BORTEX GROUP HOLDINGS COMPANY LIMITED

Annual Report and Consolidated Financial Statements
31 October 2018

Company Registration Number: C 4863

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 October 2018.

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 locally and within the European Union, from the operations of a hotel locally and the development of property with a view to sell or lease out once completed.

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

Review of business

The results of the Group represent the results of the parent company together with those of its subsidiaries for the year ended 31 October 2018.

Performance during financial year 2018

The Group reported a turnover of €17.9 million (2017: €19.9 million) and earnings before interest, taxation, depreciation and amortisation ('EBITDA') of €704,000 (2017: €596,000). The Group takes recognition of the fact that the EBITDA achieved falls short of its projections. This was due to a number of different factors. An exceptional loss incurred arising from the disposal of assets upon the closure of the former Hotel Plevna and adverse timing difference from the projected rent receipts of offices in Mriehel. The manufacturing and retail operations of the group also experienced greater than expected pressures on its retail margins and Brexit related order reductions on its manufacturing sales order book. After taking into consideration depreciation, investment and finance income and finance costs, the Group reported a loss before tax for the current year of €162,033 (2017: €378,153), during which the hospitality segment of the group was in the phase of construction/refurbishment of the two new hotels and thus generated no revenues.

Manufacturing and Retail
During the year under review the manufacturing and retail sector contributed an EBITDA of €1.4 million (2017: €223,000). During this year the company opened a clearance outlet in Mriehel comprising of two floors of retail space, three floors of office space and underground parking spaces on three levels. Furthermore, the company opened further Gagliardi stores in Sweden and Serbia. It has also relocated its store at the Plaza Shopping Complex in Sliema to a more prominent location within the same complex and completely refurbished its store in Valletta.

Hospitality
During the year under review Hotel 1926 was closed for major reconstruction, extension and refurbishment works. As at year end, construction work was almost complete while the remaining works were in progress for the first 40 rooms to open in December 2018. The remaining 132 rooms should be ready to receive guests by May 2019. In view of this, no revenue was generated during the current financial year from this property. The 1926 Hotel beach club opened on the 1 July 2018 as planned and it operated successfully during the summer months. The Palazzo Jean Parisot project in Valletta involving the renovation of a Palazzo in St Paul's Street Valletta was completed during the year under review and it opened its doors for its first clients in May 2018.

Directors' report - continued

Real Estate
Construction works on the project comprising the re-development of a plot of land owned by the Group in Sliema, into a block of luxury apartments, named 'TEN', consisting of 18 apartments and 2 penthouses over 7 floors together with 69 underground car parking spaces were intentionally slowed down primarily to secure the safety of workmen working on the adjacent hotel project. This was done with a remedial plan of action in mind which would eventually make sure that deadlines will be met nonetheless. Works are now progressing as per remedial plan. At the time of review the company has managed to secure the sale of five apartments and eleven garages by way of Preliminary Agreement which amounted to €2.3 million.

Outlook for financial year ending 2019

Manufacturing and Retail
2019 will be about increasing sales levels through existing retail stores, improving overall margins and opening a number of new stores both in Malta as well in overseas (in Poland and Cyprus). The Mriehel property is now almost completely finished and budgeted rental revenues have already been achieved with some space still available. For the manufacturing plant in Tunisia, 2019 will remain challenging as Brexit uncertainties intensify and the prospects of import tariffs as a result of a hard Brexit loom larger.

Hospitality and Real Estate
During the financial year ending 2019 the company will finalise the Hotel 1926 project and operate it to its full potential by May 2019. When completed, the hotel will consist of 172 rooms, of which 76 are suites, a luxury spa, a French restaurant restaurant and cocktailbar and a renovated private beach club. The hotel will offer the highest standards of lean luxury by having state-of-the-art guest management software and technologies. In 2019, the property will generate its first revenues, from the said revenue streams. The boutique hotel Palazzo Jean Parisot will also be operating its first full year in 2019. The TEN project will also be completed by the end of 2019, in line with set deadlines.

Directors

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

Peter Borg – appointed Chairman on 1 January 2018
Karen Bugeja – resigned from Chairman on 1 January 2018
Alexandra Borg
Sam Borg
David Debono
Christine Demicoli

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

Directors' report - continued

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 group and the parent 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 group and the parent 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 group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Bortex Group Holdings Company Limited for the year ended 31 October 2018 are included in the Annual Report and Consolidated Financial Statements 2018, which is published in hard-copy printed form and made available on the Group's website (www. bortexgroupholdings.com). The directors of the entities constituting the Group 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.

Auditors

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

On behalf of the board

Peter Borg
Director

Karen Bugeja
Director

Registered office
32 Hughes Hallet Street
Sliema
Malta

28 February 2019

Independent auditor's report

To the Shareholders of Bortex Group Holdings Company Limited

Report on the audit of the financial statements

Our opinion

In our opinion:

- Bortex Group Holdings Company Limited's group financial statements and parent company financial statements (the "financial statements'') give a true and fair view of the group's and parent company's financial position as at 31 October 2018, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordancethe 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).

What we have audited

Bortex Group Holdings Company Limited's financial statements, set out on pages 8 to 59, comprise:

- the consolidated and parent company statements of financial position as at 31 October 2018;
- the consolidated and parent company income statements and statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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.

Independence

We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional 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.

Independent auditor's report - continued

To the Shareholders of Bortex Group Holdings Company Limited

Other information

The directors are responsible for the other information. The other information comprises the Directors' report (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, including the directors' report.

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.

With respect to the directors' report, we also considered whether the directors' report includes the disclosures required by Article 177 of the Maltese Companies Act (Cap. 386).

Based on the work we have performed, 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).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. 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.

Independent auditor's report - continued

To the Shareholders of Bortex Group Holdings Company Limited

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.

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, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate 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 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.

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Holdings Company Limited

Report on other legal and regulatory requirements

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 that returns adequate for our audit have not been received from branches not visited by us.
- The financial statements are not in agreement with the accounting records and returns.
- We have not received all the information and explanations we require for our audit.
- Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

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

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

F Axisa

Fabio Axisa
Partner

28 February 2019

Statements of financial position

		As at 31 October			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	4	**25,638,168**	16,978,035	**-**	-
Investment property	5	**23,667**	685,274	**-**	-
Investments in subsidiaries	6	**-**	-	**3,602,481**	3,602,481
Investments in associates	7	**559**	559	**-**	-
Available-for-sale investments	8	**212,192**	245,799	**11,109**	11,109
Loans and advances	9	**2,145,739**	2,146,749	**-**	-
Trade and other receivables	10	**593,554**	926,787	**-**	-
Total non-current assets		**28,613,879**	20,983,203	**3,613,590**	3,613,590
Current assets					
Inventories	11	**17,692,429**	15,281,523	**-**	-
Trade and other receivables	10	**4,882,251**	4,177,044	**634,755**	788,493
Current tax assets		**29,367**	19,702	**4,620**	4,620
Term placements with banks	12	**7,777**	7,727	**-**	-
Cash and cash equivalents	13	**1,374,599**	1,519,046	**6,689**	6,545
Total current assets		**23,986,423**	21,005,042	**646,064**	799,658
Total assets		**52,600,302**	41,988,245	**4,259,654**	4,413,248

Statements of financial position - continued

		As at 31 October			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	14	**46,587**	46,587	**46,587**	46,587
Revaluation reserves	15	**6,428,285**	6,871,958	**7,246**	7,246
Other reserves	16	**506,652**	506,652	**58,234**	58,234
Retained earnings		**20,897,687**	21,688,039	**2,395,867**	2,430,693
Total equity		**27,879,211**	29,113,236	**2,507,934**	2,542,760
Non-current liabilities					
Deferred taxation	18	**1,180,119**	1,157,058	**-**	-
Borrowings	19	**16,284,574**	2,455,777	**-**	-
Total non-current liabilities		**17,464,693**	3,612,835	**-**	-
Current liabilities					
Borrowings	19	**3,379,271**	6,103,869	**-**	-
Trade and other payables	20	**3,877,018**	3,148,593	**1,751,720**	1,862,409
Current tax liabilities		**109**	9,712	**-**	8,079
Total current liabilities		**7,256,398**	9,262,174	**1,751,720**	1,870,488
Total liabilities		**24,721,091**	12,875,009	**1,751,720**	1,870,488
Total equity and liabilities		**52,600,302**	41,988,245	**4,259,654**	4,413,248

The notes on pages 15 to 59 are an integral part of these consolidated financial statements.

The financial statements on pages 8 to 59 were authorised for issue by the board on 28 February 2019 and were signed on its behalf by:

Peter Borg
Director

Karen Bugeja
Director

Income statements

		Year ended 31 October			
		Group		Company	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Revenue	21	**17,953,416**	19,919,699	**-**	-
Cost of sales		**(11,182,719)**	(13,060,166)	**-**	-
Gross profit		**6,770,697**	6,859,533	**-**	-
Administrative expenses		**(2,178,362)**	(2,737,496)	**(35,333)**	(6,095)
Selling expenses		**(4,706,812)**	(4,318,448)	**-**	-
Other operating income/(expenses)		**43,162**	(6,672)	**-**	-
Operating loss		**(71,315)**	(203,083)	**(35,333)**	(6,095)
Operating (loss)/profit before non-recurring items		**(71,315)**	393,692	**(35,333)**	(6,095)
Non-recurrent item: write-off of trade receivable (included within administrative expenses)		**-**	(596,775)	**-**	-
Operating loss after non-recurring items		**(71,315)**	(203,083)	**(35,333)**	(6,095)
Investment and other related income	25	**89,784**	32,121	**784,592**	200
Finance income	26	**51,672**	51,672	**-**	-
Finance costs	27	**(232,174)**	(258,863)	**(85)**	(55)
(Loss)/profit before tax		**(162,033)**	(378,153)	**749,174**	(5,950)
Tax (expense)/income	28	**(77,681)**	1,490,337	**-**	-
(Loss)/profit for the year		**(239,714)**	1,112,184	**749,174**	(5,950)

The notes on pages 15 to 59 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year ended 31 October			
		Group		**Company**	
	Note	**2018**	2017	**2018**	2017
		€	€	**€**	€
(Loss)/profit for the year		**(239,714)**	1,112,184	**749,174**	(5,950)
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Movements in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	15	**(23,061)**	7,653	**-**	-
Items that may be subsequently reclassified to profit or loss					
Losses from changes in fair value of available-for-sale financial assets	15	**(66,730)**	(12,460)	**-**	-
Currency translation differences		**(120,520)**	(50,452)		
Total other comprehensive income for the year, net of tax		**(210,311)**	(55,259)	**-**	-
Total comprehensive income for the year		**(450,025)**	1,056,925	**749,174**	(5,950)

The notes on pages 15 to 59 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the parent				
		Share capital €	**Revaluation reserves €**	**Other reserves €**	**Retained earnings €**	**Total €**
Balance at 1 November 2016		46,587	6,876,765	506,652	20,626,307	28,056,311
Comprehensive income						
Profit for the year		-	-	-	1,112,184	1,112,184
Other comprehensive income:						
Losses from changes in fair value of available-for-sale financial assets	15	-	(12,460)	-	-	(12,460)
Currency translation differences		-	-	-	(50,452)	(50,452)
Other movements	15	-	7,653	-	-	7,653
Total other comprehensive income			(4,807)	-	(50,452)	(55,259)
Total comprehensive income		-	(4,807)	-	1,061,732	1,056,925
Balance at 31 October 2017		46,587	6,871,958	506,652	21,688,039	29,113,236
Comprehensive income						
Loss for the year		-	-	-	(239,714)	(239,714)
Other comprehensive income:						
Losses from changes in fair value of available-for-sale financial assets	15	-	(66,730)	-	-	(66,730)
Currency translation differences		-	-	-	(120,520)	(120,520)
Other movements	15	-	(376,943)	-	353,882	(23,061)
Total other comprehensive income		-	(443,673)	-	233,362	(210,311)
Total comprehensive income		-	(443,673)	-	(6,352)	(450,025)
Transactions with owners						
Dividends	29	-	-	-	(784,000)	(784,000)
Balance at 31 October 2018		**46,587**	**6,428,285**	**506,652**	**20,897,687**	**27,879,211**

Statements of changes in equity - continued

Company

	Notes	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 November 2016		46,587	-	-	12	46,599
Comprehensive income						
Loss for the year - total comprehensive income		-	-	-	(5,950)	(5,950)
Transactions with owners						
Reserves recognised upon mergers	17	-	7,246	58,234	2,436,631	2,502,111
Balance at 31 October 2017		46,587	7,246	58,234	2,430,693	2,542,760
Comprehensive income						
Profit for the year - total comprehensive income		-	-	-	749,174	749,174
Transactions with owners						
Dividends	29	-	-	-	(784,000)	(784,000)
Balance at 31 October 2018		**46,587**	**7,246**	**58,234**	**2,395,867**	**2,507,934**

The notes on pages 15 to 59 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 October			
		Group		**Company**	
	Notes	**2018**	2017	**2018**	2017
		€	€	**€**	€
Cash flows from operating activities					
Cash (used in)/generated from operations	30	**(1,949,020)**	1,990,016	**(363)**	3,425
Cash outflows relating to property development project		**(931,315)**	(729,313)	**-**	-
Cash inflow from promise of sale agreements	20	**278,540**	204,050	**-**	-
Investment income	25	**89,784**	32,121	**784,592**	200
Interest received	26	**51,672**	51,672	**-**	-
Interest paid		**(162,493)**	(258,863)	**(85)**	-
Tax paid		**(96,949)**	(43,325)	**-**	(8,079)
Tax refunded		**500,000**	500,000	**-**	-
Net cash (used in)/generated from operating activities		**(2,219,781)**	1,746,358	**784,144**	(4,654)
Cash flows from investing activities					
Payments for property, plant and equipment		**(9,106,940)**	(2,013,622)	-	-
Proceeds from disposal of property, plant and equipment		**9,100**	-	-	-
Proceeds from disposal of investment property		**930,000**	-	-	-
Purchase of available-for-sale financial assets	8	**(33,123)**	-	-	-
Repayments of advances to related parties	9	**1,010**	(1,010)	-	-
Investments in term placements with banks	12	**(50)**	(57)	-	-
Net cash used in investing activities		**(8,200,003)**	(2,014,689)	-	-
Cash flows from financing activities					
Proceeds from the issuance of bonds	19	**12,750,000**	-	**-**	-
Payments for bond issue costs	19	**(253,373)**	-	**-**	-
Proceeds from bank borrowings	19	**3,120,340**	899,999	-	-
Repayments of bank borrowings	19	**(2,849,169)**	(208,959)	-	-
Repayments of loans from shareholders	19	**(19,183)**	(23,544)	**-**	-
Dividends paid	29	**(784,000)**	-	**(784,000)**	-
Net cash generated from/(used in) financing activities		**11,964,615**	667,496	**(784,000)**	-
Net movement in cash and cash equivalents		**1,544,831**	399,165	**144**	(4,654)
Cash and cash equivalents acquired upon mergers	17	**-**	-	**-**	7,060
Cash and cash equivalents at beginning of year		**(3,493,858)**	(4,023,722)	**6,545**	4,139
Effects of currency translation on cash and cash equivalents		**(23,759)**	130,699		-
Cash and cash equivalents at end of year	13	**(1,972,786)**	(3,493,858)	**6,689**	6,545

The notes on pages 15 to 59 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

The consolidated financial statements include the financial statements of Bortex Group Holdings Company Limited and its subsidiaries. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment and available-for-sale financial assets.

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

As at 31 October 2018, the company’s current liabilities exceeded its current assets by €1,105,656 (2017: €1,070,830). In this respect, the shareholders and other related parties have undertaken not to request repayment of amounts due to them until alternative financing is available. Furthermore, the company’s shareholders have undertaken to provide the necessary finance and guarantees to enable the company to meet any obligations in full.

On this basis, the board continues to adopt the going concern basis in preparing the financial statements and considers that there are not material uncertainties that may exist which cast significant doubt about the ability of the company to continue operating as a going concern.

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

During the current financial year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group’s accounting period beginning on 1 November 2017. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company’s accounting policies, impacting the company’s financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group’s accounting periods beginning after 1 November 2017. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the parent company’s directors are of the opinion that, there are no requirements that will have a possible significant impact on the group’s financial statements in the period of initial application, except for IFRS9 ‘Financial instruements’, IFRS15 ‘Revenue from contracts with customers’ and IFRS16 ‘Leases’.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

<u>IFRS 9 'Financial instruments'</u>

In July 2014, the IASB issued the final version of IFRS 9 Financial instruments. IFRS 9 replaces IAS 39 Financial instruments: recognition and measurement, and is effective for annual periods beginning on or after 1 January 2018. The Group will apply IFRS 9 on 1 November 2018.

Classification and measurement

IFRS 9 contains a new classification and measurement approach for financial assets that reflects the business model in which assets are managed and their cash flow characteristics.

IFRS 9 includes three principal classification categories for financial assets: amortised cost, fair value through other comprehensive income ("FVOCI") and fair value through profit or loss ("FVTPL"). It eliminates the existing IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets.

Financial assets may be designated as at FVTPL if doing so eliminates an accounting mismatch. Other financial assets are measured at:

- amortised cost if they are held within a business model whose objective is to hold assets to collect contractual cash flows and their contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest ("SPPI") on the principal amount outstanding; or
- FVOCI if they are held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets and their contractual terms give rise on specified dates to cash flows that are SPPI on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income. This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI are measured at FVTPL.

The Group is still in the process of assessing and evaluating the impact of IFRS 9's new classification and measurement approach for financial assets. There will be no impact on the Group's accounting for financial liabilities, as the new requirements only affect the accounting for issued financial liabilities that are designated at fair value through profit or loss and the Group does not have any such liabilities. The derecognition rules have been transferred from IAS 39 and have not been changed. The adoption of IFRS 9 will accordingly have no impact on the Group's financial liabilities.

Impairment

IFRS 9 replaces the 'incurred loss' model in IAS 39 with a forward-looking 'expected credit loss' model. This will require considerable judgement over how changes in economic factors affect expected credit loss ("ECL") allowances, which will be determined on a probability-weighted basis.

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, and certain loan commitments and financial guarantee contracts.

1. **Summary of significant accounting policies** - continued

1.1 Basis of preparation - continued

IFRS 9 introduces a three-stage impairment model ("the general model"). The first step of the general model is to determine which impairment 'stage' a financial asset sits within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk the financial asset is moved to 'stage 2'. Financial assets are moved to 'stage 3' when they become credit impaired. As allowance that is reflective of lifetime expected credit loss is recognized for financial assets in stages 2 and 3.

The impairment requirements of IFRS 9 are complex and require management judgements, estimates and assumptions, particularly in assessing whether the credit risk of an instrument has increased significantly since initial recognition and the incorporation of forward-looking information into the measurement of expected credit losses.

Notwithstanding this change in recognising impairment, the group qualifies for certain simplifications afforded in IFRS 9 in recognising impairment losses. The group's trade receivables do not contain significant financing components, and accordingly the group is required under IFRS 9 to provide for lifetime expected credit loss for all trade receivables, irrespective of whether these have demonstrated a significant increase in credit risk. With respect to these assets, the group is still in the process of assessing and evaluating the impact of IFRS 9.

The group's cash and cash equivalents are held with local financial institutions with high quality standing or rating. Although the directors are still evaluating the impacts of IFRS 9 on such assets, they are of the opinion that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets. Similarly, with respect to the group's receivables from related parties.

The Group is in the process of determining the amount of the impairment impact which assessment is subject to further transition work including refinement of the respective companies' models for expected credit loss calculations.

Disclosures

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

<u>IFRS 15, 'Revenue from contracts with customers'</u>

IFRS 15, deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers. Revenue is recognised when customer obtains control of good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces IAS 18 'Revenue' and IAS 11 'Construction contracts' and related interpretations. The standard is effective for the Group as from the annual period beginning on 1 November 2018, and the directors intend to adopt the modified retrospective approach that is allowed by the standard. Under this approach, comparative information in the year of adoption will not be restated. The Group is still assessing the impact of IFRS 15.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

IFRS 16, 'Leases'

Under IFRS 16, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain leases whose term is of not more than one year, as well as leases of low-value assets. The standard is effective for annual periods beginning on or after 1 November 2019 and although earlier application is permitted, the Group does not intend to adopt the standard earlier than its mandatory effective date. As at the reporting date, the Group has non-cancellable operating lease commitments as disclosed in Note 31 to the financial statements. However, the Group has not yet determined to what extent these commitments will result in the recognition of an asset and a liability for future payments and how this will affect the Group's results and classification of cash flows. Some of the commitments may be covered by the exception for short-term and low-value leases and some commitments may relate to arrangements that will not qualify as leases under IFRS 16. At this stage, the Group is still in the process of assessing and evaluating the impact of IFRS 16 on the Group's operating leases where a group undertaking is the lessee.

1.2 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

1. **Summary of significant accounting policies** - continued

1.2 Consolidation - continued

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

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

A listing of the Group's subsidiary undertakings is set out in Note 6.

(a) Associates

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

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

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

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

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

(c) Group companies

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

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the 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, since they are deemed to be immaterial.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

1.4 Property, plant and equipment

All property, plant and equipment is initially recorded at historical cost. Land and buildings are subsequently shown at fair value, based on valuations by external independent valuers, less subsequent depreciation for buildings. Valuations are performed with sufficient regularity to ensure that the fair value of a revalued asset does not differ materially from its carrying amount. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Cost may also include transfers from equity of any gains/losses on qualifying foreign currency purchases of property, plant and equipment. Borrowings costs are capitalised within property, plant and equipment as disclosed in Note 1.15.

1. Summary of significant accounting policies - continued

1.4 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 income statement during the financial period in which they are incurred.

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

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

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

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

		%	
Buildings	1	-	16⅔
Plant and equipment	7	-	33⅓
Furniture, fixtures, fittings and soft furnishings	7	-	25
Motor vehicles	13	-	20

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

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

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

1. Summary of significant accounting policies - continued

1.5 Investment property

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

The Group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowings costs are capitalised within investment property as disclosed in Note 1.15.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss during the financial period in which they are incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Land is not depreciated as it is deemed to have an indefinite life. The capitalised costs of buildings is amortised using the straight-line method over a maximum of 50 years, in accordance with their useful lives. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

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

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

1.6 Financial assets

1.6.1 Classification

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

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

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

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise: loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.7, 1.9 and 1.10).

(c) Available-for-sale financial assets

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

1.6.2 Recognition and measurement

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

Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are recognised in profit or loss in the period in which they arise. Dividend income from financial assets at fair value through profit or loss is recognised in profit or loss when the Group's right to receive payments is established.

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

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

Interest on available-for-sale securities calculated using the effective interest method is recognised in profit or loss. Dividends on available-for-sale equity instruments are recognised in profit or loss when the Group's right to receive payments is established.

1.6.3 Offsetting financial instruments

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

1.6.4 Impairment of financial assets

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

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

(a) Assets carried at amortised cost

For financial assets carried at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised profit or loss. Impairment testing of trade receivables is described in Note 1.9.

(b) Assets classified as available for sale

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

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

1.7 Loans and advances

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

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

1.8 Inventories

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

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

(b) Property held for development and resale

When the main object of a property project is development for resale purposes, the asset is classified in the financial statements as inventories. Property is also classified as inventory, where there is a change in use of investment property evidenced by the commencement of development with a view to sale. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development including costs incurred on demolition, site clearance, excavation, construction and other related activities. Borrowing costs are capitalised within property held for development and resale as described in Note 1.15. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

1. **Summary of significant accounting policies** - continued

1.9 Trade receivables

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

1.10 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, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

1.11 Share capital

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

1.12 Financial liabilities

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

1.13 Trade payables

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

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

1. Summary of significant accounting policies - continued

1.14 Borrowings

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

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

1.15 Borrowing costs

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

1.16 Offsetting financial instruments

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

1.17 Current and deferred tax

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

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

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

1. Summary of significant accounting policies - continued

1.17 Current and deferred tax - continued

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

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

1.18 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and services in the ordinary course of the group's activities. Sales are recognised upon delivery of products or performance of services, net of sales taxes, returns, rebates and discounts. The group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and when specific criteria have been met for each of the group's activities as described below.

(a) Sales of goods

Sales of goods are recognised when the group has delivered products to the customer and there is no unfulfilled obligation 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.

(b) Sales of services

Revenue from services is generally recognised in the period the services are provided, based on the services performed to date as a percentage of the total services to be performed. Accordingly, revenue is recognised by reference to the stage of completion of the transaction under the percentage of completion method.

(c) Interest income

Interest income is recognised in profit or loss for all interest-bearing instruments as it accrues, using the effective interest method.

(d) Dividend income

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

(e) Rental income from investment property and similar income

Rental income is recognised in profit or loss on a straight-line basis over the term of the lease.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition - continued

(f) Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership have not been transferred to the purchaser, are treated as payments received on account and presented within trade and other payables.

1.19 Leases

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

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

1.20 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

The Group's activities potentially expose it to a variety of financial risks: market risk (including currency risk, fair value interest rate risk and cash flow interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management, covering risk exposures for all Group undertakings, focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the respective company's financial performance. The parent company's board of directors provides principles for overall Group risk management, as well as policies covering risks referred to above and specific areas such as investment of excess liquidity. The group did not make use of derivative financial instruments to hedge certain risks exposures during the current and preceding financial years.

2. Financial risk management - continued

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the group's sales, purchases and subcontracted labour from a subsidiary are denominated primarily in Tunisian dinar, Great British pound, US dollar and Swedish krona, accordingly the group is exposed to foreign exchange risk arising from such sales and purchases. A subsidiary domiciled overseas has a functional currency which is different from the euro and is subject to currency risk in respect of intra-group balances denominated in euro amounting to €401,393 (2017: €525,044). The exposures from these instruments and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the group's figures.

The group's main risk exposure reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant. Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the respective undertakings manage the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices.

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

(ii) Price risk

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

2. Financial risk management - continued

(iii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise advances to related parties (Note 9) and the bonds issued to the general public (Note 19). In this respect, the group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 19) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. Based on this analysis, management considers 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 immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

Credit risk arises from loans and advances 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**	
	2018	2017	**2018**	2017
	€	€	**€**	€
Loans and receivables category:				
Loans and advances (Note 9)	**2,145,739**	2,146,749	**-**	-
Trade and other receivables (Note 10)	**3,537,962**	4,388,863	**634,755**	788,493
Term deposits (Note 12)	**7,777**	7,727	**-**	-
Cash and cash equivalents (Note 13)	**1,374,599**	1,519,046	**6,689**	6,545
	7,066,077	8,062,385	**641,444**	795,038

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 as disclosed in Note 9 in respect of advances to related parties.

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

2. Financial risk management - 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. 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 also enters into credit insurance arrangements to safe guard against potential material credit risk on certain trade receivables.

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

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

As at 31 October 2018, trade receivables of €31,472 (2017: €31,472) were impaired and the amount of the provisions in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The Group does not hold any collateral as security in respect of the impaired assets.

The movements in the Group's provisions for impairment of trade receivables are disclosed in Note 22 to the financial statements.

As at 31 October 2018, trade receivables of €473,784 (2017: €245,977) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these trade receivables is such that these amounts have been past due mainly for more than three months but for less than one year.

2. Financial risk management - 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 19) and trade and other payables (Note 20). 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. 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. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

Group	**Less than 1 year**	**Between 1 and 2 years**	**Between 2 and 5 years**	**Over 5 years**	**Total**
	€	**€**	**€**	**€**	**€**
At 31 October 2018					
Bank borrowings	3,491,604	496,965	3,393,694	-	7,382,263
Bonds	478,125	478,125	1,434,375	15,140,625	17,531,250
Borrowings from related parties	-	235,435	-	-	235,435
Trade and other payables	3,394,428	-	-	-	3,394,428
	7,364,157	1,210,525	4,828,069	15,140,625	28,543,376
At 31 October 2017					
Bank borrowings	6,164,023	285,309	1,425,601	689,491	8,564,424
Borrowings from related parties	-	254,618	-	-	254,618
Trade and other payables	2,944,543	-	-	-	2,944,543
	9,108,566	539,927	1,425,601	689,491	11,763,585

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

2. Financial risk management - continued

2.2 Capital risk management

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

The Group 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:

	2018	2017
	€	€
Total borrowings	**19,663,845**	8,559,646
Less: cash and cash equivalents	**(1,374,599)**	(1,519,046)
Net debt	**18,289,246**	7,040,600
Total equity	**27,879,211**	29,113,236
Total capital	**46,168,457**	36,153,836
Net debt/total capital	**40%**	19%

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. The company's equity as disclosed in the stand-alone financial statements is attributable to corporate expenditure incurred to support the overall operations of the Group and accordingly the stand-alone figures do not reflect the group's capital management policy.

2.3 Fair values of financial instruments

2.3.1 Financial instrument carried at fair value

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

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

2. Financial risk management - continued

The following table presents the Group's and the company's financial assets that are measured at fair value at 31 October 2018 and 2017:

	Level 1	
	2018	2017
	€	€
Assets		
Available-for-sale financial assets (Note 8)	**212,192**	245,799

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

2.3.2 Financial instruments not carried at fair value

As 31 October 2018 and 2017 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 advances to related parties fairly approximates the estimated fair value of these assets based on discounted cash flows. The fair value of the Group's non-current floating interest rate bank borrowings as at the end of the reporting period is not significantly different from the carrying amounts.

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 bonds issued to the public is disclosed in the respective note to the financial statements. The fair value estimate in this respect is deemed Level 1 as its 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.

3. Critical accounting estimates and judgments - continued

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

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

4. Property, plant and equipment

Group

	Land and buildings €	Leasehold improvements €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Assets in course of construction and advance payments €	Total €
At 1 November 2016							
Cost or valuation	12,747,873	-	5,928,857	6,129,512	331,678	-	25,137,920
Accumulated depreciation	(420,536)	-	(4,488,545)	(4,048,057)	(249,556)	-	(9,206,694)
Net book amount	12,327,337	-	1,440,312	2,081,455	82,122	-	15,931,226
Year ended 31 October 2017							
Opening net book amount	12,327,337	-	1,440,312	2,081,455	82,122	-	15,931,226
Exchange differences	(4,556)	-	(124,507)	(50,732)	(1,356)		(181,151)
Additions	98,252	-	31,958	851,387	25,907	1,006,118	2,013,622
Depreciation charge	(132,228)	-	(234,680)	(394,019)	(24,735)	-	(785,662)
Closing net book amount	12,288,805	-	1,113,083	2,488,091	81,938	1,006,118	16,978,035
At 31 October 2017							
Cost or valuation	12,841,569	-	5,836,308	6,930,167	356,229	1,006,118	26,970,391
Accumulated depreciation	(552,764)	-	(4,723,225)	(4,442,076)	(274,291)	-	(9,992,356)
Net book amount	12,288,805	-	1,113,083	2,488,091	81,938	1,006,118	16,978,035
Year ended 31 October 2018							
Opening net book amount	12,288,805	-	1,113,083	2,488,091	81,938	1,006,118	16,978,035
Exchange differences	(1,830)	-	(66,056)	(28,309)	(564)	-	(96,759)
Additions	51,474	-	93,625	1,142,434	-	8,526,350	9,813,883
Reclassifications	1,594,143	894,981	53,501	636,279	-	(3,178,904)	-
Disposals	-	-	(801,312)	(811,828)	-	-	(1,613,140)
Depreciation charge	(132,976)	(24,334)	(187,480)	(405,232)	(24,466)	-	(774,488)
Depreciation on disposal	-	-	621,307	709,330	-	-	1,330,637
Closing net book amount	**13,799,616**	**870,647**	**826,668**	**3,730,765**	**56,908**	**6,353,564**	**25,638,168**
At 31 October 2018							
Cost or valuation	14,485,356	894,981	5,116,066	7,868,743	355,665	6,353,564	35,074,375
Accumulated depreciation	(685,740)	(24,334)	(4,289,398)	(4,137,978)	(298,757)	-	(9,436,207)
Net book amount	**13,799,616**	**870,647**	**826,668**	**3,730,765**	**56,908**	**6,353,564**	**25,638,168**

4. Property, plant and equipment - continued

During the current financial year, the group capitalised borrowing costs in property, plant and equipment amounting to €355,193 (2017: nil) utilising an average capitalisation rate of 4%. This amount is included in 'Additions' to the category of Assets in course of construction in the table above.

The principal element of the group's land and buildings, within property, plant and equipment, comprising the hotel was last revalued on 31 October 2016 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 15).

The directors have reviewed the carrying amount of the property as at 31 October 2018 and 2017, on the basis of assessments carried out by the valuer, and no adjustments to the carrying amounts as at 31 October 2018 and 2017 were deemed necessary.

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.

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

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

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

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

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

Properties acquired in recent years with a carrying amount of €2,328,000 have not been revalued since acquisition or initial recognition. The directors have assessed the fair values of these properties at 31 October 2018, which fair values were deemed to fairly approximate the carrying amounts.

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

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 company's overall control environment; and

- assumptions and valuation models used by the valuers; with assumptions being typically market related and based on professional judgement and market observation.

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

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

Valuation techniques

At 31 October 2016, the valuation assessment was performed using a discounted cash flow approach. Throughout this process, the highest and best use of the property has been revised taking cognisance of the outcome of the valuation method applied.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs to the approach used are generally those described below.

4. Property, plant and equipment - continued

- Discounted cash flow ("DCF") approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the hotel, but prior to depreciation and financing charges;
Growth rate	based on management's estimated average growth of the company's EBITDA levels, mainly determined by projected growth in income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 October 2018 and 2017

Description by class on highest and best use	**Valuation technique**	**Evolution of EBITDA over Initial five years FY17-FY21 €'000**	**Estimated capital expenditure FY17-FY21 €'000**	**Post-tax discount %**	**Stabilised growth rate %**	**Perpetuity yield %**
Current use as commercial premises (hotel with carrying amount of €10m	DCF approach	323 – 1,582	5,281	8.25	2%	6.25

An increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

As at 31 October 2018 and 2017, the directors consider that the current use of the property equates to the highest and best use.

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

	2018	2017
	€	€
Cost	**3,612,226**	3,612,226
Accumulated depreciation	**(799,109)**	(749,388)
Net book amount	**2,813,117**	2,862,838

4. Property, plant and equipment - continued

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

5. Investment property

Group

	Property €	Furniture €	Total €
At 1 November 2016			
Cost	651,509	138,884	790,393
Accumulated depreciation	(22,820)	(66,946)	(89,766)
Net book amount	628,689	71,938	700,627
Year ended 31 October 2017			
Opening net book amount	628,689	71,938	700,627
Depreciation charge	(7,368)	(7,985)	(15,353)
Closing net book amount	621,321	63,953	685,274
At 31 October 2017			
Cost	651,509	138,884	790,393
Accumulated depreciation	(30,188)	(74,931)	(105,119)
Net book amount	621,321	63,953	685,274
Year ended 31 October 2018			
Opening net book amount	621,321	63,953	685,274
Disposal	(614,625)	(138,884)	(753,509)
Depreciation charge	(368)	-	(368)
Depreciation charge on disposal	17,339	74,931	92,270
Closing net book amount	**23,667**	**-**	**23,667**
At 31 October 2018			
Cost	36,884	-	36,884
Accumulated depreciation	(13,217)	-	(13,217)
Net book amount	**23,667**	**-**	**23,667**

The fair value of the investment property as at 31 October 2018 and 2017 is estimated by the directors to approximate the property’s carrying amount reflecting the actual market state, conditions and circumstances as at the reporting date.

6. Investments in subsidiaries

Group

Investments in subsidiaries excluded from consolidation

	2018	2017
	€	€
Years ended 31 October		
At beginning and end of year	-	-
At 31 October		
Cost	**14,128**	14,128
Provisions for impairment	**(14,128)**	(14,128)
Carrying amount	**-**	-

Favell Enterprises Limited, a subsidiary undertaking, has been excluded from the consolidation in terms of Article 170(3) of the Maltese Companies Act (Cap. 386) since its inclusion is not material for the purpose of giving a true and fair view.

Company

	2018	2017
	€	€
Years ended 31 October		
Opening carrying amount	**3,602,481**	26,136
Additions	**-**	250,000
Investments acquired upon merger	**-**	3,326,345
Closing carrying amount	**3,602,481**	3,602,481
At 31 October		
Cost and carrying amount	**3,602,481**	3,602,481

The subsidiaries at 31 October 2018, whose results and financial position affected the figures of the group, are shown below:

(a) Held directly by Bortex Group Holdings Company Limited

	Registered office	**Class of shares held**	**Percentage of shares held 2018 %**	2017 %
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary “A” shares	100	100
		Ordinary “B” shares	100	100

6. Investments in subsidiaries - continued

	Registered office	Class of shares held	Percentage of shares held 2018 %	2017 %
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	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100

(d) Held through Bortex Clothing Company Limited

	Registered office	Class of shares held	Percentage of shares held 2018 %	2017 %
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	100	100
Bortex Tunisia S.A.R.L	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	100	100
Chansel Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	100	100
Favell Enterprises Limited (In dissolution)	KW 28B Corradino Industrial Estate Paola Malta	Ordinary shares	60	60

7. Investments in associates

	Group	
	2018	2017
	€	€
Years ended 31 October		
Opening and closing carrying amount	**559**	559

	Group and Company	
	2018	2017
	€	€
At 31 October		
Cost	**12,206**	12,206
Provisions for impairment	**(11,647)**	(11,647)
Carrying amount	**559**	559

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

In 2016, the group set-up and incorporated an entity, P.J.P. Company Limited, with the involvement of the two ultimate controlling parties.

The associates as at 31 October are shown below:

Associated undertaking	Registered office	Class of shares held	Percentage of shares held	
			2018	2017
			%	%
Willows Property Development Company Limited (in dissolution)	"St.Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	**50**	50
P.J.P. Company Limited	32, Hughes Hallet Street Sliema Malta	Ordinary shares	**24**	24

The associates of the group are not deemed material, individually and in aggregate, to the group as a reporting entity taking cognisance of the group's financial position and aggregate assets. Accordingly, the disclosure requirements in respect of the associates emanating from IFRS 12 'Disclosure of interests in other entities', was not deemed necessary for the user's understanding of the financial results and the financial position of the group.

7. Investments in associates - continued

The results of P.J.P. Company Limited and its share of the assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Loss €
2018	**718,654**	**717,900**	**-**	**(1,375)**
2017	719,829	717,700	-	(200)

The unrecognised share of losses of this associate incurred up to 31 October 2018 amounted to €378. The unrecognised share of losses of the associate incurred during the financial year ended 31 October 2018 amounted to €330.

8. Available-for-sale investments

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Years ended 31 October				
Opening carrying amount	**245,799**	258,259	**-**	-
Additions	**33,123**	-	**-**	-
Assets acquired upon merger	**-**	-	**11,109**	11,109
Fair value losses (Note 15)	**(66,730)**	(12,460)	**-**	-
Closing carrying amount	**212,192**	245,799	**11,109**	11,109

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
At 31 October				
Cost	**84,217**	51,094	**5,187**	5,187
Fair value gains	**127,975**	194,705	**5,922**	5,922
Closing carrying amount	**212,192**	245,799	**11,109**	11,109

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
As at 31 October				
Local listed equity securities	**212,192**	245,799	**11,109**	11,109

9. Loans and advances

	Group	
	2018	2017
	€	€
Non-current		
Loans to related parties	**1,973,539**	1,974,549
Loan to associate	**172,200**	172,200
	2,145,739	2,146,749

The Group's loans and advances consist of loans effected to related parties subject to common ultimate shareholding which are secured by properties held by the related parties and have no fixed date of repayment. These assets are not expected to be realised within twelve months from the end of the reporting period. Included in the balance above is an amount of €1,291,800 (2017:€1,291,800) which is subject to a fixed interest rate of 4% per annum. The remaining balance is interest free.

10. Trade and other receivables

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current				
Trade receivables	**1,657,853**	2,323,822	**-**	-
Amounts owed by subsidiaries	**-**	-	**634,755**	788,493
Amounts owed by other related parties	**691,590**	636,116	**-**	-
Amounts due by shareholders	**551,100**	258,577	**-**	-
Indirect taxation	**1,043,391**	33,932	**-**	-
Prepayments and accrued income	**267,351**	228,602	**-**	-
Other receivables	**637,419**	670,348	**-**	-
Prepaid operating lease rentals	**33,547**	25,647		
	4,882,251	4,177,044	**634,755**	788,493
Non-current				
Prepaid operating lease rentals	**593,554**	426,787	**-**	-
Other receivables	**-**	500,000	**-**	-
	593,554	926,787	**-**	-
Total receivables	**5,475,805**	5,103,831	**634,755**	788,493

Trade receivables as at 31 October 2018 are disclosed net of provisions for impairment amounting to €31,472 (2017: €31,472).

11. Inventories

Property held for development with a view to sale

	Group	
	2018	2017
	€	€
At 1 November	**2,282,423**	1,553,110
Additions resulting from subsequent expenditure	**971,424**	729,313
At 31 October	**3,253,847**	2,282,423

Goods held for resale

	Group	
	2018	2017
	€	€
Raw materials and consumables	**1,587,390**	1,669,135
Work in progress	**1,372,708**	932,732
Finished goods	**380,814**	181,621
Spare parts and other stocks	**247,877**	282,456
Inventories held for resale	**10,849,793**	9,933,156
	14,438,582	12,999,100
Total inventories	**17,692,429**	15,281,523

During the current financial year, the group capitalised borrowing costs amounting to €40,109 (2017: nil) in property for development utilising an average capitalisation rate of 4.6%.

The cost of inventories recognised as expense is appropriately disclosed in Note 22 to the financial statements. During the current financial year, inventory write-downs amounted to €58,755 (2017: €195,685). These amounts have been included in ‘Cost of sales’ in the income statement.

Bank borrowings in the name of undertakings forming part of the Group are secured on the Group's property held for development.

12. Term placements with banks

	Group	
	2018	2017
	€	€
Term deposits	**7,777**	7,727

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% (2017: 0.75%).

13. Cash and cash equivalents

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cash at bank and in hand	**1,374,599**	1,519,046	**6,689**	6,545
Bank overdrafts (Note 19)	**(3,347,385)**	(5,012,904)	**-**	-
	(1,972,786)	(3,493,858)	**6,689**	6,545

14. Share capital

	Group and Company	
	2018	2017
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373399 each	**46,587**	46,587

15. Revaluation reserves

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
At 31 October				
Surplus arising on fair valuation of:				
Available-for-sale financial assets	**656,572**	723,302	**7,246**	7,246
Land and buildings	**5,771,713**	6,148,656	**-**	-
	6,428,285	6,871,958	**7,246**	7,246

The movements are analysed as follows:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Revaluation reserve on available-for-sale financial assets				
Year ended 31 October				
At beginning of year	**723,302**	735,762	**7,246**	-
Net losses from changes in fair value	**(66,730)**	(12,460)	**-**	-
Reserves taken over upon merger	**-**	-	**-**	7,246
At end of year	**656,572**	723,302	**7,246**	7,246

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

15. Revaluation reserves - continued

	Group	
	2018	2017
	€	€
Revaluation reserve on land and buildings		
At beginning and end of year	**6,148,656**	6,141,003
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 18)	**(23,061)**	7,653
Other movements	**(353,882)**	-
	5,771,713	6,148,656

The tax impact relating to components of other comprehensive income presented in the above tables.

The revaluation reserves are non-distributable.

16. Other reserves

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Capital reserve	**408,142**	408,142	**58,234**	58,234
Incentives and benefits reserve	**95,370**	95,370	**-**	-
Other reserve	**3,140**	3,140	**-**	-
	506,652	506,652	**58,234**	58,234

Any movements during the financial reporting periods are disclosed below:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Capital reserve				
Year ended 31 October				
At beginning of year	**408,142**	408,142	**58,234**	-
Reserves taken over upon merger	**-**	-	**-**	58,234
At end of year	**408,142**	408,142	**58,234**	58,234

There were no movements during 2018 and 2017 in the Incentives and benefits reserve and the Other reserve.

The Incentives and benefits reserve has been created in accordance with Section 36 of the Business Promotion Act, Cap. 325, 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 is a non-distributable reserve. In accordance with the provisions of the aforementioned Act, the Incentives and benefits reserve can be distributed by means of a bonus issue.

17. Mergers into parent company

As per the draft terms of merger, Consolidated Coborg Company Limited, Combmed Holdings Company, P. Borg Company and K. Borg Company Limited merged into Bortex Group Holdings Limited with an effective date of 1 November 2016. All documentation relating to these mergers has been submitted to the Malta Financial Services Authority as at the date of approval of these financial statements but have not all become effective due to legal time frame restrictions as per the Companies Act. Mergers have been accounted for as at 1 November 2016 in these financial statements in view of effective date as per terms of merger. As a result of the mergers referred to above, the non-controlling interest within equity has been eliminated in view of the fact that the ultimate shareholders of the Group now hold all their shareholding directly through Bortex Group Holdings Limited subsequent to the mergers. The ultimate shareholding remained the same compared to the previous year, as the non-controlling interest arose as a result of interests held by the two ultimate shareholders in subsidiaries, directly through entities owned by the shareholders themselves. In view of the nature of this restructuring, comparative financial information has been restated and the non-controlling interest has been eliminated as at 31 October 2016 and 1 November 2015.

The following table summarises the amount of assets acquired and liabilities assumed that were recognised in the company's statement of financial position at the date of the legal merger, together with the amount recognised in the retained earnings:

	2017
	€
Investments in subsidiaries	3,402,375
Available-for-sale investments	11,109
Trade and other receivables	1,041,317
Current tax asset	4,620
Cash and cash equivalents	7,060
Capital reserve	(58,234)
Revaluation reserve	(7,246)
Trade and other payables	(1,745,410)
Total net assets acquired	2,655,591
Cost of investments merged	218,960
Merger reserve recognised within retained earnings	2,436,631

18. 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% (2017: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 10% (2017: 10%) of the transfer value.

The movement on the deferred tax account was as follows:

	Group	
	2018	2017
	€	€
Year ended 31 October		
At beginning of year	**1,157,058**	1,164,711
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 15)	**23,061**	(7,653)
At the end of the year	**1,180,119**	1,157,058

The balance at 31 October represents:

	2018	2017
	€	€
Temporary differences arising on fair valuation of property	**1,180,119**	1,157,058

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

As at 31 October 2018 and 2017, the Group also had unrecognised unutilised tax credits and temporary differences as follows:

	Group	
	2018	2017
	€	€
Unutilised unabsorbed investment tax credits	**514,498**	514,498
Unabsorbed capital allowances	**926,874**	112,701
Unabsorbed tax losses	**1,366,477**	1,168,170
Taxable temporary differences on property, plant and equipment	**(628,830)**	(113,808)
Deductible temporary differences provision for impairment of trade receivables	**31,472**	31,472

The resulting related net deferred tax asset has not been recognised in these financial statements due to the uncertainty of the realisation of the related tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade. Whereas tax losses have no expiry date, unabsorbed capital allowances and investment tax credits are forfeited upon cessation of the trade.

19. Borrowings

	Group	
	2018	2017
	€	€
Current		
Bank overdrafts	**3,347,385**	5,012,904
Bank loan	**31,886**	1,090,965
	3,379,271	6,103,869
Non-current		
127,500 3.75% Bonds 2027	**12,517,730**	-
Bank loans	**3,531,409**	2,201,159
Loans from ultimate shareholders	**235,435**	254,618
	16,284,574	2,455,777
Total borrowings	**19,663,845**	8,559,646

By virtue of an offering memorandum dated 30 October 2017, Bortex Group Finance p.l.c. (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 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 2018 for the bonds was €103, 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 €317,000 were held by the parent company directors and their close family members.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Issuer 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 will utilise these proceeds to invest in each of the following projects:

(i) refurbishment and extension of the newly branded Hotel 1926 in Sliema, Malta; (ii) development of TEN Apartments in Sliema, Malta; (iii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iv) development of a mixed-use complex in Mriehel, Malta; (v) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (vi) refurbishment of PJP Boutique Suites in Valletta, Malta, which property has just been extensively refurbished as an 8-roomed boutique hotel and commissioned in May 2018.

19. Borrowings - continued

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:

	2018 €
Original face value of bonds issued	**12,750,000**
Bond issue costs	**253,373**
Accumulated amortisation	**(21,103)**
Closing net book amount of bond issue costs	**232,270**
Amortised cost and closing carrying amount of the bonds	**12,517,730**

The Group's banking facilities as at 31 October 2018 amounted to €10,686,010 (2017: €10,914,218). These facilities are mainly secured by:

(a) joint and several guarantees by the principal operating entities within the group, supported by general hypothecary guarantees over the assets of the entities involved and special hypothecary guarantees over properties held;
(b) 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
(c) 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	
	2018 %	2017 %
Bank overdrafts	**3.2**	3.2
Bank loans	**4.6**	4.1

Maturity of non-current bank borrowings:

	Group	
	2018 €	2017 €
Between 1 and 2 years	**337,690**	234,395
Between 2 and 5 years	**3,193,719**	1,307,710
Over 5 years	**-**	659,054
	3,531,409	2,201,159

All other borrowings are unsecured and interest free. These borrowings are repayable on demand, however, the Group has the option to defer such repayment for a maximum period of twelve months.

20. Trade and other payables

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current				
Trade payables	**1,282,904**	1,874,322	**-**	-
Payables and accruals in respect of capital expenditure	**357,350**	-	**-**	-
Payments received on account	**482,590**	204,050		
Amounts owed to shareholders	**267,733**	258,112	**619,165**	619,165
Amounts owed to subsidiary	**-**	-	**1,086,253**	1,180,992
Amounts owed to related parties	**37,594**	136,052	**22,781**	22,783
Other payables	**80,627**	193,756	**-**	-
Indirect taxation and social security	**150,878**	138,228	**-**	-
Accruals and deferred income	**1,217,342**	344,073	**23,521**	39,469
	3,877,018	3,148,593	**1,751,720**	1,862,409

21. Revenue

The group’s turnover is analysed as follows:

	Group	
	2018	2017
	€	€
By segment		
Apparel	**17,784,241**	18,397,045
Hotel operations	**169,175**	1,522,654
	17,953,416	19,919,699

The group has two activities which comprises primarily the manufacture and sale of quality menswear and ladies wear locally and in other European countries, together with operations within the hospitality industry. These two activities are considered to be one operating segment from a business management perspective, considering the turnover levels and financial results recorded, therefore no segment reporting was deemed necessary.

22. Expenses by nature

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Cost of goods sold and materials consumed	**5,320,177**	4,847,900	**-**	-
Movement in work in progress and subcontracted costs and labour	**3,625,776**	4,079,051	**-**	-
Hotel food and beverage costs	**16,324**	161,483	**-**	-
Travelling and entertainment	**226,876**	194,381	**-**	-
Employee benefit costs (Note 23)	**4,875,841**	5,189,093	**-**	-
Depreciation of property, plant and equipment (Note 4)	**774,488**	785,662	**-**	-
Depreciation of investment property (Note 5)	**368**	15,353	**-**	-
Utilities and similar charges	**6,466**	142,157	**-**	-
Property operating lease rentals payable	**1,101,763**	1,044,574	**-**	-
Trade receivables written off	**-**	596,775	**-**	-
Other expenses	**2,119,814**	3,059,681	**35,333**	6,095
Total cost of sales, administrative and selling expenses	**18,067,893**	20,116,110	**35,333**	6,095

Operating profit is stated after charging/(crediting) the following:

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Loss on disposal of property, plant and equipment (included in ‘Other operating income/(expenses)’)	**273,403**	-	**-**	-
Profit on disposal of investment property (included in ‘Other operating income/ (expenses)’)	**(268,761)**	-	**-**	-

Auditor’s fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2018 and 31 October 2017 relate to the following:

	Group	
	2018	2017
	€	€
Annual statutory audit	**27,350**	23,350
Tax compliance and advisory services	**39,300**	10,055
Other non-audit services	**75,300**	-
	141,950	33,405

The auditors’ remuneration for the company attributable to the year ended 31 October 2018 amounted to €1,165 (2017: €1,165).

23. Employee benefit costs

	Group	
	2018	2017
	€	€
Wages and salaries	**4,746,968**	4,958,592
Social security costs	**223,398**	230,501
	4,970,366	5,189,093

Included in the employee benefit expense disclosed above is an amount of €94,525, which was capitalised in property, plant and equipment during the current financial year (2017: nil).

Average number of persons employed during the year:

	Group	
	2018	2017
By class of business		
Apparel	**596**	579
Hotel operations	**18**	44
	614	623

	Group	
	2018	2017
By category		
Direct	**556**	569
Selling and distribution	**48**	44
Administration	**10**	10
	614	623

24. Directors' emoluments

	Group	
	2018	2017
	€	€
Salaries and other emoluments	**253,924**	198,383

25. Investment and other related income

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Dividend income from investments in subsidiaries	**-**	-	**784,000**	-
Investment income	**89,784**	32,121	**592**	200
	89,784	32,121	**784,592**	200

26. Finance income

	Group	
	2018	2017
	€	€
Interest receivable from related parties	**51,672**	51,672

27. Finance costs

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Bank interest and charges	**70,742**	258,863	**85**	55
Bond interest expense	**161,432**	-	**-**	-
	232,174	258,863	**85**	55

The total bond interest expense for the current financial year amounted to €459,385 (2017: nil), out of which an amount of €297,953 (2017: nil) has been capitalised within property, plant and equipment.

28. Tax expense/(income)

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Current tax expense/(income)	**77,681**	(1,490,337)	**-**	-

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
(Loss)/profit before tax	**(162,033)**	(378,153)	**749,174**	(5,950)
Tax on (loss)/profit calculated at the rates applicable to the Group undertakings concerned	**(56,712)**	(132,354)	**262,211**	(2,083)
Tax effect of:				
Dividend income not subject to tax	**-**	-	**(274,400)**	-
Unrecognised deferred tax movements	**174,110**	160,809	**-**	-
Conversion of investment tax credits	**-**	(1,500,000)	**-**	-
Expenses not deductible for tax purposes	**15,091**	4,275	**12,189**	2,083
Maintenance allowance claimed on rental property	**(4,232)**	(1,050)	**-**	-
Application of provisions of tax legislation to sale of immovable property	**(23,232)**	-	**-**	-
Other differences	**(27,344)**	(22,017)	**-**	-
	77,681	(1,490,337)	**-**	-

29. Dividends

Final dividends paid on ordinary shares:

	Group	
	2018	2017
	€	€
Net dividends	**784,000**	-
Dividends per share	**39.20**	-

30. Cash (used in)/generated from operations

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

	Group		Company	
	2018	2017	**2018**	2017
	€	€	**€**	€
Operating loss	**(71,315)**	(203,083)	**(35,333)**	(6,095)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	**774,488**	785,662	**-**	-
Depreciation of investment property (Note 5)	**368**	15,353	**-**	-
Loss on disposal of property, plant and equipment	**273,403**	-	**-**	-
Profit on disposal of investment property	**(268,761)**	-	**-**	-
Amount written off in respect of trade receivables	**-**	596,775	**-**	-
Changes in working capital:				
Inventories	**(1,439,482)**	1,095,076	**-**	-
Trade and other receivables	**(871,975)**	130,846	**153,738**	-
Trade and other payables	**(345,746)**	(430,613)	**(118,768)**	9,520
Cash (used in)/generated from operations	**(1,949,020)**	1,990,016	**(363)**	3,425

Net debt reconciliation

All the movements in the group's net debt relate only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 14.

31. Commitments

Operating lease commitments – where a subsidiary undertaking is the lessee

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

	Group	
	2018	2017
	€	€
Less than one year	**1,051,516**	961,125
Between one and five years	**777,301**	716,863
More than five years	**1,754,691**	1,752,870
	3,583,508	3,430,858

Capital commitments

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

	Group	
	2018	2017
	€	€
Authorised but not contracted	**4,764,691**	5,941,000
Contracted but not provided	**1,194,800**	5,710,000
	5,959,491	11,651,000

32. Contingencies

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

(a) At 31 October 2018, subsidiaries had contingent liabilities amounting to €104,960 (2017: €118,344) 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 2018, subsidiaries had a contingent liability amounting to €6,988 (2017: €6,988) in respect of the uncalled share capital of an unquoted investment.

(c) At 31 October 2018, 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 (2017: €45,278), in respect of which no provision has been made in these accounts.

33. Related party transactions

The Group is ultimately owned by Peter Borg and Karen Bugeja. All companies which are ultimately controlled by these individuals but which are not within the Group of companies of which Bortex Group Holdings Company Limited is the parent, are considered by the directors to be related parties.

Year-end balances with related parties are disclosed in Notes 9, 10, 19 and 20 to these financial statements. These amounts are unsecured, interest free and repayable on demand, unless otherwise stated in the respective notes.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 24 to these financial statements.

34. Statutory information

Bortex Group Holdings Company Limited is a limited liability company and is incorporated in Malta.

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