BORTEX GROUP HOLDINGS COMPANY LIMITED

Annual Report and Consolidated Financial Statements 31 October 2020

Company Registration Number: C 4863

Directors' report

The directors present their report and the audited consolidated financial statements for the year ended 31 October 2020.

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 2020.

Performance during financial year 2020

The results of the Group represent the results of the parent company together with those of its subsidiaries for the year ended 31 October 2020.

The Group owns a number of subsidiaries involved in the retail and distribution of branded products in Malta as well as internationally, contract garment manufacturing, hospitality, real estate development and property management.

The Group reported a turnover of €22.3 million (2019: €20.4 million) and earnings before interest, taxation, depreciation and amortisation (EBITDA) of €2.1 million (2019: €2.3 million). Needless to say this has been an exceptional year for the Group with the COVID-19 pandemic and its consequences severely impacting the various sectors of the Group's activities on different levels and leading to a substantial decrease in projected revenues and consequently the final results.

During the current financial year, the Group reported a profit before tax, and before non-recurring items, of €759,761 as against a profit in 2019 of €664,581, despite the adoption of IFRS 16 which had a negative impact of €232,136 on the Group's profit before tax. The sale of 15 apartments out of 20 in Project TEN in Sliema materialised during this year and this had a net positive impact on these results by €2.7 million. The Group has taken a prudent approach with regard to its manufacturing operations in Tunisia in view of the effects of COVID-19 on the tailoring industry, together with decisions to close specific foreign retail outlets. The impact of the related aggregate losses amounted to by taking an extraordinary provision for any possible future write-offs of € 1.9 million. The total loss before tax for the year after non-recurring items is therefore €1,173,332 (2019: profit of €664,581).

Directors' report - continued

Manufacturing and Retail
During the year under review manufacturing and retail operations registered a positive result of €1,517K before non-recurring items of €1,510K. After allowing for such non-recurring items EBITDA for the current financial year amounted to €7K (2019: €1.1 million).

At the beginning of the year, efforts to restore the private label order book levels and improve retail margins both locally as well as overseas had begun to bear fruit. In fact the results for the first quarter of the year for both manufacturing and retail were broadly in line with budgets. With the onset of the COVID-19 crisis in early March, retail and manufacturing revenues came to an almost complete halt as a result of the mandatory closure of all stores located in Malta as well as those located overseas. The factory in Tunisia was also forced to shut.

The Group converted its local manufacturing facility to the production of medical apparel and face masks, ramped up its online efforts and also embarked on a restructuring plan decreasing its total overheads by more than 20%. It also shortened the working week for all employees for a number of months and qualified for Government support mainly via wage supplements. Two Gagliardi retail stores in Sweden and one in U.K. were also closed permanently.

Operations started up again in early May and sales recovered slowly throughout the early Summer dipping again after the decision to prohibit events such as weddings as part of the measures implemented by governments to halt the spread of the pandemic. The Group experienced a drop in retail sales of approximately 37% throughout the year and a drop in manufacturing sales of 18% when compared to pre-COVID budgets.

Hospitality
The year under review was expected to be the first full year of operations for Hotel 1926. The year started on an excellent footing, with revenues exceeding budget by €179K for the first quarter of the year. Hotel 1926 and Palazzo Jean Parisot were budgeted to register an EBITDA of €2.3 million between them for the full year and pre-COVID business on the books indicated that this objective would not only be met but surpassed. The pandemic overturned this scenario entirely as the Group was forced to close both hotels in March following primarily the imposition of quarantine on travellers, followed by the closure of the airport.

Measures were taken to reduce costs and the hotels also qualified for the relevant Government support. The beach club was opened for the summer season with measures in place and in line with guidelines issued by MTA and Health authorities.

Hotel operations resumed again as from July 2020 with the reopening of the airport. Although the revenues generated were a far cry from the pre-COVID 19 forecast, both hotels exceeded industry average occupancies and managed to register €2 million worth of sales as compared to the pre-COVID budget of €5.1 million. Total rooms revenue from Hotel 1926 reached € 1.8million with an average occupancy of 45% (2019: 71%) and an ADR of €65.67 (2019: €148) whereas revenue from Palazzo Jean Parisot was € 116K. EBITDA pertaining to total hospitality operations amounted to €91K compared to a pre-COVID budget of €2.3 million, yet much better than the initial estimate of €331K made as soon as the hotels were forced to close. The Group considers this result to be a significant achievement given the COVID-19 scenario.

Directors' report - continued

Real Estate and Property Management
COVID-19 had fewer repercussions on the real estate division of the Group since the majority of the apartments in Project Ten were already covered by a promise of sale agreement. Finishing works continued to be carried out as programmed and were finalised by the end of the year, though dates for final contracts were delayed due to the government measures and the modified working practices of banks and notarial firms. The Group sold 15 apartments and 28 car spaces by the end of the current financial year which brought in €6.8 million in revenue net of commissions payable. Profit thereon was €2.7 million. Rental income from the properties in Mriehel and Sliema were not impacted by the COVID crisis.

Cash Flow
The Group confirms that, although this year's results were adversely effected, this has not and will not impact the going concern of both the Issuer and the Guarantor. In order to mitigate the deficiencies in the cash flow projections brought about by the impact of COVID-19, the Group has been granted a moratorium of one year on the payment of interest and principal on its existing loan to finance the refurbishment of Hotel 1926, and it has been granted further financing amounting to €2.8 million under the MDB Guarantee scheme, repayable over six years inclusive of one year moratorium.

Outlook for financial year ending 2021

The impacts of COVID-19 are far-reaching and have continued to ripple throughout the world and it is expected that they will continue to influence the Group's operations throughout 2021. Hospitality is among the sectors hardest hit due to fears of community spread through travel and group environments. With many people forced to work from home and all social events and occasions disallowed, fashion retail, particularly that segment related to business attire and formal occasions, has also been severely impacted.

Manufacturing and Retail
The continuous uncertainity brought about by COVID-19 will continue to have an effect over this year's results. Budgets have been prepared with this in mind assuming subdued levels retail sales both locally as well as overseas and the subsequent impact on the manufacturing arm's private label sales order book. There will be continued focus on the reduction of overhead costs and ongoing efforts to maximise sales, improve margins and manage inventories. During the second quarter of the year the Group will be opening its first Gant store at the BayStreet Mall in St Julians and launching its new mixed use Bortex concept also at BayStreet.

Hospitality and Real Estate
During the financial year ending 2021 the Group will continue to operate Hotel 1926 and Boutique Palazzo Jean Parisot. Budgets have allowed for the risks that this sector is facing during this year, mainly travel restrictions and lock downs in source markets, and they have also taken into consideration the expected positive upward trend this industry will be experiencing with the ease of these restrictions in the coming months.

Out of the five apartments that were not sold as at 31 October 2020, one apartment has been sold at the beginning of the following financial year and one other apartment is on a promise of sale agreement. The Group is confident that the remaining apartments will be sold or that a promise of sale agreement will be entered into by the end October 2021.

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 in the income statement. The directors do not recommend the payment of a dividend.

The directors propose that the company's balance of retained earnings amounting to €2,344,521 (2019: €2,386,693) 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 Borg
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 2020 are included in the Annual Report 2020, 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

A resolution for the re-appointment of PricewaterhouseCoopers will be proposed at the Annual General Meeting.

On behalf of the board

Peter Borg	Karen Borg
Chairman	Director

Registered office
32 Hughes Hallet Street
Sliema
Malta

26 February 2021

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:

- The 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 of Bortex Group Holdings Company Limited as at 31 October 2020, and of the group's and the parent company's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards ('IFRSs') as adopted by the EU; and

- The financial statements have been prepared in accordance with the requirements of the Maltese Companies Act (Cap. 386).

What we have audited

Bortex Group Holdings Company Limited's financial statements, set out on pages 11 to 74, comprise:

- the consolidated and parent company statements of financial position as at 31 October 2020;
- 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 significant accounting policies and other explanatory information.

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 Group and the Parent Company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for 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 and we do not express any form of assurance conclusion thereon except as explicitly stated within the *Report on other legal and regulatory requirements*.

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.

If, based on the work we have performed we conclude that there is a material misstatement of this other information, we are required to report that fact. 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.

Independent auditor's report - continued

To the Shareholders of Bortex Group Holdings Company Limited

Auditor's responsibilities for the audit of the financial statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the 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, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's or the Parent company's ability to continue as a going concern. In particular, it is difficult to evaluate all of the potential implications that COVID-19 will have on the Group's and the Parent company's trade, customers and suppliers, and the disruption to their business and the overall economy.
- 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.

Independent auditor's report - continued

To the Shareholders of Bortex Group Holdings Company Limited

Report on other legal and regulatory requirements

The *Annual Report and Financial Statements 2020* contains other areas required by legislation or regulation on which we are required to report. The Directors are responsible for these other areas.

The table below sets out these areas presented within the Annual Report, our related responsibilities and reporting, in addition to our responsibilities and reporting reflected in the *Other information* section of our report. Except as outlined in the table, we have not provided an audit opinion or any form of assurance.

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	**Our responsibilities**	**Our reporting**
Directors' report (on pages 1 to 5) The Maltese Companies Act (Cap. 386) requires the directors to prepare a Directors' report, which includes the contents required by Article 177 of the Act and the Sixth Schedule to the Act.	We are required to consider whether the information given in the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements. We are also required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In addition, we are required to state whether, in the light of the knowledge and understanding of the Company and its environment obtained in the course of our audit, we have identified any material misstatements in the Directors' report, and if so to give an indication of the nature of any such misstatements.	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). We have nothing to report to you in respect of the other responsibilities, as explicitly stated within the *Other information* section.

Independent auditor's report - *continued*

To the Shareholders of Bortex Group Holdings Company Limited

Area of the *Annual Report and Financial Statements 2020* and the related Directors' responsibilities	Our responsibilities	Our reporting
	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 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 which, to the best of our knowledge and belief, we require for our audit.	We have nothing to report to you in respect of these responsibilities.

Other matters on which we are required to report by exception

Our report, including the opinions, has been prepared for and only for the Parent Company's shareholders as a body in accordance with Article 179 of the Maltese Companies Act (Cap. 386) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior written consent.

PricewaterhouseCoopers
78, Mill Street
Zone 5, Central Business District
Qormi
Malta

F Axisa

Fabio Axisa
Partner

26 February 2021

Statements of financial position

		As at 31 October			
		Group		Company	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
ASSETS					
Non-current assets					
Property, plant and equipment	5	**29,499,035**	29,153,831	**-**	-
Right-of-use assets	6	**5,027,189**	-	**-**	-
Investment property	7	**2,167,239**	2,174,092	**-**	-
Investments in subsidiaries	8	**-**	-	**3,602,481**	3,602,481
Investments in associates	9	**196,770**	559	**-**	-
Financial assets at FVOCI	10	**170,302**	202,393	**11,109**	11,109
Loans and advances	11	**2,145,739**	2,145,739	**-**	-
Trade and other receivables	12	**891,845**	815,125	**-**	-
Total non-current assets		**40,098,119**	34,491,739	**3,613,590**	3,613,590
Current assets					
Inventories	13	**15,319,565**	20,024,383	**-**	-
Trade and other receivables	12	**4,598,645**	4,612,505	**634,755**	634,755
Current tax assets		**14,575**	24,448	**4,620**	4,620
Term placements with banks	14	**7,878**	7,827	**-**	-
Cash and cash equivalents	15	**1,370,669**	1,115,326	**8,174**	7,279
Total current assets		**21,311,332**	25,784,489	**647,549**	646,654
Total assets		**61,409,451**	60,276,228	**4,261,139**	4,260,244

Statements of financial position - continued

		As at 31 October			
		Group		**Company**	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
EQUITY AND LIABILITIES					
Capital and reserves					
Share capital	16	**46,587**	46,587	**46,587**	46,587
Revaluation reserves	17	**5,870,438**	5,867,606	**7,246**	7,246
Other reserves	18	**506,652**	506,652	**58,234**	58,234
Retained earnings		**20,236,337**	21,437,270	**2,344,521**	2,386,693
Capital and reserves attributable to owners of the parent		**26,660,014**	27,858,115	**2,456,588**	2,498,760
Non-controlling interests	19	**21,247**	42,974	**-**	-
Total equity		**26,681,261**	27,901,089	**2,456,588**	2,498,760
Non-current liabilities					
Borrowings	20	**19,634,099**	18,063,217	**-**	-
Lease liabilities	21	**4,863,097**	-	**-**	-
Deferred taxation	22	**1,696,076**	1,847,333	**-**	-
Total non-current liabilities		**26,193,272**	19,910,550	**-**	-
Current liabilities					
Trade and other payables	23	**5,586,742**	8,096,242	**1,804,551**	1,761,484
Current tax liabilities		**15,832**	18,656	**-**	-
Borrowings	20	**2,613,080**	4,349,691	**-**	-
Lease liabilities	21	**319,264**	-	**-**	-
Total current liabilities		**8,534,918**	12,464,589	**1,804,551**	1,761,484
Total liabilities		**34,728,190**	32,375,139	**1,804,551**	1,761,484
Total equity and liabilities		**61,409,451**	60,276,228	**4,261,139**	4,260,244

The notes on pages 18 to 74 are an integral part of these consolidated financial statements.

The financial statements on pages 11 to 74 were authorised for issue by the Board on 26 February 2021 and were signed on its behalf by:

Peter Borg
Chairman

Karen Borg
Director

Income statements

	Notes	Group 2020 €	Group 2019 €	Company 2020 €	Company 2019 €
Revenue	24	**22,357,621**	20,441,622	**-**	-
Cost of sales		**(16,165,892)**	(12,147,740)	**-**	-
Gross profit		**6,191,729**	8,293,882	**-**	-
Selling expenses and other direct expenses		**(3,934,109)**	(4,909,957)	**-**	-
Administrative expenses		**(2,609,874)**	(2,415,628)	**(42,124)**	(10,114)
Other operating income	28	**271,363**	249,626	**-**	-
Operating (loss)/profit		**(80,891)**	1,217,923	**(42,124)**	(10,114)
Operating profit/(loss) before non-recurring items		**1,852,202**	1,217,923	**(42,124)**	(10,114)
- Non-recurring items included within cost of sales:					
Inventory write-downs	13	**(1,189,682)**	-	**-**	-
- Non-recurring items included within administrative expenses:					
Impairment of property, plant and equipment	5	**(423,352)**	-	**-**	-
Loss on disposal of property, plant and equipment	5	**(227,138)**	-	**-**	-
Amounts written-off in respect of trade receivables	12	**(92,921)**	-	**-**	-
Operating (loss)/profit after non-recurring items		**(80,891)**	1,217,923	**(42,124)**	(10,114)
Investment and other related income	29	**962**	6,972	**-**	1,060
Finance income	30	**51,672**	51,672	**-**	-
Finance costs	31	**(1,091,286)**	(611,986)	**(48)**	(28)
Share of results of associate	9	**(53,789)**	-	**-**	-
(Loss)/profit before tax		**(1,173,332)**	664,581	**(42,172)**	(9,082)
Tax expense	32	**(14,924)**	(119,169)	**-**	(92)
(Loss)/profit for the year		**(1,188,256)**	545,412	**(42,172)**	(9,174)
(Loss)/profit for the year is attributable to:					
Owners of the parent		**(1,175,989)**	552,024	**(42,172)**	(9,174)
Non-controlling interests		**(12,267)**	(6,612)	**-**	-
		(1,188,256)	545,412	**(42,172)**	(9,174)

Year ended 31 October.

The notes on pages 18 to 74 are an integral part of these consolidated financial statements.

Statements of comprehensive income

		Year ended 31 October			
		Group		Company	
	Note	**2020**	2019	**2020**	2019
		€	€	**€**	€
(Loss)/profit for the year		**(1,188,256)**	545,412	**(42,172)**	(9,174)
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	17	**34,923**	(550,880)	**-**	-
Losses from changes in fair value of financial assets at FVOCI	17	**(32,091)**	(9,799)	**-**	-
Items that may be subsequently reclassified to profit or loss					
Losses from changes in fair value of available-for-sale financial assets	17		-	**-**	-
Currency translation differences		**(34,404)**	24,068	**-**	-
Total other comprehensive income for the year, net of tax		**(31,572)**	(536,611)	**-**	-
Total comprehensive income for the year		**(1,219,828)**	8,801	**(42,172)**	(9,174)
Total comprehensive income for the year is attributable to:					
Owners of the parent		**(1,198,101)**	15,827	**(42,172)**	(9,174)
Non-controlling interests		**(21,727)**	(7,026)	**-**	-
		(1,219,828)	8,801	**(42,172)**	(9,174)

The notes on pages 18 to 74 are an integral part of these consolidated financial statements.

Statements of changes in equity

Group

	Notes	Share capital €	Revaluation reserves €	Other reserves €	Retained earnings €	Non-controlling Interests €	Total €
		Attributable to owners of the parent					
Balance at 1 November 2018		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	17	-	(550,880)	-	-	-	(550,880)
Losses from changes in fair value of financial assets at FVOCI	17	-	(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	19	-	-	-	-	50,000	50,000
Balance at 31 October 2019		46,587	5,867,606	506,652	21,437,270	42,974	27,901,089
Comprehensive income							
Loss for the year		-	-	-	(1,175,989)	(12,267)	(1,188,256)
Other comprehensive income:							
Movement in deferred tax liability on revalued land and buildings, determined on the basis applicable to property disposals	17	-	34,923	-	-	-	34,923
Losses from changes in fair value of financial assets at FVOCI	17	-	(32,091)	-	-	-	(32,091)
Currency translation differences		-	-	-	(24,944)	(9,460)	(34,404)
Total other comprehensive income		-	2,832	-	(24,944)	(9,460)	(31,572)
Total comprehensive income		-	2,832	-	(1,200,933)	(21,727)	(1,219,828)
Balance at 31 October 2020		**46,587**	**5,870,438**	**506,652**	**20,236,337**	**21,247**	**26,681,261**

Statements of changes in equity - continued

Company

	Share capital €	Revaluation reserve €	Other Reserves €	Retained earnings €	Total €
Balance at 1 November 2018	46,587	7,246	58,234	2,395,867	2,507,934
Comprehensive income					
Loss 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
Comprehensive income					
Loss for the year					
- total comprehensive income	-	-	-	(42,172)	(42,172)
Balance at 31 October 2020	**46,587**	**7,246**	**58,234**	**2,344,521**	**2,456,588**

The notes on pages 18 to 74 are an integral part of these consolidated financial statements.

Statements of cash flows

		Year ended 31 October			
		Group		Company	
	Notes	**2020**	2019	**2020**	2019
		€	€	**€**	€
Cash flows from operating activities					
Cash generated from/(used in) operations	33	**6,037,319**	3,948,282	**943**	(350)
Cash outflows relating to property development project		**(2,614,369)**	(1,511,854)	**-**	-
Cash inflow from promise of sale agreements		**239,800**	1,881,354	**-**	-
Investment income	29	**962**	6,972	**-**	1,060
Interest received	30	**51,672**	51,672	**-**	-
Interest paid		**(862,596)**	(908,624)	**(48)**	(28)
Net tax (paid)/refunded		**(494,409)**	8,992	**-**	(92)
Other tax related refunds		**123,400**	-	**-**	-
Net cash generated from operating activities		**2,481,779**	3,476,794	**895**	590
Cash flows from investing activities					
Payments for property, plant and equipment and investment property		**(1,468,577)**	(6,522,809)	**-**	-
Proceeds from disposal of property, plant and equipment		**-**	6,000	**-**	-
Payments for investment in associate	9	**(250,000)**	-	**-**	-
Investments in term placements with banks	14	**(51)**	(50)	**-**	-
Net cash used in investing activities		**(1,718,628)**	(6,516,859)	**-**	-
Cash flows from financing activities					
Proceeds from non-controlling interest arising upon incorporation of subsidiary	19	**-**	50,000	**-**	-
Proceeds from bank borrowings	20	**8,376,624**	4,071,884	**-**	-
Repayments of bank borrowings	20	**(6,843,161)**	(1,742,537)	**-**	-
Repayments of loans from shareholders	20	**-**	(18,910)	**-**	-
Principal element of lease liabilities	21	**(308,377)**	-	**-**	-
Net cash generated from financing activities		**1,225,086**	2,360,437	**-**	-
Net movement in cash and cash equivalents		**1,988,237**	(679,628)	**895**	590
Cash and cash equivalents at beginning of year		**(2,648,740)**	(1,972,786)	**7,279**	6,689
Effects of currency translation on cash and cash equivalents		**(10,879)**	3,674	**-**	-
Cash and cash equivalents at end of year	15	**(671,382)**	(2,648,740)	**8,174**	7,279

The notes on pages 18 to 74 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 2020, the company's current liabilities exceeded its current assets by €1,157,002 (2019: €1,114,830). In this respect, the shareholders and a subsidiary 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.

Furthermore, in view of the current situation brought about by the COVID-19 pandemic, Group has prepared projections for the coming 12 month period ending 31 October 2021, based on forecasts which factor in the uncertainty created by the COVID-19 pandemic. These forecasts project positive cash flows for the Group throughout. During the year under review, the Group also secured a €2.85 million loan under the MDB COVID-19 Guarantee scheme to manage its working capital needs. At the end of current financial year, the Group has a cash reserve of €1.4 million, together with unutilised banking facilities of around €4.5 million, and forecasts a cash reserve of circa €2.8 million by 31 October 2021.

The directors have concluded that the group should be able to ensure that it does meet its commitments both financial and otherwise, including the obligations towards bondholders should be met in full. In this respect, the directors have assessed that the company is expected to have the necessary funds to finance the payment of bond interest falling due in December 2020 (which has been settled already by the date that these financial statements have been authorised for issue) and 2021 and going forward.

On the basis of the matters disclosed above, the board continues to adopt the going concern basis in preparing the Group's and the company's financial statements and considers that there are no material uncertainties which may cast doubt about the ability of the Group and the company to continue operating as a going concern.

1. Summary of significant accounting policies - continued

1.1 Basis of preparation - continued

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 2019. 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 and make retrospective adjustments as a result of adopting IFRS 16, 'Leases', but recognised the cumulative effect of initially applying the new standard on 1 November 2019. The new accounting policies are disclosed in Note 1.21 below. The impact of the adoption of this standard is disclosed in Note 2. The other standards did not have any impact on the Group's accounting policies and did not require retrospective adjustments.

Standards, interpretations and amendments to published standards that are not yet adopted

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 2019. The group has elected to early adopt the IFRS 16 COVID19-related rent concessions amendment which has been adopted by the EU. The amendment did not have any impact on the amounts recognised in prior periods and is not expected to significantly affect the current or future periods. The impact of the adoption of this amendment is disclosed in Note 25. The Group has not early adopted any other revisions to the requirements of IFRSs as adopted by the EU and the directors of the Group are of the opinion that there are no requirements that will have a possible significant impact on the Group's financial statements in the period of initial application.

2. 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 8.

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.

1. Summary of significant accounting policies - continued

1.4 Property, plant and equipment - continued

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'.

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	5 - 25
Motor vehicles	13 - 20

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

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

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. Summary of significant accounting policies - continued

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.

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

1.7 Financial assets

Classification

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.

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.

1. Summary of significant accounting policies - continued

1.7 Financial assets - continued

(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.

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

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. Summary of significant accounting policies - continued

1.8 Inventories

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

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

(b) Property held for 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. Summary of significant accounting policies - continued

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. 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.

1.13 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. Summary of significant accounting policies - continued

1.17 Current and deferred tax

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

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

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

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

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

1.18 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.

1. Summary of significant accounting policies - continued

1.18 Revenue recognition - continued

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.

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 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.

1.21 Leases

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or a series of payment, the right to use an asset for an agreed period of time.

The Group is the lessee

At inception of a contract, an entity shall assess whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

As explained in Note 1.1 above, the group has changed its accounting policy for leases where the Group is the lessee. The impact of the change is described in Note 2.

Until 31 October 2019, leases of assets in which a significant portion of the risks and rewards of ownership were effectively retained by the lessor were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease.

With effect from 1 November 2019, leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the group under residual value guarantees;
- the exercise price of a purchase option if the group is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the group exercising that option.

Where property leases contain variable payment terms that are linked to sales generated from respective outlets, the related variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group , the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

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

1.21 Leases - continued

To determine the incremental borrowing rate, the Group:

- where possible, uses recent third-party financing received by the lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received;
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the group, where there is no third party financing; and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentives received; and
- any initial direct costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset’s useful life.

Payments associated with short-term leases and all leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). For leases of properties, the following factors are normally the most relevant in considering to extend (or not terminate):

- if there are significant penalties to terminate (or not extend), the group undertaking is typically reasonably certain to extend (or not terminate); and
- if any leasehold improvement are expected to have a significant remaining value, the group undertaking is typically reasonably certain to extend (or not terminate).
- Otherwise, the group undertaking considers other factors including historical lease durations and the costs and business disruption required to replace the leased assets.

The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects this assessment, and that is within the control of the lessee.

The Group is the lessor

Assets leased out under operating leases are included in property, plant and equipment in the statement of financial position and are accounted for in accordance with Note 1.4. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income from operating leases recognised in profit or loss on a straight-line basis over the lease term. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of the adoption of the new leasing standard.

1. Summary of significant accounting policies - continued

1.22 Deferred Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions. Government grants related to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs they are intended to compensate.

Government grants related to assets, i.e. in respect of the purchase of property, plant and equipment, are included in liabilities as deferred government grants, and are credited to profit or loss on a straight-line basis over the expected lives of the related assets, presented within 'Other operating income'.

Grants related to income are presented as a deduction in reporting the related expense.

2. Changes in accounting policies

This note explains the impact of the adoption of IFRS 16 'Leases', on the Group's consolidated financial statements.

As indicated in Note 1.1 above, the Group has adopted IFRS 16 retrospectively from 1 November 2019 but has not restated comparatives for the 2019 reporting period, as permitted under the specific transitional provisions in the standard.

The reclassifications and the adjustments arising from the new leasing rules are therefore recognised in the opening balance sheet on 1 November 2019. The new accounting policies are disclosed in Note 1.21.

(a) The Group's leasing activities

Group undertakings lease various properties from third parties. Rental contracts are entered into for fixed periods which range from 1 to 40 years. Such contracts may also have extension options to renew the base after the original period as described below. The group also has two 65 year emphyteutical grants for its offices and warehouse, which were entered into in October 2019. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. The lease agreements do not impose any covenants and leased assets are not used as security for borrowing purposes.

Extension and termination options are included in the majority of the group's motor vehicles leases. These terms are used to maximise operational flexibility in respect of managing contracts. The majority of extension and termination options held are exercisable only by the Group and not by the respective lessor. In respect of the majority of lease arrangements, the extension periods have been included in determining lease term for the respective arrangement.

Some property leases contain variable payment terms that are linked to sales generated from respective outlets. Variable lease payments that depend on sales are recognised in profit or loss in the period in which the condition that triggers those payments occurs.

(b) Adjustments recognised upon adoption of IFRS 16 in the statement of financial position on 1 November 2019

On adoption of IFRS 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "operating leases" under the principles of IAS 17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the respective lessee's incremental borrowing rate as of 1 November 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities by the Group on 1 November 2019 was 4%.

The associated right-of-use assets for leases were measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to those leases recognised in the balance sheet as at 31 October 2019. There were no onerous lease contracts that would have required an adjustment to the right-of-use assets at the date of initial application.

The change in accounting policy affected the following items in the balance sheet on 1 November 2019:

- right-of-use assets, increase by €5,317,255
- lease liabilities, increase by €5,284,871
- prepayments, decrease by €32,384

2. Changes in accounting policies - continued

The total recognised right-of-use assets of the Group relate to properties:

	As at 1 November 2019 €
Properties - Total right-of-use assets	**5,317,255**

Measurement of lease liabilities

	As at 1 November 2019 €
Operating lease commitments disclosed as at 31 October 2019	9,141,986
Add: adjustments as a result of different treatment of extensions	2,286,655
Discounted using the incremental borrowing rate at the date of initial application	(6,143,770)
Lease liabilities recognised as at 1 November 2019	**5,284,871**
Of which are classified as:	
Current lease liabilities	308,076
Non-current lease liabilities	4,976,795
	5,284,871

Practical expedients applied

In applying IFRS 16 for the first time, group under takings have used the following practical expedients permitted by the standard:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- reliance on previous assessments on whether leases are onerous;
- the accounting for operating leases with a remaining lease term of less than 12 months as at 1 November 2019 as short-term leases; and
- the use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

2. Changes in accounting policies - continued

(c) Amounts recognised in profit and loss

The income statement reflects the following amounts relating to leases:

	2020 €
Included in selling and other direct expenses:	
Depreciation charge of right-of-use assets - Properties	290,066
Expense relating to variable lease payments (not included in lease liabilities)	425,192
Expense relating to the use of property (not included in lease liabilities)	32,250
Interest expense (included in finance costs)	205,867

Operating lease charges to be reflected within profit and loss, utilising the accounting principles of IAS 17 'Leases' had IFRS 16 not been adopted, during the period from 1 November 2019 to 31 October 2020 would have amounted to €263,787. Hence, EBITDA for the year ended 31 October 2020 has been impacted favourably by this amount in view of the adoption of the requirements of IFRS 16.

The impact on net profit before tax for the year ended 31 October 2020 had IFRS 16 not been adopted would have been favourable as follows:

	2020 €
Add back: Depreciation charge of right-of-use under IFRS 16	290,066
Add back: Interest expense under IFRS 16	205,867
Reinstate the operating lease charges under IAS 17	(263,787)
	232,146

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.

(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 €998,973 (2019: €857,753). 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.

3. Financial risk management - continued

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. 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.

(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 11) and the bonds issued to the general public (Note 20). 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**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Financial assets measured at amortised cost:				
Loans and advances (Note 11)	**2,145,739**	2,145,739	**-**	-
Trade and other receivables (Note 12)	**4,071,241**	3,710,678	**634,755**	634,755
Term placements with banks (Note 14)	**7,878**	7,827	**-**	-
Cash and cash equivalents (Note 15)	**1,370,669**	1,115,326	**8,174**	7,279
	7,595,527	6,979,570	**642,929**	642,034

3. Financial risk management - continued

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 11 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.

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 11). 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.

3. Financial risk management - continued

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.

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 31 October 2020 and 2019 for trade receivables, that are not subject to credit insurance and other form of guarantees, was determined to be around 1% of the revenue generated for the respective financial year.

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, if any, of these receivables are disclosed in Note 12 and 25.

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 2020, trade receivables of €526,507 (2019: €291,454) 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 2020 and 2019, 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.

(c) Liquidity risk

The Group is exposed to liquidity risk in relation to meeting future obligations associated with its financial liabilities, which comprise borrowings (Note 20) and trade and other payables (Note 23). 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 2020					
Lease liabilities	333,362	696,670	1,153,620	9,266,793	11,450,445
Bank borrowings	2,741,059	1,257,173	3,473,586	3,042,430	10,514,248
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	4,339,082	-	-	-	4,339,082
	7,891,628	**2,648,493**	**6,061,581**	**26,493,598**	**43,095,300**

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	14,662,500	17,053,125
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**	**14,662,500**	**32,802,463**

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:

	2020	2019
	€	€
Total borrowings	**22,247,179**	22,412,908
Less: cash and cash equivalents	**(1,370,669)**	(1,115,326)
Net debt	**20,876,510**	21,297,582
Total equity	**26,681,261**	27,901,089
Total capital	**47,557,771**	49,198,671
Net debt/total capital	**44%**	43%

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 as at 31 October 2020 and 2019, 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 Note 10 are categorised as level 1 instruments since they are listed in an active market.

3.3.2 Financial instruments not carried at fair value

As 31 October 2020 and 2019 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 carrying amounts of the other financial liabilities as at 31 October 2020, comprising lease liabilities, are reasonable estimates of their fair value as there have not been significant changes in the group's internal borrowing rate since the date of transition to IFRS 16.

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 is fair valued on the basis of professional advice.

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 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
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

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 2020							
Opening net book amount	18,125,350	969,948	2,703,479	7,318,561	36,493	-	29,153,831
Exchange differences	(236)	-	(8,642)	(14,647)	-	-	(23,525)
Additions	575,926	25,943	221,183	597,856	-	-	1,420,908
Reclassifications from inventories (Note 13)	-	-	-	-	-	1,082,966	1,082,966
Disposals	-	-	-	(402,712)	-	-	(402,712)
Impairment loss	(60,539)	-	(144,135)	(218,035)	(643)	-	(423,352)
Depreciation charge	(286,986)	(60,912)	(271,339)	(816,816)	(10,175)	-	(1,446,228)
Depreciation on disposal	-	-	-	137,147	-	-	137,147
Closing net book amount	**18,353,515**	**934,979**	**2,500,546**	**6,601,354**	**25,675**	**1,082,966**	**29,499,035**
At 31 October 2020							
Cost or valuation	19,574,326	1,080,678	7,492,943	12,145,174	326,441	1,082,966	41,702,528
Accumulated depreciation	(1,220,811)	(145,699)	(4,992,397)	(5,543,820)	(300,766)	-	(12,203,493)
Net book amount	**18,353,515**	**934,979**	**2,500,546**	**6,601,354**	**25,675**	**1,082,966**	**29,499,035**

The reclassification to property, plant and equipment from inventories, property developed with a view to sale, during the current financial year is attributable to the change in use of the related property elements. Such property for an aggregate amount of €1,082,966 is now considered to be owner occupied and once commissioned it will form part of the group's operational premises.

The impairment loss of €423,352 recognised during the current financial year is in respect of plant and equipment of Bortex Tunisia S.A.R.L. as a result of unexpected adverse trading and operating conditions. During the year, the group also wrote-off certain shop fittings and furniture for an amount of €227,138, relating to the foreign retail outlets that were closed permanently. Other write-offs in the ordinary course of business amounted to €38,427.

The reclassification to investment property in the preceding financial year 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 preceding financial year, the group capitalised borrowing costs in property, plant and equipment amounting to €246,638 utilising an average capitalisation rate of 4.5%. This amount was 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 17).

The directors have reviewed the carrying amount of the property as at 31 October 2020 and 2019, on the basis of assessments carried out by the valuer, and no adjustments to the carrying amounts as at 31 October 2020 and 2019 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 2020 and 2019, 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

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 preceding years, using significant unobservable inputs (Level 3)

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			
Fair value €21.5 million	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 2020 and 2019, 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:

	2020 €	2019 €
Cost	**9,841,519**	9,583,308
Accumulated depreciation	**(1,029,451)**	(893,023)
Net book amount	**8,812,068**	8,690,285

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. Right-of-use assets

The statement of financial position reflects the following assets relating to leases:

	As at 31 October 2020 €	As at 1 November 2019 €
Properties - Total right-of-use assets	**5,027,189**	5,317,255

The movements in the carrying amount of right-of-use assets during the year is attributable to depreciation charge amounting to €290,066.

7. Investment property

Group

	Land and buildings €	Furniture and office equipment €	Total €
At 1 November 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
Year ended 31 October 2020			
Opening net book amount	1,495,801	678,291	2,174,092
Additions	-	47,669	47,669
Depreciation charge	(14,992)	(39,530)	(54,522)
Closing net book amount	**1,480,809**	**686,430**	**2,167,239**
At 31 October 2020			
Cost	1,524,009	763,073	2,287,082
Accumulated depreciation	(43,200)	(76,643)	(119,843)
Net book amount	**1,480,809**	**686,430**	**2,167,239**

The reclassification from property, plant and equipment during the preceding financial year, 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 2020 and 2019 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.

8. Investments in subsidiaries

Group

Investments in subsidiaries excluded from consolidation

	2020	2019
	€	€
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

	2020	2019
	€	€
At 31 October		
Opening and closing cost and carrying amount	**3,602,481**	3,602,481

The subsidiaries at 31 October 2020, 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 2020 %	2019 %
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

8. Investments in subsidiaries - continued

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

	Registered office	Class of shares held	Percentage of shares held 2020 %	2019 %
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 Industry Company Limited

	Registered office	Class of shares held	Percentage of shares held 2020 %	2019 %
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**	75

9. Investments in associates

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Years ended 31 October				
Opening carrying amount	**559**	559	**-**	-
Additions	**250,000**	-	**-**	-
Share of results	**(53,789)**	-	**-**	-
Closing carrying amount	**196,770**	559	**-**	-

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
At 31 October				
Cost	**208,417**	12,206	**11,647**	11,647
Provisions for impairment	**(11,647)**	(11,647)	**(11,647)**	(11,647)
Carrying amount	**196,770**	559	**-**	-

The group's share of profit from associates, disclosed in the tables above and in profit or loss, is after tax and non-controlling interests in the associates.

During the current financial year, the group acquired 50% of Milti Company D.O.O., who's primary activity is the retail of fashion wear from specialised stores in Serbia. The consideration for this acquisition amounted to €250,000. The impact of this acquisition was not material on the group's financial position as at 31 October 2020 and the financial results for the year then ended.

The associates as at 31 October whose results and financial position affected the figures of the group are shown below:

	Registered Office	**Class of shares held**	**Percentage of shares held**	
			2020	2019
			%	%
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
Milti Company D.O.O	Luke Vojvodica 29 11000 Belgrade Serbia	Ordinary shares	**50**	-

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. The shareholding in Milti Company D.O.O. is held through Bortex Clothing Industry Company Limited, a subsidiary.

9. Investments in associates - continued

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 results of the associates and their assets and liabilities are as follows:

	Assets	**Liabilities**	**Revenues**	**Loss**
	€	**€**	**€**	**€**
2020				
P.J.P. Company Limited	713,954	720,300	-	(3,550)
Milti Company d.o.o	705,116	413,760	851,734	(107,578)
2019				
P.J.P. Company Limited	716,304	719,100	-	(3,550)

The unrecognised share of losses of P.J.P. Company Limited incurred up to 31 October 2020 amounted to €2,082 (2019: €1,230). The unrecognised share of losses of the associate incurred during the financial year ended 31 October 2020 amounted to €852 (2019: €852).

The group's share of the results of Willows Property Development Company Limited is not recognised in these financial statements. 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.

10. Financial assets at fair value through other comprehensive income

Equity investments

	Group		**Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
Year ended 31 October				
Opening carrying amount	**202,393**	212,192	**11,109**	11,109
Net losses from changes in fair value (Note 17)	**(32,091)**	(9,799)	**-**	-
Closing carrying amount	**170,302**	202,393	**11,109**	11,109

	Group		**Company**	
	2020	2019	**2020**	2019
	€	€	**€**	€
At 31 October				
Cost	**85,722**	85,722	**3,863**	3,863
Fair value gains	**84,580**	116,671	**7,246**	7,246
Closing carrying amount	**170,302**	202,393	**11,109**	11,109

10. Financial assets at fair value through other comprehensive income - continued

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Bank of Valletta p.l.c.	**123,223**	140,142	**-**	-
Mapfre Middlesea p.l.c.	**47,079**	62,251	**11,109**	11,109
	170,302	202,393	**11,109**	11,109

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.

11. Loans and advances

	Group	
	2020	2019
	€	€
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 advanced 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. However, these assets are not expected to be realised within twelve months from the end of the reporting period. Included in the amounts disclosed 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.

12. Trade and other receivables

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current				
Trade receivables	**1,455,501**	2,176,970	**-**	-
Amounts owed by subsidiaries	**-**	-	**634,755**	634,755
Amounts owed by other related parties	**885,957**	746,832	**-**	-
Amounts owed by associate	**221,956**	-	**-**	-
Amounts due by shareholders	**617,830**	590,616	**-**	-
Other receivables	**741,597**	196,260	**-**	-
Indirect taxation	**74,345**	209,462	**-**	-
Advance payments to suppliers	**195,743**	287,412	**-**	-
Prepaid operating lease rentals	**70,843**	146,324	**-**	-
Other prepayments	**334,873**	258,629	**-**	-
	4,598,645	4,612,505	**634,755**	634,755
Non-current				
Prepaid operating lease rentals	**743,445**	815,125	**-**	-
Other receivables	**148,400**	-	**-**	-
	891,845	815,125	**-**	-
Total receivables	**5,490,490**	5,427,630	**634,755**	634,755

Trade receivables as at 31 October 2020 are disclosed net of credit loss allowances amounting to €68,395 (2019: €68,395). During the current year, the group wrote-off an amount of €92,921 (2019: nil) with respect to trade customers which were in unexpectedly difficult trading conditions.

Current other receivables primarily comprises an amount of €424,484 which relates to dues from an insurance claim. Other amounts relate to receivables in the ordinary course of business. Such amounts are receivable within 12 months from the end of the financial reporting period. Non-current other receivables represent amounts which are due after more than twelve months.

13. Inventories

Property held for development with a view to sale

	Group	
	2020	2019
	€	€
At 1 November	**4,837,646**	3,253,847
Additions resulting from subsequent expenditure	**2,614,369**	1,583,799
Transfers to cost of sales	**(4,098,477)**	-
Reclassifications to property, plant and equipment (Note 5)	**(1,082,966)**	-
At 31 October	**2,270,572**	4,837,646

13. Inventories - continued

Goods held for resale

	Group	
	2020	2019
	€	€
Inventories held for resale	**10,914,454**	11,605,275
Raw materials and consumables	**781,110**	1,778,178
Work in progress	**970,761**	998,474
Finished goods	**176,485**	393,472
Spare parts and other stocks	**23,738**	224,887
Inventories held in relation to hotel operations	**182,445**	186,451
	13,048,993	15,186,737
Total inventories	**15,319,565**	20,024,383

The reclassification to property, plant and equipment from inventories, property developed with a view to sale, during the current financial year is attributable to the change in use of the related property elements. Such property for an aggregate amount of €1,082,966 is now considered to be owner occupied and once commissioned it will form part of the group's operational premises.

During the current financial year, the group completed and transferred to the respective purchases residential units and car spaces constructed. The cost allocated to these units were recognised within cost of sales in profit or loss (refer to Note 25).

The cost of inventories recognised as expense relating to hotel and fashion operations is also appropriately disclosed in Note 25 to the financial statements. During the current financial year, inventory write-downs amounted to €1,189,682 (2019: €105,234). These amounts have been included in 'Cost of sales' in the income statement. The write-downs during the current financial year relate to the manufacturing operation in Tunisia and primarily to raw materials and consumables for an amount of €1,000,000 and another amount of €189,682 relating to spare parts.

During the preceding financial year, the group capitalised borrowing costs amounting to €71,945 in property for development utilising an average capitalisation rate of 4.6%.

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

14. Term placements with banks

	Group	
	2020	2019
	€	€
Term deposits	**7,878**	7,827

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% (2019: 0.75%).

15. Cash and cash equivalents

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cash at bank and in hand	**1,370,669**	1,115,326	**8,174**	7,279
Bank overdrafts (Note 21)	**(2,042,051)**	(3,764,066)	**-**	-
	(671,382)	(2,648,740)	**8,174**	7,279

16. Share capital

	Group and Company	
	2020	2019
	€	€
Authorised, issued and fully paid		
20,000 Ordinary shares of €2.329373399 each	**46,587**	46,587

17. Revaluation reserves

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Surplus arising on fair valuation of:				
Financial assets at FVOCI	**84,580**	116,671	**7,246**	7,246
Land and buildings	**5,785,858**	5,750,935	**-**	-
	5,870,438	5,867,606	**7,246**	7,246

The movements in each category are analysed as follows:

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Financial assets at FVOCI				
At beginning of year	**116,671**	126,470	**7,246**	7,246
Net losses from changes in fair value (Note 10)	**(32,091)**	(9,799)	**-**	-
At end of year	**84,580**	116,671	**7,246**	7,246

Gains and losses arising from changes in fair value of financial assets at FVOCI, are recognised directly in equity in other comprehensive income through the revaluation reserve in accordance with the Group's accounting policy. When the equity investments are disposed of, the cumulative gain or loss recognised in OCI remains in equity.

17. Revaluation reserves - continued

	Group	
	2020	2019
	€	€
Revaluation reserve on land and buildings		
At beginning of year	**5,750,935**	6,301,815
Movement in deferred tax liability determined on the basis applicable to property disposals (Note 22)	**34,923**	(550,880)
At end of year	**5,785,858**	5,750,935

The tax impact included in the revaluation reserves as at 31 October 2020, relates to deferred taxation arising on the surplus on fair valuation of land and buildings for an amount of €1,696,076 (2019: €1,730,999). 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.

18. Other reserves

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
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 only be distributed by means of a bonus issue.

19. Non-controlling interests

	Group	
	2020	2019
	€	€
Year ended 31 October		
At beginning of year	**42,974**	-
Incorporation of subsidiary (Note 7)	**-**	50,000
Share of the result of subsidiary	**(21,727)**	(7,026)
At end of year	**21,247**	42,974

20. Borrowings

	Group	
	2020	2019
	€	€
Current		
Bank overdrafts	**2,042,051**	3,764,066
Bank loans	**571,029**	585,625
	2,613,080	4,349,691
Non-current		
127,500 3.75% Bonds 2027	**12,562,498**	12,539,675
Bank loans	**6,855,076**	5,307,017
Loans from ultimate shareholders	**216,525**	216,525
	19,634,099	18,063,217
Total borrowings	**22,247,179**	22,412,908

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 2020 for the bonds was €100.25 (2019: €102.90), 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 €417,000 (2019: €317,000) were held by the directors of the parent company and of the issuer, 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, (ii) international retail expansion strategy, particularly via the opening of Gagliardi retail outlets overseas; (iii) development of a mixed-use complex in Mriehel, Malta; (iv) redevelopment of the Group's existing retail outlet in Mosta, Malta; and (v) refurbishment of PJP Boutique Suites in Valletta, Malta.

20. Borrowings - continued

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	
	2020	2019
	€	€
Original face value of bonds issued	**12,750,000**	12,750,000
Bond issue costs	**253,373**	253,373
Accumulated amortisation	**(65,871)**	(43,048)
Unamortised bond issue costs	**187,502**	210,325
Amortised cost and closing carrying amount of the bonds	**12,562,498**	12,539,675

The Group's banking facilities as at 31 October 2020 amounted to €14,050,000 (2019: €13,286,010). These facilities are mainly secured by:

(a) 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

(b) 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	
	2020	2019
	%	%
Bank overdrafts	**3.4**	3.2
Bank loans	**3.6**	4.6

Maturity of non-current bank borrowings:

	Group	
	2020	2019
	€	€
Between 1 and 2 years	**1,049,219**	2,357,041
Between 2 and 5 years	**3,024,171**	2,949,976
Over 5 years	**2,781,686**	-
	6,855,076	5,307,017

The loans from ultimate shareholders 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.

21. Lease liabilities

	As at 31 October 2020 €	As at 1 November 2019 €
Non-current		
Properties	**4,863,097**	4,976,795
Current		
Properties	**319,264**	308,076
Total lease liabilities	**5,182,361**	5,284,871

The movement in the carrying amount of these liabilities is analysed in the following table:

	€
As at 1 November 2019	**5,284,871**
Payments	**(308,377)**
Interest charge	**205,867**
	5,182,361

The total cash outflows for leases in 2019 was €263,787. The contractual undiscounted cash flows attributable to lease liabilities as at 31 October 2020 are analysed in Note 3.1(c).

22. 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% (2019: 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% (2019: 10%) of the transfer value.

22. Deferred taxation - continued

The movement on the deferred tax account was as follows:

	2020 €	2019 €
At beginning of year	**1,847,333**	1,180,119
Movement in deferred tax liability on the basis applicable to property disposals (Note 17)	**(34,923)**	550,880
Deferred income taxes in temporary differences arising on depreciation of property, plant and equipment (Note 32)	**(149,847)**	213,394
Deferred income taxes attributable to unabsorbed capital allowances (Note 32)	**33,513**	(97,060)
	1,696,076	1,847,333

All the amounts disclosed in the table above, which have been referenced to Note 32 are recognised in profit or loss. The other amounts, referenced to Note 17, have been recognised directly in equity in other comprehensive income.

The balance at 31 October represents:

	2020 €	2019 €
Temporary differences arising on fair valuation of property	**1,696,076**	1,730,999
Temporary differences arising on depreciation of property, plant and equipment	**63,547**	213,394
Temporary differences in respect of credit loss allowances of trade		
Unutilised tax credits attributable to unabsorbed capital allowances	**(63,547)**	(97,060)
	1,696,076	1,847,333

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

22. Deferred taxation - continued

At 31 October 2020 and 2019, the group had the following unutilised tax credits and temporary differences:

	Unrecognised		Recognised	
	2020	2019	**2020**	2019
	€	€	**€**	€
Unutilised tax credits attributable to:				
Unabsorbed capital allowances	**2,479,611**	974,676	**181,563**	277,314
Unabsorbed tax losses	**2,085,129**	810,617	**-**	-
Taxable temporary differences arising on depreciation of property, plant and equipment	**-**	(22,668)	**(181,563)**	(609,697)
Deductible temporary differences arising on credit loss allowances in respect of trade receivables	**68,395**	68,395	**-**	-
Deductible temporary differences arising on depreciation of property, plant and equipment	**257,800**	-	**-**	-
Deductible temporary differences attributable to deferred premium income	**15,266**	-	**-**	-

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

23. Trade and other payables

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current				
Trade payables	**1,916,623**	1,996,524	**-**	-
Payables and accruals in respect of capital expenditure	**531,896**	1,410,121	**-**	-
Contract liabilities - payments received in advance from customers	**243,055**	2,368,244	**-**	-
Amounts owed to shareholders	**258,110**	258,110	**619,165**	619,165
Amounts owed to subsidiary	**-**	-	**1,105,303**	1,086,253
Amounts owed to related parties	**68,677**	68,677	**22,781**	22,781
Other payables	**184,219**	121,578	**-**	-
Indirect taxation and social security	**1,004,605**	574,487	**-**	-
Accruals	**1,379,557**	1,298,501	**57,302**	33,285
	5,586,742	8,096,242	**1,804,551**	1,761,484

Payments received in advance from customers primarily represent amounts paid by various purchasers on promise of sale agreements, in respect of residential apartments.

23. Trade and other payables - continued

The movements relating to the group's contract liabilities during the years ended 31 October 2020 and 2019 were as follows:

	Payments received in advance from customers €
As at 1 November 2018	491,780
Originations	1,876,464
As at 31 October 2019	2,368,244
Originations	243,055
Utilisation	(2,368,244)
As at 31 October 2020	**243,055**

24. Revenue

The group's turnover is analysed by business category as follows:

	Group	
	2020	2019
	€	€
By category of business		
Apparel – local and overseas	**13,565,089**	17,539,430
Hotel operations	**1,868,081**	2,902,192
Sale of property developed	**6,924,451**	-
	22,357,621	20,441,622

25. Expenses by nature

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Cost of property sold	**4,098,477**	-	-	-
Commissions payable on sale of property	**99,297**	-	-	-
Cost of goods sold and materials consumed	**6,850,370**	6,979,143	**-**	-
Movement in work in progress and subcontracted costs and labour	**704,273**	1,002,791	**-**	-
Hotel food and beverage costs	**7,529**	22,777	**-**	-
Travelling and entertainment	**297,394**	280,640	**-**	-
Employee benefit costs (Note 26)	**4,273,575**	5,364,659	**-**	-
Depreciation of property, plant and equipment (Note 5)	**1,446,228**	1,057,852	**-**	-
Impairment loss of property, plant and equipment (Note 5)	**423,352**	-	**-**	-
Depreciation of right-of-use assets (Note 6)	**290,066**	-		
Depreciation of investment property (Note 7)	**54,522**	52,104	**-**	-
Utilities and similar charges	**294,908**	287,443	**-**	-
Property operating lease rentals payable	**-**	1,238,980	**-**	-
Expense relating to the use of property	**32,250**	-	**-**	-
Expense relating to variable lease payments (see note below)	**425,192**	-	**-**	-
Loss on disposal of property, plant and equipment (included in ‘Administrative expenses’)	**265,565**	7,767	**-**	-
Amounts written-off in respect of trade receivables	**92,921**	-	**-**	-
Other expenses	**3,053,956**	3,179,169	**42,124**	10,114
Total cost of sales, administrative and selling expenses	**22,709,875**	19,473,325	**42,124**	10,114

25. **Expenses by nature** - continued

The expense relating to variable lease payments amounting to €425,192 (2019: nil) disclosed in the table above is stated net of lease payment concessions. Such concessions for an amount of €63,125 (2019: nil) represent discounts granted by the Group's lessors as a result of the COVID-19 pandemic. In this respect, the Group has elected to early apply the practical expedient permitted by the IFRS 16 COVID-19-related rent concessions amendment to all its rent concessions, and has presented these rent concessions netted off from the variable lease payments in accordance with the amendment's provisions.

Auditor's fees

Fees charged by the auditor for services rendered during the financial periods ended 31 October 2020 and 2019 relate to the following:

	Group	
	2020	2019
	€	€
Annual statutory audit		
- Parent company auditors	**45,000**	32,000
- Other auditors	**4,500**	3,565
Other assurance services	**1,500**	2,250
Tax compliance and advisory services	**8,845**	24,765
Other non-audit services	**17,375**	-
	77,220	62,580

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

26. **Employee benefit costs**

	Group	
	2020	2019
	€	€
Wages and salaries	**4,085,279**	5,164,590
Social security costs	**216,518**	252,055
	4,301,797	5,416,645

Wages and salaries for 2020 are presented net of payroll grants receivable from Government amounting to €592,015 (2019: nil) in view of the COVID-19 pandemic. Grants related to income are presented as a deduction in reporting the related expense.

Included in the employee benefit expense for the current financial year disclosed above, is an amount of €28,222 which was capitalised in inventory relating to property development. In the preceding financial year, an amount of €51,986 of the employee benefit expense was capitalised in property, plant and equipment.

26. Employee benefit costs - continued

Average number of persons employed during the year:

	Group	
	2020	2019
By class of business		
Apparel	**580**	605
Hotel operations	**33**	34
	613	639

	Group	
	2020	2019
By category		
Direct	**543**	560
Selling and distribution	**51**	63
Administration	**19**	16
	613	639

27. Directors' emoluments

	Group	
	2020	2019
	€	€
Salaries and other emoluments	**321,052**	260,335

28. Other operating income

	Group	
	2020	2019
	€	€
Property operating lease rental income	**283,721**	233,948
Foreign exchange differences	**(12,358)**	15,678
	271,363	249,626

29. Investment and other related income

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Investment income	**962**	6,972	**-**	1,060

30. Finance income

	Group	
	2020	2019
	€	€
Interest receivable from related parties	**51,672**	51,672

31. Finance costs

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Bank interest and charges	**384,471**	294,393	**48**	28
Bond interest expense	**500,948**	317,593	**-**	-
Interest charges on lease liabilities	**205,867**	-	**-**	-
	1,091,286	611,986	**48**	28

During the preceding financial year amounted to €500,071 an amount of €182,478 relating to the bond interest expense, has been capitalised within property, plant and equipment.

32. Tax expense

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Current taxation:				
Current tax expense	**131,258**	8,266	**-**	92
Adjustment recognised in financial period for current tax of prior periods	**-**	(5,431)	**-**	-
Deferred taxation	**(116,334)**	116,334	**-**	-
	14,924	119,169	**-**	92

32. Tax expense - continued

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
(Loss)/profit before tax	**(1,173,332)**	664,581	**(42,172)**	(9,082)
Tax on (loss)/profit calculated at the rates applicable to the Group undertakings concerned (mainly at 35%)	**(410,666)**	232,603	**(14,760)**	(3,179)
Tax effect of:				
Unrecognised temporary differences	**(58,639)**	(261,514)	**-**	-
Expenses not deductible for tax purposes	**287,760**	8,538	**14,760**	3,551
Maintenance allowance claimed on rental property	**(17,955)**	(15,174)	**-**	-
Unabsorbed capital allowances claimed during the year	**576,837**	230,563	**-**	-
Unabsorbed tax losses incurred during the year	**166,889**	-	**-**	-
Utilisation of unabsorbed tax losses brought forward from previous years	**-**	(69,158)	**-**	-
Unutilised tax losses incurred during the year	**276,727**	-	**-**	-
Application of provisions of tax legislation to sale of immovable property	**(455,025)**	-	**-**	-
Share of results of associate	**18,826**	-	**-**	-
Conversion of investment tax credits	**(370,200)**	-	**-**	-
Overprovision of tax in previous years	**-**	(5,431)	**-**	-
Other differences	**370**	(1,258)	**-**	(280)
	14,924	119,169	**-**	92

Under the Business Promotion Regulations 2001, a group undertaking is entitled to investment tax credits on its "qualifying" capital expenditure, the full amount of which would be available for set-off against the undertaking's tax liability. During the current financial year, the company has benefitted from a conversion into cash of unutilised investment tax credits that were awarded to the company in prior years through the provisions of the Business Promotion Regulation 2001. Accordingly, in accordance with the certificate issued by Malta Enterprise, the company is entitled to receive an amount of €370,200 in cash in 3 equal instalments during December 2019, December 2020 and December 2021.

33. Cash generated from/(used in) operations

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

	Group		Company	
	2020	2019	**2020**	2019
	€	€	**€**	€
Operating (loss)/profit	**(80,891)**	1,217,923	**(42,124)**	(10,114)
Adjustments for:				
Depreciation of property, plant and equipment (Note 5)	**1,446,228**	1,057,852	**-**	-
Impairment of property, plant and equipment	**423,352**	-	**-**	-
Loss on disposal of property, plant and equipment	**265,565**	7,797	**-**	-
Depreciation of right-of-use assets (Note 6)	**290,066**	-	**-**	-
Depreciation of investment property (Note 7)	**54,522**	52,104	**-**	-
Amounts written-off in respect of trade receivables	**92,921**	-	**-**	-
Changes in working capital:				
Property development project	**1,734,533**			
Inventories – Goods held for resale	**2,137,744**	(748,155)	**-**	-
Trade and other receivables	**58,635**	11,252	**-**	-
Trade and other payables	**(385,356)**	2,349,509	**43,067**	9,764
Cash generated from operations	**6,037,319**	3,948,282	**943**	(350)

Net debt reconciliation

The principal movements in the group's net debt related to cash flow movements are disclosed as part of the financing activities in the statements of cash flows.

34. Commitments

Operating lease commitments – where a group undertaking is the lessee

The future minimum lease payments under non-cancellable property operating leases.

	Group	
	2020	2019
	€	€
Less than one year	**-**	1,006,133
Between one and five years	**-**	231,765
More than five years	**-**	7,415,230
	-	8,653,128

With effect from 1 November 2019, the Group has recognised the right-of-use assets for leases, except for short term and low-value leases in accordance with the requirements of IFRS 16 (Note 6).

34. Commitments - continued

Capital commitments

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

	Group	
	2020	2019
	€	€
Authorised but not contracted	**300,000**	167,000
Contracted but not provided	**-**	1,600,000
	300,000	1,767,000

35. Contingencies

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

(a) At 31 October 2020, subsidiaries had contingent liabilities amounting to €8,230 (2019: €136,959) 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 2020, subsidiaries had a contingent liability amounting to €6,988 (2019: €6,988) in respect of the uncalled share capital of an unquoted investment.

(c) At 31 October 2020, 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 (2019: €45,278), in respect of which no provision has been made in these accounts.

(d) At 31 October 2020, the company, together with Roosendaal Trading Limited, is jointly and severally liable in respect of guarantees given to secure the banking facilities of a subsidiary for an amount of €1,500,000 (2019: nil).

(e) As at the end of the reporting period, a group undertaking was exposed to claims in relation to the hotel's 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, apart from amounts already provided for, are unlikely.

36. 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 Borg. 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.

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 11, 12, 20 and 23 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 27 to these financial statements. Key management personnel compensation, in addition to the parent company's directors' remuneration as disclosed in Note 27, amounted to €3,000 (2019: €18,000).

37. Statutory information

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