BORTEX GROUP
FINANCE plc

Condensed Interim Financial Statements
30 April 2021

Company Registration Number: C 82346

	Pages
Interim directors' report	1 - 3
Condensed statement of financial position	4
Condensed statement of comprehensive income	5
Condensed statement of changes in equity	6
Condensed statement of cash flows	7
Notes to the condensed interim financial statements	8 - 9

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 2021 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 2020, 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 2021 amounted to €279,091 (2020: €270,791). The increase in the interest income results from the increase in the 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 €5,003 (2020: €1,047).

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 2021.

Manufacturing and Retail

The Group had taken a prudent approach with regard to its manufacturing operations in Tunisia in view of the impact of COVID-19 on the tailoring industry and also taken decisions to close a number of its foreign retail outlets. As a result, during 2020, the Group booked an aggregated loss of €1.9m, which included an extraordinary provision for any possible future write-offs. These provisions proved to be appropriate, as on the 23rd April 2021 the Group was forced to terminate its operations in Tunisia. It is anticipated that the provisions will be more than sufficient to cover the eventual asset write off at year end.

Towards the end of 2020, once the first COVID-19 vaccines were granted approval, budgets were adjusted to factor in some degree of economic recovery during the second half of 2021. However, in line with expectations, retail and manufacturing sales during the first half of 2021 remained at depressed levels both locally as well as overseas as consumer spending levels remained subdued. As from the 11th of March 2021, Malta re-entered a quasi-lockdown state and all non-essential retail stores were forced to close reopening on the 26th April 2021. During this period the Group was only able to sell via its e-commerce channels.

The Group anticipates that the uncertainty brought about by the pandemic will continue to have an effect over this year's results. Budgets for the rest of the year continue to assume subdued levels of retail sales both locally as well as overseas as compared to pre Covid levels and they also take into account the negative impact on the private label manufacturing sales order book particularly during the first half of the year. A recovery is expected during the second half of the year and this has also been factored into the forecasted figures. It is anticipated that the manufacturing and retail divisions of the Group will achieve an EBITDA of just under Euro 1.3M and a profit before tax of around Euro 0.5M for the year. The Group will

Interim directors' report - continued

continue to focus on the reduction of its overhead costs and ongoing efforts to maximise sales, improve margins and manage inventories.

Hospitality and Real Estate

The hospitality sector was severely impacted by the pandemic from March 2020 till the present day. The Group has taken all possible measures to control its costs during this time. Additionally, both hotels qualified for the relevant government COVID-19 support. Budgets for 2021 have been prepared taking into consideration the continuous downside risks that this sector is currently facing, mainly due to travel restrictions and lockdowns in source markets, together with the anticipated recovery that this industry should be experiencing with the ease of such restrictions as from June 2021. The roll-out of vaccines and improved testing procedures have provided some grounds for an optimistic second half 2021, with 2019 levels expected to be reached by 2023. **The Group is forecasting a 24% drop in room rates and a 32% drop in occupancy until the end of the current financial year ending 31 October 2021. This will result in a forecast EBITDA of around Euro 800K and a total loss of around Euro 0.5M for the hospitality sector for this year.**

The pandemic had fewer repercussions on the local real estate industry. By the 31st October 2020, the Group had sold 15 apartments and 28 car spaces, equivalent to Euro 6.8M in revenue net of commissions payable and registered a profit thereon of Euro 2.7M. During the current year the Group sold another two units – one apartment and one penthouse and the two remaining apartments and penthouse are currently on a promise of sale agreement ("POS"). Hence, as at today all residential units within the TEN Apartments development have been sold or are subject to a POS, while 17 car spaces remain to be sold. The sales generated within the current year are expected to generate a further Euro 790K in EBITDA.

Concluding remarks

The impact of COVID-19 on three of the four main areas of economic activity of the Group have been severe with hospitality, fashion retail and garment manufacturing being amongst the hardest hit due to fears of community spread through travel and group environments. Notwithstanding this the Group is forecasting an aggregate Group EBITDA of Euro 2.8M from manufacturing, retail, hospitality and real estate operations, and a profit before tax of around Euro 800K. These projected results are based on what management prudently believes to be the most likely 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 total financing of Euro 2.8M (Euro 1.5M for the manufacturing and retail sector and Euro 1.3M for the hospitality sector) under the MDB Guaranteed loan scheme, repayable over six years inclusive of six months and one year moratorium respectively.

On the basis of the matters described above, the Group confirms that, although this year's results are going to continue to be adversely impacted this will not compromise 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 likely to be recovered in full by the time that the Issuer is due 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 2021 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 2021

Condensed statement of financial position

	Notes	As at 30 April 2021 € (unaudited)	As at 31 October 2020 € (audited)
ASSETS			
Non-current assets			
Loans receivable	3	**12,496,627**	12,496,627
Current assets		**578,177**	799,615
Total assets		**13,074,804**	13,296,242
EQUITY AND LIABILITIES			
Equity		**286,317**	281,314
Non-current liabilities			
Borrowings	2	**12,574,365**	12,562,498
Current liabilities		**214,122**	452,430
Total liabilities		**12,788,487**	13,014,928
Total equity and liabilities		**13,074,804**	13,296,242

The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.

The condensed interim financial statements on pages 4 to 9 were authorised for issue by the board of directors on 25 June 2021 and were signed on its behalf by:

Peter Borg
Director

Karen Bugeja
Director

Condensed statement of comprehensive income

	Note	6 months ended 30 April	
		2021	2020
		€	€
		(unaudited)	(unaudited)
Finance income		**279,091**	270,791
Finance cost		**(245,095)**	(247,173)
Net interest income		**33,996**	23,618
Administrative expenses		**(28,993)**	(22,541)
Profit for the period – total comprehensive income		**5,003**	1,047

The notes on pages 8 to 9 are an integral part of these condensed financial statements.

Condensed statement of changes in equity

	Share capital €	Retained earnings €	Total €
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
Balance at 1 November 2020	250,000	31,314	281,314
Profit for the period - total comprehensive income	-	5,003	5,003
Balance at 30 April 2021	**250,000**	**36,317**	**286,317**

The notes on pages 8 to 9 are an integral part of these condensed interim financial statements.

Condensed statement of cash flows

	6 months ended 30 April	
	2021	2020
	€	€
	(unaudited)	(unaudited)
Cash flows from operating activities	**36,825**	63,702
Cash flows from investing activities	**-**	-
Net movement in cash and cash equivalents	**36,825**	63,702
Cash and cash equivalents at beginning of period	**307,040**	119,577
Cash and cash equivalents at end of period	**343,865**	183,279

The notes on pages 8 to 9 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 2021 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 2020, 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 2020.

2. Borrowings

	30 April 2021 €	31 October 2020 €
Non-current		
127,500 3.75% Bonds 2027	**12,574,365**	12,562,498

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 2021 €	31 October 2020 €
Original face value of bonds issued	**12,750,000**	**12,750,000**
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(77,738)**	(65,871)
Closing net book amount of bond issue costs	**175,635**	187,502
Amortised cost and closing carrying amount of the bonds	**12,574,365**	12,562,498

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 2021 was €104 (31 October 2020: €100.25) which in the opinion of the directors fairly represents the fair value of these financial liabilities. At 30 April 2021 and 31 October 2020, bonds having a face value of €397,000 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 2021 €	31 October 2020 €
Non-current		
Loans receivable from fellow subsidiaries	**12,496,627**	12,496,627
Current		
Loans receivable from fellow subsidiaries	-	-
Interest income receivable from fellow subsidiaries	**279,091**	492,575
	279,091	492,575

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 4.5% (2020: 4.3%), are unsecured and repayable by not later than 1 December 2027.

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

	6 months ended 30 April	
	2021 €	2020 €
Finance income from loans to fellow subsidiaries	**279,091**	270,791