

**BORTEX GROUP HOLDINGS COMPANY  
LIMITED (FORMERLY BORCHILD LIMITED)**

**Annual Report and Consolidated  
Financial Statements  
31 October 2017**

	<b>Pages</b>
Directors' report	1 - 3
Independent auditor's report	4 - 5
Statements of financial position	6 - 7
Income statements	8
Statements of comprehensive income	9
Statements of changes in equity	10 - 12
Statements of cash flows	13
Notes to the financial statements	14 - 59

## **Directors' report**

The directors present their report and the audited consolidated financial statements for the year ended 31 October 2017.

### **Principal activities**

The Group's principal activities, which are unchanged since last year, are mainly the manufacture, sale and retailing of quality menswear and ladies wear locally and within the European Union, from the operations of a hotel locally and the development of property with a view to sell or lease out once completed.

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

### **Change in company name**

By virtue of a shareholders' resolution dated 5 September 2017, the shareholders resolved to change the name of the parent company from Borchild Limited to Bortex Group Holdings Company Limited. The change was effective as from 28 September 2017.

### **Review of the business**

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

### **Review of the business**

During the current financial year, the Group kept expanding its operations in most business sectors. The directors expect that the present level of activity will be sustained for the foreseeable future.

A major financing exercise was finalised in 2017, whereby the Group incorporated a new Group company, Bortex Group Finance p.l.c. on 30 August 2017, which issued a €12,750,000 3.75% unsecured bond on the Malta stock exchange on 4 December 2017 in line with the prospectus dated 30 October 2017. As outlined in the prospectus the proceeds from the bond issue will be used to finance various projects which the Group has lined up, as well as the repayment and refinancing of part of the Group's existing bank facilities taken out in connection with the financing of properties owned by the Group, and shall also be used for the Group's general corporate funding requirements in Malta.

### *Bortex Group Holdings Company Limited - The company*

During the current financial year, the company did not receive any gross dividends from its subsidiaries. During 2017, the Group underwent a restructuring exercise through which the company became the principal holding company of all of the companies within the Group: Consolidated Coborg Company Limited, Combed Holdings Company Limited, P. Borg Company Limited and K. Borg Company Limited were merged into Borchild Limited (which subsequently changed its name to Bortex Group Holdings Company Limited). At a subsidiary level, Roosentours Limited merged into Roosendaal Hotels Limited and Germal Company Limited and Sandpiper Limited merged into Bortex Clothing Limited.

## **Directors' report** - continued

### *Bortex Group Holdings Company Limited - The Group*

The results of the Group reflect the performance of the company, together with those of its subsidiaries for the year ended 31 October 2017. The Group reported a turnover of €19,919,699 (2016: €20,621,717) adjusted downwards from €25,853,084 (2016: €31,543,628) after intra-Group company transactions were eliminated upon consolidation. Earnings before depreciation, interest and taxation also fell to €630,053 (2016: €1,323,728). It is pertinent to point out that the EBITDA of the year under review includes a one-time write-off of a trade receivable amounting to €596,775 which resulted from the collapse of the British retail group Jaeger which had been long-standing trading partners. The €596,775 represent the entire balance due, and with prudence in mind, the directors decided to absorb the entire write-off in one year although creditors' proceedings are still ongoing in connection with recovery from the Jaeger liquidators. Hence, after taking into consideration depreciation, investment income and finance costs, the Group reported a loss before tax of €378,153 (2016: a profit of €348,644). The Group received a cash conversion of unutilised investment tax credits which amounts to €1,500,000. The profit after the current and deferred tax charge for the period amounted to €1,112,184 (2016: €302,053).

### *Manufacture, sale and retailing of clothing*

During the year under review, the manufacturing and retail sector contributed an operating profit before depreciation and finance costs of €341,273. Whereas the year under review was a good one for the Group's local and international retail operations, with sales increasing 9% year on year, it was a difficult year for the manufacturing division. The collapse of the British retail chain Jaeger, which had been long-standing customers, led to a downscaling of the production capacity in Tunisia as well as the write-off referred to above.

### *Hospitality*

In so far as the trading results of this sector of the Group are concerned, during the year under review the operations of Hotel Plevna have contributed an operating profit before depreciation and finance costs of €295,655 to the Group's bottom line. This was the last year of operations of Hotel Plevna, having been in operation by the Group since 1996. The hotel closed its doors on 1 November 2017 for a major overhaul that will lead to its upgrading and rebranding as a luxury hotel which will be known as Hotel 1926. The boutique hotel project in Valletta which will be known as Palazzo Jean Parisot and involving the renovation of a Palazzo in St Paul's Street, Valletta was in an advanced stage at the time of review.

### *Real Estate*

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 and 69 underground car parking spaces, was fully excavated and construction works were in initial stages at the time of review. Works are progressing to plan, and although the project had only just been launched on the market, the company has already managed to secure the promise of sale of two apartments and three garages by way of Preliminary Agreement, which amounted to €920,250.

### *Other Matter*

Any new projects undertaken by the Group involved measures aimed at reducing material waste and improved water and electricity usage through the use of more energy efficient equipment.

Headcount levels were reduced during the year in view of reduced production in Tunisia.

## **Directors' report** - continued

### *Outlook for the financial year ended 2018*

#### Manufacturing and Retail

During the year ending 2018, the company will see the opening of the new outlet in Mriehel which will comprise two floors of retail space, three floors of office space and underground parking spaces on three levels. During the coming year, the Gagliardi brand will also see the opening of a further three international stores, whilst a number of Bortex stores in Malta will be refurbished and upgraded in line with the new international Gagliardi fixture. A concerted drive to improve Gagliardi retail margins is also under way. Within the manufacturing division, a process re-engineering exercise is also being undertaken, covering both the knowledge-based activities carried out in Malta, as well as the Group's manufacturing plant in Tunisia, with a view to improving efficiencies as well as reducing costs. Efforts are being made to replace the business lost through the Jaeger bankruptcy.

#### Hospitality and Real Estate

During the financial year ending 2018, the company will see the maturity of three projects – the opening of *Hotel 1926*, with the relative beach club, and the opening of the Valletta Boutique Hotel. *Hotel 1926* will be in the process of undergoing an upgrade and extension of the former Hotel Plevna, involving the refurbishment of internal spaces and the construction of 3 additional floors, and a recessed penthouse floor, on top of the existing hotel. Works are expected to be fully completed by the end of financial year 2018. This will increase the hotel's capacity to 161 rooms. The hotel will consist of a luxury spa, restaurant, roof-terrace and renovated private beach club. Once re-opened, the hotel aims to offer the highest standards of lean luxury by employing state-of-the-art guest management software and technologies. Palazzo Jean Parisot should open its doors to welcome its first guests by May 2018. It will consist of eight luxury suits and a panoramic breakfast room. Construction works on the 'TEN' project are planned to be completed by December 2018.

#### *Risks and uncertainties*

In the year ended 31 October 2017 there has been no change in the Group's and company's financial risk management objectives and policies, details of which, together with further information on the Group's and the Company's risk exposures can be found in note 2 to the financial statements.

#### **Results and dividends**

The consolidated financial results are set out on page 12. The directors do not recommend the payment of a dividend (2016: €610,832).

The directors propose that the company's balance of retained earnings amounting to €2,430,693 be carried forward to the next financial year.

## **Directors' report** - continued

### **Directors**

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

Peter Borg (Chairman)  
Karen Bugeja  
Sam Borg  
Alexandra Borg  
Christine Demicoli  
David Debono (Appointed on 3 October 2017)

Karen Bugeja was Chairman during the year under review, the Chairmanship was passed over to Peter Borg on 1 January 2018.

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

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

The directors are required by the Maltese Companies Act (Cap. 386) to prepare financial statements which give a true and fair view of the state of affairs of the group and the parent 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 group and the parent 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 group and the parent company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of Bortex Group Holdings Company Limited for the year ended 31 October 2017 are included in the Annual Report and Consolidated Financial Statements 2017, which is published in hard-copy printed form and made available on the Group's website ([www.bortexgroupholdings.com](http://www.bortexgroupholdings.com)). The directors of the entities constituting the Group 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.

**Directors' report** - continued

**Auditors**

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

On behalf of the board



Peter Borg  
Director



Karen Bugeja  
Director

Registered office  
32 Hughes Hallet Street  
Sliema  
Malta

28 February 2018



## *Independent auditor's report*

To the Shareholders of Bortex Group Holdings Company Limited

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

---

#### *Our opinion*

In our opinion:

Bortex Group Holdings Company Limited's group and parent company financial statements (the "financial statements") give a true and fair view of the group's and parent company's financial position as at 31 October 2017, and of the group's and parent company's financial performance and cash flows for the year 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).

#### **What we have audited**

Bortex Group Holdings Company Limited's financial statements, set out on pages 10 to 59, comprise:

- the consolidated and parent company statements of financial position as at 31 October 2017;
- the consolidated and parent company income statements and statements of comprehensive income for the year then ended;
- the consolidated and parent company statements of changes in equity for the year then ended;
- the consolidated and parent company statements of cash flows for the year 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.

#### **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 the IESBA Code.



## *Independent auditor's report - continued*

To the Shareholders of Bortex Group Holdings Company Limited

---

### *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), which we obtained prior to the date of this auditor's report.

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.

---

### *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.



## *Independent auditor's report - continued*

To the Shareholders of Bortex Group Holdings Company Limited

---

### *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.
- 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.



## *Independent auditor's report - continued*

To the Shareholders of Bortex Group Holdings Company Limited

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

---

*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.

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

#### **PricewaterhouseCoopers**

78, Mill Street  
Qormi  
Malta

A handwritten signature in black ink that reads 'FAxisa'.

Fabio Axisa  
Partner

28 February 2018

## Statements of financial position

		As at 31 October			
Notes	Group		Company		
	2017	2016	2017	2016	
	€	€	€	€	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	4	16,978,035	15,931,226	-	
Investment property	5	685,274	700,627	-	
Investments in subsidiaries	6	-	-	3,602,481	
Investment in associates	8	559	559	-	
Available-for-sale investments	9	245,799	258,259	11,109	
Loans and advances	10	2,146,749	2,145,739	-	
Trade and other receivables	12	926,787	452,119	-	
Total non-current assets		20,983,203	19,488,529	3,613,590	
<b>Current assets</b>					
Inventories	11	15,281,523	15,647,286	-	
Trade and other receivables	12	4,177,044	4,379,333	788,493	
Current tax assets		19,702	16,093	4,620	
Term placements	13	7,727	7,670	-	
Cash and cash equivalents	14	1,519,046	898,458	6,545	
Total current assets		21,005,042	20,948,840	799,658	
<b>Total assets</b>		<b>41,988,245</b>	<b>40,437,369</b>	<b>4,413,248</b>	

**Statements of financial position** - continued

		<b>As at 31 October</b>			
Notes	<b>Group</b>		<b>Company</b>		
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>	
<b>EQUITY AND LIABILITIES</b>					
<b>Capital and reserves</b>					
Share capital	15	46,587	46,587	46,587	
Revaluation reserves	16	6,871,958	6,876,765	7,246	
Other reserves	17	506,652	506,652	58,234	
Retained earnings	18	21,688,039	20,626,307	2,430,693	
<b>Total equity</b>		<b>29,113,236</b>	<b>28,056,311</b>	<b>2,542,760</b>	
<b>Non-current liabilities</b>					
Deferred taxation	19	1,157,058	1,164,711	-	
Borrowings	20	2,455,777	2,618,150	-	
<b>Total non-current liabilities</b>		<b>3,612,835</b>	<b>3,782,861</b>	<b>-</b>	
<b>Current liabilities</b>					
Borrowings	20	6,103,869	5,183,276	-	
Trade and other payables	21	3,148,593	3,375,156	1,862,409	
Current tax liabilities		9,712	39,765	8,079	
<b>Total current liabilities</b>		<b>9,262,174</b>	<b>8,598,197</b>	<b>1,870,488</b>	
<b>Total liabilities</b>		<b>12,875,009</b>	<b>12,381,058</b>	<b>1,870,488</b>	
<b>Total equity and liabilities</b>		<b>41,988,245</b>	<b>40,437,369</b>	<b>4,413,248</b>	

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

The financial statements on pages 10 to 59 were authorised for issue by the board on 28 February 2018 and were signed on its behalf by:



Peter Borg  
Director



Karen Bugeja  
Director

## Income statements

	Notes	Year ended 31 October			
		Group		Company	
		2017 €	2016 €	2017 €	2016 €
<b>Revenue</b>	22	<b>19,919,699</b>	20,621,717	-	-
Cost of sales	23	<b>(13,060,166)</b>	(13,920,335)	-	-
<b>Gross profit</b>		<b>6,859,533</b>	6,701,382	-	-
Administrative expenses	23	<b>(2,737,496)</b>	(2,460,313)	<b>(6,095)</b>	(875)
Selling expenses	23	<b>(4,318,448)</b>	(3,668,307)	-	-
Other operating expenses	23	<b>(6,672)</b>	(40,870)	-	-
<b>Operating result</b>		<b>(203,083)</b>	531,892	<b>(6,095)</b>	(875)
<i>Operating result before non-recurring items</i>		<b>393,692</b>	531,892	<b>(6,095)</b>	(875)
<i>Non-recurrent item: write-off of trade receivable (included within administrative expenses)</i>	23	<b>(596,775)</b>	-	-	-
<i>Operating result after non-recurring items</i>		<b>(203,083)</b>	531,892	<b>(6,095)</b>	(875)
Investment and other related income	26	<b>32,121</b>	45,917	<b>200</b>	156,060
Finance income	27	<b>51,672</b>	51,781	-	-
Finance costs	28	<b>(258,863)</b>	(280,946)	<b>(55)</b>	-
<b>(Loss)/profit before tax</b>		<b>(378,153)</b>	348,644	<b>(5,950)</b>	155,185
Tax income/(expense)	29	<b>1,490,337</b>	(46,591)	-	-
<b>Profit/(loss) for the year</b>		<b>1,112,184</b>	302,053	<b>(5,950)</b>	155,185

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

## Statements of comprehensive income

	Notes	Year ended 31 October			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
<b>Profit/(loss) for the year</b>		<b>1,112,184</b>	302,053	<b>(5,950)</b>	155,185
<b>Other comprehensive income</b>					
<i>Items that will not be reclassified to profit or loss</i>					
Revaluation surplus on land and buildings	16	-	5,136,714	-	-
Deferred income taxes on revaluation surplus arising during the year	19	-	(506,018)	-	-
Other movements	21	<b>7,653</b>	-	-	-
<i>Items that may be subsequently reclassified to profit or loss</i>					
Available-for-sale financial assets: (Losses)/gains from changes in fair value	16	<b>(12,460)</b>	14,903	-	-
Currency translation differences		<b>(50,452)</b>	(240,385)	-	-
<b>Total comprehensive income for the year</b>		<b>1,056,925</b>	4,707,267	<b>(5,950)</b>	155,185

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

## Statements of changes in equity

### Group

	Notes	Attributable to owners of the parent				Total €
		Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	
Balance at 1 November 2015		46,587	2,231,166	506,652	21,175,471	23,959,876
<b>Comprehensive income</b>						
Profit for the year		-	-	-	302,053	302,053
<b>Other comprehensive income:</b>						
Revaluation surplus on land and buildings arising during the year, net of deferred tax	16	-	4,630,696	-	-	4,630,696
Gain from changes in fair value of available-for-sale financial assets	16	-	14,903	-	-	14,903
Currency translation differences		-	-	-	(240,385)	(240,385)
<b>Total comprehensive income</b>		-	4,645,599	-	61,668	4,707,267
<b>Transactions with owners</b>						
Dividends for 2016	30	-	-	-	(610,832)	(610,832)
<b>Balance at 31 October 2016</b>		<b>46,587</b>	<b>6,876,765</b>	<b>506,652</b>	<b>20,626,307</b>	<b>28,056,311</b>

**Statements of changes in equity** - continued

**Group**

	Notes	Attributable to owners of the parent				Total €
		Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	
Balance at 1 November 2016		46,587	6,876,765	506,652	20,626,307	28,056,311
<b>Comprehensive income</b>						
Profit for the year		-	-	-	1,112,184	1,112,184
<b>Other comprehensive income:</b>						
Loss from changes in fair value of available-for-sale financial assets	16	-	(12,460)	-	-	(12,460)
Currency translation differences		-	-	-	(50,452)	(50,452)
Other movements	19	-	7,653	-	-	7,653
<b>Total comprehensive income</b>		-	<b>(4,807)</b>	-	<b>1,061,732</b>	<b>1,056,925</b>
<b>Balance at 31 October 2017</b>		<b>46,587</b>	<b>6,871,958</b>	<b>506,652</b>	<b>21,688,039</b>	<b>29,113,236</b>

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

**Statements of changes in equity** - continued

**Company**

	Note	Share capital €	Revaluation reserve €	Other reserves €	Retained earnings €	Total €
Balance at 1 November 2015		46,587	-	-	887	47,474
<b>Comprehensive income</b>						
Profit for the year		-	-	-	155,185	155,185
<b>Transactions with owners</b>						
Dividends for 2016		-	-	-	(156,060)	(156,060)
Balance at 31 October 2016		46,587	-	-	12	46,599
<b>Comprehensive income</b>						
Loss for the year		-	-	-	(5,950)	(5,950)
<b>Transactions with owners</b>						
Reserves recognised upon mergers	18	-	7,246	58,234	2,436,631	2,502,111
<b>Balance at 31 October 2017</b>		<b>46,587</b>	<b>7,246</b>	<b>58,234</b>	<b>2,430,693</b>	<b>2,542,760</b>

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

## Statements of cash flows

	Notes	Year ended 31 October			
		Group		Company	
		2017	2016	2017	2016
		€	€	€	€
<b>Cash flows from operating activities</b>					
Cash generated from operations	34	<b>1,464,753</b>	2,005,309	<b>3,425</b>	7,347
Investment income	28	<b>32,121</b>	45,917	-	156,060
Finance income	29	<b>51,672</b>	51,781	-	-
Finance expense	30	<b>(258,863)</b>	(280,946)	-	-
Tax paid	31	<b>(43,325)</b>	78,554	<b>(8,079)</b>	(8,079)
Tax refund	31	<b>500,000</b>	-	-	-
Net cash generated from/(used in) operating activities		<b>1,746,358</b>	1,900,615	<b>(4,654)</b>	155,328
<b>Cash flows from investing activities</b>					
Purchase of property, plant and equipment	4	<b>(2,013,622)</b>	(2,268,976)	-	-
Proceeds from disposal of property, plant and equipment		-	66,112	-	-
Proceeds from disposal of investment property		-	1,162,199	-	-
Acquisition of associate	8	-	(559)	-	-
Advances to related parties	10	<b>(1,010)</b>	-	-	-
Proceeds from disposal of investment in joint venture	7	-	14,644	-	-
Loans granted to associate	10	-	(172,200)	-	-
Term placements	13	<b>(57)</b>	(91)	-	-
Net cash used in investing activities		<b>(2,014,689)</b>	(1,198,871)	-	-
<b>Cash flows from financing activities</b>					
Proceeds from bank borrowings		<b>899,999</b>	1,624,434	-	-
Repayments of bank borrowings		<b>(208,959)</b>	(712,901)	-	-
Repayments of loans from shareholders		<b>(23,544)</b>	(73,274)	-	-
Dividends paid		-	(610,832)	-	(156,060)
Net cash generated from/(used in) financing activities		<b>667,496</b>	227,427	-	(156,060)
<b>Net movement in cash and cash equivalents</b>		<b>399,165</b>	929,171	<b>(4,654)</b>	(732)
<b>Cash and cash equivalents assumed upon mergers</b>	17	-	-	<b>7,060</b>	-
<b>Cash and cash equivalents at beginning of year</b>	14	<b>(4,023,722)</b>	(4,854,184)	<b>4,139</b>	4,871
<b>Effects of currency translation on cash and cash equivalents</b>		<b>130,699</b>	(98,709)	-	-
<b>Cash and cash equivalents at end of year</b>	14	<b>(3,493,858)</b>	(4,023,722)	<b>6,545</b>	4,139

The notes on pages 18 to 59 are an integral part of these consolidated financial statements.

## Notes to the financial statements

### 1. Summary of significant accounting policies

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

#### 1.1 Basis of preparation

The consolidated financial statements include the financial statements of Bortex Group Holdings Company Limited and its subsidiaries. These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU and the requirements of the Maltese Companies Act (Cap 386). They have been prepared under the historical cost convention, as modified by the fair valuation of the land and buildings category of property, plant and equipment and available-for-sale investments and equity accounting of the investment in joint venture.

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

As at 31 October 2017, the company's current liabilities exceeded its current assets by €1,070,835. In this respect, subsidiaries and related parties have undertaken not to request repayment of amounts due to them until alternative financing is available. Furthermore, the company's shareholders have undertaken to provide the necessary finance and guarantees to enable the company to meet any obligations in full

#### *Standards, interpretations and amendments to published standards effective in current year*

During the current financial year, the Group adopted new standards, amendments and interpretations to existing standards that are mandatory for the Group's accounting period beginning on 1 November 2016. The adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in substantial changes to the company's accounting policies, impacting the company's financial performance and position.

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

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements, that are mandatory for the Group's accounting periods beginning after 1 November 2016. The Group has not early adopted these revisions to the requirements of IFRSs as adopted by the EU and the Group's directors are of the opinion that, with the exception of the below pronouncements, there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

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

## 1. Summary of significant accounting policies - continued

### 1.1 Basis of preparation - continued

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

Under IFRS 16, 'Leases', a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. IFRS 16 requires lessees to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; an optional exemption is available for certain short-term leases and leases of low-value assets. The standard is effective for annual periods beginning on or after 1 January 2019 and earlier application is permitted, subject to endorsement by the EU, and subject to the Group also adopting IFRS 15. The Group is assessing the impact of IFRS 16.

### 1.2 Consolidation

#### (a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date.

**1. Summary of significant accounting policies - continued**

**1.2 Consolidation - continued**

(a) Subsidiaries - continued

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

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies. In the company's separate financial statements, investments in subsidiaries are accounted for by the cost method of accounting. Provisions are recorded where, in the opinion of the directors, there is a long-term impairment in value. Where there has been a permanent diminution in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of Group undertakings are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the income statement.

A listing of the Group's subsidiary undertakings is set out in Note 6.

(b) Joint arrangements

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

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

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

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

A listing of the Group's joint ventures is show in Notes 7.

**1. Summary of significant accounting policies - continued**

**1.2 Consolidation – continued**

(c) Associates

Associates are all entities over which the group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. In the consolidated financial statements, investments in associates are accounted for using the equity method of accounting and are initially recognised at cost. The group's investment in associates includes goodwill identified on acquisition, net of any accumulated impairment losses.

The group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

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

In the company's separate financial statements, investments in associates are accounted for by the cost method of accounting i.e. at cost less impairment. Provisions are recorded where, in the opinion of the directors, there is an impairment in value. Where there has been an impairment in the value of an investment, it is recognised as an expense in the period in which the diminution is identified. The results of associates are reflected in the company's separate financial statements only to the extent of dividends receivable. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to profit or loss.

**1.3 Foreign currency translation**

(a) Functional and presentation currency

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

(b) Transactions and balances

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

**1. Summary of significant accounting policies - continued**

**1.3 Foreign currency translation - continued**

(c) Group companies

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

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

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

**1.4 Property, plant and equipment**

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

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

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

**1. Summary of significant accounting policies - continued**

**1.4 Property, plant and equipment - continued**

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

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

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

		%
Buildings	1	- 16 $\frac{2}{3}$
Plant and equipment	7	- 33 $\frac{1}{3}$
Furniture, fixtures, fittings and soft furnishings	7	- 25
Motor vehicles	13	- 20

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

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

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

**1.5 Investment property**

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

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

**1. Summary of significant accounting policies - continued**

**1.5 Investment property - continued**

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

Land is not depreciated as it is deemed to have an indefinite life. The capitalised costs of buildings is amortised using the straight-line method over a maximum of 50 years, in accordance with their useful lives. Useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Gains and losses on disposals are determined by comparing the proceeds with carrying amount and are recognised in profit or loss.

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

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

**1.6 Financial assets**

**1.6.1 Classification**

The Group classifies its financial assets (other than investments in joint ventures and associates, and shares in subsidiary undertakings only in the company's case) in the following categories: at fair value through profit or loss, loans and receivables and available for sale. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

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

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

(b) Loans and receivables

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

**1. Summary of significant accounting policies - continued**

**1.6 Financial assets – continued**

**1.6.1 Classification - continued**

(c) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. Investments intended to be held for an indefinite period of time, which may be sold in response to needs for liquidity or changes in interest rates, exchange rates or equity prices are classified as available-for-sale assets. They are included in non-current assets unless the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

**1.6.2 Recognition and measurement**

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

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

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

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

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

**1.6.3 Offsetting financial instruments**

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

**1. Summary of significant accounting policies - continued**

**1.6 Financial assets - continued**

**1.6.4 Impairment of financial assets**

(a) Assets carried at amortised cost

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

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

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

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

(b) Assets classified as available for sale

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

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

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

**1. Summary of significant accounting policies - continued**

**1.7 Loans and advances**

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

All loans and advances are recognised when cash is advanced to the borrowers. Loans and advances 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 group assesses at the end of each reporting period whether there is objective evidence that loans and advances are impaired.

**1.8 Inventories**

(a) Goods held in relation to hotel operations and for resale

Inventories are stated at the lower of cost and net realisable value. The cost of inventories is determined by the weighted average cost method. The cost of inventories comprises the invoiced value of goods and, in general, includes transport and handling costs. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

(b) Property held for developments and resale

When the main object of a property project is development for resale purposes, the asset is classified in the financial statements as inventories. Property is also classified as inventory, where there is a change in use of investment property evidenced by the commencement of development with a view to sale. Such property would be reclassified at the deemed cost, which is the fair value at the date of reclassification. Development property is carried at the lower of cost and net realisable value. Cost comprises the purchase cost of acquiring the land together with other costs incurred during its subsequent development including costs incurred on demolition, site clearance, excavation, construction and other related activities. Net realisable value is the estimated selling price in the ordinary course of business, less the costs of completion and selling expenses. On disposal of a revalued asset, amounts in the revaluation reserve relating to that asset are transferred to retained earnings.

**1.9 Trade receivables**

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reGroup, and default or delinquency in payments are considered indicators that the receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. 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 to profit or loss.

**1. Summary of significant accounting policies - continued**

**1.10 Cash and cash equivalents**

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

**1.11 Share capital**

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

**1.12 Trade payables**

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

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

**1.13 Financial liabilities**

The group recognises a financial liability in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The group'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 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 group 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.

**1.14 Borrowings**

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

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

**1.15 Borrowing costs**

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

**1.16 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. Summary of significant accounting policies - continued**

**1.17 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 in full, 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 substantially 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.

The principal temporary differences arise from the fair valuation of land and buildings category of property, plant and equipment and investment property, depreciation on property, plant and equipment and provisions for impairment of trade and other receivables. Deferred tax on the fair valuation of property, plant and equipment is charged or credited directly to the revaluation reserve. Deferred tax on the difference between the actual depreciation on the asset and the equivalent depreciation based on the historical cost of the asset is realised through profit or loss.

Deferred tax assets are recognised 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.

**1.18 Retirement benefit costs**

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

**1.19 Government grants**

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

**1.20 Revenue recognition**

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

**1. Summary of significant accounting policies - continued**

**1.20 Revenue recognition - continued**

(a) Sales of goods

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

(b) Sales of services

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

(c) Interest income

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

(d) Dividend income

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

(e) Sales of property

Sales of property are recognised when the significant risks and rewards of ownership of the property being sold are effectively transferred to the buyer. This is generally considered to occur at the later of the contract of sale and the date when all obligations relating to the property are completed such that possession of the property can be transferred in the manner stipulated by the contract of sale. Amounts received in respect of sales that have not yet been recognised in the

(f) Other operating income

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

**1.21 Leases**

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

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

**1.22 Dividend distribution**

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

## 2. Financial risk management

### 2.1 Financial risk factors

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

#### (a) Market risk

##### *(i) Foreign exchange risk*

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities which are denominated in a currency that is not the respective entity's functional currency. A portion of the group's sales, purchases and subcontracted labour from a subsidiary are denominated primarily in Tunisian Dinar, Great British Pound, US dollar and Swedish Krona, accordingly the group is exposed to foreign exchange risk arising from such sales and purchases. A subsidiary domiciled overseas has a functional currency which is different from the euro and is subject to currency risk in respect of intra-group balances denominated in euro amounting to €525,044 (2016: €620,426). The exposures from these instruments and the resultant exchange differences recognised in profit or loss are not deemed material in the context of the group's figures.

The group's main risk exposure reflecting the carrying amount of payables denominated in foreign currencies at the end of the reporting period were not significant.

Balances denominated in foreign currencies are settled within very short periods in accordance with the negotiated credit terms. Also, foreign exchange risk attributable to future transactions is not deemed to be material since the respective undertakings manage the related risk by reflecting, as far as is practicable, the impact of exchange rate movements registered with respect to purchases in the respective sales prices by entering into forward contracts in certain instances as outlined previously.

The group's revenues, purchases and other expenditure, financial assets and liabilities, including financing, are mainly denominated in euro, except as outlined above. Management does not consider foreign exchange risk attributable to recognised liabilities arising from purchase transactions denominated in foreign currencies to be significant. 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.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (a) Market risk - continued

##### *(ii) Price risk*

The Group is exposed to equity securities price risk in view of investments held by the group which have been classified in the statement of financial position as available-for-sale. The group is not exposed to commodity price risk. To manage its price risk arising from investments in equity securities, the group diversifies its portfolio in terms of listing status and business sectors of investees. A significant portion of the group's investments are quoted on the Malta Stock Exchange and are accordingly incorporated in the MSE equity index. The impact of a reasonable possible shift in the MSE equity index on the group's available-for-sale revaluation reserve is not deemed significant in the context of the group's figures reported in the statement of financial position. The analysis is based on the assumption that the equity index had increased/decreased by 5% at the end of the reporting period, with all other variables held constant, and that all the equity instruments listed on the Malta Stock Exchange moved accordingly to the historical correlation with the index.

##### *(iii) Cash flow and fair value interest rate risk*

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

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

#### (b) Credit risk

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

**2. Financial risk management** - continued

**2.1 Financial risk factors** - continued

(b) Credit risk - continued

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	<b>€</b>	€	<b>€</b>	€
Loans and advances (Note 10)	<b>2,146,749</b>	2,145,739	-	-
Trade and other receivables (Note 12)	<b>5,103,831</b>	4,831,452	<b>788,493</b>	76,031
Term deposits (Note 13)	<b>7,727</b>	7,670	-	-
Cash and cash equivalents (Note 14)	<b>1,269,046</b>	898,458	<b>6,545</b>	4,139
	<b>8,527,353</b>	7,883,319	<b>795,038</b>	80,170

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

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

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

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

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

As at 31 October 2017, trade receivables of €31,472 (2016: €31,472) were impaired and the amount of the provisions in this respect are equivalent to the amounts disclosed. The individually impaired receivables mainly relate to customers which are in unexpectedly difficult economic situations. The Group does not hold any collateral as security in respect of the impaired assets.

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

**2. Financial risk management - continued**

**2.1 Financial risk factors - continued**

(b) Credit risk - continued

As at 31 October 2017 trade receivables of €245,977 (2016: €561,501) were past due but not impaired. These mainly relate to a number of independent customers for whom there is no recent history of default. Whilst a limited number of customers account for a certain percentage of the Group's past due debts, management has not identified any major concerns with respect to concentration of credit risk as outlined above. Categorisation of receivables as past due is determined by the Group on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. The ageing analysis of these trade receivables is such that these amounts have been past due mainly for more than three months but for less than one year.

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

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 20) and trade and other payables (Note 21). Prudent liquidity risk management includes maintaining sufficient cash and committed credit lines to ensure the availability of an adequate amount of funding to meet the Group's obligations. Balances due within twelve months equal their carrying balances, as the impact of discounting is not significant.

	<b>Less than 1 year €</b>	<b>Between 1 and 2 years €</b>	<b>Between 2 and 5 years €</b>	<b>Over 5 years €</b>	<b>Total €</b>
<b>At 31 October 2017</b>					
Bank borrowings	6,164,023	285,309	1,425,601	689,491	8,564,424
Borrowings from related parties	-	254,618	-	-	254,618
Trade and other payables	2,898,593	-	-	-	2,898,593
	<b>9,062,616</b>	<b>539,927</b>	<b>1,425,601</b>	<b>689,491</b>	<b>11,717,635</b>
<b>At 31 October 2016</b>					
Bank borrowings	5,261,571	339,391	1,243,273	1,320,645	8,164,880
Borrowings from related parties	-	278,162	-	-	278,162
Trade and other payables	3,375,156	-	-	-	3,375,156
	<b>8,636,727</b>	<b>617,553</b>	<b>1,243,273</b>	<b>1,320,645</b>	<b>11,818,198</b>

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year.

## 2. Financial risk management - continued

### 2.1 Financial risk factors - continued

#### (c) Liquidity risk - continued

The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other related party financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

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

### 2.2 Capital risk management

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

The Group also monitors the level of capital on the basis of the ratio of aggregated net debt to total capital. Net debt is calculated as total borrowings (as shown in the respective consolidated statement of financial position) less cash and cash equivalents. Total capital is calculated as equity, as shown in the respective consolidated statement of financial position, plus net debt. The aggregated figures in respect of the Group's equity and borrowings are reflected below:

	2016 €	2015 €
Total borrowings	<b>8,559,646</b>	7,801,426
Less: cash and cash equivalents	<b>(1,519,046)</b>	(898,458)
Net debt	<b>7,040,600</b>	6,902,968
Total equity	<b>29,113,236</b>	28,056,311
Total capital	<b>36,153,836</b>	34,959,279
Net debt/total capital	<b>19%</b>	20%

The Group manages the relationship between equity injections and borrowings, being the constituent elements of capital as reflected above, with a view to managing the cost of capital. The level of capital of the Group, as reflected in the consolidated statement of financial position, is maintained by reference to its respective financial obligations and commitments arising from operational requirements. In view of the nature of the group's activities and the extent of borrowings or debt, the capital level at the end of the reporting period determined by reference to the consolidated financial statements is deemed adequate by the directors. The company's equity as disclosed in the stand-alone financial statements is attributable to corporate expenditure incurred to support the overall operations of the Group and accordingly the stand-alone figures do not reflect the group's capital management policy.

## 2. Financial risk management - continued

### 2.3 Fair value estimation

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

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

The following table presents the Group's financial assets that are measured at fair value at 31 October 2017 and 2016:

	<b>Level 1</b>	
	<b>2017</b>	<b>2016</b>
	€	€
<b>Assets</b>		
Available-for-sale financial assets (Note 9)	<b>245,799</b>	258,259

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

As 31 October 2017 and 2016 the carrying amounts of cash at bank, receivables, payables, accrued expenses and short-term borrowings reflected in the financial statements are reasonable estimates of fair value in view of the nature of these instruments or the relatively short period of time between the origination of the instruments and their expected realisation.

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

## 3. Critical accounting estimates and judgments

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

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

**3. Critical accounting estimates and judgments - continued**

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

**4. Property, plant and equipment**

**Group**

	<b>Land and buildings €</b>	<b>Plant and equipment €</b>	<b>Furniture, fixtures, fittings and soft furnishings €</b>	<b>Motor vehicles €</b>	<b>Advance payments €</b>	<b>Total €</b>
<b>At 31 October 2015</b>						
Cost or valuation	8,384,450	5,671,801	5,631,486	332,016	-	20,019,753
Accumulated depreciation	(923,322)	(4,233,293)	(3,743,804)	(241,715)	-	(9,142,134)
<b>Net book amount</b>	<b>7,461,128</b>	<b>1,438,508</b>	<b>1,887,682</b>	<b>90,301</b>	<b>-</b>	<b>10,877,619</b>
<b>Year ended 31 October 2016</b>						
Opening net book amount	7,461,128	1,438,508	1,887,682	90,301	-	10,877,619
Exchange differences	(3,801)	(93,628)	(42,806)	(1,441)	-	(141,676)
Additions	1,262,808	350,684	641,558	13,926	-	2,268,976
Disposals	-	-	(100,726)	(12,823)	-	(113,549)
Reclassification to inventories	(1,396,675)	-	-	-	-	(1,396,675)
Revaluation surplus	5,136,714	-	-	-	-	5,136,714
Depreciation charge	(132,837)	(255,252)	(321,813)	(20,664)	-	(730,566)
Depreciation on disposal	-	-	17,560	12,823	-	30,383
<b>Closing net book amount</b>	<b>12,327,337</b>	<b>1,440,312</b>	<b>2,081,455</b>	<b>82,122</b>	<b>-</b>	<b>15,931,226</b>
<b>At 31 October 2016</b>						
Cost or valuation	12,747,873	5,928,857	6,129,512	331,678	-	25,137,920
Accumulated depreciation	(420,536)	(4,488,545)	(4,048,057)	(249,556)	-	(9,206,694)
<b>Net book amount</b>	<b>12,327,337</b>	<b>1,440,312</b>	<b>2,081,455</b>	<b>82,122</b>	<b>-</b>	<b>15,931,226</b>
<b>Year ended 31 October 2017</b>						
Opening net book amount	12,327,337	1,440,312	2,081,455	82,122	-	15,931,226
Exchange differences	(4,556)	(124,507)	(50,732)	(1,356)	-	(181,151)
Additions	98,252	31,958	851,387	25,907	1,006,118	2,013,622
Depreciation charge	(132,228)	(234,680)	(394,019)	(24,735)	-	(785,662)
<b>Closing net book amount</b>	<b>12,288,805</b>	<b>1,113,083</b>	<b>2,488,091</b>	<b>81,938</b>	<b>1,006,118</b>	<b>16,978,035</b>
<b>At 31 October 2017</b>						
Cost or valuation	12,841,569	5,836,308	6,930,167	356,229	1,006,118	26,970,391
Accumulated depreciation	(552,764)	(4,723,225)	(4,442,076)	(274,291)	-	(9,992,356)
<b>Net book amount</b>	<b>12,288,805</b>	<b>1,113,083</b>	<b>2,488,091</b>	<b>81,938</b>	<b>1,006,118</b>	<b>16,978,035</b>

#### 4. Property, plant and equipment - continued

##### *Fair valuation of property*

The principal element of the group's land and buildings, within property, plant and equipment, comprising the hotel was revalued on 31 October 2016 by an independent professionally qualified valuer. The book value of this property was adjusted to the revaluation and the resultant surplus, net of applicable deferred income taxes, was credited to the revaluation reserve in shareholders' equity (Note 16).

The valuation was made on the basis of open market value taking cognisance of the specific location of the property, the size of the site together with its development potential, the availability of similar properties in the area, and whenever possible, having regard to recent market transactions for similar properties in the same location.

The group is required to analyse non-financial assets carried at fair value by level of the fair value hierarchy within which the recurring fair value measurements are categorised in their entirety (Level 1, 2 or 3). The different levels of the fair value hierarchy have been defined as fair value measurements using:

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

The group's land and buildings, within property, plant and equipment, consists of the hotel (which was revalued) and other operational premises that are owned and managed by group undertakings. All the recurring property fair value measurements at the end of each financial period presented use significant unobservable inputs and are accordingly categorised within Level 3 of the fair valuation hierarchy.

The group's policy is to recognise transfers into and out of fair value hierarchy levels as of the beginning of the reporting period. There were no transfers between different levels of the fair value hierarchy during the current and preceding financial years.

A reconciliation from the opening balance to the closing balance of property for recurring fair value measurements categorised within Level 3 of the fair value hierarchy, for the current and preceding financial years, is reflected in the table above.

Newly acquired property during the prior year amounting to €1,263,000 and other property acquired during recent years with a carrying amount of €1,065,000 have not been revalued since acquisition or initial recognition. The directors have assessed the fair values of the respective properties at 31 October 2017, which fair values were deemed to fairly approximate the carrying amounts.

**4. Property, plant and equipment - continued**

*Valuation processes*

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

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

The information provided to the valuers, together with the assumptions and the valuation models used by the valuers, are reviewed by designated officers within the group. This includes a review of fair value movements over the period. When the designated officers consider that the valuation report is appropriate, the valuation report is recommended to the respective company's Board of directors. The Board then considers the valuation report as part of its overall responsibilities.

At the end of every reporting period, the designated officers assess whether any significant changes or developments have been experienced since the last external valuation. This analysis is usually supported by an assessment performed by the third party property valuers. The officers report to the Board on the outcome of this assessment.

*Valuation techniques*

At 31 October 2016, the valuation assessment was performed using a discounted cash flow approach. Throughout this process, the highest and best use of the property has been revised taking cognisance of the outcome of the valuation method applied.

In view of a limited number of similar or comparable properties and property transactions, comprising sales or rentals, in the local market, the valuations have been performed using unobservable inputs. The significant inputs to the approaches used are generally those described below:

**4. Property, plant and equipment - continued**

- Discounted cash flow (“DCF”) approach: considers the free cash flows arising from the projected income streams expected to be derived from the operation of the property, discounted to present value using an estimate of the weighted average cost of capital that would be available to finance such an operation. The significant unobservable inputs utilised with this technique include:

Earnings before interest, tax, depreciation and amortisation (EBITDA)	based on projected income streams less operating expenditure necessary to operate the hotel, but prior to depreciation and financing charges;
Growth rate	based on management’s estimated average growth of the company’s EBITDA levels, mainly determined by projected growth in income streams;
Discount rate	reflecting the current market assessment of the uncertainty in the amount and timing of projected cash flows. The discount rate reflects the estimated weighted average cost of capital that would be available for financing such an operation. The discount rate is based on an assumed debt to equity ratio; estimation of cost of equity is based on risk free interest rates adjusted for country risk and equity risk premium adjusted for entity-specific risk factor; estimation of cost of debt is based on risk free interest rates adjusted for country risk and assumed credit spread.

*Information about fair value measurements using significant unobservable inputs (Level 3), as at 31 October 2016*

Description by class based on highest and best use	Valuation technique	Evolution of EBITDA over Initial five years FY17-FY21	Estimated capital expenditure FY17-FY21	Post-tax discount rate %	Stabilised growth rate %	Perpetuity yield %
		€'000	€'000			
Current use as commercial premises (hotel operations) with carrying amount of €10m	DCF approach	323 – 1,582	5,281	8.25	2%	6.25

An increase in the projected levels of EBITDA and growth rate would result in an increased fair value of the property, whereas a higher discount rate would give rise to a lower fair value.

If the land and buildings were stated on the historical cost basis, the amounts would be as follows:

	2017 €	2016 €
Cost	6,048,883	5,955,187
Accumulated depreciation	<b>(1,564,178)</b>	(1,431,950)
Net book amount	<b>4,484,705</b>	4,523,237

Bank borrowings in the name of undertakings forming part of the Group are secured on the major assets constituting the Group's land and buildings category.

**5. Investment property**

<b>Group</b>	<b>Property €</b>	<b>Furniture €</b>	<b>Total €</b>
<b>At 31 October 2015</b>			
Cost	1,704,629	278,897	1,983,526
Accumulated depreciation	(68,166)	(90,346)	(158,512)
Net book amount	1,636,463	188,551	1,825,014
<b>Year ended 31 October 2016</b>			
Opening net book amount	1,636,463	188,551	1,825,014
Disposals	(1,053,120)	(140,013)	(1,193,133)
Depreciation charge	(7,368)	(7,985)	(15,353)
Depreciation released on disposal	52,714	31,385	84,099
Closing net book amount	<b>628,689</b>	<b>71,938</b>	<b>700,627</b>
<b>At 31 October 2016</b>			
Cost	651,509	138,884	790,393
Accumulated depreciation	(22,820)	(66,946)	(89,766)
Net book amount	<b>628,689</b>	<b>71,938</b>	<b>700,627</b>
<b>Year ended 31 October 2017</b>			
Opening net book amount	628,689	71,938	700,627
Depreciation charge	(7,368)	(7,985)	(15,353)
Closing net book amount	<b>621,321</b>	<b>63,953</b>	<b>685,274</b>
<b>At 31 October 2017</b>			
Cost	651,509	138,884	790,393
Accumulated depreciation	(30,188)	(74,931)	(105,119)
Net book amount	<b>621,321</b>	<b>63,953</b>	<b>685,274</b>

The fair value of the investment property as at 31 October 2017 is estimated by the directors to approximate the property's carrying amount reflecting the actual market state, conditions and circumstances as at the reporting date.

**6. Investments in subsidiaries**

**Group**

*Investments in subsidiaries excluded from consolidation*

	2017 €	2016 €
<b>Years ended 31 October</b>		
At beginning and end of year	-	-
<b>At 31 October</b>		
Cost	<b>14,128</b>	14,128
Provisions for impairment	<b>(14,128)</b>	(14,128)
Net book amount	-	-

Favell Enterprises Limited, a subsidiary undertaking, has been excluded from the consolidation in terms of section 170(3) of the Companies Act, 1995 since its inclusion is not material for the purpose of giving a true and fair view.

**Company**

	2017 €	2016 €
<b>Years ended 31 October</b>		
At beginning of year	<b>26,136</b>	26,136
Additions	<b>250,000</b>	
Investments acquired through merger	<b>3,326,345</b>	-
At end of year	<b>3,602,481</b>	26,136
<b>At 31 October</b>		
Cost	<b>3,602,481</b>	26,136

The subsidiaries at 31 October 2017, whose results and financial position affected the figures of the group, are shown below. Apart from mergers as described in Note 18 there were mergers at a subsidiary level whereby Sandpiper Limited and Germal Company Limited merged into Bortex Clothing Limited and Roosentours Limited merged into Roosendaal Hotels Limited. The percentages presented below reflect the shares held in both years post merger:

*(a) Held directly by Bortex Group Holdings Company Limited*

	Registered office	Class of shares held	Percentage of shares held	
			2017 %	2016 %
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary "A" shares Ordinary "B" shares	100	100
			100	100

**6. Investments in subsidiaries - continued**

	Registered office	Class of shares held	Percentage of shares held	
			2017 %	2016 %
Bortex Group Finance P.L.C.	32, Hughes Hallet Street Sliema Malta	Ordinary shares	100	-
Roosendaal Hotels Limited	“St. Therese” Hughes Hallet Street Sliema Malta	Ordinary shares	100	100
Roosendaal Trading Limited	A12 Industrial Estate Marsa Malta	Ordinary shares	100	100
Shanal Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	100	100

*(d) Held through Bortex Clothing Company Limited*

	Registered office	Class of shares held	Percentage of shares held	
			2017 %	2016 %
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	<b>100</b>	100
Bortex Tunisia S.A.R.L	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	<b>100</b>	100
Chansel Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	<b>100</b>	100
Favell Enterprises Limited (In dissolution)	KW 28B Corradino Industrial Estate Paola Malta	Ordinary shares	<b>60</b>	60

**7. Investment in joint venture**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Year ended 31 October</b>		
At beginning of year	-	19,370
Derecognition of carrying amount upon dissolution	-	(19,370)
	<hr/>	<hr/>
At end of year	-	-
	<hr/>	<hr/>
<b>At 31 October</b>		
Cost	-	-
Share of undertaking's profits and reserves	-	-
	<hr/>	<hr/>
Net carrying amount	-	-
	<hr/>	<hr/>

During the previous financial year, the carrying amount of the investment in Simon Borg Tailoring Ltd. has been derecognised from the financial statements upon liquidation of the company. The resultant loss of €4,726 taking into account proceeds upon liquidation of €14,644 has been recognised in profit or loss of the Group.

The associate at 31 October 2017 and 2016 is shown below:

	<b>Registered office</b>	<b>Class of shares held</b>	<b>Percentage of shares held</b>	
			<b>2017</b>	<b>2016</b>
Simon Borg Tailoring Ltd (dissolved during prior year)	415 Linen Hall 162-168 Regent Street London W1B 5TE United Kingdom	Ordinary shares	-	-

**8. Investment in associate**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Years ended 31 October</b>		
At beginning of year	559	-
Additions	-	559
	<hr/>	<hr/>
At end of year	559	559
	<hr/>	<hr/>
<b>Group and Company</b>		
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>At 31 October</b>		
Cost	12,206	12,206
Provisions for impairment	(11,647)	(11,647)
	<hr/>	<hr/>
Net book amount	559	559
	<hr/>	<hr/>

**8. Investment in associate - continued**

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

During the previous financial year, the Group set-up and incorporated an entity, P.J.P. Company Limited, with the involvement of the two ultimate controlling parties. This company has not started operating during the current year and will develop a property which will operate as a hotel, in the local market once completed.

The associated undertaking at 31 October is shown below:

Associated undertaking	Registered office	Class of shares held	Percentage of shares held	
			2017 %	2016 %
Willows Property Development Company Limited (in dissolution)	“St. Therese” Hughes Hallet Street Sliema Malta	Ordinary shares	50	50
P.J.P. Company Limited	32, Hughes Hallet Street Sliema Malta	Ordinary shares	24	24

The associate of the group is not deemed material, individually and in aggregate, to the group as a reporting entity taking cognisance of the group’s financial position and aggregate assets. Accordingly, the disclosure requirements in respect of this associate emanating from IFRS 12 ‘Disclosure of interests in other entities’, was not deemed necessary for the user’s understanding of the financial results and the financial position of the group.

The group’s share of the results of the other associates and its share of the assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Loss €
<b>2017</b>				
P.J.P. Company Limited	719,829	717,500	-	(100)
<b>2016</b>				
P.J.P. Company Limited	719,829	717,500	-	(100)

The unrecognised share of losses of associates incurred up to 31 October 2017 amounted to €200. The unrecognised share of losses of these associates incurred during the financial year ended 31 December 2017 amounted to €100.

**9. Available-for-sale investments**

	<b>Group</b>		<b>Company</b>	
	2017 €	2016 €	2017	2016
<b>Years ended 31 October</b>				
Opening carrying amount	<b>258,259</b>	243,356	-	-
Additions	-	-	-	-
Assets taken over during merger	-	-	<b>11,109</b>	-
Disposals	-	-	-	-
Fair value gains (Notes 16)	<b>(12,460)</b>	14,903	-	-
Closing carrying amount	<b>245,799</b>	258,259	<b>11,109</b>	-

  

	<b>Group</b>		<b>Company</b>	
	2017 €	2016 €	2017 €	2016 €
<b>At 31 October</b>				
Cost	<b>51,094</b>	51,094	<b>5,187</b>	-
Fair value gains	<b>194,705</b>	207,165	<b>5,922</b>	-
Closing carrying amount	<b>245,799</b>	258,259	<b>11,109</b>	-

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

	<b>Group</b>		<b>Company</b>	
	2017 €	2016 €	2017 €	2016 €
<b>As at 31 October</b>				
Local listed equity securities	<b>245,799</b>	258,240	<b>11,109</b>	-

**10. Loans and advances**

	<b>Group</b>	
	2017 €	2016 €
<b>Non-current</b>		
Loans to related parties	<b>1,974,549</b>	1,973,539
Loan to associate	<b>172,200</b>	172,200
	<b>2,146,749</b>	2,145,739

The Group's loans and advances consist of loans effected to related parties subject to common ultimate shareholding (Note 6), which are secured by properties held by the related parties and have no fixed date of repayment. These assets are not expected to be realised within twelve months from the end of the reporting period. Included in the balance above is an amount of €1,291,000 (2016:€1,291,800) which is subject to a fixed interest rate of 4% per annum. The remaining balance is interest free.

## 11. Inventories

*Property being development with a view to sale*

	<b>2017</b>	<b>Group</b>	<b>2016</b>
	€		€
At 1 November	<b>1,553,110</b>		-
Reclassification from property, plant and equipment (Note 4)	-		1,396,675
Additions resulting from subsequent expenditure	<b>729,313</b>		156,435
At 31 October	<b>2,282,423</b>		1,553,110

*Goods held for resale*

	<b>2017</b>	<b>Group</b>	<b>2016</b>
	€		€
Raw materials and consumables	<b>1,669,135</b>		1,750,344
Work in progress	<b>932,732</b>		1,315,064
Finished goods	<b>181,621</b>		316,916
Spare parts and other stocks	<b>282,456</b>		316,722
Inventories held for resale	<b>9,933,156</b>		10,395,130
	<b>12,999,100</b>		14,094,176
Total inventories	<b>15,281,523</b>		15,647,286

The reclassification from property, plant and equipment to inventories that occurred during the prior financial year relates to transfer of property in view of management's decision to develop this property with a view to sale.

The cost of inventories recognised as expense is appropriately disclosed in Note 23 to the financial statements. During the current financial year, inventory write-downs amounted to €195,685 (2016: €216,696). These amounts have been included in 'Cost of sales' in the income statement.

## 12. Trade and other receivables

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	€	€	€	€
<b>Current</b>				
Trade receivables	<b>2,323,822</b>	2,743,908	-	-
Amounts owed by subsidiaries	-	-	<b>788,493</b>	53,232
Amounts owed by other related parties	<b>636,116</b>	954,626	-	22,799
Amounts due by shareholders	<b>258,577</b>	-	-	-
Other receivables	<b>670,348</b>	74,257	-	-
Indirect taxation	<b>33,932</b>	352,919	-	-
Prepayments and accrued income	<b>254,249</b>	253,623	-	-
	<b>4,177,044</b>	4,379,333	<b>788,493</b>	76,031
<b>Non-current</b>				
Prepaid operating lease rentals	<b>426,787</b>	452,119	-	-
Other receivables	<b>500,000</b>	-	-	-
	<b>926,787</b>	452,119	-	-
<b>Total receivables</b>	<b>5,103,831</b>	4,831,452	<b>788,493</b>	76,031

Trade receivables as at 31 October 2017 are disclosed net of provisions for impairment amounting to €31,472 (2016: €31,472).

**13. Term placements**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Term deposits	<b>7,727</b>	7,670

---

The term deposits as at 31 October mature within 12 months and are subject to interest at 0.75% (2016: 2%).

**14. Cash and cash equivalents**

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Cash at bank and in hand	<b>1,519,046</b>	898,458	<b>6,545</b>	4,139
Bank overdrafts (Note 20)	<b>(5,012,904)</b>	(4,922,180)	-	-
	<b>(3,493,858)</b>	(4,023,722)	<b>6,545</b>	4,139

---

**15. Share capital**

	<b>Group and Company</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Authorised, issued and fully paid</b>		
20,000 Ordinary shares of €2.329373399 each	<b>46,587</b>	46,587

---

**16. Revaluation reserves**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
<b>At 31 October</b>				
Surplus arising on fair valuation of:				
Available-for-sale financial assets	<b>723,302</b>	735,762	7,246	-
Land and buildings	<b>6,148,656</b>	6,141,003	-	-
	<b>6,871,958</b>	6,876,765	7,246	-

---

**16. Revaluation reserves - continued**

The movements are analysed as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
<b>Revaluation reserve on available-for-sale financial assets</b>				
<b>Year ended 31 October</b>				
At beginning of year	735,762	720,859	-	-
Net gains from changes in fair value	(12,460)	14,903	-	-
Reserves taken over during merger	-	-	7,246	-
At end of year	<b>723,302</b>	735,762	7,246	-

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

	Group	
	2017 €	2016 €
<b>Revaluation reserve on land and buildings</b>		
At beginning and end of year	6,141,003	1,510,307
Revaluation surplus on land and buildings	-	5,136,714
Deferred income taxes on revaluation surplus arising during the year	-	(506,018)
Other movements	7,653	-
	<b>6,148,656</b>	6,141,003

The revaluation reserves are non-distributable.

**17. Other reserves**

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

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
Capital reserve	408,142	408,142	58,234	-
Incentives and benefits reserve	95,370	95,370	-	-
Other reserve	3,140	3,140	-	-
	<b>506,652</b>	506,652	<b>58,234</b>	-

**17. Other reserves - continued**

The movements in each category are analysed as follows:

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
<b>(a) Capital reserve</b>				
<b>Year ended 31 October</b>				
At beginning of year	408,142	408,142	-	-
Reserves taken over during merger	-	-	58,234	-
At end of year	408,142	408,142	58,234	-
<b>(b) Incentives and benefits reserve</b>				
<b>Year ended 31 October</b>				
At beginning and end of year	95,370	95,370	-	-

**Incentive and benefits reserve**

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

**18. Mergers into parent company**

As per the draft terms of merger, Consolidated Coborg Company Limited, Combed Holdings Company, P. Borg Company and K. Borg Company Limited merged into Bortex Group Holdings Limited with an effective date of 1 November 2016. All documentation relating to these mergers has been submitted to the Malta Financial Services Authority as at the date of approval of these financial statements but have not all become effective due to legal time frame restrictions as per the Companies Act. Mergers have been accounted for as at 1 November 2016 in these financial statements in view of effective date as per terms of merger. As a result of the mergers referred to above, the non-controlling interest within equity has been eliminated in view of the fact that the ultimate shareholders of the Group now hold all their shareholding directly through Bortex Group Holdings Limited subsequent to the mergers. The ultimate shareholding remained the same compared to the previous year, as the non-controlling interest arose as a result of interests held by the two ultimate shareholders in subsidiaries, directly through entities owned by the shareholders themselves. In view of the nature of this restructuring, comparative financial information has been restated and the non-controlling interest has been eliminated as at 31 October 2016 and 1 November 2015.

The following table summarises the amount of assets acquired and liabilities assumed that were recognised in the company's statement of financial position at the date of the legal merger, together with the amount recognised in the retained earnings:

	<b>2017</b>
	<b>€</b>
Investments in subsidiaries	3,402,375
Available-for-sale investments	11,109
Trade and other receivables	1,041,317
Current tax asset	4,620
Cash and cash equivalents	7,060
Capital reserve	(58,234)
Revaluation reserve	(7,246)
Trade and other payables	(1,745,410)
Total net assets acquired	2,665,591
Cost of investments merged	218,960
Merger reserve recognised within retained earnings	2,436,631

## 19. Deferred taxation

Deferred income taxes are calculated on temporary differences under the liability method and are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled based on tax rates (and tax laws) that have been enacted or substantially enacted by the end of the reporting period. The principal tax rate used is 35% (2016: 35%), with the exception of deferred taxation on the fair valuation of non-depreciable property which is computed on the basis applicable to disposals of immovable property i.e. tax effect of 10% (2016: 10%) of the transfer value.

The movement on the deferred tax account was as follows:

	<b>Group</b>	
	<b>2017</b>	2016
	€	€
<b>Year ended 31 October</b>		
At beginning of year	1,164,711	658,693
Deferred income taxes on revaluation surplus arising during the year	-	506,018
Other movements	<b>(7,653)</b>	-
	<b>1,157,058</b>	1,164,711

The balance at 31 October represents:

	<b>2017</b>	2016
	€	€
Temporary differences arising on fair valuation of property	<b>1,157,058</b>	1,164,711

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

As at 31 October 2017 and 2016, the Group had deferred tax assets which have not been recognised in these financial statements due to the uncertainty of the realisation of the tax benefits. Unabsorbed capital allowances are forfeited upon cessation of the trade. The temporary differences are analysed as follows:

	<b>Group</b>	
	<b>2017</b>	2016
	€	€
Unutilised investment tax credits carried forward	<b>514,498</b>	514,498
Unabsorbed capital allowances	<b>112,701</b>	-
Unutilised tax losses	<b>1,174,209</b>	902,009
Temporary differences on property, plant and equipment	<b>142,057</b>	26,149
Provision for impairment of trade receivables	<b>31,472</b>	31,472
	<b>1,974,937</b>	1,474,128

**20. Borrowings**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
<b>Current</b>		
Bank overdrafts	<b>5,012,904</b>	4,922,180
Bank loan	<b>1,090,965</b>	261,096
	<b>6,103,869</b>	5,183,276
<b>Non-current</b>		
Bank loans	<b>2,201,159</b>	2,339,988
Loans from ultimate shareholders	<b>254,618</b>	278,162
	<b>2,455,777</b>	2,618,150
<b>Total borrowings</b>	<b>8,559,646</b>	7,801,426

The Group's banking facilities are mainly secured by:

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

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Total borrowings:		
At floating rates	<b>8,305,028</b>	7,523,264
Interest free loans	<b>254,618</b>	278,162
	<b>8,559,646</b>	7,801,426

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

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>%</b>	<b>%</b>
Bank overdrafts	<b>3.23</b>	3.20
Bank loans	<b>3.86</b>	3.61
	<b>3.86</b>	3.61

**20. Borrowings - continued**

Maturity of long-term borrowings:

	Group	
	2017 €	2016 €
Between 1 and 2 years	489,013	543,377
Between 2 and 5 years	1,307,710	862,113
Over 5 years	659,054	1,212,660
	<b>2,455,777</b>	<b>2,618,150</b>

**21. Trade and other payables**

	Group		Company	
	2017 €	2016 €	2017 €	2016 €
<b>Current</b>				
Trade payables	1,874,322	1,776,526	-	-
Amounts owed to shareholders	258,112	-	619,165	-
Amounts owed to subsidiary	-	-	1,180,992	30,885
Amounts owed to related parties	136,052	242,442	22,783	-
Other payables	193,756	150,637	-	8,080
Indirect taxation and social security	138,228	431,131	-	-
Preference dividends payable	-	10,832	-	-
Accruals and deferred income	548,123	763,588	39,469	20,744
	<b>3,148,593</b>	<b>3,375,156</b>	<b>1,862,409</b>	<b>59,709</b>

**22. Revenue**

The Group's turnover is analysed as follows:

	Group	
	2017 €	2016 €
<b>By segment</b>		
Apparel	18,397,045	19,055,592
Hotel operations	1,522,654	1,566,125
	<b>19,919,699</b>	<b>20,621,717</b>

The Group has two activities:

- a) which comprises primarily the manufacture and sale of quality menswear and ladies wear first locally and within the European Union; and
- b) the operations of a hotel locally.

These two activities are considered to be one operating segment from a business management perspective, considering the turnover levels and financial results recorded, therefore no segment reporting was deemed necessary.

**23. Expenses by nature**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	€	€	€	€
Cost of goods sold and materials consumed	<b>4,847,900</b>	4,626,273	-	-
Movement in work in progress and subcontracted costs and labour	<b>4,079,051</b>	4,336,022	-	-
Hotel food and beverage costs	<b>161,483</b>	228,667	-	-
Travelling and entertainment	<b>194,381</b>	168,408	-	-
Employee benefit costs (Note 24)	<b>5,189,093</b>	5,876,471	-	-
Depreciation of property, plant and equipment (Note 4)	<b>785,662</b>	730,566	-	-
Depreciation of investment property (Note 5)	<b>15,353</b>	15,353	-	-
Utilities and similar charges	<b>142,157</b>	127,194	-	-
Property operating lease rentals payable	<b>1,044,574</b>	766,308	-	-
Trade receivable written off	<b>596,775</b>	-	-	-
Other expenses	<b>3,066,353</b>	3,214,563	<b>6,095</b>	875
<b>Total cost of sales, administrative and selling and other operating expenses</b>	<b>20,122,782</b>	20,089,825	<b>6,095</b>	875

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2017 and 31 October 2016 relate to the following:

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	2016	<b>2017</b>	2016
	€	€	€	€
Annual statutory audit	<b>22,859</b>	22,859	<b>844</b>	844
Other non-audit services	<b>20,000</b>	-	-	-
Tax compliance and advisory services	<b>78,555</b>	6,755	-	-
	<b>121,414</b>	29,614	<b>844</b>	844

**24. Employee benefit costs**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Wages and salaries	<b>4,958,592</b>	5,628,437
Social security costs	<b>230,501</b>	248,034
	<b>5,189,093</b>	5,876,471

Average number of persons employed during the year:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
<b>By class of business</b>		
Apparel	<b>579</b>	783
Hotel operations	<b>44</b>	43
	<b>623</b>	826

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
<b>By category</b>		
Direct	<b>487</b>	691
Selling and distribution	<b>44</b>	43
Administration	<b>92</b>	92
	<b>623</b>	826

**25. Directors' emoluments**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Salaries and other emoluments	<b>150,751</b>	81,528

**26. Investment and other related income**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Net gains on disposal of available-for-sale financial assets	-	-	-	-
Investment Income	<b>32,121</b>	45,917	<b>200</b>	156,060
	<b>32,121</b>	45,917	<b>200</b>	156,060

**27. Finance income**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	€	€
Interest receivable from related parties	<b>51,672</b>	51,781

**28. Finance costs**

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	€	€	€	€
Bank interest and charges	<b>258,863</b>	280,946	<b>55</b>	-

**29. Tax (income)/expense**

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	€	€
Current tax (income) /expense	<b>(1,490,337)</b>	46,591

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	€	€	€	€
(Loss)/profit before tax	<b>(395,786)</b>	348,644	(5,950)	155,185
Tax on (loss)/profit calculated at the rates applicable to the Group undertakings concerned	<b>(138,525)</b>	122,025	(2,082)	54,314
Tax effect of:				
Income subject to reduced rates of tax	<b>(561)</b>	(165)	-	-
Income subject to final tax	-	-	-	-
Income not subject to tax	-	-	-	(55,189)
Unrecognised deferred tax	<b>160,809</b>	(232,765)	-	-
Conversion of investment tax credits	<b>(1,500,000)</b>	-	-	-
Expenses not deductible for tax purposes	<b>4,275</b>	63,857	2,082	875
Other	<b>(16,335)</b>	93,639	-	-
	<b>(1,490,337)</b>	46,591	-	-

### 30. Dividends

Final dividends paid on ordinary shares:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Gross and net	-	600,000

---

### 31. Cash generated from operations

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

	<b>Group</b>		<b>Company</b>	
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>	<b>€</b>	<b>€</b>
Operating (loss)/profit	<b>(203,083)</b>	531,892	<b>(6,095)</b>	(875)
Adjustments for:				
Depreciation of property, plant and equipment (Note 4)	<b>785,662</b>	730,566	-	-
Depreciation of investment property (Note 5)	<b>15,353</b>	15,353	-	-
Loss on disposal of property, plant and equipment	-	17,054	-	-
Profit on disposal of investment property	-	(53,165)	-	-
Loss on disposal of investment in joint venture	-	4,726	-	-
Amount written off in respect of trade receivable	<b>596,775</b>	-	-	-
Changes in working capital:				
Inventories	<b>365,763</b>	264,274	-	-
Receivables	<b>130,846</b>	78,081	-	-
Payables	<b>(226,563)</b>	416,528	<b>9,520</b>	8,222
Cash generated from operations	<b>1,464,753</b>	2,005,309	<b>3,425</b>	7,347

---

### 32. Commitments

*Operating lease commitments – where a subsidiary undertaking is the lessee*

The future minimum lease payments under non-cancellable property operating leases for retail outlets, with a weighted average residual period of 19 years, expire within a period ranging from 1 to 21 years from the end of the reporting period. The future minimum lease payment obligations under non-cancellable property operating leases are as follows:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Less than one year	<b>961,125</b>	664,128
Between one and five years	<b>716,863</b>	708,408
More than five years	<b>1,752,870</b>	1,820,929
	<b>3,430,858</b>	3,193,465

*Capital commitments*

Commitments for capital expenditure in relation to property development not provided for in these financial statements:

	<b>Group</b>	
	<b>2017</b>	<b>2016</b>
	<b>€</b>	<b>€</b>
Authorised but not contracted for	<b>5,941,000</b>	-
Authorised and contracted for	<b>5,710,000</b>	-
	<b>11,651,000</b>	-

### 33. Contingencies

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

- (a) At 31 October 2017, subsidiaries had contingent liabilities amounting to €118,334 (2016: €98,798) in respect of guarantees issued by banks on behalf of the company in favour of third parties in the ordinary course of business.
- (b) At 31 October 2017, subsidiaries had a contingent liability amounting to €6,988 (2016: €6,988) in respect of the uncalled share capital of an unquoted investment.
- (c) At 31 October 2017, subsidiaries had filed objections with the Commissioner of Inland Revenue relating to years of assessment 1979 to 1988 concerning disputed income tax amounting to €45,278 (2016: €45,278), in respect of which no provision has been made in these accounts.

**34. Related party transactions**

During the year ended 31 October 2017, the Group was ultimately owned Peter Borg and Karen Bugeja. All companies which are ultimately controlled by these individuals but which are not within the Group of companies of which Bortex Group Holdings Company Limited is the parent, are considered by the directors to be related parties.

Year-end balances with related parties are disclosed in Notes 10, 12, 20 and 21 to these financial statements. These amounts are unsecured, interest free and repayable on demand.

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

**35. Subsequent events**

On 1 December 2017, the company issued an aggregate of €12,750,000 in bonds having a face value of €100 per bond, subject to a minimum subscription of €2,000 in Bonds and multiples of €100 thereafter. The bonds have a coupon interest rate of 3.75% per annum as stated in the prospectus dated 30 October 2017. These bonds were eventually admitted for listing on the Malta Stock Exchange on 4 December 2017.

In accordance with the provisions of the above noted prospectus, the proceeds from the bond issue have been advanced by the company to fellow subsidiaries forming part of the Bortex Group for the purpose of financing specific projects, refinancing existing banking facilities within the group, and for the general corporate funding purposes of the group. These bonds are guaranteed by Bortex Group Holdings Company Limited who is the ultimate parent of the Bortex Group.

**36. Comparative financial information**

Comparative financial information has been restated and non-controlling interest has been eliminated in view of the restructuring involving the merger of certain investment holding companies into the parent company (refer to Note 18).

**37. Statutory information**

Bortex Group Holdings Company Limited is a limited liability company and is incorporated in Malta.

The company is registered in Malta, with its registered address at "St Therese", Hughes Hallet Street, Sliema.