit	**6,000**	2,500
Tax advisory and compliance services	**1,410**	700
	7,410	3,200

13. Directors' emoluments

	2020	2019
	€	€
Directors' fees	**3,000**	18,000

14. Tax expense

	2020	2019
	€	€
Current tax expense	**-**	5,267

The tax on the company's profit before tax differs from the theoretical amount that would arise using the basic tax rate as follows:

	2020	2019
	€	€
Profit before tax	**2,065**	14,695
Tax on profit @ 35%	**723**	5,143
Group relief	**(735)**	-
Expenses not deductible for tax purposes	**12**	124
	-	5,267

15. Related parties

Bortex Group Holdings Company Limited and its subsidiaries constitute the Bortex Group. The entities consisting 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 principal transactions carried out with related parties during the year ended 31 October 2020 are outlined below:

- Interest income on loans to fellow subsidiaries amounting to €539,469 (2019: €562,312).

- Recharged salaries from fellow subsidiary amounting to €8,054 (2019: €11,138).

During the preceding financial period, the company advanced €150,000 to a fellow subsidiary, which were repaid in full during the current financial year.

Year end balances with related parties are disclosed in Notes 4, 5 and 9 to the financial statements.

Key management personnel compensation, consisting of remuneration to the company's directors, has been disclosed in Note 13.

16. Statutory information

Bortex Group Finance p.l.c. is a limited liability company and is incorporated in Malta.

The immediate and ultimate parent company of Bortex Group Finance p.l.c. is Bortex Group Holdings Company Limited, a company registered in Malta, with its registered address at "St. Therese", Hughes Hallet Street, Sliema. The ultimate controlling parties of Bortex Group Holdings Company Limited are Peter Borg and Karen Borg.