BORTEX GROUP FINANCE p.l.c.

Annual Report and Financial Statements
31 October 2018

Company Registration Number: C 82346

Directors' report

The directors present their first report and the audited financial statements for the period ended 31 October 2018. The directors have prepared this report in accordance with Article 177 of the Maltese Companies Act (Cap. 386), ('the Act') including the further provisions as set out in the Sixth Schedule to the Act.

Directors, officers and other information

Directors:

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

Mr Peter Borg (Chairman)
Ms Karen Bugeja
Mr Joseph Cachia
Ms Christine Demicoli
Mr Emanuel Ellul
Mr Mario C. Grech – appointed 27 June 2018
Mr David Debono – resigned 27 June 2018

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

Company Secretary:

Ms Christine Demicoli

Registered Office and Country of Incorporation:

"St. Therese"
Hughes Hallet Street
Sliema SLM3142
Malta

Telephone (+356) 2133 3565

Auditors:

PricewaterhouseCoopers,
78, Mill Street,
Qormi QRM 3010
Malta

Principal bankers:

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

Directors' report - continued

Principal activities

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

Review of business

The company was incorporated on 30 August 2017 and these financial statements cover the 14 month period from the date of incorporation to 31 October 2018.

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

During the current period, finance income on loans advanced to fellow subsidiaries amounted to €515,486, whilst interest payable on bonds amounted to €459,385. Administrative expenses mainly representing listing and compliance costs, together with directors' and professional fees amounted to €36,280. Profit for the period was €19,821. The Company's balance sheet is primarily made up the bond issue for €12.75 million and corresponding loans to the group undertakings. The Company's equity as at the end of the financial period is stated at €269,821.

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

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

Guarantor's and Bortex Group's performance for 2018 and outlook for 2019
Bortex Group Holdings Company Limited is the Guarantor and is also the ultimate parent company of the Group. As such, its performance is dependent on the performance of the Group as a whole.

Performance during financial year 2018

The Group reported a turnover of €17.9 million (2017: €19.9 million) and earnings before interest, taxation, depreciation and amortisation ('EBITDA') of €703,000 (2017: €598,000). The Group takes recognition of the fact that the EBITDA achieved falls short of its projections. This was due to a number of different factors. An exceptional loss incurred arising from the disposal of assets upon the closure of the former Hotel Plevna and adverse timing difference from the projected rent receipts of offices in Mriehel. The manufacturing and retail operations of the group also experienced greater than expected pressures on its retail margins and Brexit related order reductions on its manufacturing sales order book. After taking into consideration depreciation, investment and finance income and finance costs, the Group reported a loss before tax for the current year of €162,033 (2017: €378,153), during which the hospitality segment of the group was in the phase of construction /refurbishment of the two new hotels and thus generated no revenues.

Directors' report - continued

Guarantor's and Bortex Group's performance for 2018 and outlook for 2019 - continued

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

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

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

Outlook for financial year ending 2019

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

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

Directors' report - continued

Results and dividends

The Company's financial results for the period ended 31 October 2018 are set out on page 20. The directors did not pay or declare any interim dividend during the period and do not recommend the payment of a final dividend.

Retained profits carried forward as at 31 October 2018 amounted to €19,821.

Statement of directors' responsibilities for the financial statements

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

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

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

The directors are also responsible for designing, implementing and maintaining internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Bortex Group Finance p.l.c. for the period ended 31 October 2018 are included in the Annual Report 2018, which is made available on the Bortex Group website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

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

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

- the financial statements give a true and fair view of the financial position of the company as at 31 October 2018, and of the financial performance and the cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU; and

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

Directors' report - continued

Going concern statement pursuant to Listing rule 5.62

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

Auditors

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

Mr Peter Borg Chairman	Ms Karen Bugeja Director

27 February 2019

Corporate Governance - Statement of Compliance

Introduction

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

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

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

Roles and responsibilities of the Board

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

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

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

The Board of Directors

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

For the financial period ended 31 October 2018, three of the directors, Mr Peter Borg, Ms Karen Bugeja and Ms Christine Demicoli, occupied senior executive positions within the Group. The remaining directors, Mr Joseph Cachia, Mr David Debono (who resigned on 27 June 2018), Mr Emanuel Ellul and Mr Mario C. Grech (who was appointed on 27 June 2018) served as non-executive and independent directors since they are each free of any business, family or other relationship with the Issuer, its controlling shareholder or the management of either, that creates a conflict of interest such as to impair their judgement.

Corporate Governance - Statement of Compliance - continued

The exercise of the role of the Board

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

Meetings of the Board were held four times during the period from 30 August 2017 to 31 October 2018 and were always attended in full. Individual directors, apart from attendance at formal Board meetings, participate in other informal meetings during the year as may be required, either to assure good corporate governance, or to contribute more effectively to the decision-making process.

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

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

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

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

Risk Management and Internal Control

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

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

Corporate Governance - Statement of Compliance - continued

The Audit Committee

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

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

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

All three members are independent and non-executive directors on the Board. In assessing the independence of Messrs Cachia, Ellul and Grech, due notice has been taken of Section 5.117 of the Listing Rules. Furthermore, Mr Emanuel Ellul is the independent non-executive director of the Company who the Board considers to be competent in accounting and/or auditing in terms of the Listing Rules.

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

The Audit Committee held four meetings throughout the period from 30 August 2017 to 31 October 2018. Communication with and between the Company Secretary, top level management and the Committee is ongoing and considerations that require the Committee's attention are acted upon between meetings and decided by the Members (where necessary) through electronic circulation and correspondence.

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

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

Relations with the Market

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

Corporate Governance - Statement of Compliance - continued

Remuneration Statement

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

During the period under review, the directors received emoluments amounting in total to €25,000.

Other Information

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

Conclusion

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

Approved by the Board of Directors and signed on its behalf on 27 February, 2019 by:

Mr Peter Borg Chairman	Ms Karen Bugeja Director

Independent auditor's report

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

Report on the audit of the financial statements

Our opinion

In our opinion:

- Bortex Group Finance p.l.c.'s financial statements give a true and fair view of the company's financial position as at 31 October 2018, and of the company's financial performance and cash flows for the period then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and
- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

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

What we have audited

Bortex Group Finance p.l.c.'s financial statements, set out on pages 19 to 36, comprise:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

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

Independent auditor's report - continued

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

Independence

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

To the best of our knowledge and belief, we declare that non-audit services that are prohibited under Article 18A of the Accountancy Profession Act (Cap. 281) were not provided to the company.

We did not provide any non-audit services to the company in the period from 30 August 2017 to 31 October 2018.

Our audit approach

Overview

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

Recoverability of loans issued to fellow subsidiaries

Independent auditor's report - *continued*

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

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

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

Materiality

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

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

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

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above €13,000 as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Independent auditor's report - continued

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

Key audit matters

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

Key audit matter	How our audit addressed the Key audit matter
Recoverability of loans issued to fellow subsidiaries (Notes 2.1(c) and 4)	
Loans receivable represent funds advanced to fellow subsidiaries Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited. Loan balances with these related parties as at 31 October 2018 amounted to €12,496,627. As explained in accounting policy Note 1.4, the recoverability of the loans is assessed at the end of each financial year. The loans are the principal asset of the company, which is why we have given additional attention to this area.	We have agreed the terms of these loans to supporting loan agreements. We have assessed the financial soundness of these related parties. In doing this, we made reference to the latest audited financial statements, management accounts, forecasts and other prospective information made available to us. Based on evidence and explanations obtained, we concur with management's view with respect to the recoverability of these loans.

Independent auditor's report - continued

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

Other information

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

Our opinion on the financial statements does not cover the other information, including the directors' report.

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

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

Based on the work we have performed, in our opinion:

- The information given in the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with the Maltese Companies Act (Cap. 386).

In addition, in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the directors' report and other information that we obtained prior to the date of this auditor's report. We have nothing to report in this regard.

Independent auditor's report - continued

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

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

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRSs as adopted by the EU and the requirements of the Maltese Companies Act (Cap. 386), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

Independent auditor's report - continued

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

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Independent auditor's report - continued

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

Report on other legal and regulatory requirements

Report on the statement of compliance with the Principles of Good Corporate Governance

The Listing Rules issued by the Malta Listing Authority require the directors to prepare and include in their Annual Report a Statement of Compliance providing an explanation of the extent to which they have adopted the Code of Principles of Good Corporate Governance and the effective measures that they have taken to ensure compliance throughout the accounting period with those Principles.

The Listing Rules also require the auditor to include a report on the Statement of Compliance prepared by the directors.

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

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

In our opinion, the Statement of Compliance set out on pages 6 to 9 has been properly prepared in accordance with the requirements of the Listing Rules issued by the Malta Listing Authority.

Other matters on which we are required to report by exception

We also have responsibilities:

- Under the Maltese Companies Act (Cap. 386) to report to you if, in our opinion:
  - Adequate accounting records have not been kept, or that returns adequate for our audit have not been received from branches not visited by us.
  - The financial statements are not in agreement with the accounting records and returns.
  - We have not received all the information and explanations we require for our audit.
  - Certain disclosures of directors' remuneration specified by law are not made in the financial statements, giving the required particulars in our report.

- Under the Listing Rules to review the statement made by the directors that the business is a going concern together with supporting assumptions or qualifications as necessary.

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

Independent auditor's report - continued

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

Appointment

We were appointed as auditors for the company's first financial period ended 31 October 2018. The company became listed on a regulated market on 4 December 2017.

PricewaterhouseCoopers
78, Mill Street
Qormi
Malta

Fabio Axisa
Partner

27 February 2019

Statement of financial position

	Notes	As at 31 October 2018 €
ASSETS		
Non-current assets		
Loans receivable	4	**12,496,627**
Current assets		
Receivables	5	**515,486**
Cash and cash equivalents	6	**217,790**
Total current assets		**733,276**
Total assets		**13,229,903**
EQUITY AND LIABILITIES		
Capital and reserves		
Share capital	7	**250,000**
Retained earnings		**19,821**
Total equity		**269,821**
Non-current liabilities		
Borrowings	8	**12,517,730**
Current liabilities		
Payables	9	**442,352**
Total liabilities		**12,960,082**
Total equity and liabilities		**13,229,903**

The notes on pages 23 to 36 are an integral part of these financial statements.

The financial statements on pages 19 to 36 were authorised for issue by the board on 27 February 2019 and were signed on its behalf by:

Mr Peter Borg
Chairman

Ms Karen Bugeja
Director

Statement of comprehensive income

	Notes	Period from 30 August 2017 to 31 October 2018 €
Finance income	10	**515,486**
Finance cost	11	**(459,385)**
Net interest income		**56,101**
Administrative expenses	12	**(36,280)**
Profit for the period – total comprehensive income		**19,821**
Earnings per share (cents)	15	**0.08**

The notes on pages 23 to 36 are an integral part of these financial statements.

Statement of changes in equity

	Note	Share capital €	Retained earnings €	Total €
Balance at 30 August 2017		-	-	-
Comprehensive income				
Profit for the period - total comprehensive income		-	19,821	19,821
Transactions with owners				
Issue of share capital	7	250,000	-	250,000
Balance at 31 October 2018		**250,000**	**19,821**	**269,821**

The notes on pages 23 to 36 are an integral part of these financial statements.

Statement of cash flows

	Notes	Period from 30 August 2017 to 31 October 2018 €
Cash flows from operating activities		
Cash paid to services providers		**(32,210)**
Net cash used in operating activities		**(32,210)**
Cash flows from investing activities		
Advances to related parties	4	**(12,496,627)**
Net cash used in investing activities		**(12,496,627)**
Cash flow from financing activities		
Proceeds from the issuance of ordinary shares	7	**250,000**
Proceeds from the issuance of bonds	8	**12,750,000**
Payments for bond issue costs	8	**(253,373)**
Net cash generated from financing activities		**12,746,627**
Net movement in cash and cash equivalents		**217,790**
Cash and cash equivalents at beginning of period		**-**
Cash and cash equivalents at end of period	6	**217,790**

The notes on pages 23 to 36 are an integral part of these financial statements.

Notes to the financial statements

1. Summary of significant accounting policies

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

1.1 Basis of preparation

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

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

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

On incorporation, the company adopted standards, amendments and interpretations that are mandatory for the company's accounting period beginning on 30 August 2017.

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 company's accounting periods beginning after 30 August 2017. The company has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the company's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the company's financial statements in the period of initial application.

IFRS 9, 'Financial instruments', addresses the classification, measurement and recognition of financial assets and financial liabilities and for the company it is effective as from the accounting period commencing on 1 November 2018. Amongst others, it replaces the guidance in IAS 39 that relates to the classification and measurement of financial instruments. IFRS 9 retains but simplifies the mixed measurement model and establishes three primary measurement categories for financial assets: amortised cost, fair value through other comprehensive income ('OCI') and fair value through profit or loss. The company's financial assets are limited to loans receivable which continue to be measured at amortised cost, consistently with IAS 39. The standard also introduces a new expected credit losses model that replaces the incurred loss impairment model used in IAS 39. This generally results in accelerating provisions for impairment as compared to IAS 39.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

With respect to the loans advanced to related parties, IFRS 9's three-stage impairment model ("the general model") applies. The first step of the general model is to determine which impairment 'stage' the loans sit within. At initial recognition, loans are generally within 'stage 1', which requires a 12-month expected credit loss to be calculated for each balance. The model then requires monitoring of the credit risk associated with the loan to consider if there has been a significant increase since initial recognition. If there has been a significant increase in credit risk (the loan is now in 'stage 2'), or the asset has become credit impaired (the loan is now in 'stage 3'), a lifetime expected credit loss must be recognised.

In determining whether a significant increase in credit risk has occurred, the company takes into account the related parties' performance and financial position, as well as expected future cash flows. With respect to these loans, the directors are not expecting a significant increase in the credit risk since initial recognition. On this basis, the company expects an immaterial provision for impairment with respect to the loans to related parties.

The company's cash and cash equivalents are held with local financial institutions with high quality standing or rating. The company will apply the low credit risk simplification allowed by IFRS 9, through which such balances will be classified within 'stage 1' without the requirement to carry out an assessment of whether there has been a significant increase in credit risk. Under the practical expedient, the company will estimate the 12-month expected credit loss. The directors have however determined that the high quality of the financial institutions is such that the adoption of IFRS 9 will not have a material impact on the net carrying amount of these financial assets.

1.2 Foreign currency translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

1.3 Financial assets

1.3.1 Classification

The company classifies its financial assets as loans and receivables. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the company provides money, goods or services directly to a debtor with no intention of trading the asset. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The company's loans and receivables comprise loans receivables, other receivables and cash and cash equivalents (Notes 1.4, 1.5 and 1.6) in the statement of financial position.

1. Summary of significant accounting policies - continued

1.3 Financial assets - continued

1.3.2 Recognition and measurement

The company recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which the company commits to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the company has transferred substantially all risks and rewards of ownership or has not retained control of the asset.

1.3.3 Impairment

The company 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. 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. The company first assesses whether objective evidence of impairment exists. The criteria that the company uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation.

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

1. Summary of significant accounting policies - continued

1.4 Loans receivable

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

All loans receivable are recognised when cash is advanced to the borrowers. Loans receivable are initially recognised at the fair value of cash consideration given or proceeds advanced, plus transaction costs. These financial assets are subsequently carried at amortised cost using the effective interest method. The company assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired (refer to Note 1.3.3).

1.5 Receivables

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment (Note 1.3.3). The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss. When a receivable is uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against profit or loss.

Receivables which are expected to be collected within one year or less, are classified as current assets. If not, they are presented as non-current assets.

1.6 Cash and cash equivalents

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

1.7 Share capital

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

1.8 Financial liabilities

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

1. Summary of significant accounting policies - continued

1.9 Borrowings

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

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

1.10 Payables

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

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

1.11 Offsetting financial instruments

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

1.12 Current and deferred tax

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

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

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

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

1. Summary of significant accounting policies - continued

1.13 Interest income and expense

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

1.14 Dividend distribution

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

1.15 Earnings per share

The company presents basic earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the company by the weighted average number of ordinary shares outstanding during the period.

1.16 Segment reporting

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

2. Financial risk management

2.1 Financial risk factors

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

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

2. Financial risk management - continued

(a) Market risk

(i) Foreign exchange risk

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

(ii) Fair value interest rate risk

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

(b) Credit risk

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

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

	2018
	€
Loans and receivables category:	
Loans receivable from fellow subsidiaries (Note 4)	**12,496,627**
Other receivables (Note 5)	**515,486**
Cash and cash equivalents (Note 6)	**217,790**
	13,229,903

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

2. Financial risk management - continued

The company's other receivables mainly include interest receivable from the company's related parties in respect of the advances referred to previously.

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

At the end of the reporting period, the company had no past due or impaired financial assets.

(c) Liquidity risk

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

The company's liquidity risk is managed actively by ensuring that cash inflows arising from expected maturities of the company's advances to related parties effected out of the bond issue proceeds, together with any related interest receivable, match the cash outflows in respect of the company's bond borrowings, covering principal and interest payments, as referred to in Note 9 and reflected in the table below.

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

	Within 1 year €	Between 1 and 2 years €	Between 2 and 5 years €	Over 5 years €	Total €
31 October 2018					
Borrowings	478,125	478,125	1,434,375	15,140,625	17,531,250
Payables	4,071	-	-	-	4,071
	482,196	**478,125**	**1,434,375**	**15,140,625**	**17,535,321**

2.2 Capital risk management

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

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

2. Financial risk management - continued

2.3 Fair values of financial instruments

At 31 October 2018, the carrying amounts of cash at bank, receivables, payables and accrued expenses approximated their fair values due to the nature or short-term maturity of these instruments. The fair values of the interest bearing loans receivable were not significantly different from their carrying amounts at the end of the reporting period based on discounted cash flows using market interest rates prevailing at 31 October 2018. The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as Level 2 within the fair value measurement hierarchy required by IFRS 7, ' Financial instruments: Disclosures'. Information on the fair value of the company's bonds issued to the general public is disclosed in Note 8 to the financial statements. The fair value estimate in this respect is deemed Level 1 as it constitutes a quoted price in an active market.

3. Critical accounting estimates and judgments

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

4. Loans receivable

	2018 €
Loan to fellow subsidiaries	**12,496,627**

The proceeds from the bond issue (see Note 8) have been advanced by the company to Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (fellow subsidiaries forming part of the Bortex Group). As noted in the prospectus dated 30 October 2017, the Bortex Group will utilise these proceeds to invest in each of the following projects:
(i) refurbishment and extension of the newly branded Hotel 1926 in Sliema, Malta; (ii) development of TEN Apartments in Sliema, Malta; (iii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iv) development of a mixed-use complex in Mriehel, Malta; (v) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (vi) refurbishment of PJP Boutique Suites in Valletta, Malta, which property has just been extensively refurbished as an 8-roomed boutique hotel and commissioned in May 2018.

These loans are subject to interest at a fixed interest rate of 4.5%, are unsecured and repayable by not later than 1 December 2027.

5. Receivables

	2018 €
Current	
Accrued interest income on loans to fellow subsidiaries	**515,486**

6. Cash and cash equivalents

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

	2018
	€
Cash at bank	**217,790**

7. Share capital

	2018
	€
Authorised	
250,000 ordinary shares of €1 each	**250,000**
Issued and fully paid	
250,000 ordinary shares of €1 each	**250,000**

On 30 August 2017, the company was incorporated with an authorised and issued share capital of €250,000 made up of 250,000 ordinary shares of €1 each.

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

8. Borrowings

	2018
	€
Non-current	
127,500 3.75% Bonds 2027	**12,517,730**

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

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

8. **Borrowings** - continued

By virtue of an offering memorandum dated 30 October 2017, the company issued €12,750,000 bonds with a face value of €100 each. The bonds have a coupon interest of 3.75% which is payable annually in arrears on 1 December of each year. The bonds are redeemable at par and are due for redemption on 1 December 2027, unless they are previously re-purchased and cancelled. The bonds are guaranteed by Bortex Group Holdings Company Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 December 2017. The quoted market price as at 31 October 2018 for the bonds was €103, which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the reporting period, bonds having a face value of €297,000 were held by company directors.

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

9. Payables

	2018 €
Current	
Interest payable accrued	**438,281**
Other accruals	**4,000**
Other payables	**71**
	442,352

10. Finance income

	Period from 30 August 2017 to 31 October 2018 €
Interest income on loans advanced to fellow subsidiaries	**515,486**

11. Finance costs

	Period from 30 August 2017 to 31 October 2018 €
Bond interest expense	**459,385**

12. Expenses by nature

	Period from 30 August 2017 to 31 October 2018 €
Listing and related compliance costs	**7,168**
Directors' fees (Note 13)	**25,000**
Other expenses, primarily legal and professional fees	**4,112**
Total administrative expenses	**36,280**

Auditor's fees

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

	Period from 30 August 2017 to 31 October 2018 €
Annual statutory audit	**4,000**

13. Directors' emoluments

	Period from 30 August 2017 to 31 October 2018 €
Directors' fees	**25,000**

14. Tax expense

	Period from 30 August 2017 to 31 October 2018 €
Current tax expense	-

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

	Period from 30 August 2017 to 31 October 2018 €
Profit before tax	19,821
Tax on profit @ 35%	6,937
Tax effect of group relief	(6,937)
	-

15. Earnings per share

Earnings per share is calculated by dividing the profit attributable to owners of the company by the weighted average number of ordinary shares in issue during the period. The diluted earnings per share is equal to the basic earnings per share.

	Period from 30 August 2017 to 31 October 2018
Net profit attributable to owners of the company	€19,821
Weighted average number of ordinary shares in issue (Note 7)	250,000
Earnings per share (€ cents)	0.08

16. Net debt reconciliation

All the movements in the company's net debt relate only to cash flow movements and disclosed as part of the financing activities in the statement of cash flows on page 22.

17. Related parties

The company forms part of the Bortex Group of Companies. All companies forming part of the Bortex Group, which are all ultimately owned by Bortex Group Holdings Company Limited, are considered to be related parties in view of common ultimate shareholding.

The principal transactions carried out with related parties during the period ended 31 October 2018 are outlined below:

- Loans advanced to fellow subsidiaries, which at the end of the financial reporting period amounted to €12,496,627 (refer to Note 4).

- Interest income on loans to fellow subsidiaries amounting to €515,486.

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

18. Statutory information

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

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