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BORCHILD LIMITED

Annual Report and Consolidated
Financial Statements
31 October 2014

	Pages
Directors' report	1
Statement of directors' responsibilities	1 - 2
Independent auditor's report	3 - 4
Statements of financial position	5 - 6
Income statements	7
Statements of changes in equity	8 - 9
Statements of cash flows	10
Notes to the financial statements	11 – 48

Directors' report

The directors present their report and the audited financial statements for the year ended 31 October 2014.

Principal activities

The group's principal activities, which are unchanged since last year, are mainly the manufacture and export of apparel, the retailing of apparel through local outlets and the operations of a hotel.

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

Review of the business

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

Results and dividends

The consolidated income statements are set out on page 7. The directors do not recommend the payment of a final dividend.

Directors

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

Peter Borg (Managing Director)
Karen Bugeja
Sam Borg – Appointed on 22 June 2015
Alexandra Borg – Appointed on 22 June 2015
Christine Demicoli – Appointed on 22 June 2015
Saviour Borg – Resigned on 22 June 2015

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

Statement of directors' responsibilities for the financial statements

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

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

- ensuring that the consolidated financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU (as modified by Article 174 of the Maltese Companies Act, 1995);
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances;

Directors' report - continued

Statement of directors' responsibilities for the financial statements - continued

- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the group will continue in business as a going concern.

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

The consolidated financial statements of Borchild Limited for the year ended 31 October 2014 are included in the Annual Report 2014, which is published in hard-copy printed form and may be made available on the group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of consolidated financial statements may differ from requirements or practice in Malta.

Auditors

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

On behalf of the board

Peter Borg
Director

Karen Bugeja
Director

Registered office
"St. Therese"
Hughes Hallet Street
Sliema
Malta

22 January 2016



Independent auditor's report

To the Shareholders of Borchild Limited

Report on the Financial Statements for the year ended 31 October 2014

We have audited the consolidated and the stand-alone parent company financial statements of Borchild Limited on pages 5 to 48 which comprise the consolidated and parent company statements of financial position as at 31 October 2014, the consolidated and parent company income statements, the consolidated and parent company statement of changes in equity, and the consolidated and parent company statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion the financial statements

- give a true and fair view of the financial position of the group and the parent company as at 31 October 2014, and of the group's and the parent company's financial performance and their cash flows for the year then ended in accordance with IFRSs as adopted by the EU; and
- have been properly prepared in accordance with the requirements of the Maltese Companies Act, 1995.



Independent auditor's report - continued

Report on Other Legal and Regulatory Requirements for the year ended 31 October 2014

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

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

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

PricewaterhouseCoopers

78 Mill street
Qormi
Malta

Fabio Axisa
Partner

22 January 2016

Statements of financial position

		As at 31 October			
		Group		Company	
Notes	2014	2013	2014	2013	
	€	€	€	€	
ASSETS					
Non-current assets					
Tangible assets					
Property, plant and equipment	4	10,186,188	9,894,571	-	-
Investment property	5	1,868,401	1,910,899	-	-
Other assets	6	238,203	-	-	-
Investments in subsidiaries	7	-	-	26,136	26,136
Investment in joint venture	8	15,687	41,803	-	-
Available-for-sale investments	10	1,916,175	2,583,048	-	-
Loans and advances	11	1,973,539	1,973,539	-	-
Trade and other receivables	13	502,786	528,119	-	-
Total non-current assets		16,700,979	16,931,979	26,136	26,136
Current assets					
Inventories	12	10,257,406	10,308,212	-	-
Trade and other receivables	13	4,162,670	5,001,341	73,033	73,033
Current tax assets		16,102	16,102	-	-
Term placements	14	7,450	7,324	-	-
Cash and cash equivalents	22	1,345,641	492,745	4,871	4,871
Total current assets		15,789,269	15,825,724	77,904	77,904
Total assets		32,490,248	32,757,703	104,040	104,040

Statements of financial position - continued

		As at 31 October			
		Group		Company	
Notes		2014 €	2013 €	2014 €	2013 €
EQUITY AND LIABILITIES					
Capital and reserves attributable to equity holders of the company					
Share capital	15	46,587	46,587	46,587	46,587
Revaluation reserves	16	570,168	587,778	-	-
Other reserves	17	86,229	86,168	-	-
Retained earnings		5,299,302	5,030,848	881	4,191
		6,022,286	5,751,381	47,468	50,778
Non-controlling interests	18	16,990,269	16,420,667	-	-
Total equity		22,992,555	22,172,048	47,468	50,778
Non-current liabilities					
Deferred taxation	19	790,430	790,430	-	-
Borrowings	20	2,345,151	2,343,854	-	-
Total non-current liabilities		3,135,581	3,134,284	-	-
Current liabilities					
Borrowings	20	3,312,326	4,826,555	-	-
Trade and other payables	21	3,035,415	2,614,355	48,495	45,184
Current tax liabilities		14,371	10,461	8,079	8,078
Total current liabilities		6,362,112	7,451,371	56,574	53,263
Total liabilities		9,497,693	10,585,655	56,574	53,263
Total equity and liabilities		32,490,248	32,757,703	104,042	104,040

The notes on pages 11 to 48 are an integral part of these consolidated financial statements.

The financial statements on pages 5 to 48 were authorised for issue by the board on 22 January 2016 and were signed on its behalf by:

Peter Borg
Director

Karen Bugeja
Director

Statement of comprehensive income

	Notes	Year ended 31 October			
		Group		Company	
		2014 €	2013 €	2014 €	2013 €
Revenue	23	24,072,158	20,031,176	-	-
Cost of sales	24	(17,658,141)	(14,767,261)	-	-
Gross profit		6,414,017	5,263,915	-	-
Administrative expenses	24	(2,002,717)	(1,646,673)	(3,310)	(3,310)
Selling expenses	24	(2,899,418)	(2,502,858)	-	-
Other operating expenses	24	(518,658)	(463,822)	-	-
Operating profit/(loss)		993,224	650,562	(3,310)	(3,310)
Net gains on disposal of available-for-sale financial assets and other investment income	27	314,730	200,325	50,459	30,600
Finance income	28	51,784	51,772	-	-
Finance costs	29	(218,576)	(204,418)	-	-
Share of loss from joint venture	8	(26,117)	(7,864)	-	-
Profit before tax		1,115,045	690,377	47,149	27,290
Tax expense	30	(21,999)	(16,877)	-	-
Profit for the year		1,093,046	673,500	47,149	27,290
Other comprehensive income					
<i>Items that may be subsequently reclassified to profit or loss</i>					
Available-for-sale financial assets					
- Net fair value gain		12,181	147,823	-	-
- Reclassification adjustments included in profit or loss		(79,889)	(18,863)	-	-
Total comprehensive income for the year		1,025,338	802,460	47,149	27,290
Total comprehensive income attributable to:					
Owners of the Company		301,364	203,873	47,149	27,290
Non-controlling interests		723,974	598,587	-	-
		1,025,338	802,460	47,149	27,290

Earnings per share attributable to the owners of the parent during the year (expressed in € per share)

Basic earnings per share

From profit for the year 31 15.95 8.52

The notes on pages 11 to 48 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the parent				Non-	Total
		Share capital	Revaluation reserves	Other reserves	Retained earnings	controlling interests	
		€	€	€	€	€	€
Balance at 1 November 2012		46,587	554,238	85,416	4,886,267	15,921,112	21,493,620
Comprehensive income							
Profit for the year		-	-	-	170,333	503,167	673,500
Other comprehensive income							
<i>Items that may be subsequently reclassified to profit or loss</i>							
Available-for-sale financial assets:							
- Gains from changes in fair value	12	-	38,434	-	-	109,398	128,960
- Reclassification adjustment for the net gains included in profit or loss upon disposal		-	(4,894)	-	-	(13,978)	(18,863)
Total comprehensive income		-	33,540	-	170,333	598,587	802,460
Transfer to/(from) other reserve		-	-	752	(752)	-	-
Transactions with owners							
Dividends for 2013	18	-	-	-	(25,000)	(99,032)	(124,032)
Balance at 31 October 2013		46,587	587,778	86,168	5,030,848	16,420,667	22,172,048

Statements of changes in equity – continued

Group

	Notes	Attributable to owners of the parent				Non-	Total
		Share	Revaluation	Other	Retained	controlling	
		capital	reserves	reserves	earnings	interests	
		€	€	€	€	€	€
Balance at 1 November 2013		46,587	587,778	86,168	5,030,848	16,420,667	22,172,048
Comprehensive income							
Profit for the year		-	-	-	318,974	774,072	1,093,046
Other comprehensive income							
<i>Items that may be subsequently reclassified to profit or loss</i>							
Available-for-sale financial assets:							
- Gain from changes in fair value	12	-	3,167	-	-	9,014	12,181
- Reclassification adjustment for the net gains included in profit or loss upon disposal	12	-	(20,777)	-	-	(59,112)	(79,889)
Total comprehensive income		-	(17,610)	-	318,974	723,974	1,025,338
Transfer to/(from) other reserve		-	-	61	(61)	-	-
Transactions with owners							
Dividends for 2014	18	-	-	-	(50,459)	(154,372)	(204,831)
Balance at 31 October 2014		46,587	570,168	86,229	5,299,302	16,990,269	22,992,555

Exchange differences arising from the translation of the net investment in foreign group entities were deemed immaterial and accordingly have been recognised directly in the income statement.

Statements of changes in equity - continued

Company	Share capital €	Retained earnings €	Total €
Balance at 1 November 2012	46,587	1,901	48,488
Total comprehensive income	-	27,290	27,290
Transactions with owners			
Dividends for 2013	-	(25,000)	(25,000)
Balance at 31 October 2013	46,587	4,191	50,778
Balance at 1 November 2013			
Total comprehensive income	-	47,149	47,149
Transactions with owners			
Dividends for 2014	-	(50,459)	(50,459)
Balance at 31 October 2014	46,587	881	47,468

The notes on pages 11 to 48 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Year ended 31 October			
		Group		Company	
		2014 €	2013 €	2014 €	2013 €
Cash flows from operating activities					
Cash generated from/(used in) operations	32	2,966,848	(1,935,780)	-	(5,600)
Investment income		291,310	197,464	50,459	30,600
Finance income		75,204	54,633	-	-
Finance expense		(218,576)	(204,418)	-	-
Tax paid		(18,089)	(128,565)	-	-
Net cash generated from/(used in) operating activities		3,096,697	(2,016,666)	50,459	25,000
Cash flows from investing activities					
Purchase of property, plant and equipment	4	(905,042)	(1,308,146)	-	-
Purchase of investment property	5	(889)	(88,300)	-	-
Purchase of other assets		(238,202)	-	-	-
Purchase of available-for-sale investments	10	(986,698)	(2,267,431)	-	-
Proceeds from disposal of available-for-sale investments	10	1,585,861	2,157,747	-	-
Net cash used in investing activities		(544,970)	(1,506,130)	-	-
Cash flows from financing activities					
Proceeds from bank borrowings		12,602	35,968	-	-
Dividends paid		(204,831)	(124,032)	(50,459)	(25,000)
Net cash used in financing activities		(192,229)	(88,064)	(50,459)	(25,000)
Movement in cash and cash equivalents		2,359,498	(3,610,860)	-	-
Cash and cash equivalents at beginning of year		(4,181,641)	(645,076)	4,871	4,871
Effects of currency translation on cash and cash equivalents		19,058	74,295	-	-
Cash and cash equivalents at end of year	22	(1,803,085)	(4,181,641)	4,871	4,871

The notes on pages 11 to 48 are an integral part of these consolidated financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

Standards, interpretations and amendments to published standards effective in 2014

In 2014, the group adopted new standards, amendments and interpretations to existing standards that are mandatory for the groups's accounting period beginning on 1 November 2013. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, impacting the company's financial performance and position.

The group adopted the amendment to IAS1, 'Financial statements presentation' regarding other comprehensive income. The main change resulting from these amendments is a requirement for entities and group terms presented in 'other comprehensive income' on the basis of whether they are potentially re-classifiable to profit and loss subsequently (reclassifications' adjustments).

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the group's accounting periods beginning after 1 November 2013. The group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the group's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the group's financial statements in the period of initial application.

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

1. Summary of significant accounting policies - continued

1.1 Basis of preparation – continued

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

1.2 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

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

A listing of the group's subsidiary undertakings is set out in Note 37.

(b) Joint arrangements

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

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

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

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

A listing of the group's joint ventures is show in Notes 8 .

1.2 Foreign currency translation

(a) Functional and presentation currency

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

1. Summary of significant accounting policies - continued

1.3 Foreign currency translation - continued

(b) Transactions and balances

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

(c) Group companies

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

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

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

1.4 Property, plant and equipment

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

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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

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

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

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

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

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

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

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

1. Summary of significant accounting policies - continued

1.5 Investment property

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

The Group adopts the cost model under IAS 40, 'Investment property', whereby investment property is stated in the statement of financial position at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Borrowing costs which are incurred for the purpose of acquiring or constructing a qualifying investment property are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended.

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

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

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

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

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

1.6 Financial assets

1.6.1 Classification

The Group classifies its financial assets (other than shares in joint ventures and associated undertakings, and shares in subsidiary undertakings only in the company's case. Refer to 1.5) in the following categories: at held-to-maturity investments and available for sale.

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

1.6.1 Classification - continued

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

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

(b) Loans and receivables

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

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

1.6.2 Recognition and measurement

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

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

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

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

1. Summary of significant accounting policies - continued

1.6.2 Recognition and measurement - continued

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

1.6.3 Offsetting financial instruments

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

1.6.4 Impairment of financial assets

(a) Assets carried at amortised cost

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

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

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

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

1. Summary of significant accounting policies - continued

1.6 Financial assets - continued

(b) Assets classified as available for sale

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

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

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

1.7 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. The cost of finished goods and work in progress comprises design costs, raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity). It excludes borrowing costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses. Costs of inventories include the transfer from equity of any gains/losses on qualifying cash flow hedges for purchases of raw materials.

1.8 Trade receivables

Trade receivables are amounts due from customers for merchandise sold or services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

1.9 Cash and cash equivalents

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

1.10 Share capital

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

1. Summary of significant accounting policies - continued

1.11 Trade payables

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

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

1.12 Borrowings

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

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

1.13 Borrowing costs

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

1.14 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the income statement, 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.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company and its subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is recognised on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income 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 income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income 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.

1. Summary of significant accounting policies - continued

1.14 Current and deferred income tax - continued

Deferred income tax liabilities are provided on taxable temporary differences arising from the fair valuation of land and buildings category of property, plant and equipment, investment tax credit and provisions for impairment of trade and other receivables. Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to revaluation reserve. Deferred income tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through the income statement.

Deferred income 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 income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.15 Retirement benefit costs

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

1.16 Government grants

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

1.17 Revenue recognition

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

(a) Sales of goods

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

(b) Sales of services

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

1.18 Interest income

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

1.19 Dividend income

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

1. Summary of significant accounting policies - continued

1.20 Other operating income

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

1.21 Leases

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

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

1.22 Dividend distribution

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

2. Financial risk management

2.1 Financial risk factors

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

(a) Market risk

(i) Foreign exchange risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities, which are denominated in a currency that is not the respective entity's functional currency. In this respect, one group undertaking with its functional currency being euro, is exposed to foreign exchange risk arising from the Company's sales, purchases and subcontracted labour services from a subsidiary, primarily with respect to Tunisian Dinar (TND), Great British Pound (GBP), US Dollar (USD) and Swedish Krona (SEK).

The net exposure as at 31 October 2014 in these foreign currencies has not been hedged as at the directors deem the potential impact of this exposure to be immaterial. The potential impact on profit on loss of a defined change in the exchange rates that is reasonable possible at the reporting date is deemed to be insignificant.

2. Financial risk management

2.1 Financial risk factors – continued

(a) Market risk - continued

(ii) Price risk

The group is exposed to market price risk arising from the uncertainty about the future prices of investments held by the group in respect of equity investments that are classified in the statement of financial position as available-for-sale investments. The directors manage this risk by reviewing on a regular basis investment and market performance.

However, the impact of a change in the fair value of such instruments and on the amounts accordingly recognised in equity is deemed immaterial in the context of the figures reported in the group's statement of financial position.

(iii) Cash flow and fair value interest rate risk

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

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

(b) Credit risk

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Available-for-sale investments (Note 10)	1,165,681	2,117,748	-	-
Loans and advances (Note 11)	1,973,539	1,973,539	-	-
Trade and other receivables (Note 13)	4,665,456	5,529,460	73,034	73,033
Term deposits (Note 14)	7,450	7,324	-	-
Cash and cash equivalents (Note 22)	1,345,641	492,745	4,871	4,871
	9,157,767	10,120,816	77,905	77,904

2. Financial risk management - continued

2.1 Financial risk factors - continued

(b) Credit risk - continued

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

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

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

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

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

As at 31 October 2014, trade receivables of €31,472 (2013: €31,472) were impaired and the amount of the provisions in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The group does not hold any collateral as security in respect of the impaired assets.

The movements in the group's provisions for impairment of trade receivables are disclosed in Note 12 to the financial statements.

As at 31 October 2014, trade receivables of €434,769 (2013: 434,769) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these trade receivables is such that these amounts have been past due mainly for more than three months but for less than one year.

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

Financial risk management - continued

2.1 Financial risk factors – continued

(c) Liquidity risk

The group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 20) and trade and other payables (Note 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the group's obligations.

	Less than 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
At 31 October 2014					
Bank borrowings	503,892	211,401	609,185	1,252,153	2,576,631
Borrowings from related parties	-	660,644	-	-	660,644
Trade and other payables	3,035,414	-	-	-	3,035,414
	3,539,306	872,045	609,185	1,252,153	6,272,689
At 31 October 2013					
Bank borrowings	523,738	228,245	618,423	1,504,803	2,875,209
Borrowings from related parties	-	493,756	-	-	493,756
Trade and other payables	2,614,355	-	-	-	2,614,355
	3,138,093	722,001	618,423	1,504,803	5,983,320

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the group's committed bank borrowing facilities and other related party financing that it can access to meet liquidity needs.

In this respect management does not consider liquidity risk to the group as significant taking into account the liquidity management process referred to above.

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

2.2 Capital risk management

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

2. Financial risk management - continued

2.2 Capital risk management - continued

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

2.3 Fair value estimation

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

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

The following table presents the group's financial assets that are measured at fair value at 31 October 2014 and 2013:

	Level 1	
	2014	2013
	€	€
Assets		
Available-for-sale financial assets	1,916,175	2,583,048

2. Financial risk management - continued

2.3 Fair value estimation

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

As 31 October 2014 and 2013 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

2. Financial risk management - continued

2.3 Fair value estimation – continued

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

3. Critical accounting estimates and judgments

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

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

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

4. Property, plant and equipment

Group

	Land and buildings €	Plant and equipment €	Furniture, fixtures, Fittings and soft furnishings €	Motor vehicles €	Total €
At 1 November 2012					
Cost or valuation	8,125,416	4,328,388	3,805,838	273,861	16,533,503
Accumulated depreciation and impairment losses	(585,982)	(3,585,237)	(2,914,654)	(221,977)	(7,307,850)
Net book amount	7,539,434	743,151	891,184	51,884	9,225,653
Year ended 31 October 2013					
Opening net book amount	7,539,434	743,151	891,184	51,884	9,225,653
Exchange differences	(3,753)	(52,611)	(15,424)	(2,507)	(74,295)
Additions	79,956	632,458	595,732	-	1,308,146
Depreciation charge	(107,465)	(187,759)	(257,911)	(11,798)	(564,933)
Closing net book amount	7,508,172	1,135,239	1,213,581	37,579	9,894,571
At 31 October 2013					
Cost or valuation	8,201,619	4,908,235	4,386,146	271,354	17,767,354
Accumulated depreciation	(693,447)	(3,772,996)	(3,172,565)	(233,775)	(7,872,783)
Net book amount	7,508,172	1,135,239	1,213,581	37,579	9,894,571
Year ended 31 October 2014					
Opening net book amount	7,508,172	1,135,239	1,213,581	37,579	9,894,571
Exchange differences	(865)	(14,937)	(3,585)	329	(19,058)
Additions	80,213	401,936	330,903	91,990	905,042
Depreciation charge	(111,150)	(214,629)	(247,753)	(20,835)	(594,367)
Closing net book amount	7,476,370	1,307,609	1,293,146	109,063	10,186,188
At 31 October 2014					
Cost	8,280,967	5,295,234	4,713,464	363,673	18,653,338
Accumulated depreciation	(804,597)	(3,987,625)	(3,420,318)	(254,610)	(8,467,150)
Net book amount	7,476,370	1,307,609	1,293,146	109,063	10,186,188

5. Investment property

Group

	Property €	Furniture €	Total €
At 1 November 2012			
Cost or valuation	1,704,629	189,708	1,894,337
Accumulated depreciation	(14,469)	(13,994)	(28,463)
Net book amount	1,690,160	175,714	1,865,874
Year ended 31 October 2013			
Opening net book amount	1,690,160	175,714	1,865,874
Additions	-	88,300	88,300
Depreciation charge	(17,899)	(25,376)	(43,275)
Closing net book amount	1,672,261	238,638	1,910,899
At 31 October 2013			
Cost or valuation	1,704,629	278,008	1,982,637
Accumulated depreciation	(32,368)	(39,370)	(71,738)
Net book amount	1,672,261	238,638	1,910,899
Year ended 31 October 2014			
Opening net book amount	1,672,261	238,638	1,910,899
Additions	-	889	889
Depreciation charge	(17,899)	(25,488)	(43,387)
Closing net book amount	1,654,362	214,039	1,868,401
At 31 October 2014			
Cost or valuation	1,704,629	278,897	1,983,526
Accumulated depreciation	(50,267)	(64,858)	(115,125)
Net book amount	1,654,362	214,039	1,868,401

Fair valuation of property

The group's investment properties was last revalued by the directors on the basis of advice received having regard to current property market values as at 31 October 2013. Valuations were made on the basis of open market value. The book value of the property had been adjusted to the revaluation and the resultant surplus, net of applicable income taxes, had been credited to the revaluation reserve in shareholder's equity.

Valuations were made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the same location. The directors have reviewed the carrying amount of the property as at 31 October 2014 and no adjustments to the carrying amount were deemed necessary as at that date.

5. Investment property - continued

Fair valuation of property – continued

Valuation processes

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

- Information provided the company which is derived from its financial systems and is subject to the company's overall control environment; and
- assumptions and valuation models used by the valuers; with the assumptions being typically market related and based on professional judgment and market observation.

The information provided to the valuer, together with the assumptions and the valuation models used by the valuer, are reviewed by the Board of directors as part of its overall responsibilities. This would include a review of any fair value movements over the period and the consideration of the valuation report itself. At the end of every reporting period, the Board assesses whether any significant changes or developments have been experienced since the last external valuation.

6. Other asset

This comprises payments on account of €238,203 in respect of a promise of sale covering investment property. The acquired asset will be recognised as investment property, once risks and rewards are transferred to the Group.

7. Investments in subsidiaries

Group

Investments in subsidiaries excluded from consolidation

	2014 €	2013 €
Years ended 31 October		
At beginning and end of year	-	-
At 31 October		
Cost	14,128	14,128
Provisions for impairment	(14,128)	(14,128)
Net book amount	-	-

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

Company

	2014 €	2013 €
Years ended 31 October		
At beginning and end of year	26,136	26,136
At 31 October		
Cost	26,136	26,136

The subsidiary undertaking at 31 October is shown below:

Subsidiary undertaking	Registered office	Class of shares held	Percentage of shares held	
			2014 %	2013 %
Combmed Holdings Company Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	51	51

8. Investment in joint venture

	Group	
	2014	2013
	€	€
Year ended 31 October		
At beginning of year	41,803	49,667
Share of loss	(26,116)	(7,864)
At end of year	15,687	41,803
At 31 October		
Cost	7,279	7,279
Share of undertaking's profits and reserves	8,408	34,524
Net carrying amount	15,687	41,803

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

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

The joint venture at 31 October, whose results and financial position effected the figures of the group, is shown below:

Joint venture	Registered office	Class of shares held	Percentage of shares held	
			2014	2013
			%	%
Simon Borg Tailoring Limited	Victoria House 64 Paul Street London W1B5TE	Ordinary shares	50	50

The holding reflect percentage of shares directly held by group undertakings.

The group's share of the results of the joint venture and its share of the assets and liabilities are as follows:

	Assets	Liabilities	Revenues	Profit / (Loss)
	€	€	€	€
2013	28,843	533	-	(2,065)
2013	85,889	5,346	-	(10,163)

9. Investment in associate

	Company	
	2014	2013
	€	€
Years ended 31 October		
At beginning of year	-	-
Provision for impairment	-	-
At end of year	-	-
At 31 October		
Cost	11,647	11,647
Provisions for impairment	(11,647)	(11,647)
Net book amount	-	-

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

The associated undertaking at 31 October is shown below:

Associated undertaking	Registered office	Class of shares held	Percentage of shares held	
			2014	2013
			%	%
Willows Property Development Company Limited (In liquidation)	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	50	50

10. Available-for-sale investments

	Group	
	2014	2013
	€	€
Years ended 31 October		
Opening carrying amount	2,583,048	2,344,404
Additions	986,698	2,267,431
Disposals	(1,665,752)	(2,157,747)
Fair value gains	12,181	128,960
Closing carrying amount	1,916,175	2,583,048
At 31 October		
Cost	1,628,896	2,228,061
Fair value gains	287,279	354,987
Closing carrying amount	1,916,175	2,583,048

10. Available-for-sale investments - continued

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

	2014 €	2013 €
As at 31 October		
Local fixed interest quoted corporate debt securities	321,294	360,314
Local fixed interest quoted government debt securities	259,545	309,664
Foreign fixed interest quoted corporate debt securities	560,595	1,369,004
Foreign fixed interest quoted government debt securities	-	52,560
Local listed equity securities	311,983	222,354
Foreign listed equity securities	462,758	269,152
At end of year	1,916,175	2,583,048

Available-for-sale investments are fair valued annually at the close of business on 31 October. Fair value is determined by reference to quoted bid prices.

	2014 €	2013 €
Maturity of debt securities and treasury bills		
Between 2 and 5 years	318,915	1,141,498
Over 5 years	765,161	976,251

	2014 €	2013 €
Weighted average effective interest rate	5.11%	5.11%

11. Loans and advances

	2014 €	Group 2013 €
Year ended 31 October		
At beginning of year and end of year	1,973,539	1,973,539
At 31 October		
Cost	1,973,539	1,973,539

The loans to related party, comprising loans to an entity which is ultimately controlled by the ultimate shareholders of Borchild Limited, are secured by properties held by the related parties and have no fixed date of repayment. Included with the receivables from related parties is an amount of €1,291,800 (2013: 1,291,800) which is subject to a fixed interest rate of 4% (2013: 4%) per annum.

12. Inventories

	Group	
	2014	2013
	€	€
Raw materials and consumables	2,359,988	2,550,872
Work in progress	1,979,589	1,938,201
Finished goods	635,682	849,482
Spare parts and other stocks	313,746	351,902
Inventories held for resale	4,968,401	4,617,755
	10,257,406	10,308,212

The cost of inventories recognised as expense is appropriately disclosed in Note 24 to the financial statements. During the current financial year, inventory write-downs amounted to €114,459 (2013: €156,482). These amounts have been included in 'Cost of sales' in the income statement.

13. Trade and other receivables

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Non-current				
Prepaid operating lease rentals	502,786	528,119	-	-
Current				
Trade receivables	2,982,168	4,225,564	-	-
Amounts owed by group undertakings	-	-	50,234	50,234
Amounts owed by related parties	446,798	391,478	22,799	22,799
Other receivables	270,706	131,225	-	-
Indirect taxation	198,215	89,281	-	-
Prepayments and accrued income	264,783	163,792	-	-
	4,665,456	5,529,459	73,033	73,033

Trade receivables as at 31 October 2014 are disclosed net of provisions for impairment amounting to €31,472 (2013: €31,472).

14. Term placements

	Group	
	2014	2013
	€	€
Term deposits	7,450	7,324

The term deposits as at 31 October mature within 12 months and are subject to interest at 2% (2013: 2%).

15. Share capital

	Group and Company	
	2014	2013
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373399 each	46,587	46,587

16. Revaluation reserves

	Group	
	2014	2013
	€	€
At 31 October		
Surplus arising on fair valuation of:		
Available-for-sale financial assets	73,635	91,245
Land and buildings	496,533	496,533
	570,168	587,778

The movements are analysed as follows:

	Group	
	2014	2013
	€	€
Revaluation reserve on available-for-sale financial assets		
Year ended 31 October		
At beginning of year	91,245	57,705
Gains from changes in fair value	3,167	38,434
Reclassification adjustment for the net gains included in profit or loss upon disposal	(20,777)	(4,894)
At end of year	73,635	91,245

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

16. Revaluation reserves – continued

	Group 2014 €	2013 €
Revaluation reserve on land and buildings		
At beginning and end of year	496,533	496,533

The revaluation reserves are non-distributable.

17. Other reserves

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

	Group 2014 €	2013 €
Capital reserve	33,133	33,133
Incentives and benefits reserve	52,283	52,283
Other reserve	813	752
	86,229	86,168

The movements in each category are analysed as follows:

	Group 2014 €	2013 €
(a) Capital reserve		
Year ended 31 October		
At beginning and end of year	33,133	33,133

(b) Incentives and benefits reserve

Year ended 31 October		
At beginning and end of year	52,283	52,283

(b) Incentive and benefits reserve

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

In accordance with the provisions of the aforementioned Act, the Incentives and benefits reserve will be retained in the statement of financial position up to 2014 after which it can be distributed by means of a bonus issue.

18. Non-controlling interests

	2014	Group	2013
	€		€
Year ended 31 October			
At beginning of year	16,420,667		15,921,112
Gains from changes in fair value for available-for-sale financial assets	9,014		109,398
Reclassification adjustment for the net gains included in profit or loss upon disposal	(59,112)		(13,978)
Share of results for the year	774,072		503,167
Dividends	(154,372)		(99,032)
At end of year	16,990,269		16,420,667

19. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted by the end of the reporting period. The principal tax rate used is 35% (2013: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 12% of the transfer value.

The movement on the deferred tax account was as follows:

	2014	2013
	€	€
Year ended 31 October		
At beginning and end of year	790,430	790,430

The balance at 31 October represents:

	2014	2013
	€	€
Temporary differences arising on fair valuation of property	790,430	790,430

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

Changes to the taxation rules on capital gains arising on transfer of immovable property were announced by the Minister for Finance during the Budget Speech for the financial year 2015, and in respect of which a Bill entitled 'An Act to implement Budget measures for the financial year 2015 and other administrative measures' was published in December 2014. With effect from 1 January 2015, the final tax on transfers of immovable property acquired after 1 January 2004 will be reduced to 8% of the transfer value while the rate in respect of transfers of property acquired before 1 January 2004 will be 10%. The announcement of the revised tax regime by the Minister for Finance and the subsequent publication of the Budget Bill in December 2014 do not, as at 31 October 2014, have the substantive effect of actual enactment.

19. Deferred taxation - continued

Accordingly, tax rates used for the measurement of deferred taxation as at 31 October 2014 are those applicable prior to the measures announced in the Budget Speech for the financial year 2015, which are disclosed above. The net impact of the application of the changed tax regime on the deferred tax liability attributable to fair valuation of the company's property would be a decrease amounting to €131,738 which principally would be recognised in other comprehensive income.

As at 31 October 2014, the group undertakings had unutilised tax credits arising from unabsorbed capital allowances of amounting to €2,366,880 (2013: €3,117,918). As at the end of the reporting period, the group also had net deductible temporary differences, arising from investment tax credits amounting to €731,364 (2013: €694,101) and property, plant and equipment amounting to €26,739 (2013: €26,739).

The Company is eligible to qualify for tax incentives under the Business Promotion Regulations, 2001. The Company is entitled to investment tax credits on its "qualifying" capital expenditure, the full amount of which would be available for set-off against the Company's tax liability. The balance of unutilised investment tax credits increases annually at the rate of 0.53% (2013: 0.56%) at the end of each financial year. The related unrecognised net deferred tax assets at the end of the reporting period have not been reflected in these financial statements due to the uncertainty of the realisation of the tax benefits. Whereas tax losses has no expiry date, unutilised investment tax credits are forfeited upon cessation of the trade.

20. Borrowings

	Group	
	2014	2013
	€	€
Short-term - falling due within one year		
<i>Interest-bearing borrowings</i>		
Bank overdrafts	3,148,726	4,674,386
Bank loan	163,600	152,169
Total short-term borrowings	3,312,326	4,826,555
Long-term – falling due after more than one year		
<i>Interest-bearing borrowings</i>		
Bank loans	1,684,507	1,850,098
<i>Other long-term borrowings</i>		
Loans from ultimate shareholders	660,644	493,756
Total long-term borrowings	2,345,151	2,343,854
Total borrowings	5,657,477	7,170,409

20. Borrowings - continued

The group's banking facilities are mainly secured by:

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

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

	Group	
	2014	2013
	€	€
Total borrowings:		
At floating rates	4,996,833	6,676,653
Interest free loans	660,644	493,756
	5,657,477	7,170,409

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

	Group	
	2014	2013
	%	%
Bank overdrafts	3.19%	3.39%
Bank loans	3.64%	3.91%

Maturity of long-term borrowings:

	Group	
	2014	2013
		€
Between 1 and 2 years	813,110	651,866
Between 2 and 5 years	464,501	442,626
Over 5 years	1,067,540	1,249,362
	2,345,151	2,343,854

21. Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Current				
Trade payables	1,977,274	1,796,276	-	-
Amounts owed to subsidiary undertaking		-	30,885	30,885
Amounts owed to related parties	38,959	38,959	-	-
Other payables	86,764	56,129	-	-
Indirect taxation and social security	91,488	23,825	-	-
Preference dividends payable	54,158	43,326	-	-
Accruals and deferred income	786,772	655,840	17,610	14,299
	3,035,415	2,614,355	48,495	45,184

22. Cash and cash equivalents

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Cash at bank and in hand	1,345,641	492,745	4,871	4,871
Bank overdrafts (Note 20)	(3,148,726)	(4,674,386)	-	-
	1,803,085	(4,181,641)	4,871	4,871

23. Turnover

The group's turnover is analysed as follows:

	Group	
	2014	2013
	€	€
By industry segment		
Apparel	22,533,595	18,628,555
Hotel operations	1,538,563	1,402,621
	24,072,158	20,031,176

Revenue is derived mainly from the manufacture and sale of quality menswear and ladies wear locally and within the European Union and from the operations of a hotel locally.

24. Expenses by nature

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Cost of goods sold and materials Consumed	7,207,055	5,396,011	-	-
Movement in work in progress and subcontracted costs and labour	5,666,136	4,901,517	-	-
Hotel food and beverage costs	209,898	190,162	-	-
Travelling and entertainment	257,242	216,206	-	-
Employee benefit costs (Note 25)	5,020,540	4,661,585	-	-
Depreciation of property, plant and equipment (Note 4)	594,367	564,933	-	-
Depreciation of investment property (Note 5)	43,387	43,275	-	-
Utilities and similar charges	142,530	201,413	-	-
Property operating lease rentals payable	427,084	333,156	-	-
Other expenses	3,454,438	2,872,356	3,310	3,310
Total cost of sales, administrative and other expenses	23,022,677	19,380,614	3,310	3,310

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Exchange differences	(8,261)	14,664	-	-
Auditors' remuneration - parent company auditors	6,925	7,052	-	-

25. Employee benefit costs

	Group	
	2014	2013
	€	€
Wages and salaries	4,841,655	4,501,207
Social security costs	178,885	160,378
	5,020,540	4,661,585

25. Employee benefit costs - continued

Average number of persons employed during the year:

	Group	
	2014	2013
By class of business		
Apparel	746	719
Hotel operations	42	47
	788	766
By category		
Selling and distribution	42	40
Direct	682	676
Administration	64	50
	788	766

26. Directors' emoluments

	Group	
	2014	2013
	€	€
Salaries and other emoluments	65,484	67,971

27. Net gains on disposal of available-for-sale financial assets and other investment income

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Net gains on disposal of available-for-sale financial assets (Note 10)	79,889	18,863	-	-
Investment Income	234,841	181,462	50,459	30,600
	314,730	200,325	50,459	30,600

28. Finance income

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Bank interest receivable	51,784	51,772	-	-

29. Finance costs

	Group		Company	
	2013	2012	2013	2012
	€	€	€	€
Bank interest and charges	218,576	204,418	-	-

30. Tax expense

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Current tax expense	21,999	16,877	-	-
Deferred taxation (Note 19)	-	-	-	-
	21,999	16,877	-	-

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Profit before tax	1,115,045	690,377	47,149	27,290
Tax on profit calculated at the rates applicable to the group undertakings concerned	390,266	241,632	16,502	9,552
Tax effect of:				
Income subject to reduced rates of tax	(13,604)	(13,611)	-	-
Income subject to final tax	-	-	(19,812)	(12,862)
Income not subject to tax	(39,645)	(32,124)	-	-
Unrecognised deferred tax	(385,814)	(268,759)	-	-
Expenses not deductible for tax purposes	70,796	89,739	3,310	3,310
	21,999	16,877	-	-

31. Earnings per share

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

	Group	
	2014	2013
Net profit attributable to equity holders of the company	€318,975	€170,333
Weighted average number of ordinary shares in issue	20,000	20,000
Earnings per share	€15.95	€8.52

32. Cash generated from/(used in) operations

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

	Group		Company	
	2014	2013	2014	2013
	€	€	€	€
Operating profit/(loss)	993,224	650,562	(3,310)	(3,310)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	594,367	564,933	-	-
Depreciation of investment property (Note 5)	43,387	43,275	-	-
Changes in working capital:				
Inventories	50,806	(1,937,096)	-	-
Receivables	864,004	(1,884,787)	-	(5,600)
Payables	421,060	627,333	3,310	3,310
Cash generated from/(used in) operations	2,966,848	(1,935,780)	-	(5,600)

33. Commitments

Operating lease commitments – where a subsidiary undertaking is the lessee

The future minimum lease payment obligations under non-cancellable property operating leases are as follows:

	Group	
	2014	2013
	€	€
Less than one year	394,339	206,058
Between one and five years	822,897	385,655
More than five years	1,772,894	1,499,403
	2,990,130	2,091,116

34. Contingencies

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

- (a) Subsidiary undertakings had contingent liabilities amounting to €124,600 (2013: €219,605) in respect of guarantees issued by banks on behalf of the company in favour of third parties in the ordinary course of business.
- (b) A subsidiary undertaking had a contingent liability amounting to €6,988 (2013: €6,988) in respect of the uncalled share capital of an unquoted investment.
- (c) A subsidiary undertaking has filed objections with the Commissioner of Inland Revenue relating to years of assessment 1979 to 1988 concerning disputed income tax amounting to €45,278 (2013: €45,278), in respect of which no provision has been made in these accounts.

35. Related party transactions

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

Year-end balances with related parties are disclosed in Notes 12 and 20 to these financial statements. These amounts are unsecured, interest free and repayable on demand.

Key management personnel compensation, consisting of directors' remuneration, is disclosed in Note 25 to these financial statements.

Included in loans and receivables (Note 11) are amounts effected to related parties, which have no fixed date of repayment. These include an amount of €681,739 (2013: €681,739) which is interest free. The remaining balance is subject to a fixed interest rate of 4% per annum.

36. Statutory Information

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

37. Subsidiary undertakings

The following information relates to those subsidiary undertakings whose results and financial position affected the figures of the group.

Subsidiary undertaking	Registered office	Class of shares held	Percentage of shares held	
			2014 %	2013 %
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary "A" shares	100	100
		Ordinary "B" shares	100	100
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London W1B5TE	Ordinary shares	100	100
Bortex Tunisia S.A.R.L	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	100	100
Combrmed Holdings Company Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	51	51
Consolidated Coborg Company Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	51	51
Favell Enterprises Limited (In liquidation)	KW 28B Corradino Industrial Estate Paola Malta	Ordinary shares	60	75
Germal Company Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100
Pragma International Company Limited (In liquidation)	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	100	100

37. Subsidiary undertakings - continued

Subsidiary undertaking	Registered office	Class of shares held	Percentage of shares held	
			2014 %	2013 %
Roosendaal Hotels Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	100	100
Roosendaal Trading Limited	A12 Industrial Estate Marsa Malta	Ordinary shares	100	100
Roosentours Limited	"St. Therese" Hughes Hallet Street Sliema Malta	Ordinary shares	100	100
Sandpiper Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	98
Shanal Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100

The holdings reflect percentages of shares directly held by group undertakings.