BORTEX GROUP FINANCE p.l.c.

Condensed Interim Financial Statements
30 April 2020

Company Registration Number: C 82346

Interim directors' report

The directors present their report and the condensed interim financial statements in terms of Chapter 5 of the Listing Rules of the Listing Authority – Malta Financial Services Authority and the Prevention of Financial Markets Abuse Act, 2005. The condensed financial statements have been extracted from Bortex Finance p.l.c.'s unaudited financial information as at 30 April 2020 and the six month period then ended, prepared in accordance with International Financial Reporting Standards as adopted for use in the EU for interim financial statements (International Accounting Standard 34, 'Interim Financial Reporting'). This half-yearly report has not been audited or reviewed by the company's independent auditors.

Trading performance

The Company

The company was incorporated on 30 August 2017 in terms of the Maltese Companies Act (Cap. 386). The company's principal activity is to carry on the business of a finance and investment company in connection with ownership, development, operation and financing of the business activities of the companies forming part of the Bortex Group of Companies.

On 1 December 2019, the company paid out €478,125, being the annual interest due to its bond holders. Interest income principally receivable from related parties for the current period ended 30 April 2020 amounted to €270,791 (2019: €281,169). The decrease in the interest income results from the lower interest rate on the advances to related parties, in accordance with the revised terms in the respective loan agreements. Profit before taxation for the current six month period was €1,047 (2019: €7,677).

The current and expected impact of COVID-19 on the financials of the Issuer and Guarantor, principal risks and uncertainties for the financial year ending 31 October 2020.

Manufacturing and Retail

Efforts to restore the private label order book levels and improve retail margins both locally and overseas had begun to bear fruit and results for the first quarter of the current financial year for both manufacturing and retail were broadly in line with budgets. With the onset of the COVID-19 crisis in early March, retail and manufacturing revenues came to an almost complete halt as a result of the closure of all retail outlets in Malta as well as overseas, as well as the factory in Tunisia. During the closure period the Group converted its local manufacturing facility to the production of masks and medical apparel, ramped up its online efforts and also embarked on a restructuring plan decreasing its total overheads by 20%. Furthermore it has shortened the working week for all employees and was eligible for the relative Government support. Operations started again gradually in early May 2020 and sales have been picking up slowly. The Group is forecasting a drop in retail sales of approximately 46% and a drop in manufacturing sales of 21% from pre-COVID budgets. This will result in a forecast EBITDA of €400,000 when compared to the original pre-COVID forecast EBITDA of €2 million.

Hospitality and Real Estate

The financial year 2020, was the first year where Hotel 1926 was to operate in its full capacity from the beginning of the financial year, and as expected, the year started on an excellent footing, with revenues exceeding budget by €179,000 for the first quarter of the year, i.e. the winter season. For 2020, Hotel 1926 and Hotel Palazzo Jean Parisot were expected to make a total EBITDA of not less than €2 million. The business in the first months of the current financial year, pre-COVID, was indicating that the budgets would not only be met but surpassed. COVID-19 has overturned this scenario as the Group had to close the hotels following Government measures, firstly with the imposition of quarantine on travellers, followed by the closure of the airport.

Interim directors' report - continued

By the time of approval of this half-yearly report, the Group is expecting to generate some business as from July 2020 with the opening of the airport from a restricted number of countries. The beach club has been open since the last week of May 2020, with the health and safety measures in place and in line with the guidelines issued by MTA and the Health authorities. In the mean time, the Group has also taken all the necessary measures to reduce costs, has reduced the working week of all its employees and has qualified for the relative Government support. The Group is forecasting a 30% drop in room rates and a 60% drop in occupancy until the end of the current financial year ending 31 October 2020. This will result in a forecasted operating loss of €1.3 million for the hospitality sector for this year.

COVID-19 had fewer repercussions on the real estate sector, especially since the majority of the apartments were already covered by a promise of sale agreement. Finishing works continued to be carried out as programmed, though dates for final contracts were delayed due the imposed measures and the modified working practices of banks and notarial firms. However, the Group is forecasting that sale contracts of 15 apartments will be concluded by the end of the current financial year, for an aggregate amount of €6.2 million in revenue, net of tax. Profit thereon is estimated to be €2.8 million.

Concluding remarks

The impacts of COVID-19 are far-reaching and continue to ripple throughout the world and hospitality is among the hardest hit due to fears of community spread through travel and group environments. Notwithstanding this, the Group is forecasting an aggregate EBITDA of €64K, from the manufacturing, retail and hospitality operations, and an overall profit before tax of €938K, after including the net income from the real estate. These projected results were based on what management believes to be the worst case scenarios. In order to mitigate the deficiencies in the cash flow projections brought about by the impact of COVID-19, the Group has been granted a moratoriums on the payment of interest and principal of its existing bank loans and it has applied for financing under the MDB Guarantee scheme, repayable over six years inclusive of one year moratorium. The forecasts and cash flow projections described earlier were the basis of the application for the required financing, which financing will be in place before the end of the financial year.

On the basis of the matters described above, the Group confirms that, although this year's results are going to be adversely effected, this will not impact the going concern of both the Issuer and the Guarantor. Furthermore, the directors continue to be of the opinion that the loans advanced to fellow subsidiaries are still to be recovered in full by the time that the Issuer is to redeem the bonds.

Dividends

The directors do not recommend the payment of an interim dividend.

Interim directors' report - continued

Director's statement pursuant to Listing Rule 5.75.3

We hereby confirm that to the best of our knowledge:

1. the condensed half-yearly report gives a true and fair view of the financial position of the company as at 30 April 2020 and of its financial performance and its cash flows for the period then ended in accordance with International Financial Reporting Standards as adopted by the EU applicable to Interim Financial Reporting (IAS 34).

2. the interim directors' report includes a fair review of the information required in terms of Listing Rule 5.81.

Peter Borg
Chairman

Karen Bugeja
Director

Registered office:
32,
Hughes Hallet,
Sliema
SLM 3142,
Malta

25 June 2020

Condensed statement of financial position

	Notes	**As at 30 April 2020 € (unaudited)**	As at 31 October 2019 € (audited)
ASSETS			
Non-current assets			
Loans receivable	3	**12,496,627**	12,496,627
Current assets		**557,177**	785,032
Total assets		**13,053,804**	13,281,659
EQUITY AND LIABILITIES			
Equity		**280,296**	279,249
Non-current liabilities			
Borrowings	2	**12,551,086**	12,539,675
Current liabilities		**222,392**	462,735
Total liabilities		**12,773,478**	13,002,410
Total equity and liabilities		**13,053,804**	13,281,659

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 4 to 10 were authorised for issue by the board of directors on 25 June 2020 and were signed on its behalf by:

Peter Borg
Director

Karen Bugeja
Director

Condensed statement of comprehensive income

	Note	6 months ended 30 April	
		2020	2019
		€	€
		(unaudited)	(unaudited)
Finance income		**270,791**	281,169
Finance cost		**(247,173)**	(248,487)
Net interest income		**23,618**	32,682
Administrative expenses		**(22,541)**	(25,005)
Profit for the period – total comprehensive income		**1,047**	7,677

The notes on pages 8 to 10 are an integral part of these condensed financial statements.

Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
Balance at 1 November 2018	250,000	19,821	269,821
Profit for the period - total comprehensive income	-	7,677	7,677
Balance at 30 April 2019	250,000	27,498	277,498
Balance at 1 November 2019	250,000	29,249	279,249
Profit for the period - total comprehensive income	-	1,047	1,047
Balance at 30 April 2020	**250,000**	**30,296**	**280,296**

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	6 months ended 30 April	
	2020	2019
	€	€
	(unaudited)	(unaudited)
Cash flows from operating activities	**63,702**	61,940
Cash flows from investing activities	**-**	(150,000)
Net movement in cash and cash equivalents	**63,702**	(88,060)
Cash and cash equivalents at beginning of period	**119,577**	217,790
Cash and cash equivalents at end of period	**183,279**	129,730

The notes on pages 8 to 10 are an integral part of these condensed interim financial statements.

Notes to the condensed interim financial statements

1. Basis of preparation

This condensed interim financial information for the six month period ended 30 April 2020 has been prepared in accordance with IAS 34, *'Interim financial reporting'*. They have been prepared under the historical cost convention. These financial statements have not been audited nor reviewed by the company's independent auditors. The condensed interim financial information does not include all the notes of the type normally included in the annual financial statements. Accordingly, this report should be read in conjunction with the annual financial statements for the period ended 31 October 2019, which have been prepared in accordance with IFRSs as adopted by the EU.

The accounting policies applied in the preparation of these condensed interim financial statements are consistent with those applied in the annual financial statements for the period ended 31 October 2019.

2. Borrowings

	30 April 2020 €	31 October 2019 €
Non-current		
127,500 3.75% Bonds 2027	**12,551,086**	12,539,675

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

	30 April 2020 €	31 October 2019 €
Original face value of bonds issued	**12,750,000**	**12,750,000**
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(54,459)**	(43,048)
Closing net book amount of bond issue costs	**198,914**	210,325
Amortised cost and closing carrying amount of the bonds	**12,551,086**	12,539,675

By virtue of an offering memorandum dated 30 October 2017, the company issued €12,750,000 bonds with a face value of €100 each. The bonds have a coupon interest of 3.75% which is payable annually in arrears on 1 December of each year. The bonds are redeemable at par and are due for redemption on 1 December 2027, unless they are previously re-purchased and cancelled. The bonds are guaranteed by Bortex Group Holdings Company Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 December 2017. The quoted market price for the bonds as at 31 April 2020 was €100 (31 October 2019: €102.90) which in the opinion of the directors fairly represents the fair value of these financial liabilities. At 30 April 2020 and 31 October 2019, 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 3).

3. Related party transactions

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.

Balances with related parties at the end of the financial reporting periods were as follows:

	30 April 2020 €	31 October 2019 €
Non-current		
Loans receivable from fellow subsidiaries	**12,496,627**	12,496,627
Current		
Loans receivable from fellow subsidiaries	**150,000**	150,000
Interest income receivable from fellow subsidiaries	**223,898**	515,486
	373,898	665,486

The proceeds from the bond issue (see Note 2) 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). The non-current portion of the loans is subject to interest at a fixed interest rate of 4.3% (2019: 4.5%), are unsecured and repayable by not later than 1 December 2027. The current portion of the loans is a temporary advance to Roosendaal Hotels Limited which is unsecured, repayable within one year from the end of the financial reporting period and interest free.

Interest income during the current and the comparative six month period is disclosed below:

	6 months ended 30 April	
	2020 €	2019 €
Finance income from loans to fellow subsidiaries	**270,791**	281,169