

BORTEX GROUP FINANCE p.l.c.

Annual Report and Financial Statements  
31 October 2024

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## **Bortex Group Finance p.l.c.**

### **Directors, Officers and Other Information**

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*Directors* Ms Karen Borg (Chairperson)  
Mr Peter Paul Borg  
Mr Joseph Cachia  
Ms Christine Demicoli  
Mr Paul Fredrick Darmanin  
Dr Etienne Borg Cardona

*Company Secretary* Ms Christine Demicoli

*Registered Office* 32  
Hughes Hallet Street  
Sliema SLM3142  
Malta

*Country of Incorporation* Malta

*Auditors* Ernst & Young Malta Limited,  
Regional Business Centre,  
Archille Ferris Street,  
Msida MSD 1751  
Malta

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

# Bortex Group Finance p.l.c.

## Directors' report

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The Directors present their annual report and the audited financial statements of Bortex Group Finance p.l.c. for the year ended 31 October 2024.

### Principal activities

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

### Review of business

The main business activity of the Company has been the issue of bonds to the public in December 2017, following which the Company advanced the proceeds to other companies within the Group to finance mainly the refurbishment and extension of 1926 Le Soleil and the beach club development project in Sliema, the redevelopment of the Group's existing retail outlet in Mosta, the development of a plot of land in Mriehel into a mixed-use complex, part funding the opening of Gagliardi retail outlets in a number of overseas territories, and refinancing of part of the Group's existing bank facilities.

During the current year, finance income on loans advanced to fellow subsidiaries amounted to €566,047 (2023: €562,348), whilst interest expense on bonds amounted to €504,819 (2023: €503,793). Administrative expenses mainly representing annual listing and compliance costs, together with directors' and professional fees amounted to €66,849 (2023: €58,025). During the current year, the Company also generated other income of €89,664 (2023: nil). Profit for the year was €84,043 (2023: loss for the year was €17,284) after deducting taxation. The Company's balance sheet is primarily made up of the bond issue for €12.75 million and corresponding loans to the group undertakings. The Company's equity as at the end of the financial reporting period is stated at €354,549 (2023: €270,506).

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

### Results and dividends

The Company's financial results for the year ended 31 October 2024 are set out in the statement of comprehensive income. The directors did not pay or declare any interim dividend during the year and do not recommend the payment of a final dividend. Retained profits carried forward as at 31 October 2024 amounted to €104,549 (2023: €20,506).

### Performance review of the Group

*\*All the below information is being reproduced from the directors' report of Bortex Group Holdings Company Limited annual report which can be downloaded from [bortexgroupholdings.com](http://bortexgroupholdings.com)*

The Group achieved a total turnover of €23.9 million, with an EBITDA of €5.2 million and a profit before tax of €2.1 million, as detailed in the table below.

	<b>Manufacturing, Retail &amp; Property Management</b>	<b>Hospitality</b>	<b>Total</b>
	<b>€</b>	<b>€</b>	<b>€</b>
Turnover	15,872,8978	7,993,063	23,865,961
EBITDA	2,317,060	2,922,399	5,239,459
Profit before tax	1,014,122	1,120,007	2,134,129

# Bortex Group Finance p.l.c.

## Directors' report - continued

### Performance review of the Group - continued

#### *Manufacturing, Retail and Property Management*

During the financial year ended 31 October 2024, manufacturing, retail and property management operations registered a positive Adjusted EBITDA (adjusted earnings before interest, taxation, depreciation and amortization, gain from fair value of investment property and provision for impairment on inventory) of €2.3 million (2023: €2 million).

<b>Calculation of Adjusted EBITDA for Manufacturing, Retail and Property Management segment</b>	<b>Reference</b>	<b>31 October 2024</b> €	31 October 2023 €
Operating profit	Note 26	1,556,435	1,102,561
Depreciation of property, plant and equipment, intangible asset and right-of-use asset	Note 26	1,026,617	969,242
Gain from fair value of investment property	Note 10	-	(565,123)
(Reversal)/Provision for impairment on inventory	Note 27	(265,992)	729,766
Reversal of provisions for stock write-off	Note 27	-	(149,493)
Reversal of provision for bad debts	Note 27	-	(142,087)
<b>Adjusted EBITDA</b>		<b>2,317,060</b>	1,944,866

Throughout this financial year, the Group has remained committed to optimizing its retail operations both in Malta and overseas. Efforts to strengthen the Gagliardi own-label proposition, alongside growth in private label, corporate, and school wear manufacturing divisions, have delivered strong results. While sales increased across most divisions, private label sales experienced a slight decline, reinforcing the resilience of the Group's diversified business model.

Retail performance saw notable improvement over the previous year. This growth was driven in part by the successful launch of a new store at The Shoreline Mall in March and the optimization of operations at Barlowes Department Store in Mercury Towers, both of which contributed positively to overall sales and profits. The remaining stores in the local portfolio also reported like-for-like sales growth.

Additionally, the Mosta project was fully completed during the year. The Bortex retail outlet there continued to register sales growth, the Gagliardi Gran Gusto coffee shop was leased to a third-party operator, and all eleven apartments were successfully rented out at rates exceeding budget projections.

Despite some variations across individual segments, overall contributions remained aligned with budget targets and prior-year figures. This demonstrates the Group's ability to adapt to shifting market conditions while maintaining operational efficiency and profitability.

#### *Hospitality*

This financial year saw the temporary closure of most of the inventory of 1926 Le Soliel, the group's largest hotel. This was due to construction works within the hotel which saw the addition of a heated rooftop pool and deck as well as state of the art fine dining restaurant. The closure was also due to the construction of the group's third hotel in a building opposite which caused some disruption to the operation. Nevertheless, the hospitality sector maintained its momentum in achieving consistent revenue levels and strong operational performance across its two hotels.

# Bortex Group Finance p.l.c.

## Directors' report - continued

### Performance review of the Group - continued

#### Hospitality - continued

Total rooms revenue (net of commission) from 1926 Le Soleil amounted to €6.1 million, in line with the previous year's figure (2023: €6 million). However, the hotel's average occupancy stood at 80%, down from 88% in 2023, reflecting the temporary reduction in available room inventory. On a positive note, the average daily rate (ADR) increased to €139.26, compared to €126.06 in the prior year, demonstrating a stronger yield per room.

Meanwhile, 1926 Le Parisot continued to show steady growth, generating total rooms revenue (net of commission) of €0.4 million, an increase of 15% over last year. The property maintained a strong occupancy rate of 84% (2023: 87%), while its ADR saw a notable increase, reaching €216.96 compared to €185.87 in the previous year.

ADR - annualised	31 October 2024			31 October 2023		
	1926 Le Soleil	1926 Le Parisot	31 October 2024 €	1926 Le Soleil	1926 Le Parisot	31 October 2023 €
Available rooms (A)	62,220	2,562		62,050	2,555	
Occupied rooms (B)	49,743	2,147		54,894	2,213	
Occupancy % (B)/(A)	79.95%	83.8%		88.47%	86.61%	
	€	€		€	€	
Rooms Revenue (C)	6,927,389	465,823	7,393,212	6,920,046	411,326	7,331,372
Commissions	(857,560)	(54,518)	(912,078)	(905,263)	(53,101)	(958,364)
Net Rooms revenue	6,069,829	411,305	6,481,134	6,014,783	358,225	6,373,008
ADR (C)/(B)	139.26	216.96		126.06	185.87	

The hospitality segment delivered an EBITDA of €2.9 million, surpassing budget expectations by 14%. However, this result reflects a decrease from the €3.6 million recorded in the previous year. The decline in EBITDA, despite maintaining stable revenue levels, was a direct result of the inventory closure and project works over the winter months. Primarily the closure disrupted EBITDA ratios due to fixed costs carried during the same period. The Projects within the building caused an increase in maintenance costs as well as additional personnel to run the operation under difficult circumstances. Finally, the sector also felt the impact of general cost inflation across key operational areas. Looking ahead, management remains focused primarily on the continued quality enhancement across its hotels whilst optimizing cost structures and enhancing operational efficiencies to sustain profitability.

Calculation of Adjusted EBITDA for Hospitality segment	Reference	31 October 2024 €	31 October 2023 €
Operating profit	Note 26	1,922,248	2,842,933
Gain from sale of property		-	(408)
Gain from fair value of investment property	Note 10	-	(177,592)
Depreciation of property, plant and equipment and intangible asset	Note 26	1,000,151	890,983
<b>Adjusted EBITDA</b>		<b>2,922,399</b>	<b>3,555,916</b>

# **Bortex Group Finance p.l.c.**

## **Directors' report - continued**

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### **Outlook for financial year ending 2025**

#### *Manufacturing, Retail and Property Management*

The Group will continue prioritizing sales growth, margin improvement, and operational efficiency to enhance profitability within the retail division. In parallel, the manufacturing segment will focus on selective, sustainable expansion, ensuring growth aligns with market demand and operational capacity.

A significant milestone will be the opening of a larger-format Bortex multi-brand store in Valletta, following the acquisition of new freehold premises. This move will free up the existing location, which will be converted into the Group's second Ralph Lauren store on the island.

Additionally, the Group remains committed to expanding and optimizing its retail portfolio both locally and internationally. This will be achieved through strategic partnerships, new store openings, and data-driven optimization of existing locations to maximize value and performance.

Looking ahead, management is dedicated to strengthening brand positioning, refining product offerings, and driving long-term growth across all divisions. By leveraging its market presence and operational expertise, the Group aims to maintain a competitive edge while adapting to evolving industry trends and consumer preferences.

#### *Hospitality*

The upcoming financial year will see the sector adding two new hotels to the 1926 collection. The spring season will welcome 1926 La Galerie, a boutique hotel in Valletta, also featuring an art gallery. This art gallery hotel will offer the same 1926 standards of quality and focus on the cultural tourism.

The summer will see the opening of 1926 Les Bains. This luxury 5 star product will offer 32 spa suites each including private in room spas, outdoor private pools or in room saunas. The hotel's Ancient Bathing spa is a first of its kind in Malta featuring various pools at different temperatures taking customers through an ancient Roman ritual.

Management is confident the addition of the two new properties, together with the recently achieved Michelin Star for its fine dining restaurant, will continue to position the 1926 collection in a unique segment in the market. It will continue to selectively seek opportunities for growth to enrich the portfolio.

### **Directors**

During the year ended 31 October 2024, the Directors were as listed on page 1. In accordance with the Company's Articles of Association, the listed Directors shall offer their resignation every year and are eligible for re-election at the Company's annual general meeting.

### **Financial risk management**

There are a number of financial risks that could potentially impact the activities of the Group and Company and include, but not solely, the following: credit risk, liquidity risk, and currency risk. The Group and the Company's objective in managing such risks is the creation and protection of shareholder's value. In order to manage and mitigate such risks, the Group and Company employs a number of risk management tools in its day-to-day operation. Further detail can be found under Note 4 of the financial statements.

### **Post balance sheet events**

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

*Signed on behalf of the Board of Directors on 28<sup>th</sup> February 2025 by Ms Karen Borg and Mr Peter Borg as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2024.*

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# Bortex Group Finance p.l.c.

## Directors' report - continued

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### Statement of directors' responsibilities for the financial statements

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

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

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

### Statement of responsibility pursuant to the Capital Markets Rules 5.68

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

- the financial statements give a true and fair view of the financial position of the Company as at 31 October 2024, and of the financial performance and the cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU; and
- the Annual Report includes a fair review of the development and performance of the business and the position of the Company, together with a description of the principal risks and uncertainties that the Company and the Guarantor face.

### Going concern statement pursuant to Capital Markets Rules 5.62

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

### Auditors

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

*Signed on behalf of the Board of Directors on 28<sup>th</sup> February 2025 by Ms Karen Borg and Mr Peter Borg as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2024.*



# **Bortex Group Finance p.l.c.**

## **Corporate Governance – Statement of Compliance**

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### **Introduction**

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

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

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

### **Roles and responsibilities of the Board**

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

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

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

### **The Board of Directors**

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

For the financial year ended 31 October 2024, three of the directors, Mr Peter Paul Borg, Ms Karen Borg and Ms Christine Demicoli, occupied senior executive positions within the Group. The remaining three directors Mr Joseph Cachia, Mr Paul Fredrick Darmanin, and Dr Etienne Borg Cardona served as non-executive and independent directors since they are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement. One of the audit committee members held an immaterial number of bonds not exceeding €12,500 as at year end.

In assessing the independence of Messrs Cachia, Darmanin, and Borg Cardona, due notice has been taken of Section 5.117 of the Capital Markets Rules.

# **Bortex Group Finance p.l.c.**

## **Corporate Governance – Statement of Compliance - continued**

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### **The exercise of the role of the Board**

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

Meetings of the Board were held five times during the year from 1 November 2023 to 31 October 2024. Individual directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

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

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

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

### **Risk management and internal control**

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

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

# **Bortex Group Finance p.l.c.**

## **Corporate Governance – Statement of Compliance - continued**

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### **The audit committee**

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

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

- Mr Paul Fredrick Darmanin (Chairman)
- Mr Joseph Cachia
- Dr Etienne Borg Cardona

All three members are non-executive directors on the Board. One of the audit committee members held an immaterial number of bonds not exceeding €12,500 as at year end. Furthermore, Mr Paul Fredrick Darmanin is the independent non-executive director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Capital Markets Rules.

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

The Audit Committee held five meetings throughout the period from 1 November 2023 to 31 October 2024. Communication with and between the Company Secretary, top level management and the Committee is ongoing and considerations that required the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

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

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

### **Relations with the market**

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

## **Remuneration statement**

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

During the year under review, the directors received emoluments amounting in total to €18,000 (2023: €16,500).

## **Other information**

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

## **Conclusion**

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

*Signed on behalf of the Board of Directors on 28<sup>th</sup> February 2025 by Ms Karen Borg and Mr Peter Borg as per the Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report 2024.*

## Financial Statements

### Statement of financial position

	Notes	As at 31 October	
		2024 €	2023 €
<b>ASSETS</b>			
<b>Non-current assets</b>			
Loans receivable	6	12,567,079	12,496,627
<b>Current assets</b>			
Receivables	7	3,045	5,265
Loans receivable	6	538,397	515,486
Income tax receivable		2,685	-
Cash	8	370,630	362,694
Total current assets		914,757	883,445
<b>Total assets</b>		<b>13,481,836</b>	<b>13,380,072</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Capital and reserves</b>			
Share capital	9	250,000	250,000
Retained earnings		104,549	20,506
Total equity		354,549	270,506
<b>Non-current liabilities</b>			
Debt securities in issue	10	12,663,277	12,636,583
<b>Current liabilities</b>			
Payables	11	16,830	11,126
Income tax payable		-	15,884
Debt securities in issue	10	447,180	445,973
Total current liabilities		464,010	472,983
Total liabilities		13,127,287	13,109,566
<b>Total equity and liabilities</b>		<b>13,481,836</b>	<b>13,380,072</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

*The financial statements on pages 11 to 31 have been authorized for issue by the Board of Directors on 28<sup>th</sup> February 2025 and were signed on its behalf by Ms Karen Borg and Mr Peter Borg as per Directors' Declaration on ESEF Annual Financial Report submitted in conjunction with the Annual Report 2024.*

## Statement of comprehensive income

	Notes	Year ended 31 October	
		2024 €	2023 €
Interest income	12	566,047	562,348
Interest expense	13	(504,819)	(503,793)
<b>Net interest income</b>		<b>61,228</b>	58,555
Administrative expenses	14	(66,849)	(58,025)
Other income	6	89,664	-
<b>Profit before tax</b>		<b>84,043</b>	530
Tax expense	16	-	(17,814)
<b>Profit/(Loss) for the year</b>		<b>84,043</b>	(17,284)
<b>Other comprehensive income for the year</b>		-	-
<b>Total Comprehensive income/(loss) for the year</b>		<b>84,043</b>	(17,284)

The notes on pages 15 to 31 are an integral part of these financial statements.

## Statement of changes in equity

	<b>Share capital €</b>	<b>Retained earnings €</b>	<b>Total €</b>
<b>At 1 November 2022</b>	250,000	37,790	287,790
Loss for the year	-	(17,284)	(17,284)
Other comprehensive income	-	-	-
Total Comprehensive Income	-	(17,284)	(17,284)
<b>At 31 October 2023</b>	250,000	20,506	270,506
<b>At 1 November 2023</b>	<b>250,000</b>	<b>20,506</b>	<b>270,506</b>
Profit for the year	-	<b>84,043</b>	<b>84,043</b>
Other comprehensive income	-	-	-
Total Comprehensive Income	-	<b>84,043</b>	<b>84,043</b>
<b>At 31 October 2024</b>	<b>250,000</b>	<b>104,549</b>	<b>354,549</b>

The notes on pages 15 to 31 are an integral part of these financial statements.

## Statement of cash flows

	Notes	Year ended 31 October	
		2024 €	2023 €
<b>Cash flows from operating activities</b>			
Profit before taxation		84,043	530
<i>Adjustments for:</i>			
Interest expense	13	504,819	503,793
Interest income	12	(566,047)	(562,348)
Other income		(89,664)	-
		(66,849)	(58,025)
Operating loss before working capital movement			
Movement in other receivables		2,220	(5,265)
Movement in other payables		5,704	(4,147)
		(58,925)	(67,437)
Cash flow used in operations			
Interest received		562,348	562,348
Interest paid		(476,918)	(478,866)
Taxation paid		(18,569)	-
		7,936	16,045
<b>Net cash generated from operating activities</b>			
		7,936	16,045
<b>Net movement in cash</b>			
		7,936	16,045
<b>Cash at beginning of year</b>	8	362,694	346,649
<b>Cash at end of year</b>	8	370,630	362,694

The notes on pages 15 to 31 are an integral part of these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS

### 1. GENERAL INFORMATION

Bortex Group Finance p.l.c. ('the Company') is a limited liability company incorporated in Malta. Its registered office is disclosed on page 1. The Company's principal activity, which is unchanged since last year, is that of financing, through a debt security in issue, other companies within the Bortex Group (see Note 17).

### 2. BASIS OF PREPARATION

These financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRSs) as adopted by the EU and with the requirements of the Companies Act (Cap. 386 of the Laws of Malta).

The financial statements have been prepared under the historical cost convention.

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires directors to exercise their judgment in the process of applying the Company's accounting policies (see Note 5 – Critical accounting estimates and judgments).

#### 2.1 GOING CONCERN

As at 31 October 2024, the Company has debt securities in issue amounting to €12.75 million bearing interest of 3.75% per annum, payable annually every 1 December, and have a redemption date of 1 December 2027. Bortex Group Holdings Company Limited (the "Parent Company") provided a corporate guarantee to affect the due and punctual performance of all payment obligations undertaken by the Company under the bonds and all payment obligations by the related party borrowers of the Company, as disclosed in Note 17, if they fail to do so. The ability of the Company to meet its obligations both in terms of servicing its debt and ultimately repaying the bondholders on the redemption date is dependent on the ability of the Company to collect amounts due from the Parent Company and group undertakings and/or the ability of the Parent Company to perform its obligations under the corporate guarantee. Accordingly, management assesses the going concern of the Company by reference to the going concern of the Group.

The Group has prepared projections for the coming 16-month period ending 28 February 2026, based on forecasts which factor in the current macro-economic environment resulting from a combination of inflation and increase in importation costs, uncertainties regarding future developments and those inherent to the specific industry in which these companies operate. These forecasts project positive cash flows for the Group throughout. At the end of the current financial year, the Group has a cash reserve of €0.675 million, together with unutilised overdraft banking facilities of around €3 million, and forecasts a cash reserve of around €2.3 million by 28 February 2026. The Directors of the Group have concluded that Bortex Group should be able to ensure that it does meet its commitments both financial and otherwise, and hence, the Group's obligations to bondholders and third parties should be met in full. In this respect, the Directors of the Group have assessed that the Group is expected to have the necessary funds to finance the payment of bond interest falling due in December 2024 (which has been already settled by the date these financial statements have been authorised for issue), in 2025 and going forward. On this basis, the Board continues to adopt the going concern basis in preparing the Group's and the Company's financial statements and considers that there are no material uncertainties which may cast doubt about the ability of the Group and the Company to continue operating as a going concern.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES

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

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

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

- Amendments to IAS 12 Income Taxes: International Tax Reform – Pillar Two Model Rules (issued on 23 May 2023) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IFRS 17 Insurance Contracts: Initial Application of IFRS 17 and IFRS 9 – Comparative Information (issued on 9 December 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction (issued on 7 May 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- Amendments to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates (issued on 12 February 2021) (effective for financial year beginning on or after 1 January 2023)
- IFRS 17 Insurance Contracts (issued on 18 May 2017); including Amendments to IFRS 17 (issued on 25 June 2020) (effective for financial year beginning on or after 1 January 2023)

Except for the reduction in disclosure of the accounting policies, the adoption of these standards and amendments did not have any material impact on the other disclosures or on the amounts reported in these financial statements. The Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies are effective for annual periods beginning on or after January 1, 2023. The amendments provide guidance on the application of materiality judgements to accounting policy disclosures. In particular, the amendments to IAS 1 replace the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies. The Company assessed its accounting policies disclosure and retained material accounting policies, in particular, those relating to the Company's main assets, liabilities, equity, income and expenses.

The amendments to IAS 12 Income Tax narrow the scope of the initial recognition exception, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences such as leases and decommissioning liabilities. The amendments did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

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

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

- Amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures: Supplier Finance Arrangements (issued on 25 May 2023) (effective for financial year beginning on or after 1 January 2024)
- Amendments to IFRS 16 Leases: Lease Liability in a Sale and Leaseback (issued on 22 September 2022) (effective for financial year beginning on or after 1 January 2024)
- Amendments to IAS 21 The Effects of Changes in Foreign Exchange Rates: Lack of Exchangeability (issued on 15 August 2023) (effective for financial year beginning on or after 1 January 2025)
- Amendments to IAS 1 Presentation of Financial Statements:
  - i. Classification of Liabilities as Current or Non-Current (issued on 23 January 2020 (effective for financial year beginning on or after 1 January 2024));
  - ii. Classification of Liabilities as Current or Non-Current – Deferral of Effective Date (issued on 15 July 2020) (effective for financial year beginning on or after 1 January 2024); and
  - iii. Non-Current Liabilities with Covenants (issued on 31 October 2022) (effective for financial year beginning on or after 1 January 2024)

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

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

These are as follows:

- IFRS 19 Subsidiaries without Public Accountability: Disclosures (issued on 9 May 2024) (effective for financial year beginning on or after 1 January 2027)
- IFRS 18 Presentation and Disclosure in Financial Statements (issued on 9 April 2024) (effective for financial year beginning on or after 1 January 2027)
- Contracts Referencing Nature-dependent Electricity – Amendments to IFRS 9 and IFRS 7 (issued on 18 December 2024) (effective for financial year beginning on or after 1 January 2026)
- Annual Improvements Volume 11 (issued on 18 July 2024) (effective for financial year beginning on or after 1 January 2026)
- Amendments to the Classification and Measurement of Financial Instruments – Amendments to IFRS 9 and IFRS 7 (issued on 30 May 2024) (effective for financial year beginning on or after 1 January 2026)

The Company is still assessing the impact that these new standards will have on the financial statements.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

#### 3.5 Financial instruments

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

i. Financial assets

The Company classifies financial assets at amortised cost if both of the following conditions are met:

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

Financial assets are initially recognised at fair value plus any directly attributable transaction costs and are subsequently classified and measured at amortised cost.

Financial assets at amortised cost are subsequently measured using the effective interest rate (EIR) method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. The EIR amortisation is included as interest income in the statement of profit or loss. The Company's debt instruments at amortised cost includes loans and receivables, trade and other receivables and cash which are classified under this category.

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued

#### 3.5 Financial instruments – continued

##### i. Financial assets – continued

##### *Impairment of financial assets*

The Company measures loss allowances at an amount equal to lifetime expected credit losses (ECLs), except for the following, which are measured at 12-month ECLs:

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

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

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

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls. ECLs are discounted at the effective interest rate of the financial asset. At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit-impaired by performing ECL assessment.

Loss allowances for financial assets measured at amortised cost are accounted in a separate loss allowance account, and are deducted from the gross carrying amount of the financial assets in the statement of financial position.

##### ii. Financial liabilities

Financial liabilities are recognised initially at fair value net of any directly attributable transaction costs. The Company's financial liabilities include debt securities in issue.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest ('EIR') method. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the EIR amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included as interest expense in the statement of profit or loss.

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

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued**

#### **3.5 Financial instruments – continued**

##### iii. Offsetting of financial instruments

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

#### **3.6 Cash**

Cash are carried in the statement of financial position at cost. In the statement of cash flows, cash include cash held at call with banks.

#### **3.7 Share capital**

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

#### **3.8 Current and deferred tax**

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

Deferred tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

#### **3.9 Interest income and expense**

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

## **NOTES TO THE FINANCIAL STATEMENTS – continued**

### **3. SUMMARY OF MATERIAL ACCOUNTING POLICIES – continued**

#### **3.10 Dividend distribution**

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

#### **3.11 Segment reporting**

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

#### **3.12 Related party**

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. Related parties may be individuals or corporate entities. Related party accounts are carried at amortised cost, net of any impairment charge.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 4. FINANCIAL RISK MANAGEMENT

#### 4.1 Financial risk factors

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

The Board provides principles for overall risk management, as well as policies covering risks referred to above.

(a) Market risk

(i) *Foreign exchange risk*

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

(ii) *Interest rate risk*

In view of the nature of its operations, the Company's transactions mainly consist of earning interest income on advances effected, principally from the bond issue proceeds, and servicing its borrowings. The Company's significant interest-bearing instruments, comprising loans receivable and debt securities in issue, are subject to fixed interest rates. The Company has secured a spread of 0.95% (2023: 0.75%) between the return on its investments and its cost of borrowing. Accordingly, the Company is not exposed to cash flow interest rate risk but is potentially exposed to fair value interest rate risk in view of the fixed interest nature of its instruments, which are however measured at amortised cost. The Company's operating income and cash flows are substantially independent of changes in market interest rates and on this basis, the directors consider the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be insignificant.

(b) Credit risk

Credit risk primarily arises from loans receivable from Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (Note 6) and cash (Note 8).



## NOTES TO THE FINANCIAL STATEMENTS – continued

### 4. FINANCIAL RISK MANAGEMENT – continued

#### 4.1 Financial risk factors - continued

##### (b) Credit risk - continued

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

	As at 31 October	
	2024	2023
	€	€
Financial assets measured at amortised cost:		
Loans receivable from fellow subsidiaries (Note 6)	<b>12,567,079</b>	12,496,627
Other receivables from fellow subsidiaries (Note 6)	<b>538,397</b>	515,486
Cash (Note 8)	<b>370,630</b>	362,694
	<b>13,476,106</b>	13,374,807

#### Cash

The Company's cash balances are held with local financial institutions with high quality standing or rating and are due to be settled on demand. Management considers the probability of default to be close to zero as the financial institutions have a strong capacity to meet their contractual obligations in the near term. In fact, the majority of the cash is held with a bank having a BBB (2023: BBB-) short term credit rating. As a result, while cash are subject to the impairment requirements of IFRS 9, the identified impairment loss is insignificant.

#### *Loans receivable and other amounts owed by related parties*

The Company's loans receivable consists of advances to related parties forming part of the Bortex Group (Note 6), which advances have been borrowed by Bortex Group from the debt securities in issue proceeds. The loans are unsecured and repayable by not later than 1 December 2027. The guarantor of the debt securities in issue is Bortex Group Holdings Company Limited (Note 17). On a regular basis, the Company monitors intra-group credit exposures and ensures timely performance of these assets in the context of overall group liquidity management.

On 31 October 2024, management has completed an analysis which considers both historical and forward-looking qualitative and quantitative information, to determine if the loan receivable and other related party balances have low credit risk. In this analysis, management also considers factors that would demonstrate whether credit risk on the loan receivable has increased significantly since initial recognition.

Management has furthermore prepared cash flow forecasts for the coming 16-month period and it expects that these related parties to whom the Company granted the loan will have sufficient cash throughout that period to meet all of its working capital and other obligations, including repayment of the interest on the loan receivable. Management does not expect there to be adverse changes in economic and business conditions over the same period which would reduce the ability of these related parties to repay the loan receivable.

Consequently, management has determined that there are no indications that credit risk over the life of the loans receivable has increased significantly since initial recognition or is expected to increase significantly in the next 12 months. Thus, loans receivable have low credit risk and the loan receivable falls within 'stage 1' of IFRS 9's impairment model and 12-month expected credit losses can be calculated.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 4. FINANCIAL RISK MANAGEMENT – continued

#### 4.1 Financial risk factors - continued

##### (b) Credit risk - continued

##### *Loans receivable and other amounts owed by related parties - continued*

Since the Group is not credit-rated, management has decided to use the probability of default ('PD') for lowest rating for an investment grade loan to assess whether a material impairment provision is required for the loan receivable and other related party transactions. Management used the 12-month PDs published by S&P Global rating for a BBB- loan being 0.21% (2023: 0.22%). Management also considered that even though the turbulences of the current macro-economy might impact the industry in which the related party operates, the related companies have sound financial position including excess cash and therefore the historical rates are broadly reflective of their future expectations of default rates. Forward-looking information are also taken into consideration by management in their analysis including forecasted economic conditions (such as GDP and inflation). Central Bank of Malta forecasts are captured in this analysis.

Assuming a loss given default ('LGD') of 100% (that is, there are no collateral or other credit enhancement supporting the loan), applying this to the loans would result to an immaterial amount.

##### (c) Liquidity risk

The Company is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise principally the debt securities in issue and other payables (Notes 10 and 11). Prudent liquidity risk management includes maintaining sufficient cash and liquid assets to ensure the availability of an adequate amount of funding to meet the Company's obligations. The Company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the Company's advances to related parties effected out of the bond issue proceeds, together with any related interest receivable, match the cash outflows in respect of the Company's bond borrowings, covering principal and interest payments, as referred to in Note 10 and reflected in the table below.

The following table analyses the Company's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the tables below are the contractual undiscounted cash flows.

	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
<b>31 October 2024</b>					
Debt securities in issue	478,125	478,125	13,228,125	-	14,184,375
Payables	16,830	-	-	-	16,830
	<b>494,955</b>	<b>478,125</b>	<b>13,228,125</b>	<b>-</b>	<b>14,201,205</b>
<b>31 October 2023</b>					
Debt securities in issue	478,125	478,125	13,706,250	-	14,662,500
Payables	11,126	-	-	-	11,126
	489,251	478,125	13,706,250	-	14,673,626

## NOTES TO THE FINANCIAL STATEMENTS – continued

### 4. FINANCIAL RISK MANAGEMENT – continued

#### 4.2 Capital risk management

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

The Company's equity, as disclosed in the statement of financial position, constitutes its capital. The Company maintains its level of capital by reference to its financial obligations and commitments arising from operational requirements. The Company monitors the level of debt, which includes debt securities and other payable less cash, and total capital on an ongoing basis. Taking cognisance of the nature of the Company's assets backing the Company's principal borrowings, the capital level at the end of the reporting period is deemed adequate by the directors.

#### 4.3 Fair values of financial instruments

At 31 October 2024 and 2023, the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments.

The fair values of the non-current interest-bearing loans receivable and the debt securities in issue are as disclosed below:

		Carrying amount	Fair Value
Loans receivable (Note 6)	<b>2024</b>	<b>12,567,079</b>	<b>12,295,838</b>
	2023	12,496,627	12,058,602
Debt securities in issue (Note 10)	<b>2024</b>	<b>12,663,277</b>	<b>12,750,000</b>
	2023	12,636,583	12,367,500

Interest rates of the loans receivable are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 13: *Fair Value Measurement*. The fair value has been determined by using the discounted cash flow method using a discount rate that reflects the interest rate as at the end of the reporting period.

The fair value estimate of the debt securities in issue is deemed Level 1 as it constitutes a quoted price in an active market.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 5. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

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

#### *Recoverability of loans receivables*

The Directors have assessed the recoverability of loans receivable by reference to the cashflow projections of Bortex Group Holdings Company Limited ('the Group') including planned inflows, outflows and available financing facilities with a focus on updates made to respond to the expected impacts and present uncertainties including but not limited to higher inflation and interest rates. The Directors have also considered the financial position and performance of the other related parties within Bortex Group.

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

### 6. LOANS RECEIVABLE

	<b>As at 31 October</b>	
	<b>2024</b>	<b>2023</b>
	<b>€</b>	<b>€</b>
<b>Non-current</b>		
Loans to fellow subsidiaries	<b>12,567,079</b>	12,496,627
<b>Current</b>		
Accrued interest income	<b>538,397</b>	515,486

The proceeds from the debt securities in issue (see Note 10) have been advanced by the Company to Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (fellow subsidiaries forming part of the Bortex Group). As noted in the prospectus dated 30 October 2017, the Bortex Group is utilising these proceeds to invest in each of the following projects:

(i) refurbishment and extension of the newly branded 1926 Le Soleil in Sliema, Malta; (ii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iii) development of a mixed-use complex in Mriehel, Malta; (iv) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (v) refurbishment of 1926 Le Parisot in Valletta, Malta.

As at 31 October 2024, loans are subject to fixed interest at a rate of 4.7% (2023: 4.5%), unsecured and repayable by not later than 1 December 2027. Interest is paid annually on 1 December. The change in interest was applicable from 1 December 2023 and was accounted for as a modification to the financial asset with change between expected cash flows discounted at the original effective interest rate recorded as other income amounting to € 89,664.

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 7. RECEIVABLES

	<b>As at 31 October</b>	
	<b>2024</b>	<b>2023</b>
	<b>€</b>	<b>€</b>
Prepaid Expenses	<b>3,045</b>	<b>5,265</b>
	<b>3,045</b>	<b>5,265</b>

### 8. CASH

For the purposes of the statement of cash flows, cash comprises the following:

	<b>As at 31 October</b>	
	<b>2024</b>	<b>2023</b>
	<b>€</b>	<b>€</b>
Cash at bank	<b>370,630</b>	<b>362,694</b>
	<b>370,630</b>	<b>362,694</b>

### 9. SHARE CAPITAL

	<b>As at 31 October</b>	
	<b>2024</b>	<b>2023</b>
	<b>€</b>	<b>€</b>
<b>Authorised</b>		
250,000 ordinary shares of €1 each	<b>250,000</b>	<b>250,000</b>
<b>Issued and fully paid</b>		
250,000 ordinary shares of €1 each	<b>250,000</b>	<b>250,000</b>
	<b>250,000</b>	<b>250,000</b>

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

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 10. DEBT SECURITIES IN ISSUE

	As at 31 October	
	2024 €	2023 €
<b>Non-current</b>		
127,500 3.75% Bonds 2027	<b>12,663,277</b>	12,636,583
<b>Current</b>		
Accrued interest	<b>447,180</b>	445,973

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

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

The bonds were admitted on the Official List of the Malta Stock Exchange on 4 December 2017. The quoted market price as at 31 October 2024 for the bonds was €100 (2023: €97). The fair value of the bond compared with its carrying amounts is disclosed in Note 4.3.

At the end of the reporting period, bonds having a face value of €314,144 (2023: €334,000) were held by Company directors and key management personnel.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Company to related parties (refer to Note 6).

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

	2024 €	2023 €
Original face value of bonds issued	<b>12,750,000</b>	12,750,000
Bond issue costs	<b>253,373</b>	253,373
Accumulated amortisation	<b>(166,650)</b>	(139,956)
Unamortised bond issue costs	<b>86,723</b>	113,417
<b>Amortised cost and closing carrying amount of the bonds</b>	<b>12,663,277</b>	12,636,583

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 11. PAYABLES

	2024 €	2023 €
Other accruals	<u>16,830</u>	<u>11,126</u>

### 12. INTEREST INCOME

	2024 €	2023 €
Interest income on loans to fellow subsidiaries (Note 6)	<u>566,047</u>	<u>562,348</u>

### 13. INTEREST EXPENSE

	2024 €	2023 €
Interest on debt securities in issue (Note 10)	<u>504,819</u>	<u>503,793</u>

### 14. ADMINISTRATIVE EXPENSES

	2024 €	2023 €
Recharged salaries from fellow subsidiary	9,928	7,800
Listing and related compliance costs	11,228	11,100
Directors' emoluments (Note 15)	18,000	16,500
Other expenses, primarily legal and professional fees	27,693	22,625
	<u>66,849</u>	<u>58,025</u>

#### *Auditor's fees*

Fees charged by the auditor for services rendered during the financial year ended 31 October 2024 and 2023 included in professional fees amounted to the following:

	2024 €	2023 €
Annual statutory audit	5,000	6,143
Review of interim financial statements	6,143	5,098
Tax advisory and compliance services	1,500	1,500
	<u>12,643</u>	<u>12,741</u>

### 15. DIRECTORS' EMOLUMENTS

	2024 €	2023 €
Directors' fees	<u>18,000</u>	<u>16,500</u>

## NOTES TO THE FINANCIAL STATEMENTS - continued

### 16. TAX EXPENSE

	<b>2024</b>	2023
	€	€
Current tax expense	-	17,814

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

	<b>2024</b>	2023
	€	€
Profit before tax	<b>84,043</b>	530
Tax on profit @ 35%	<b>29,415</b>	186
Expenses not deductible for tax purposes	<b>9,549</b>	8,989
Income not subject to tax	<b>(31,382)</b>	
Group loss relief	<b>(7,582)</b>	
Adjustments in respect of current income tax of previous year	-	8,639
Total tax expense	-	17,814

### 17. RELATED PARTIES

The immediate and ultimate parent company of Bortex Group Finance p.l.c. is Bortex Group Holdings Company Limited, a company registered in Malta, with its registered address at "St. Therese", Hughes Hallet Street, Sliema. Bortex Group Holdings Company Limited and its subsidiaries (namely Roosendaal Hotel Limited, Roosendaal Trading Limited, Bortex Clothing Industry Company Limited and the Company) constitute the Bortex Group. The entities consisting of the Bortex Group are ultimately fully owned by Mr. Peter Paul Borg and Ms. Karen Borg. Accordingly, companies which are ultimately owned and controlled by these individuals are considered to be related parties to the Bortex Group.

The Company's related parties include the ultimate beneficial owners, and all other parties forming part of the Bortex Group and key management personnel. Details of transactions between the Company and its other related parties are disclosed below.

#### Transactions with other related parties

During the year ended 31 October 2024 and 2023, the Company entered into the following transactions:

	<b>2024</b>	2023
	€	€
<b>Transactions with other related parties</b>		
Interest income (Note 12)	<b>566,047</b>	562,348
Recharges of salaries and other expenses	<b>(20,180)</b>	(13,002)



## NOTES TO THE FINANCIAL STATEMENTS - continued

### 17. RELATED PARTIES - continued

#### Transactions with key management personnel

During the year ended 31 October 2024 and 2023, the Group made transactions with key management personnel as disclosed below.

	<b>2024</b>	2023
	€	€
Directors' fees (Note 15)	<b>18,000</b>	16,500

As at 31 October 2024, securities debt in issue having a face value of €314,144 (2023: €334,000) were held by the Company's directors and key management personnel.

#### Related party balances

As at 31 October 2024 and 2023, the Company had outstanding balances with related parties. The amounts are disclosed in Note 6 to these financial statements. The terms and conditions in respect of these balances are disclosed in the respective note.

### 18. Subsequent events

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

# **INDEPENDENT AUDITOR'S REPORT**

## to the Shareholders of Bortex Group Finance p.l.c.

### **Report on the audit of the financial statements**

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#### **Opinion**

We have audited the financial statements of Bortex Group Finance p.l.c (the “Company”), set on pages 11 to 31, which comprise the statement of financial position as at 31 October 2024, and the statement of comprehensive income, the statement of changes in equity and the statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Company as at 31 October 2024, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU (“IFRS”), the Companies Act, Cap. 386 of the Laws of Malta (the “Companies Act”).

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#### **Basis for opinion**

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

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## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on the audit of the financial statements**

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#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud.**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

#### *Recoverability of loans receivable*

Loans receivable from related parties and accrued interest, as disclosed in Note 6, represent 97% of the Company's total assets as of 31 October 2024. They are classified as financial assets at amortised cost, measured using the effective interest method and are subject to impairment as described in Note 4.1 (b). The 2024 recoverability assessment of loans receivable considers the financial position and performance of the related party borrowers for the reporting period, as well as the cash flow projections of Bortex Group Holdings Company Limited ("Bortex Group"), immediate parent and guarantor of the Company's bond.

Due to the significance of the balances of loans receivable from related parties, and the dependency of the Company on the performance and recoverability of such loans receivable to meet its ongoing obligations, we have considered the recoverability of loans receivable as a key audit matter.

Our audit procedures over the recoverability of the loans receivables from related parties have included amongst others:

- Inspecting the loan receivable agreements, agreeing terms and conditions with related parties and analysing whether the performance of the loans receivable is in line therewith;
  - Confirming the outstanding balances with related parties; and
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## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on the audit of the financial statements**

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#### **Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud - continued**

- Evaluating the Company's assessment of the recoverability of loans receivable by analysing the cash flow projection for Bortex Group, as well as the financial position and performance of the respective related party borrowers for the reporting period. Other procedures focused on considering the reasonableness of key assumptions underlying the planned cash inflows and outflows and assessing their consistency with our understanding of the business and industry developments, and historical data. We also focused on updates made to respond to the continued impacts and uncertainties brought about in the current macro-economic environment resulting from a combination of inflation, increase in the interest rates and uncertainties regarding future developments and those inherent to the specific industry in which the companies operate. The analysis of the financial position and performance of the related party borrowers was also a key procedure to assess any significance increase in credit risk since initial recognition.
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#### **Other information**

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

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

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

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on the audit of the financial statements**

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

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS and the requirements of the Companies Act, and for such internal control as the directors determine is necessary to enable the preparation of 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.

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#### **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 judgment and maintain professional skepticism 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;

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on the audit of the financial statements**

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

- 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.

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

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

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

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## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on other legal and regulatory requirements**

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

##### *Directors' report*

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

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

##### *Other requirements*

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

- proper accounting records have not been kept;
- the financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

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

##### *Appointment*

We were appointed as the statutory auditor by the General Meeting of Shareholders of the Company on 27 October 2021. The total uninterrupted engagement period as statutory auditor, including previous renewals and reappointments amounts to 4 years.

##### *Consistency with the additional report to the audit committee*

Our audit opinion on the financial statements expressed herein is consistent with the additional report to the audit committee of the Company, which was issued on the same date as this report.

##### *Non-audit services*

No prohibited non-audit services referred to in Article 18A(1) of the Accountancy Profession Act, Cap. 281 of the Laws of Malta were provided by us to the Company and we remain independent of the Company as described in the Basis for opinion section of our report. No other services besides statutory audit services and services disclosed in the annual report and in the financial statements, were provided by us to the Company and its controlled undertakings.

## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on other legal and regulatory requirements**

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

We have undertaken a reasonable assurance engagement in accordance with the requirements of Directive 6 issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281) - the Accountancy Profession (European Single Electronic Format) Assurance Directive ("the ESEF Directive 6") on the annual financial report of Company for the year ended 31 October 2024, entirely prepared in a single electronic reporting format.

#### *Responsibilities of the directors*

The directors are responsible for the preparation of the annual financial report, including the financial statements, by reference to Capital Markets Rule 5.56A, in accordance with the requirements of the ESEF RTS.

#### *Our responsibilities*

Our responsibility is to obtain reasonable assurance about whether the annual financial report, including the financial statements, comply in all material respects with the ESEF RTS based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

Our procedures included:

- Obtaining an understanding of the entity's financial reporting process, including the preparation of the annual financial report in XHTML format.
- Examining whether the annual financial report has been prepared in XHTML format.

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

#### *Opinion*

In our opinion, the annual financial report for the year ended 31 October 2024 has been prepared in XHTML format in all material respects.

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## **INDEPENDENT AUDITOR'S REPORT**

to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on other legal and regulatory requirements**

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#### **Matters on which we are required to report by the Capital Markets Rules**

##### *Corporate governance statement*

The Capital Markets Rules issued by the Malta Financial Services Authority ("MFSA") require the directors to prepare and include in their annual report a statement of compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Capital Markets Rules also require the auditor to include a report on the statement of compliance prepared by the directors. We are also required to express an opinion as to whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have identified material misstatements with respect to the information referred to in Capital Markets Rules 5.97.4 and 5.97.5.

We read the statement of compliance and consider the implication for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements included in the annual report. Our responsibilities do not extend to considering whether this statement is consistent with the other information included in the annual report.

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

In our opinion:

- the corporate governance statement set out on pages 7 to 10 has been properly prepared in accordance with the requirements of the Capital Markets Rules issued by the MFSA
- in the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit the information referred to in Capital Markets Rules 5.97.4 and 5.97.5 are free from material misstatement.

## **INDEPENDENT AUDITOR'S REPORT** to the Shareholders of Bortex Group Finance p.l.c. - continued

### **Report on other legal and regulatory requirements**

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#### *Other requirements*

Under the Capital Markets Rules we also have the responsibility to review the statement made by the Directors, set out on page 6, that the business is a going concern, together with supporting assumptions or qualifications as necessary.

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

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

Ernst & Young Malta Limited  
Certified Public Accountants

*28 February 2025*