BORTEX GROUP HOLDINGS COMPANY LIMITED

Annual Report and Consolidated Financial Statements 31 October 2019

Company Registration Number: C 4863

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Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 October 2019.

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, the operations of Hotel 1926 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.

Review of business

The results of the Group represent the results of the parent company together with those of its subsidiaries for the year ended 31 October 2019.

Performance during financial year 2019

The results of the Group represent the results of the parent company together with those of its subsidiaries for the year ended 31 October 2019.

The Group reported a turnover of €20.4 million (2018: €17.9 million) and earnings before interest, taxation, depreciation and amortisation (EBITDA) of €2,335,000 (2018: €704,000). The Group takes recognition of the fact that the EBITDA for the year under review falls somewhat short of its projections. Brexit uncertainties continued to influence the manufacturing division's order book which resulted in lower contributions as well as losses in its Tunisian subsidiary, whereas the retail division succeeded in increasing its turnover and improving overall margins although it also registered one time losses on write downs and disposal of stocks. The hospitality segment of the Group fell short of the projected revenue due to the full rooms compliment of the newly refurbished Hotel 1926 coming available in August instead of May 2019. The delay in the commencement of project TEN meant that the development profits anticipated will now materialise post 31 October 2019. After taking into consideration depreciation, investment income and finance costs, the Group reported a profit before tax of €664,581 as opposed to a loss of €162,033 in the previous financial year.

Manufacturing and Retail

During the year under review the manufacturing and retail sector contributed an EBITDA of €1.1 million (2018: €1.4 million). During this year the group opened a Polo Ralph Lauren outlet at The Point Shopping Complex in Sliema, as well as the first Gagliardi store in Poland. The three floors of offices at the Group's Mriehel development were also completed and entirely let out during the current financial year.

Directors' report - continued

Hospitality

During the year under review Hotel 1926, a luxury 4 star hotel, started operating with 33 rooms in December 2018, increasing the number of available rooms gradually until it reached its full capacity of 172 rooms in August 2019. Total rooms revenue from Hotel 1926 was €2.7 million with an occupancy of 87% and an Average Daily Rate (ADR) of €99.59. Despite being the first months of operation, the ADR achieved was above industry average.

This year was the first full year's operation for Palazzo Jean Parisot, a seven suite boutique hotel in Valletta, having total revenue of €268,000, with an occupancy of 71% and an ADR of €148.

The EBITDA achieved for this year from the hospitality sector was €1.1 million.

Real Estate

Construction works on the project relating to the re-development of a plot of land in Sliema, owned by the Group, into a block of luxury apartments, named 'TEN' (which consists of 18 apartments and 2 penthouses over 7 floors together, with 69 underground car parking spaces) was completed by the end of the current financial year. Finishing related works started in June 2019, in accordance with the high specifications stipulated in the preliminary agreements. Work was still in progress as at the end of the current financial year. By the date of authorisation for issue of these financial statements, the Group has managed to secure the sale of 15 apartments and 24 car parking spaces by way of preliminary agreements, which amounted to €6,811,950.

Outlook for financial year ending 2020

Manufacturing and Retail

The focus for 2020 will be on consolidating the achievements of 2019. Restoring private label order book levels, improving retail margins both locally and overseas and reducing overhead costs will be the main objectives. A number of Gagliardi stores currently operating under the franchise model in the U.K. and in Sweden will be taken over and operated directly, whilst the Group will also be investing in the existing Serbian franchise operation which will become a 50% owned joint venture. The joint venture will be opening its fifth store in Belgrade in the third quarter of the year. The manufacturing plant in Tunisia will also undergo a thorough restructuring of costs and operating systems.

Hospitality and Real Estate

During the financial year ending 2020, Roosendaal Hotels Limited will operate Hotel 1926 at its full room compliment and, barring any circumstances beyond its control, it is expected to achieve the forecasted results for the year. The operation of the hotel consists of 172 rooms and suites, a luxury spa (Swiss Franchise Resense), a French restaurant Margaux, a cocktailbar and lounge, and a private beach club. Works on a conference room will also commence during 2020. The boutique hotel Palazzo Jean Parisot will be operating its second full year in 2020. The TEN project will also be completed and the majority of the apartments should be sold by the end of the year.

Financial risk management

During the current financial year, 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 3 to the financial statements.

Directors' report - continued

Results and dividends

The consolidated financial results are set out on page 11. The directors do not recommend the payment of a dividend.

The directors propose that the company's balance of retained earnings amounting to €2,386,693 (2018: €2,395,867) be carried forward to the next financial year.

Directors

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

Peter Borg - Chairman
Karen Bugeja
Alexandra Borg
Sam Borg
David Debono
Christine Demicoli

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 2019 are included in the Annual Report 2019, which is made available on the Bortex Group's website. The directors are responsible for the maintenance and integrity of the Annual Report on the website in view of their responsibility for the controls over, and the security of, the website. Access to information published on the Group's website is available in other countries and jurisdictions, where legislation governing the preparation and dissemination of 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
Chairman

Karen Bugeja
Director

Registered office
32 Hughes Hallet Street
Sliema
Malta

28 February 2020

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 financial statements 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 2019, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordancethe 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 9 to 70, comprise:

- the consolidated and parent company statements of financial position as at 31 October 2019;
- 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 these Codes.

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).

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 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 group's and the parent 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 group or the parent company or to cease operations, or have no realistic alternative but to do so.

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 group's and the parent 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 group's or the parent 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 group or the parent 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors 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.

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

Fabio Axisa
Partner

28 February 2020

Statements of financial position

		As at 31 October			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	5	**29,153,831**	25,638,168	**-**	-
Investment property	6	**2,174,092**	23,667	**-**	-
Investments in subsidiaries	7	**-**	-	**3,602,481**	3,602,481
Investments in associates	8	**559**	559	**-**	-
Financial assets at FVOCI (2018: Available-for-sale financial assets)	9	**202,393**	212,192	**11,109**	11,109
Loans and advances	10	**2,145,739**	2,145,739	**-**	-
Trade and other receivables	11	**815,125**	593,554	**-**	-
Total non-current assets		**34,491,739**	28,613,879	**3,613,590**	3,613,590
Current assets					
Inventories	12	**20,024,383**	17,692,429	**-**	-
Trade and other receivables	11	**4,612,505**	4,882,251	**634,755**	634,755
Current tax assets		**24,448**	29,367	**4,620**	4,620
Term placements with banks	13	**7,827**	7,777	**-**	-
Cash and cash equivalents	14	**1,115,326**	1,374,599	**7,279**	6,689
Total current assets		**25,784,489**	23,986,423	**646,654**	646,064
Total assets		**60,276,228**	52,600,302	**4,260,244**	4,259,654

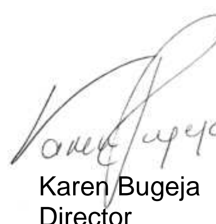
Statements of financial position - continued

		As at 31 October			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	15	**46,587**	46,587	**46,587**	46,587
Revaluation reserves	16	**5,867,606**	6,428,285	**7,246**	7,246
Other reserves	17	**506,652**	506,652	**58,234**	58,234
Retained earnings		**21,437,270**	20,897,687	**2,386,693**	2,395,867
Capital and reserves attributable to owners		**27,858,115**	27,879,211	**2,498,760**	2,507,934
Non-controlling interest	18	**42,974**	-	**-**	-
Total equity		**27,901,089**	27,879,211	**2,498,760**	2,507,934
Non-current liabilities					
Borrowings	19	**18,063,217**	16,284,574	**-**	-
Deferred taxation	20	**1,847,333**	1,180,119	**-**	-
Total non-current liabilities		**19,910,550**	17,464,693	**-**	-
Current liabilities					
Trade and other payables	21	**8,096,242**	3,865,379	**1,761,484**	1,751,720
Current tax liabilities		**18,656**	11,748	**-**	-
Borrowings	19	**4,349,691**	3,379,271	**-**	-
Total current liabilities		**12,464,589**	7,256,398	**1,761,484**	1,751,720
Total liabilities		**32,375,139**	24,721,091	**1,761,484**	1,751,720
Total equity and liabilities		**60,276,228**	52,600,302	**4,260,244**	4,259,654

The notes on pages 16 to 70 are an integral part of these consolidated financial statements.

The financial statements on pages 9 to 70 were authorised for issue by the board on 28 February 2020 and were signed on its behalf by:

Peter Borg
Chairman



Karen Bugeja
Director

Income statements

		Year ended 31 October			
		Group		Company	
	Notes	**2019**	2018	**2019**	2018
		€	€	**€**	€
Revenue	22	**20,441,622**	17,953,416	**-**	-
Cost of sales		**(12,147,740)**	(11,182,719)	**-**	-
Gross profit		**8,293,882**	6,770,697	**-**	-
Administrative expenses		**(2,415,628)**	(2,178,362)	**(10,114)**	(35,333)
Selling expenses		**(4,909,957)**	(4,706,812)	**-**	-
Other operating income	26	**249,626**	116,812	**-**	-
Operating profit/(loss)		**1,217,923**	**2,335**	**(10,114)**	(35,333)
Investment and other related income	27	**6,972**	16,134	**1,060**	784,592
Finance income	28	**51,672**	51,672	**-**	-
Finance costs	29	**(611,986)**	(232,174)	**(28)**	(85)
Profit/(loss) before tax		**664,581**	(162,033)	**(9,082)**	749,174
Tax expense	30	**(119,169)**	(77,681)	**(92)**	-
Profit/(loss) for the year		**545,412**	(239,714)	**(9,174)**	749,174
Profit/(loss) for the year is attributable to:					
Owners of the parent		**552,024**	(239,714)	**(9,174)**	749,174
Non-controlling interest		**(6,612)**	-	**-**	-
		545,412	(239,714)	**(9,174)**	749,174

The notes on pages 16 to 70 are an integral part of these consolidated financial statements.

Statements of comprehensive income

	Note	Year ended 31 October			
		Group		Company	
		2019	2018	**2019**	2018
		€	€	**€**	€
Profit/(loss) for the year		**545,412**	(239,714)	**(9,174)**	749,174
Other comprehensive income					
Items that will not be reclassified to profit or loss					
Movements in deferred tax liability on revalued land and buildings determined on the basis applicable to property disposals	16	**(550,880)**	(23,061)	**-**	-
Losses from changes in fair value of financial assets at FVOCI	16	**(9,799)**	-	**-**	-
Items that may be subsequently reclassified to profit or loss					
Losses from changes in fair value of available-for-sale financial assets	16	**-**	(66,730)	**-**	-
Currency translation differences		**24,068**	(120,520)		
Total other comprehensive income for the year, net of tax		**(536,611)**	(210,311)	**-**	-
Total comprehensive income for the year		**8,801**	(450,025)	**(9,174)**	749,174
Total comprehensive income for the year is attributable to:					
Owners of the parent		**15,827**	(450,025)	**(9,174)**	749,174
Non-controlling interest		**(7,026)**	-	**-**	-
		8,801	(450,025)	**(9,174)**	749,174

The notes on pages 16 to 70 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Attributable to owners of the parent					
		Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	Non-controlling interest €	Total €
Balance at 1 November 2017		46,587	6,871,958	506,652	21,688,039	-	29,113,236
Comprehensive income							
Loss for the year		-	-	-	(239,714)	-	(239,714)
Other comprehensive income:							
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals		-	(23,061)	-	-	-	(23,061)
Losses from changes in fair value of available-for-sale financial assets	16	-	(66,730)	-	-	-	(66,730)
Currency translation differences		-	-	-	(120,520)	-	(120,520)
Other movements	16	-	(353,882)	-	353,882	-	-
Total other comprehensive income		-	(443,673)	-	233,362	-	(210,311)
Total comprehensive income		-	(443,673)	-	(6,352)	-	(450,025)
Transactions with owners							
Dividends	31	-	-	-	(784,000)	-	(784,000)
Balance at 31 October 2018		46,587	6,428,285	506,652	20,897,687	-	27,879,211
Balance at 1 November 2018 - as previously reported		46,587	6,428,285	506,652	20,897,687	-	27,879,211
Impact of changes in accounting policies:							
Transition adjustment upon adoption of IFRS 9 on 1 November 2018	2	-	-	-	(36,923)	-	(36,923)
Balance at 1 November 2018 - as restated		46,587	6,428,285	506,652	20,860,764	-	27,842,288
Comprehensive income							
Profit/(loss) for the year		-	-	-	552,024	(6,612)	545,412
Other comprehensive income:							
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals	16	-	(550,880)	-	-	-	(550,880)
Losses from changes in fair value of financial assets at FVOCI	16	-	(9,799)	-	-	-	(9,799)
Currency translation differences		-	-	-	24,482	(414)	24,068
Total other comprehensive income		-	(560,679)	-	24,482	(414)	(536,611)
Total comprehensive income		-	(560,679)	-	576,506	(7,026)	8,801
Transactions with owners							
Share of non-controlling interest upon incorporation of subsidiary	18	-	-	-	-	50,000	50,000
Balance at 31 October 2019		**46,587**	**5,867,606**	**506,652**	**21,437,270**	**42,974**	**27,901,089**

Statements of changes in equity - continued

Company

	Note	**Share capital €**	**Revaluation reserve €**	**Other reserves €**	**Retained earnings €**	**Total €**
Balance at 1 November 2017		46,587	7,246	58,234	2,430,693	2,542,760
Comprehensive income						
Profit for the year						
- total comprehensive income		-	-	-	749,174	749,174
Transactions with owners						
Dividends	31	-	-	-	(784,000)	(784,000)
Balance at 31 October 2018		46,587	7,246	58,234	2,395,867	2,507,934
Comprehensive income						
Profit for the year						
- total comprehensive income		-	-	-	(9,174)	(9,174)
Balance at 31 October 2019		**46,587**	**7,246**	**58,234**	**2,386,693**	**2,498,760**

The notes on pages 16 to 70 are an integral part of these consolidated financial statements.

Statements of cash flows

	Notes	Group 2019 €	Group 2018 €	Company 2019 €	Company 2018 €
		Year ended 31 October			
Cash flows from operating activities					
Cash generated from/(used in) operations	32	**3,948,282**	(1,875,370)	**(350)**	(363)
Cash outflows relating to property development project		**(1,511,854)**	(931,315)	**-**	-
Cash inflow from promise of sale agreements		**1,881,354**	278,540	**-**	-
Investment income	27	**6,972**	16,134	**1,060**	784,592
Interest received	28	**51,672**	51,672	**-**	-
Interest paid		**(908,624)**	(162,493)	**(28)**	(85)
Net tax refunded/(paid)		**8,992**	403,051	**(92)**	-
Net cash generated from/(used in) operating activities		**3,476,794**	(2,219,781)	**590**	784,144
Cash flows from investing activities					
Payments for property, plant and equipment and investment property		**(6,522,809)**	(9,106,940)	**-**	-
Proceeds from disposal of property, plant and equipment		**6,000**	9,100	**-**	-
Proceeds from disposal of investment property		**-**	930,000	**-**	-
Purchase of available-for-sale financial assets	9	**-**	(33,123)	**-**	-
Repayments of advances to related parties	10	**-**	1,010	**-**	-
Investments in term placements with banks	13	**(50)**	(50)	**-**	-
Net cash used in investing activities		**(6,516,859)**	(8,200,003)	**-**	-
Cash flows from financing activities					
Proceeds from non-controlling interest arising upon incorporation of subsidiary	18	**50,000**	-	**-**	-
Proceeds from the issuance of bonds	20	**-**	12,750,000	**-**	-
Payments for bond issue costs	20	**-**	(253,373)	**-**	-
Proceeds from bank borrowings	20	**4,071,884**	3,120,340	**-**	-
Repayments of bank borrowings	20	**(1,742,537)**	(2,849,169)	**-**	-
Repayments of loans from shareholders	20	**(18,910)**	(19,183)	**-**	-
Dividends paid	31	**-**	(784,000)	**-**	(784,000)
Net cash generated from/(used in) financing activities		**2,360,437**	11,964,615	**-**	(784,000)
Net movement in cash and cash equivalents		**(679,628)**	1,544,831	**590**	144
Cash and cash equivalents at beginning of year		**(1,972,786)**	(3,493,858)	**6,689**	6,545
Effects of currency translation on cash and cash equivalents		**3,674**	(23,759)	**-**	-
Cash and cash equivalents at end of year	14	**(2,648,740)**	(1,972,786)	**7,279**	**6,689**

The notes on pages 16 to 70 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 within property, plant and equipment and financial assets measured at fair value through other comprehensive income.

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 4 - Critical accounting estimates and judgments.

As at 31 October 2019, the company's current liabilities exceeded its current assets by €1,114,830 (2018: €1,105,656). In this respect, the shareholders, subsidiaries and other 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. On this basis, the board continues to adopt the going concern basis in preparing the financial statements and considers that there are no material uncertainties that may exist which cast significant doubt about the ability of the company to continue operating as a going concern.

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 2018. The adoption of these revisions to the requirements of IFRSs as adopted by the EU resulted in changes to the group's accounting policies impacting the group's financial performance and position. The group had to change its accounting policies as a result of adopting IFRS 9 *'Financial instruments'* and IFRS 15 *'Revenue from Contracts with Customers'.* The new accounting policies are disclosed in Notes 1.7 and 1.18 below. The impact of the adoption of IFRS 9 is disclosed in Note 2. On transition to IFRS 15, the group did not require retrospective adjustments. The other standards did not have any impact on the group's accounting policies.

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

1.1 Basis of preparation - continued

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 but are mandatory for the Group's accounting periods beginning after 1 November 2018. 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 there are no requirements that will have a possible significant impact on the Group's consolidated financial statements in the period of initial application, except for IFRS 16 'Leases'.

Under IFRS 16, 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 a consideration. IFRS 16 removes the distinction between operating and finance leases for lessees, and requires them to recognise a lease liability reflecting future lease payments and a 'right-of-use asset' for virtually all lease contracts; the only exceptions are short-term and low-value leases. The standard is effective for annual periods beginning on or after 1 January 2019. The Group will apply the standard from its financial period commencing on 1 November 2019 and will apply the simplified transition approach. Under this approach, the Group will not restate comparative amounts for the year prior to first adoption, the lease liability is measured at the present value of the remaining lease payments as at 1 November 2019, and the right-of-use assets at that date will be measured at an amount equivalent to this lease liability plus prepaid lease expenses.

The Group has entered into lease arrangements for the use of immovable properties; these arrangements were classified as operating leases under IAS 17. As at the reporting date, the Group has non-cancellable operating lease commitments in respect of the lease of these immovable properties which amounted to €8,653,128. The Group has an arrangement with a lease term which expires within twelve months from the date of initial application of IFRS 16, and under the expedients allowed by the standard, the Group will not recognise a right-of-use asset and lease liability for this lease arrangement. Rental costs on this arrangement will continue to be recognised as an expense on a straight-line basis over the remaining lease term.

Management has estimated that the lease liability for the other lease arrangements amounts to approximately €5.3 million, and the right-of-use asset at that date amounts to approximately €5.3 million, which is inclusive of the prepaid rent at 1 November 2019; management is assessing the impact on deferred tax balances, and there is no adjustment to equity upon initial application of the standard. The adoption of IFRS 16 will also result in the replacement of operating lease rental expenditure on these arrangements by amortisation of the right-of-use assets, and by an interest cost on the lease liabilities. Management estimates that rental costs amounting to approximately €300,000 for the year ending 31 October 2020, will be replaced by an annual amortisation charge on the right-of-use asset amounting to approximately €300,000 and a notional interest expense of approximately €200,000. The adoption of IFRS 16 will therefore result in a reduction of approximately €200,000 in profitability for the year ending 31 October 2020.

Rental payments under IFRS 16 are allocated between interest payments and a reduction in the lease liability, with a corresponding impact on the Group's statement of cash flows. The lease payments allocated to repayments of the lease liability, amounting to approximately €200,000 for the year ending 31 October 2020, will accordingly be reported as a financing cash flow instead of an operating cash flow. The part of the lease payments that reflect interest on the lease liability, amounting to approximately €100,000 for the year ending 31 October 2020, will be presented as an operating cash flow.

1. Summary of significant accounting policies - continued

1.2 Consolidation

(a) Subsidiaries

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

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

Acquisition-related costs are expensed as incurred.

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

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

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

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

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 profit or loss.

A listing of the Group's subsidiary undertakings is set out in Note 7.

1. Summary of significant accounting policies - continued

1.2 Consolidation - continued

(b) 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 Group'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 end of each reporting period;

(ii) income and expenses for each performance 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 directly in other comprehensive income, since they are deemed to be immaterial.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations and of borrowings and other currency instruments designated as hedges of such investments, are taken to shareholders' equity. When a foreign operation is partially disposed of or sold, exchange differences that were recorded in equity are recognised in profit or loss as part of the gain or loss on sale.

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. Borrowings costs are capitalised within property, plant and equipment as disclosed in Note 1.15.

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'.

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

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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 - 16⅔
Leasehold improvements	2 - 33⅓
Plant and equipment	7 - 33⅓
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. Borrowings costs are capitalised within investment property as disclosed in Note 1.15.

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.

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

1.5 Investment property - continued

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 Impairment of non-financial assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. 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). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

1.7 Financial assets

Classification

From 1 November 2018, the Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows. For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income (OCI). For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (FVOCI). The Group reclassifies debt investments when and only when its business model for managing those assets changes.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

Recognition and derecognition

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument.

Regular way purchases and sales of financial assets are recognised on settlement date, the date on which an asset is delivered to or by the Group. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership or has not retained control of the asset.

Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (FVPL), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payments of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

(a) Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses) together with foreign exchange gains and losses. Impairment losses are presented as separate line item in the statement of profit or loss.

(b) Fair value through other comprehensive income: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income. Movements in the carrying amount are taken through other comprehensive income, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in other gains/(losses) and impairment expenses are presented as separate line item in the statement of profit or loss.

(c) Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss is recognised in profit or loss in the period in which it arises.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

Measurement - continued

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss when the Group's right to receive payments is established.

Changes in the fair value of financial assets at FVPL are recognised in the income statement as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

Impairment

From 1 November 2018, the Group assesses on a forward looking basis the expected credit losses associated with its debt instruments carried at amortised cost and fair value through other comprehensive income. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables and contract assets, the Group applies the simplified approach permitted by IFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

For other receivables, the Group assesses on a forward-looking basis the expected credit losses on the basis of the 'three-stage' model for impairment outlined by IFRS 9, based on changes in credit quality since initial recognition.

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.

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

1.8 Inventories - continued

(b) Property held for development 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. Borrowing costs are capitalised within property held for development and resale as described in Note 1.15. 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 receivables comprise amounts due from customers for services performed in the ordinary course of business. If collection is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less expected credit loss allowances.

Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The Group holds the trade receivables with the objective to collect the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method.

1.10 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value. In the statement of cash flows, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. 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 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, other than derivative contracts, are classified as financial liabilities measured at amortised cost, i.e. not at fair value through profit or loss under IFRS 9 (2017: 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. Summary of significant accounting policies - continued

1.13 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.

1.14 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

Borrowing costs which are incurred for the purpose of acquiring or constructing qualifying property, plant and equipment, investment property or property held for development and resale are capitalised as part of its cost. Borrowing costs are capitalised while acquisition or construction is actively underway, during the period of time that is required to complete and prepare the asset for its intended use. Capitalisation of borrowing costs is ceased once the asset is substantially complete and is suspended if the development of the asset is suspended. All other borrowing costs are expensed. Borrowing costs are recognised for all interest-bearing instruments on an accrual basis using the effective interest method. Interest costs include the effect of amortising any difference between initial net proceeds and redemption value in respect of interest-bearing borrowings.

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.

1.17 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.

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

1.17 Current and deferred tax - continued

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 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts.

(a) Sales of goods and services

Revenues are recognised in accordance with the provision of goods or services, provided that collectability of the consideration is probable.

IFRS 15 requires that at contract inception the goods or services promised in a contract with a customer are assessed and each promise to transfer to the customer the good or service is identified as a performance obligation. Promises in a contract can be explicit or implicit if the promises create a valid expectation to provide a good or service based on the customary business practices, published policies, or specific statements.

A contract asset must be recognised if the Group recorded revenue for fulfillment of a contractual performance obligation before the customer paid consideration or before – irrespective of when payment is due – the requirements for billing and thus the recognition of a receivable exist.

A contract liability must be recognised when the customer paid consideration or a receivable from the customer is due before the Group fulfilled a contractual performance obligation and thus recognised revenue.

Multiple-element arrangements involving the delivery or provision of multiple products or services must be separated into distinct performance obligations, each with its own separate revenue contribution that is recognised as revenue on fulfillment of the obligation to the customer. The total transaction price of a bundled contract is allocated among the individual performance obligations based on their relative – possibly estimated – standalone selling prices, i.e., based on a ratio of the standalone selling price of each separate element to the aggregated standalone selling prices of the contractual performance obligations.

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

1.18 Revenue recognition - continued

A contract modification exists where the Group and the customer approve a modification that either creates new, or changes existing, enforceable rights and obligations of both parties. The Group accounts for a contract modification as a separate contract where the scope of the contract increases because of the addition of distinct promised services, and the price of the contract increases by an amount of consideration that reflects the stand-alone selling price of those additional promised services. A modification that is not accounted for as a separate contract is accounted for as an adjustment to the existing contract, either prospectively or through a cumulative catch-up adjustment, depending on whether the remaining goods or services to be provided to the customer under the modified contract are distinct.

The Group measures revenue on a basis that reflects the amount of consideration that it expects to be entitled to; this measurement of revenue is however limited to amounts to which the Group has enforceable rights, and it excludes amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation, which occurs when it transfers control of a promised good or service to a customer. Control of a promised good or service is transferred to a customer when the customer is able to direct the use of the promised good or service. A performance obligation is satisfied at a point in time unless it meets certain criteria that indicate that it is satisfied over time.

Management has determined that none of the Group’s contracts with customers contain a significant financing component as the period between the recognition of revenue and the payment due date is of less than one year.

Sales of goods - retail

The Group sells goods on a retail basis relating to clothing and other related items. Sales of goods are recognised when the Group has delivered products to the customer and there are no unfulfilled obligations that could affect the customer’s acceptance of the products. Delivery does not occur until the risks of obsolescence and loss have been transferred to the customer and the customer has accepted the products. Retail sales for clothing and other related goods from shop outlets is primarily in cash or by credit card. Other manufactured garments can be either in cash or on credit.

Sales from services

The services offered by the Group primarily relate to from services within the hospitality activity. Revenue from services is generally recognised in the accounting period in which the services are rendered, by reference to completion of the specific transaction assessed on the basis of the actual service provided as a proportion of the total services to be provided. The revenue arising from hospitality activities is recognised when the service is performed and/or when the goods (primarily food and beverage) are supplied upon performance of the service. Revenue is usually in cash, credit card or on credit.

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

1.18 Revenue recognition - continued

Property for development and resale

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. Accordingly, revenue is recognised at a point in time when the legal title has passed to the customer. Amounts received in respect of sales that have not yet been recognised in the financial statements, due to the fact that the significant risks and rewards of ownership have not been transferred to the purchaser, are treated as contract liabilities – payments received in advance from customers and presented within trade and other payables.

(b) Rental income

Rents receivable and premia charged to clients are included in the financial statements as revenue. Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments received under operating leases are credited to profit or loss on a straight-line basis over the period of the lease.

(c) Dividend income

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

(d) Other operating income

Other operating income is recognised on an accrual basis unless collectibility is in doubt.

(e) Interest income

Interest income is recognised for all interest-bearing instruments on a time-proportion basis using the effective interest method.

1.19 Customer contract assets and liabilities

The timing of revenue recognition may differ from customer invoicing. Trade receivables presented in the statement of financial position represent an unconditional right to receive consideration (primarily cash), i.e. the services and goods promised to the customer have been transferred.

By contrast, contract assets mainly refer to amounts allocated per IFRS 15 as compensation for goods or services provided to customers for which the right to collect payment is subject to providing other services or goods under that same contract. Contract assets, like trade receivables, are subject to impairment for credit risk. The recoverability of contract assets is also verified, especially to cover the risk of impairment should the contract be interrupted.

Contract liabilities represent amounts paid by customers before receiving the goods and/or services promised in the contract. This is typically the case for advances received from customers or amounts invoiced and paid for goods or services not transferred yet (previously recognised in deferred income).

1. Summary of significant accounting policies - continued

1.20 Leases

(a) An undertaking is the lessee

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 profit or loss 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.

(b) An undertaking is the lessor

Assets leased out under operating leases are included in investment property in the statement of financial position and are accounted for in accordance with accounting policy 1.5. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases is recognised in profit or loss on a straight-line basis over the lease term.

1.21 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.

1.22 Accounting policies applicable until 31 October 2018

1.22.1 Financial assets

Classification

The Group classifies its financial assets (other than derivative financial instruments and investments in associates) in the following categories: 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) 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 arise when the Group provides money, goods or services directly to a debtor with no intention of trading the receivable. They are included in current assets, except for maturities greater than twelve months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise loans and advances, trade and other receivables and cash and cash equivalents in the statement of financial position (Notes 1.22.3, 1.22.2 and 1.10)

(b) 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 asset matures or management intends to dispose of it within twelve months from the end of the reporting period.

1. Summary of significant accounting policies - continued

1.22 Accounting policies applicable until 31 October 2018 - continued

1.22.1 Financial assets - continued

Recognition and measurement

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, which is the date on which an asset is delivered to or by the Group. Any change in fair value for the asset to be received is recognised between the trade date and settlement date in respect of assets which are carried at fair value in accordance with the measurement rules applicable to the respective financial assets.

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method. Amortised cost is the initial measurement amount adjusted for the amortisation of any difference between the initial and maturity amounts using the effective interest method.

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

Gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognised in profit or loss in the period in which they arise.

Changes in the fair value of monetary assets denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the asset and other changes in the carrying amount of the asset. The translation differences on monetary assets are recognised in profit or loss; translation differences on non-monetary assets are recognised in other comprehensive income. Changes in the fair value of monetary and non-monetary assets classified as available-for-sale are recognised in other comprehensive income in equity.

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group establishes fair value by using valuation techniques, in most cases by reference to the net asset backing of the investee.

When assets classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in profit or loss within ‘Investment and other related income’. Dividends on available-for-sale equity instruments are recognised in profit or loss within ‘Investment and other related income’ when the Group’s right to receive payment is established.

1. Summary of significant accounting policies - continued

1.22 Accounting policies applicable until 31 October 2018 - continued

1.22.1 Financial assets - continued

Impairment

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

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

(a) Assets carried at amortised cost

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

(b) Assets classified as available-for-sale

In the case of equity investments classified as available-for-sale, a significant or prolonged decline in the fair value of the security below its cost is considered an indicator that the assets are impaired. If objective evidence of impairment exists for available-for-sale financial assets, 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 reclassified from equity to profit or loss as a reclassification adjustment. Impairment losses recognised in profit or loss on equity instruments are not reversed through profit or loss.

1.22.2 Trade and other receivables

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

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

1.22 Accounting policies applicable until 31 October 2018 - continued

1.22.2 Trade and other receivables - continued

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 the receivables. Significant financial difficulties of the receivable, probability that the receivable will enter bankruptcy or financial reorganisation, 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 the income statement. 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 in the income statement.

1.22.3 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 Group'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.

1.22.4 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods in the ordinary course of the Group's activities. Revenue is shown net of value-added tax, returns, rebates and discounts. The Group recognises revenue when the amount of revenue can be reliably measured, 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.

Sales are recognised upon delivery of products or performance of services, net of sales taxes and discounts, and are included in the financial statements as turnover. Revenue is recognised as follows:

(a) Sales of goods

Revenue from goods is generally 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) Interest income

Interest income is recognised for all interest-bearing instruments, on a time-proportion basis using the effective interest method.

(c) Dividend income

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

2. Changes in accounting policies

This note explains the impact of the adoption of IFRS 9, '*Financial Instruments*' on the Group's financial statements.

(a) Impact on the financial statements

As a result of the changes in the Group's accounting policies and as explained in Note 2(b) below, IFRS 9 was adopted without restating comparative information. The reclassifications and the adjustments arising from the new requirements are therefore not reflected in the statement of financial position as at 31 October 2018, but are recognised in the opening statement of financial position on 1 November 2018.

The following table shows the adjustments recognised for each individual line item. Line items that were not affected by the changes have not been included. As a result, the sub-totals and totals disclosed cannot be recalculated from the numbers provided.

Consolidated statement of financial position (extract)

	1 November 2018		
	Based on 31 October 2018 figures as originally stated €	Impact of adoption of IFRS 9 €	As restated €
ASSETS			
Current assets			
Trade and other receivables	4,882,251	(36,923)	4,845,328
Total assets	52,600,302	(36,923)	52,563,379
EQUITY AND LIABILITIES			
Equity			
Retained earnings	20,897,687	(36,923)	20,860,764
Total equity	27,879,211	(36,923)	27,842,288

(b) IFRS 9, 'Financial Instruments' - impact of adoption

IFRS 9 replaces the provisions of IAS 39 that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

The adoption of IFRS 9, 'Financial Instruments' from 1 November 2018 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. The new accounting policies are set out in Note 1. In accordance with the transitional provisions in IFRS 9, comparative figures have not been restated.

2. Changes in accounting policies - continued

The total impact on the Group's equity as at 1 November 2018 is as follows:

	Retained earnings €
As originally stated – based on 31 October 2018 figures	20,897,687
Adjustments to equity upon adoption of IFRS 9 on 1 November 2018:	
Increase in credit loss allowances on trade and other receivables	(36,923)
As restated	20,860,764

(i) Classification and measurement

On 1 November 2018 (the date of initial application of IFRS 9), the Group's management has assessed which business models apply to the financial assets held by the Group and has classified its financial instruments into the appropriate IFRS 9 categories. The main effect resulting from this review comprised the Group's election to present in OCI changes in the fair value of its equity investments previously classified as available-for-sale, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets with a fair value of €212,192 for the Group and €11,109 for the company, were categorised as financial assets at FVOCI from available-for-sale financial assets and cumulative fair value gains of €126,470 for the Group and €7,246 for the company, were designated as such within the FVOCI revaluation reserve from the available-for-sale financial assets reserve on 1 November 2018.

The key financial assets presented in the statements of financial position, comprising loans and advances, trade and other receivables and cash equivalents, were classified as loans and receivables measured at amortised cost for IAS 39 purposes and remain categorised as financial assets measured at amortised cost under IFRS 9 requirements.

(ii) Impairment of financial assets

The Group's main financial assets subject to IFRS 9's new expected credit loss model are trade receivables and contract assets. The Group was required to revise its impairment methodology under IFRS 9 for trade receivables. The impact of the change in impairment methodology on the Group's retained earnings and equity is disclosed in the table above.

While loans and advances receivable from related parties, other current receivables from related parties, other receivables from third parties and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss was insignificant.

2. Changes in accounting policies - continued

Trade receivables

For trade receivable, the Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. The expected loss allowance as at 1 November 2018 for trade receivables and contract assets that are not subject to credit insurance and other forms of guarantees, was determined to be around 1% of the revenue generated for a financial year.

	€
Loss allowance as at 31 October 2018 - utilising IAS 39 principles	31,472
Amounts reflected through restatement of opening retained earnings as at 1 November 2018	36,923
Opening impairment loss allowance as at 1 November 2018 - utilising IFRS 9 principles	68,395

No deferred tax effects were recognised with respect to the increase in the credit loss allowance at 1 November 2018, upon adoption of IFRS 9, disclosed in the table above.

No movements in the credit loss allowances were recognised during the current financial year. Under the incurred loss model of IAS 39, there would have been no movement in impairment loss allowance for trade receivables and contract assets during the current financial year.

3. Financial risk management

3.1 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 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. The group did not make use of derivative financial instruments to hedge certain risks exposures during the current and preceding financial years.

3. Financial risk management - continued

(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 in Tunisian dinar, Great British pound, US dollar, Swedish krona and Polish zloty. 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 €857,753 (2018: €401,393). 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 and receivables denominated in foreign currencies at the end of the reporting period were not significant. Balances denominated in foreign currencies are settled and recovered 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.

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.

(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 financial assets at FVOCI (as at 31 October 2018, the Group had investments classified 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. 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.

3. Financial risk management - continued

(iii) Cash flow and fair value interest rate risk

The group's significant instruments which are subject to fixed interest rates comprise advances to related parties (Note 10) and the bonds issued to the general public (Note 19). In this respect, the group is potentially exposed to fair value interest rate risk in view of the fixed interest nature of these instruments, which are however measured at amortised cost.

The group's interest rate risk principally arises from bank borrowings issued at variable rates (Note 20) which expose the group to cash flow interest rate risk. Management monitors the impact of changes in market interest rates on amounts reported in profit or loss in respect of these instruments. Based on this analysis, management considers the potential impact on profit or loss of a defined interest rate shift that is reasonably possible at the end of the reporting period to be immaterial and accordingly the level of interest rate risk is contained. The group's operating cash flows are substantially independent of changes in market interest rates.

(b) Credit risk

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

	Group		**Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans and advances (Note 10)	**2,145,739**	2,145,739	**-**	-
Trade and other receivables (Note 11)	**3,710,678**	3,537,962	**634,755**	634,755
Term deposits (Note 13)	**7,827**	7,777	**-**	-
Cash and cash equivalents (Note 14)	**1,115,326**	1,374,599	**7,280**	6,689
	6,979,570	7,066,077	**642,035**	641,444

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 does not hold any significant collateral as security in this respect, except as disclosed in Note 10 in respect of advances to related parties. The figures disclosed in the table above in respect of trade and other receivables exclude prepayments and indirect taxation.

Cash and cash equivalents and term deposits with financial institutions

Group undertakings bank only with local financial institutions with high quality standing or rating. While cash and cash equivalents are also subject to the impairment requirements of IFRS 9, the identified expected credit loss is insignificant.

3. Financial risk management - continued

Loans and advances to related parties and associate

The Group's loans and advances include loans effected to associate and related parties subject to common ultimate shareholding (Note 10). The Group monitors credit exposures with related parties at an individual entity level on a regular basis and ensures timely performance of these assets in the context of overall Group liquidity management. The Group assesses the credit quality of these 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 significant losses from non-performance or default.

All loans and advances are categorised as Stage 1 for IFRS 9 purposes (i.e. performing) in view of the factors highlighted above. The expected credit loss allowances on such loans are based on the 12-month probability of default, capturing 12-month expected losses, and hence are considered insignificant. Furthermore, a portion of the loans and advances are secured by properties held by the related parties as disclosed in Note 10.

Trade and other receivables (including contract assets)

The Group assesses the credit quality of its customers taking into account financial position, past experience and other factors. It has policies in place to ensure that sales of products and services are effected to customers with an appropriate credit history in the case of credit sales. Sales to retail customers are effected in cash.

Standard credit terms are in place for individual clients, however, wherever possible, new corporate customers are analysed individually for creditworthiness before the Group’s standard payment and service delivery terms and conditions are offered.

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 also enters into credit insurance arrangements to safe guard against potential material credit risk on certain trade receivables.

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.

3. Financial risk management - continued

Impairment of trade receivables (including contract assets)

The Group applies the IFRS 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for all trade receivables and contract assets.

To measure the expected credit losses, trade receivables and contract assets have been grouped based on shared credit risk characteristics and the days past due. Contract assets have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group has therefore concluded that the expected loss rates for trade receivables are a reasonable approximation of the loss rates for contract assets.

The expected loss rates are based on the payment profiles of sales over a period of time before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables. The Group adjusts the historical loss rates based on expected changes in these factors. Credit loss allowances also include specific provisions against credit impaired individual exposures with the amount of the provisions being equivalent to the balances attributable to credit impaired receivables. The expected loss allowance as at 1 November 2018 for both trade receivables and contract assets, that are not subject to credit insurance and other form of guarantees, was determined to be around 1% of the revenue generated for a financial year.

	€
Loss allowance as at 31 October 2018 - utilising IAS 39 principles	31,472
Amounts reflected through restatement of opening retained earnings as at 1 November 2018	36,923
Opening impairment loss allowance as at 1 November 2018 - utilising IFRS 9 principles	68,395

The expected loss rates also reflect the fact that a 100% loss rate is triggered for receivables which are past due by 365 days or more.

The Group established an allowance for impairment that represented its estimate of expected credit losses in respect of trade receivables. The individually credit impaired trade receivables mainly relate to a number of independent customers which are in unexpectedly difficult economic situations and which are accordingly not meeting repayment obligations. Hence, credit loss allowances in respect of credit impaired balances with corporate trade customers relate to entities which are in adverse trading and operational circumstances. Reversals of credit loss allowances of credit impaired receivables arise in those situations where customers recover from unfavourable circumstances and accordingly start meeting repayment obligations. The Group does not hold any significant collateral as security in respect of the credit impaired assets. The movements in credit loss allowances of these receivables are disclosed in Note 11.

Trade receivables and contract assets are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of a debtor to engage in a repayment plan with the Group, and a failure to make contractual payments for a period of greater than a year past due.

3. Financial risk management - continued

Credit losses on trade receivables and contract assets are presented as net expected credit losses and other impairment charges within operating profit. Subsequent recoveries of amounts written off are credited against the same line item.

Ageing analysis of trade receivables

As at 31 October 2018, trade receivables of €291,454 (2018: €489,769) were past due but not credit impaired. Such past due debtors comprise mainly debts which were still due past the respective credit terms, together with those debts allocated to the over 90 days past due category where no credit terms have been formalised with the debtors. These past due debtors 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.

Categorisation of receivables as past due is determined by the company on the basis of the nature of the credit terms in place and credit arrangements actually utilised in managing exposures with customers. At 31 October 2019 and 2018, the company's past due but not impaired receivables and the carrying amount of trade receivables that would otherwise be past due or credit impaired whose terms have been renegotiated, were not deemed material in the context of the company's trade receivables figures.

Previous accounting policy for impairment of trade and other receivables

In the prior year, the impairment of trade and other receivables was assessed based on the incurred loss model. Individual receivables which were known to be uncollectible were written off by reducing the carrying amount directly. Receivables which were not considered specifically credit impaired under the incurred loss model, were assessed collectively to determine whether there was objective evidence that an impairment had been incurred but not yet been identified. For these receivables the estimated impairment losses were recognised in a separate provision for impairment.

The Company considered that there was evidence of impairment if any of the following indicators were present:

- significant financial difficulties of the debtor;
- probability that the debtor will enter bankruptcy or financial reorganisation; and
- default or late payments.

Receivables for which an impairment provision was recognised were written off against the provision when there was no expectation of recovering additional cash.

(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 19) 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.

Management monitors liquidity risk by reviewing expected cash flows, and ensures that no additional financing facilities are expected to be required over the coming year. The Group's liquidity risk is actively managed taking cognisance of the matching of cash inflows and outflows arising from expected maturities of financial instruments, together with the Group's committed bank borrowing facilities and other related party financing that it can access to meet liquidity needs. In this respect management does not consider liquidity risk to the Group as significant taking into account the liquidity management process referred to above.

3. Financial risk management - continued

The table below 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.

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
At 31 October 2019					
Bank borrowings	4,611,553	2,590,829	3,176,920	-	10,379,302
Bonds	478,125	478,125	1,434,375	14,184,375	16,575,000
Borrowings from related parties	-	216,525	-	-	216,525
Trade and other payables	5,153,511	-	-	-	5,153,511
	10,243,189	**3,285,479**	**4,611,295**	**14,184,375**	**32,324,338**

Group	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	€	€	€	€	€
At 31 October 2018					
Bank borrowings	3,491,604	496,965	3,393,694	-	7,382,263
Bonds	478,125	478,125	1,434,375	14,702,344	17,092,969
Borrowings from related parties	-	235,435	-	-	235,435
Trade and other payables	3,222,721	-	-	-	3,222,721
	7,192,450	**1,210,525**	**4,828,069**	**14,702,344**	**27,933,388**

The company's trade and other payables are entirely repayable within one year from the end of the reporting.

3. **Financial risk management** - continued

3.2 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:

	2019	2018
	€	€
Total borrowings	**22,412,908**	19,663,845
Less: cash and cash equivalents	**(1,115,326)**	(1,374,599)
Net debt	**21,297,582**	18,289,246
Total equity	**27,901,089**	27,879,211
Total capital	**49,198,671**	46,168,457
Net debt/total capital	**43%**	40%

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.

3.3 Fair values of financial instruments

3.3.1 Financial instrument carried at fair value

The group is required by IFRS 7, 'Financial instruments: Disclosures' to disclose for financial instruments that are measured in the statement of financial position at fair value, fair value measurements by level of the following fair value measurement hierarchy:

- 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).

3. Financial risk management - continued

The fair value of the group's and the company's financial assets at FVOCI and available-for-sale financial assets as at 31 October 2018, consisting of equity securities traded in active markets is based on quoted market prices at the end of the reporting period. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer or broker 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 Group and the Company is the current bid price. The Group's and the company's financial instruments disclosed in the table below are categorised as level 1 instruments since they are listed in an active market.

	Level 1 Group		**Level 1 Company**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets at FVOCI (2018: Available-for-sale financial assets) - Note 9	**202,393**	212,192	**11,109**	11,109

3.3.2 Financial instruments not carried at fair value

As 31 October 2019 and 2018 the carrying amounts of the group's and the company's 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 bank borrowings as at the end of the reporting period is not significantly different from the carrying amounts.

The current market interest rates utilised for discounting purposes, which were almost equivalent to the respective instruments' contractual interest rates, are deemed observable and accordingly these fair value estimates have been categorised as level 2 within the fair value measurement hierarchy required by IFRS 7,'Financial Instruments: Disclosures'. Information on the fair value of the bonds issued to the public is disclosed in the respective note to the financial statements. The fair value estimate in this respect is deemed Level 1 as its constitutes a quoted price in an active market.

4. 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.

As referred to in Note 5 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.

5. Property, plant and equipment

Group	Land and buildings €	Leasehold improvements €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Assets in course of construction and advance payments €	Total €
At 1 November 2017							
Cost or valuation	12,841,569	-	5,836,308	6,930,167	356,230	1,006,109	26,970,383
Accumulated depreciation	(552,764)	-	(4,723,225)	(4,442,076)	(274,292)	-	(9,992,357)
Net book amount	12,288,805	-	1,113,083	2,488,091	81,938	1,006,109	16,978,026
Year ended 31 October 2018							
Opening net book amount	12,288,805	-	1,113,083	2,488,091	81,938	1,006,109	16,978,026
Exchange differences	(1,830)	-	(66,056)	(28,309)	(564)	-	(96,759)
Additions	51,474	-	93,625	1,142,436	-	8,526,357	9,813,892
Reclassifications	1,594,143	894,981	53,501	636,279	-	(3,178,904)	-
Disposals	-	-	(801,312)	(811,828)	-	-	(1,613,140)
Depreciation charge	(132,976)	(25,978)	(185,836)	(405,232)	(24,466)	-	(774,488)
Depreciation on disposal	-	-	621,307	709,330	-	-	1,330,637
Closing net book amount	13,799,616	869,003	828,312	3,730,767	56,908	6,353,562	25,638,168
At 31 October 2018							
Cost or valuation	14,485,356	894,981	5,116,066	7,868,745	355,666	6,353,562	35,074,376
Accumulated depreciation	(685,740)	(25,978)	(4,287,754)	(4,137,978)	(298,758)	-	(9,436,208)
Net book amount	13,799,616	869,003	828,312	3,730,767	56,908	6,353,562	25,638,168

5. Property, plant and equipment – continued

Group	Land and buildings €	Leasehold improvements €	Plant and equipment €	Furniture, fixtures, fittings and soft furnishings €	Motor vehicles €	Assets in course of construction and advance payments €	Total €
Year ended 31 October 2019							
Opening net book amount	13,799,616	869,003	828,312	3,730,767	56,908	6,353,562	25,638,168
Exchange differences	410	-	12,567	7,345	72	-	20,394
Additions	226,895	159,754	124,683	911,970	7,500	5,338,645	6,769,447
Reclassifications	5,773,100	-	2,027,086	3,892,021	-	(11,692,207)	-
Reclassifications to investment property	(1,487,125)	-	-	(715,404)	-	-	(2,202,529)
Disposals	-	-	-	-	(36,797)	-	(36,797)
Depreciation charge	(187,546)	(58,809)	(289,169)	(508,138)	(14,190)	-	(1,057,852)
Depreciation on disposal	-	-	-	-	23,000	-	23,000
Closing net book amount	**18,125,350**	**969,948**	**2,703,479**	**7,318,561**	**36,493**	**-**	**29,153,831**
At 31 October 2019							
Cost or valuation	18,998,636	1,054,735	7,280,402	11,964,677	326,441	-	39,624,891
Accumulated depreciation	(873,286)	(84,787)	(4,576,923)	(4,646,116)	(289,948)	-	(10,471,060)
Net book amount	**18,125,350**	**969,948**	**2,703,479**	**7,318,561**	**36,493**	**-**	**29,153,831**

The reclassification to investment property relates to transfers of property and other equipment in view of management's decision to utilise the assets for the purpose of deriving rentals, as evidenced by commencement of operating lease arrangements.

During the current financial year, the group capitalised borrowing costs in property, plant and equipment amounting to €246,638 (2018: €355,193) utilising an average capitalisation rate of 4%. This amount is included in 'Additions' to the category of Assets in course of construction in the table above.

Fair valuation of property

The principal element of the group's land and buildings, within property, plant and equipment, comprising the hotel was last 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 directors have reviewed the carrying amount of the property as at 31 October 2019 and 2018, on the basis of assessments carried out by the valuer, and no adjustments to the carrying amounts as at 31 October 2019 and 2018 were deemed necessary.

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

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.

Properties classified within property, plant and equipment and investment property, acquired in recent years with a carrying amount of €2,328,000 have not been revalued since acquisition or initial recognition. The directors have assessed the fair values of these properties at 31 October 2019 and 2018, which fair values were deemed to fairly approximate the carrying amounts.

5. Property, plant and equipment - continued

Valuation processes

The valuation of the revalued property is 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 Group'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 approach used are generally those described below.

- 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.

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

Information about fair value measurements, relating to fair valuations made in 2016, using significant unobservable inputs (Level 3), as at 31 October 2019 and 2018

Description by class on highest and best use	Valuation technique	Evolution of EBITDA over Initial five years FY17-FY21	Estimated capital expenditure FY17-FY21	Post-tax discount %	Stabilised growth rate %	Perpetuity yield %
Current use as commercial premises - hotel operations		**€'000**	**€'000**			
	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.

As at 31 October 2019 and 2018, the directors consider that the current use of the property equates to the highest and best use.

If the revalued portion of the land and buildings was stated on the historical cost basis, the amounts would be as follows:

	2019	2018
	€	€
Cost	**9,172,847**	3,612,226
Accumulated depreciation	**(893,023)**	(799,109)
Net book amount	**8,279,824**	2,813,117

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.

6. Investment property

Group

	Land and buildings	Furniture and office equipment	Total
	€	€	€
At 1 November 2017			
Cost	651,509	138,884	790,393
Accumulated depreciation	(30,188)	(74,931)	(105,119)
Net book amount	621,321	63,953	685,274
Year ended 31 October 2018			
Opening net book amount	621,321	63,953	685,274
Disposal	(614,625)	(138,884)	(753,509)
Depreciation charge	(368)	-	(368)
Depreciation charge on disposal	17,339	74,931	92,270
Closing net book amount	23,667	-	23,667
At 31 October 2018			
Cost	36,884	-	36,884
Accumulated depreciation	(13,217)	-	(13,217)
Net book amount	23,667	-	23,667
Year ended 31 October 2019			
Opening net book amount	23,667	-	23,667
Reclassification from property, plant and equipment	1,487,125	715,404	2,202,529
Depreciation charge	(14,991)	(37,113)	(52,104)
Closing net book amount	**1,495,801**	**678,291**	**2,174,092**
At 31 October 2019			
Cost	1,524,009	715,404	2,239,413
Accumulated depreciation	(28,208)	(37,113)	(65,321)
Net book amount	**1,495,801**	**678,291**	**2,174,092**

The reclassification from property, plant and equipment relates to transfers of property and other equipment in view of management's decision to utilise the assets for the purpose of deriving rentals, as evidenced by commencement of operating lease arrangements.

The fair value of the investment property as at 31 October 2019 and 2018 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.

7. Investments in subsidiaries

Group

Investments in subsidiaries excluded from consolidation

	2019	2018
	€	€
At 31 October		
Cost	14,128	14,128
Provisions for impairment	(14,128)	(14,128)
Carrying amount	-	-

Favell Enterprises Limited, a subsidiary undertaking, has been excluded from the consolidation in terms of Article 170(3) of the Maltese Companies Act (Cap. 386) since its inclusion is not material for the purpose of giving a true and fair view.

Company

	2019	2018
	€	€
At 31 October		
Opening and closing cost and carrying amount	**3,602,481**	3,602,481

The subsidiaries at 31 October 2019, whose results and financial position affected the figures of the group, are shown below:

(a) Held directly by Bortex Group Holdings Company Limited

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2019	2018
			%	%
Bortex Clothing Industry Company Limited	A11 Industrial Estate Marsa Malta	Ordinary “A” shares	**100**	100
		Ordinary “B” shares	**100**	100
Bortex Group Finance p.l.c.	32, Hughes Hallet Street Sliema Malta	Ordinary shares	**100**	100
Roosendaal Hotels Limited	“St. Therese” Hughes Hallet Street Sliema Malta	Ordinary shares	**100**	100

7. **Investments in subsidiaries** - continued

(a) Held directly by Bortex Group Holdings Company Limited - continued

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2019	2018
			%	**%**
Roosendaal Trading Limited	A12 Industrial Estate Marsa Malta	Ordinary shares	**100**	100
Shanal Limited	A11 Industrial Estate Marsa Malta	Ordinary shares	**100**	100

(b) Held through Bortex Clothing Company Limited

	Registered office	**Class of shares held**	**Percentage of shares held**	
			2019	2018
			%	%
Bortex Clothing Industry Company Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	**100**	100
Bortex Tunisia S.A.R.L	11 Rue Amman Ezzahra 21 D'Ezzahra KM 13 2034 Ben Arous Tunisia	Ordinary shares	**100**	100
Chansel Limited	415 Linen Hall 162 – 168 Regent Street London WIB5TE	Ordinary shares	**100**	100
Favell Enterprises Limited (In dissolution)	KW 28B Corradino Industrial Estate Paola Malta	Ordinary shares	**60**	60
Gagliardi Polska Sp. z.o.o.	Bluszczańska 73/7 00-712 Warsaw Poland	Ordinary shares	**75**	-

8. Investments in associates

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Years ended 31 October				
Opening and closing carrying amount	**559**	559	**-**	-

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
At 31 October				
Cost	**12,206**	12,206	**11,647**	11,647
Provisions for impairment	**(11,647)**	(11,647)	**(11,647)**	(11,647)
Carrying amount	**559**	559	**-**	-

The associates as at 31 October are shown below:

	Registered office	Class of shares held	Percentage of shares held	
			2019	2018
			%	%
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 associates of the group are 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 the associates 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 P.J.P. Company Limited and of Willows Property Development Company Limited are not recognised in these financial statements.

P.J.P. Company Limited was incorporated in 2016 with the involvement of the Group's two ultimate controlling parties. The group's shareholding in this associate is held through Roosendaal Hotels Limited, a subsidiary.

8. Investments in associates - continued

The results of P.J.P. Company Limited and its share of the assets and liabilities are as follows:

	Assets €	Liabilities €	Revenues €	Loss €
2019	**716,304**	**719,100**	**-**	**(3,550)**
2018	718,654	717,900	-	(1,375)

The unrecognised share of losses of this associate incurred up to 31 October 2019 amounted to €1,230 (2018: €378). The unrecognised share of losses of the associate incurred during the financial year ended 31 October 2019 amounted to €852 (2018: €330).

In prior years, the shareholders of Willows Property Development Company Limited had approved the voluntary dissolution and consequential winding up of the company. Accordingly, a provision for impairment had been recognised for the Group's investment in this associate. The Group's share of the results of this associate and its share of the assets and liabilities are not deemed material for the purposes of disclosure.

9. Financial assets at fair value through other comprehensive income (2018: Available-for-sale financial assets)

Equity investments

	Group		Company	
	2019 €	2018 €	**2019** €	2018 €
Year ended 31 October				
Opening carrying amount	**212,192**	245,799	**11,109**	-
Additions	**-**	33,123	**-**	-
Assets acquired upon merger	**-**	-	**-**	11,109
Net losses from changes in fair value (Note 16)	**(9,799)**	(66,730)	**-**	-
Closing carrying amount	**202,393**	212,192	**11,109**	11,109

	Group		Company	
	2019 €	2018 €	**2019** €	2018 €
At 31 October				
Cost	**85,722**	85,722	**3,863**	3,863
Fair value gains	**116,671**	126,470	**7,246**	7,246
Closing carrying amount	**202,393**	212,192	**11,109**	11,109

Upon adoption of IFRS 9, the Group and the company irrevocably elected to present in other comprehensive income changes in the fair value of their equity investments previously classified as available-for-sale financial assets, because these investments are held as long-term strategic investments that are not expected to be sold in the short to medium term. As a result, assets of the Group and the company with a fair value of €212,192 and €11,109 respectively, were categorised as financial assets at FVOCI from available-for-sale financial assets and cumulative fair value gains of €126,470 and €7,246 respectively, were designated as such within the FVOCI revaluation reserve from the available-for-sale financial assets reserve on 1 November 2018.

9. Financial assets at fair value through other comprehensive income (2018: Available-for-sale financial assets) - continued

The carrying amount of equity investments at FVOCI as at 31 October comprise the following individual investments:

	Group		Company	
	2019	2018*	**2019**	2018*
	€	€	**€**	€
Bank of Valletta p.l.c.	**140,142**	-	**-**	-
Mapfre Middlesea p.l.c.	**62,251**	-	**11,109**	-
	202,393	-	**11,109**	-

*These investments were classified as available-for-sale in 2018 and all such investments were all held as at the end of the preceding financial year.

All the group's and company's investments in equity instruments consist of equity investments listed on the Malta Stock Exchange. Such instruments are fair valued annually and the fair value is determined by reference to quoted market prices.

10. Loans and advances

	Group	
	2019	2018
	€	€
Non-current		
Loans to related parties	**1,973,539**	1,973,539
Loan to associate	**172,200**	172,200
	2,145,739	2,145,739

The Group's loans and advances consist of loans effected to related parties subject to common ultimate shareholding 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 €1,291,800 which is subject to a fixed interest rate of 4% per annum. The remaining balance is interest free.

11. Trade and other receivables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Trade receivables	**2,176,970**	1,657,853	**-**	-
Amounts owed by subsidiaries	**-**	-	**634,755**	634,755
Amounts owed by other related parties	**746,832**	691,590	-	-
Amounts due by shareholders	**590,616**	551,100	-	-
Other receivables	**196,260**	637,419	-	-
Indirect taxation	**209,462**	1,043,391	-	-
Advance payments to suppliers	**287,412**	-	**-**	-
Prepaid operating lease rentals	**146,324**	33,547	-	-
Other prepayments	**258,629**	267,351	-	-
	4,612,505	4,882,251	**634,755**	634,755
Non-current				
Prepaid operating lease rentals	**815,125**	593,554	**-**	-
Total receivables	**5,427,630**	5,475,805	**634,755**	634,755

Trade receivables as at 31 October 2019 are disclosed net of credit losses allowances amounting to €68,395 (2018: €31,472).

12. Inventories

Property held for development with a view to sale

	Group	
	2019	2018
	€	€
At 1 November	**3,253,847**	2,282,423
Additions resulting from subsequent expenditure	**1,583,799**	971,424
At 31 October	**4,837,646**	3,253,847

Goods held for resale

	Group	
	2019	2018
	€	€
Raw materials and consumables	**1,778,178**	1,587,390
Work in progress	**998,474**	1,372,708
Finished goods	**393,472**	380,814
Spare parts and other stocks	**224,887**	247,877
Inventories held for resale	**11,605,275**	10,849,793
Inventories held in relation to hotel operations	**186,451**	-
	15,186,737	14,438,582
Total inventories	**20,024,383**	17,692,429

During the current financial year, the group capitalised borrowing costs amounting to €71,945 (2018: €40,109) in property for development utilising an average capitalisation rate of 4.6%.

12. Inventories - continued

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 €105,234 (2018: €58,755). These amounts have been included in 'Cost of sales' in the income statement.

Bank borrowings in the name of undertakings forming part of the Group are secured on the Group's property held for development.

13. Term placements with banks

	Group	
	2019	2018
	€	€
Term deposits	**7,827**	7,777

The term deposits as at 31 October mature within 12 months from the end of the financial reporting period and are subject to interest at 0.75% (2018: 0.75%).

14. Cash and cash equivalents

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cash at bank and in hand	**1,115,326**	1,374,599	**7,279**	6,689
Bank overdrafts (Note 19)	**(3,764,066)**	(3,347,385)	**-**	-
	(2,648,740)	(1,972,786)	**7,279**	6,689

15. Share capital

	Group and Company	
	2019	2018
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373399 each	**46,587**	46,587

16. Revaluation reserves

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
At 31 October				
Surplus arising on fair valuation of:				
Available-for-sale financial assets	**116,671**	126,470	**7,246**	7,246
Land and buildings	**5,750,935**	6,301,815	**-**	-
	5,867,606	6,428,285	**7,246**	7,246

16. Revaluation reserves - continued

The movements in each category are analysed as follows:

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Financial assets at FVOCI (2018: Available-for-sale financial assets)				
At beginning of year	**126,470**	193,200	7,246	7,246
Net losses from changes in fair value (Note 9)	**(9,799)**	(66,730)	**-**	-
At end of year	**116,671**	126,470	**7,246**	7,246

Gains and losses arising from changes in fair value of financial assets at FVOCI (2018: available-for-sale financial assets), are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the Group's accounting policy. As from 1 November 2018, when the equity investments are disposed of, the cumulative gain or loss recognised in OCI remains in equity. Until 31 October 2018, the related accumulated fair value adjustments, including the amount of the adjustment on initial application of IAS 39, were reclassified to profit or loss as gains and losses from available-for-sale financial assets.

	Group	
	2019	2018
	€	€
Revaluation reserve on land and buildings		
At beginning of year	**6,301,815**	6,678,758
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 20)	**(550,880)**	(23,061)
Other movements	**-**	(353,882)
At end of year	**5,750,935**	6,301,815

The tax impact included in the revaluation reserves as at 31 October 2019, relates to deferred taxation arising on the surplus on fair valuation of land and buildings for an amount of €1,730,999 (2018: €1,180,119). The movements in the tax impact relating to this component of other comprehensive income during the current and the preceding financial year is presented in the respective table above.

The revaluation reserves are non-distributable.

17. Other reserves

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Capital reserve	**408,142**	408,142	**58,234**	58,234
Incentives and benefits reserve	**95,370**	95,370	**-**	-
Other reserve	**3,140**	3,140	**-**	-
	506,652	506,652	**58,234**	58,234

The Incentives and benefits reserve has been created in accordance with Section 36 of the Business Promotion Act, Cap. 325, whereby a group undertaking maintains an 'Incentives and Benefits' reserve representing the value of government training grants from which the entity 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. Non-controlling interest

	Group	
	2019	2018
	€	€
Year ended 31 October		
At beginning of year	**-**	-
Share of non-controlling interest upon incorporation of subsidiary incorporation of subsidiary (Note 7)	**50,000**	-
Share in the result of subsidiary	**(7,026)**	-
At end of year	**42,974**	-

19. Borrowings

	Group	
	2019	2018
	€	€
Current		
Bank overdrafts	**3,764,066**	3,347,385
Bank loan	**585,625**	31,886
	4,349,691	3,379,271
Non-current		
127,500 3.75% Bonds 2027	**12,539,675**	12,517,730
Bank loans	**5,307,017**	3,531,409
Loans from ultimate shareholders	**216,525**	235,435
	18,063,217	16,284,574
Total borrowings	**22,412,908**	19,663,845

19. Borrowings - continued

By virtue of an offering memorandum dated 30 October 2017, Bortex Group Finance p.l.c. (the "Issuer") issued €12,750,000 bonds with a face value of €100 each. The bonds have a coupon interest of 3.75% which is payable annually in arrears on 1 December of each year. The bonds are redeemable at par and are due for redemption on 1 December 2027, unless they are previously re-purchased and cancelled. The bonds are guaranteed by Bortex Group Holdings Company Limited, which has bound itself jointly and severally liable with the issuer, for the repayment of the bonds and interest thereon, pursuant to and subject to the terms and conditions in the offering memorandum. The bonds were admitted on the Official List of the Malta Stock Exchange on 4 December 2017. The quoted market price as at 31 October 2019 for the bonds was €102.90 (2018: €103), which in the opinion of the directors fairly represents the fair value of these financial liabilities. At the end of the reporting period, bonds having a face value of €317,000 (2018: €317,000) were held by the parent company directors and their close family members.

In accordance with the provisions of the prospectus, the proceeds from the bond issue have been advanced by the Issuer to Roosendaal Hotels Limited, Roosendaal Trading Limited and Bortex Clothing Industry Company Limited (fellow subsidiaries forming part of the Bortex Group). As noted in the prospectus dated 30 October 2017, the Bortex Group utilised these proceeds to invest in each of the following projects:

(i) refurbishment and extension of the newly branded Hotel 1926 in Sliema, Malta, which was commissioned during the current financial year; (ii) development of TEN Apartments in Sliema, Malta; (iii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iv) development of a mixed-use complex in Mriehel, Malta; (v) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (vi) refurbishment of PJP Boutique Suites in Valletta, Malta, which was commissioned during the preceding financial year.

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

	Group	
	2019	2018
	€	€
Original face value of bonds issued	**12,750,000**	12,750,000
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(43,048)**	(21,103)
Closing net book amount of bond issue costs	**210,235**	232,270
Amortised cost and closing carrying amount of the bonds	**12,539,675**	12,517,730

19. Borrowings - continued

The Group's banking facilities as at 31 October 2019 amounted to €13,286,010 (2018: €10,686,010). These facilities are mainly secured by:

(a) joint and several guarantees by the principal operating entities within the group, supported by general hypothecary guarantees over the assets of the entities involved and special hypothecary guarantees over properties held;
(b) general hypothecs on the assets of the principal operating entities within the group, supported by special hypothecs over assets and properties held, together with special privileges on property; and
(c) pledges over insurance policies covering hypothecated property.

The group's bank borrowings are all subject to floating rates of interest. The weighted average effective interest rates for bank borrowings as at the end of the reporting period are as follows:

	Group	
	2019	2018
	%	%
Bank overdrafts	**3.2**	3.2
Bank loans	**4.6**	4.6

Maturity of non-current bank borrowings:

	Group	
	2019	2018
	€	€
Between 1 and 2 years	**2,357,041**	337,690
Between 2 and 5 years	**2,949,976**	3,193,719
Over 5 years	**-**	-
	5,307,017	3,531,409

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.

20. 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% (2018: 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% (2018: 10%) of the transfer value.

20. Deferred taxation - continued

The movement on the deferred tax account was as follows:

	2019	2018
	€	€
At beginning of year	**1,180,119**	1,157,058
Movement in deferred tax liability on the basis applicable to property disposals (Note 16)	**550,880**	23,061
Deferred income taxes in temporary differences arising on depreciation of property, plant and equipment (Note 30)	**653,444**	-
Deferred income taxes attributable to unabsorbed capital allowances (Note 30)	**(384,830)**	-
Deferred income taxes attributable to unabsorbed losses (Note 30)	**(128,342)**	-
Deferred income taxes on temporary differences arising on credit loss allowances in respect of trade and other receivables (Note 30)	**(23,938)**	-
	1,847,333	1,180,119

All the amounts disclosed in the table above, which have been referenced to Note 30 are recognised in profit or loss. The other amounts, referenced to Note 16, have been recognised directly in equity in other comprehensive income.

The balance at 31 October represents:

	2019	2018
	€	€
Temporary differences arising on fair valuation of property	**1,730,999**	1,180,119
Temporary differences arising on depreciation of property, plant and equipment	**653,444**	-
Temporary differences in respect of credit loss allowances of trade trade receivables	**(23,938)**	-
Unutilised tax credits attributable to unabsorbed capital allowances	**(384,830)**	-
Unutilised tax credits attributable to unabsorbed tax losses	**(128,342)**	-
	1,847,333	1,180,119

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

At 31 October 2019 and 2018, the company had the following unutilised tax credits and temporary differences:

	Unrecognised		**Recognised**	
	2019	2018	**2019**	2018
	€	€	**€**	€
Unutilised tax credits arising from:				
Unabsorbed capital allowances	**109,167**	533,930	**1,099,513**	-
Unabsorbed tax losses	**335,009**	1,289,591	**366,691**	-
Taxable temporary differences arising on depreciation of property, plant and equipment	**(22,668)**	(801,660)	**(1,866,982)**	-
Deductible temporary differences arising on credit loss allowances in respect of trade receivables	**-**	31,471	**68,395**	-

20. Deferred taxation - continued

Whereas tax losses have no expiry date, unabsorbed capital allowances are forfeited upon cessation of the trade.

21. Trade and other payables

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current				
Trade payables	**2,042,418**	1,282,904	**-**	-
Payables and accruals in respect of capital expenditure	**1,410,121**	357,350	**-**	-
Contract liabilities - payments received in advance from customers	**2,368,244**	491,780	**-**	-
Amounts owed to shareholders	**258,110**	267,733	**619,165**	619,165
Amounts owed to subsidiary	**-**	-	**1,086,253**	1,086,253
Amounts owed to related parties	**22,783**	37,594	**22,781**	22,781
Other payables	**121,578**	80,627	**-**	-
Indirect taxation and social security	**574,487**	150,878	**-**	-
Accruals	**1,298,501**	1,196,513	**33,285**	23,521
	8,096,242	3,865,379	**1,761,484**	1,751,720

Upon adoption of the requirements of IFRS 15 on 1 November 2018, no remeasurement nor reclassifications were deemed necessary.

22. Revenue

The group’s turnover is analysed as follows:

	Group	
	2019	2018
	€	€
By segment		
Apparel – local and overseas	**17,539,430**	17,784,241
Hotel operations - local	**2,902,192**	169,175
	20,441,622	17,953,416

23. Expenses by nature

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Cost of goods sold and materials consumed	**6,979,143**	7,499,805	**-**	-
Movement in work in progress and subcontracted costs and labour	**1,002,791**	1,080,375	**-**	-
Hotel food and beverage costs	**22,777**	16,324	**-**	-
Travelling and entertainment	**280,640**	226,876	**-**	-
Employee benefit costs (Note 24)	**5,364,659**	4,875,841	**-**	-
Depreciation of property, plant and equipment (Note 5)	**1,057,852**	774,488	**-**	-
Depreciation of investment property (Note 6)	**52,104**	368	**-**	-
Utilities and similar charges	**287,443**	6,466	**-**	-
Property operating lease rentals payable	**1,238,980**	1,101,763	**-**	-
Other expenses	**3,186,936**	2,485,587	**10,114**	35,333
Total cost of sales, administrative and selling expenses	**19,473,325**	18,067,893	**10,114**	35,333

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Loss on disposal of property, plant and equipment (included in 'Administrative expenses' or 'Other operating income')	**7,767**	273,403	**-**	-
Profit on disposal of investment property (included in 'Other operating income')	**-**	(268,761)	**-**	-

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2019 and 2018 relate to the following:

	Group	
	2019	2018
	€	€
Annual statutory audit		
- Parent company auditors	**32,000**	27,850
- Other auditors	**3,565**	3,939
Other assurance services	**2,250**	-
Tax compliance and advisory services	**24,765**	40,200
Other non-audit services	**-**	71,800
	62,580	143,789

The auditors' remuneration for the company attributable to the year ended 31 October 2019 amounted to €1,000 (2018: €1,165).

24. Employee benefit costs

	Group	
	2018	2017
	€	€
Wages and salaries	**5,164,590**	4,746,968
Social security costs	**252,055**	223,398
	5,416,645	4,970,366

Included in the employee benefit expense disclosed above is an amount of €51,986 (2018: €94,525), which was capitalised in property, plant and equipment during the current financial year.

Average number of persons employed during the year:

	Group	
	2019	2018
By class of business		
Apparel	**605**	596
Hotel operations	**34**	18
	639	614

	Group	
	2019	2018
By category		
Direct	**560**	556
Selling and distribution	**63**	48
Administration	**16**	10
	639	614

25. Directors' emoluments

	Group	
	2019	2018
	€	€
Salaries and other emoluments	**260,335**	228,924

26. Other operating income

	Group	
	2019	2018
	€	€
Property operating lease rental income	**233,948**	73,650
Profit on disposal of investment property	**-**	268,761
Loss on disposal of property, plant and equipment	**-**	(273,403)
Foreign exchange differences	**15,678**	47,804
	249,626	116,812

27. Investment and other related income

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Dividend income from investments in subsidiaries	**-**	-	**-**	784,000
Investment income	**6,972**	16,134	**1,060**	592
	6,972	16,134	**1,060**	784,592

28. Finance income

	Group	
	2019	2018
	€	€
Interest receivable from related parties	**51,672**	51,672

29. Finance costs

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Bank interest and charges	**294,393**	70,742	**28**	85
Bond interest expense	**317,593**	161,432	**-**	-
	611,986	232,174	**28**	85

The total bond interest expense for the current financial year amounted to €500,071 (2018: €459,385), out of which an amount of €182,478 (2018: €297,953) has been capitalised within property, plant and equipment.

30. Tax expense

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Current taxation:				
Current tax expense	**8,266**	77,681	**92**	-
Adjustment recognised in financial period for current tax of prior periods	**(5,431)**	-	**-**	-
Deferred taxation	**116,334**	-	**-**	-
	119,169	77,681	**92**	-

30. Tax expense - continued

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Profit/(loss) before tax	**664,581**	(162,033)	**(9,082)**	749,174
Tax on profit/(loss) calculated at the rates applicable to the Group undertakings concerned (mainly at 35%)	**232,603**	(56,712)	**(3,179)**	262,211
Tax effect of:				
Income not subject to tax or charged at reduced rates	**(280)**	-	**(280)**	(274,400)
Unrecognised deferred tax movements	**(261,514)**	(303,764)	**-**	-
Expenses not deductible for tax purposes	**8,538**	15,091	**3,551**	12,189
Maintenance allowance claimed on rental property	**(15,174)**	(4,232)	**-**	-
Unabsorbed capital allowances claimed during the year	**230,563**	460,028	**-**	-
Utilisation of unabsorbed tax losses brought forward from previous years	**(69,158)**	-	**-**	-
Application of provisions of tax legislation to sale of immovable property	**-**	(23,232)	**-**	-
Overprovision of tax in previous years	**(5,431)**	-	**-**	-
Other differences	**(978)**	(9,498)	**-**	-
	119,169	77,681	**92**	-

31. Dividends

Final dividends paid on ordinary shares:

	Group	
	2019	2018
	€	€
Net dividends	**-**	784,000
Dividends per share	**-**	39.20

32. Cash generated from/(used in) operations

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

	Group		Company	
	2019	2018	**2019**	2018
	€	€	**€**	€
Operating profit/(loss)	**1,217,923**	2,335	**(10,114)**	(35,333)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	**1,057,852**	774,488	**-**	-
Depreciation of investment property (Note 6)	**52,104**	368	**-**	-
Loss on disposal of property, plant and equipment	**7,797**	273,403	**-**	-
Profit on disposal of investment property	**-**	(268,761)	**-**	-
Changes in working capital:				
Inventories	**(748,155)**	(1,439,482)	**-**	-
Trade and other receivables	**11,252**	(871,975)	**-**	153,738
Trade and other payables	**2,349,509**	(345,746)	**9,764**	(118,768)
Cash generated from/(used in) operations	**3,948,282**	(1,875,370)	**(350)**	(363)

Net debt reconciliation

Other than as disclosed in Note 19 ' Borrowings', with respect to the amortisation of the bond issue costs, the principal movements in the group's net debt related to cash flow movements and disclosed as part of the financing activities in the statements of cash flows.

33. 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 and other operational activities, expire within a period ranging from 1 to 65 years from the end of the reporting period. The future minimum lease payment obligations under non-cancellable property operating leases are as follows:

	Group	
	2019	2018
	€	€
Less than one year	**1,006,133**	934,400
Between one and five years	**231,765**	-
More than five years	**7,415,230**	-
	8,653,128	934,400

33. Commitments - continued

Capital commitments

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

	Group	
	2019	2018
	€	€
Authorised but not contracted	**167,000**	4,765,000
Contracted but not provided	**1,600,000**	1,195,000
	1,767,000	5,960,000

34. Contingencies

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

(a) At 31 October 2019, subsidiaries had contingent liabilities amounting to €136,959 (2018: €104,960) 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 2019, subsidiaries had a contingent liability amounting to €6,988 (2018: €6,988) in respect of the uncalled share capital of an unquoted investment.

(c) At 31 October 2019, 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 (2018: €45,278), in respect of which no provision has been made in these accounts.

(d) As at the end of the reporting period, a group undertaking was exposed to a claim in relation to the its refurbishment project. Based on the information and legal advice available at the date that these financial statements have been authorised for issue, the directors consider that the grounds for such claims, as well as the defences available to the entity, are such that material financial consequences are unlikely.

35. Related party transactions

Bortex Group Holdings Company Limited and its subsidiaries constitute the Bortex Group. The entities constituting the Bortex Group are ultimately fully owned by Mr Peter Borg and Ms Karen Bugeja. Accordingly, companies which are ultimately owned and controlled by these individuals are considered to be related parties to the Bortex Group.

Trading transactions with these companies would typically include interest charges, management fees, service charges and other such items which are normally encountered in a group context.

In the opinion of the directors, disclosure of related party transactions, which are generally carried out on commercial terms and conditions, is only necessary when the transactions effected have a material impact on the operating results and financial position of the group. The aggregate invoiced amounts in respect of a considerable number of transaction types carried out with related parties are not considered material and accordingly they do not have a significant effect on these financial statements.

35. Related party transactions - continued

Except for transactions disclosed or referred to previously, there were no significant operating transactions, carried out with related parties, that had a material effect on the operating results and financial position of the group.

Year-end balances with related parties are disclosed in Notes 10, 11, 19 and 21 to these financial statements. These amounts are unsecured, interest free and repayable on demand, unless otherwise stated in the respective notes.

Key management personnel comprise the directors of the parent company and of the other group undertakings compensation, consisting of directors' remuneration, is disclosed in Note 25 to these financial statements. Key management personnel compensation, in addition to the parent company's directors' remuneration as disclosed in Note 25, amounted to €18,000 (2018: €25,000).

36. 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.