BORTEX GROUP FINANCE PLC

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Co Reg No: C82346

COMPANY ANNOUNCEMENT

The following is a Company Announcement issued by Bortex Group Finance plc (C82346) (hereinafter the 'Company') of 32, Hughes Hallet Street, Sliema, pursuant to the Capital Market rules as issued by the Malta Financial Services Authority:

Quote

Bortex Group Finance plc announces that the Financial Analysis Summary dated 27th April 2022 prepared by Calamatta Cuschieri, is attached herewith and can be accessed on http://bortexgroupholdings.com/investor-relations/

Unquote

By order of the Board.

Christine Demicoli
Company Secretary

27th April 2022

Calamatta Cuschieri

The Directors
Bortex Group Finance p.l.c.
32, Hughes Hallet Street,
Sliema, SLM 3142
Malta

Re: Financial Analysis Summary – 2022

27 April 2022

Dear Sirs,

In accordance with your instructions, and in line with the requirements of the MFSA Listing Policies, we have compiled the Financial Analysis Summary (the "**Analysis**") set out on the following pages and which is being forwarded to you together with this letter.

The purpose of the financial analysis is that of summarising key financial data appertaining to Bortex Group Finance p.l.c. (the "**Issuer**") and Bortex Group Holdings Company Limited (the "**Guarantor**"), where the latter is the parent company of the "**Group**". The data is derived from various sources, including the prospectus dated 30 October 2017 published by the Issuer (the "**Prospectus**"), or is based on our own computations as follows:

(a) Historical financial data for the three years ending 31 October 2019, 2020 and 2021 have been extracted from the audited financial statements of the Issuer and the Guarantor.

(b) The forecast data for the financial year ending 31 October 2022 has been provided by management.

(c) Our commentary on the Issuer and Guarantor's results and financial position is based on the explanations provided by management.

(d) The ratios quoted in the Analysis have been computed by us applying the definitions set out in Part 4 of the Analysis.

(e) The principal relevant market players listed in Part 3 of the document have been identified by management. Relevant financial data in respect of competitors has been extracted from public sources such as the web sites of the companies concerned or financial statements filed with the Registrar of Companies.

The Analysis is meant to assist investors in the Issuer's securities and potential investors by summarising the more important financial data of the Group. The Analysis does not contain all data that is relevant to investors or potential investors. The Analysis does not constitute an endorsement by our firm of any securities of the Issuer and should not be interpreted as a recommendation to invest in any of the Issuer's securities. We shall not accept any liability for any loss or damage arising out of the use of the Analysis. As with all investments, potential investors are encouraged to seek professional advice before investing in the Issuer's securities.

Yours sincerely,

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Nick Calamatta
Director

FINANCIAL ANALYSIS SUMMARY 2022

Bortex Group Finance p.l.c.

27 April 2022

Prepared by Calamatta Cuschieri Investment Services Ltd

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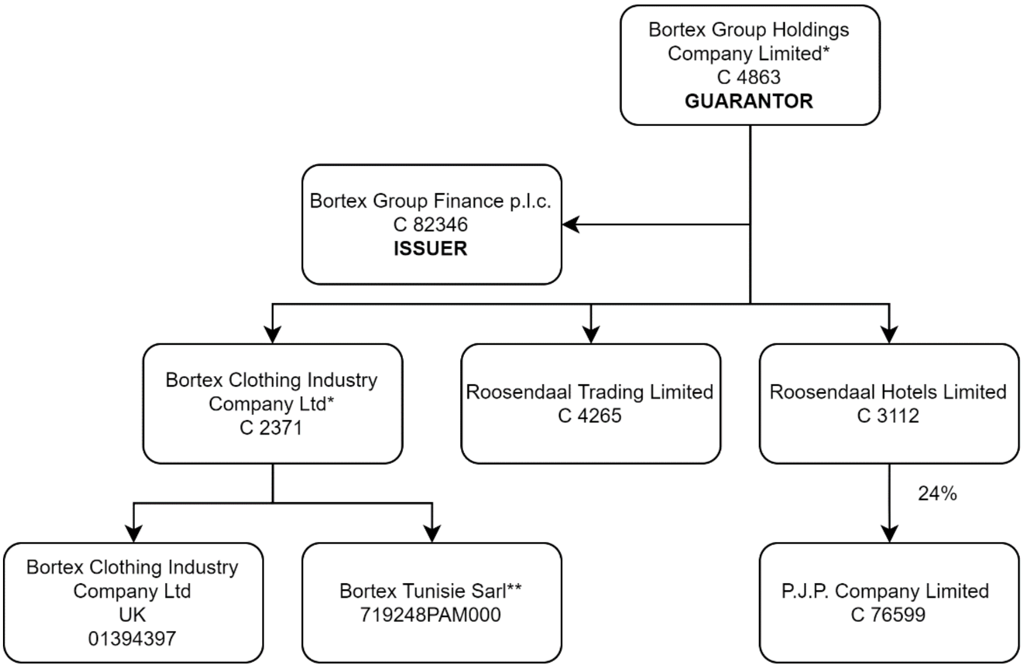
Part 1 - Information about the Group

1.1 Issuer's and Guarantor's Key Activities and Structure

The Group's summarised structure is as follows:



Ownership percentages are 100% unless otherwise indicated
* Shanal Limited (C 26194) was amalgamated with Bortex Group Holdings Limited on 18 February 2022
** Following company announcement issued on 23/04/2021, Bortex Tunisia is currently in the process of being liquidated. The termination of the operations of Bortex Tunisia is discussed in detail in section 1.4.

Bortex Group Finance p.l.c. (the "**Issuer**"), company registration number C 82346, is a limited liability company registered in Malta on 30 August 2017. The Issuer is, except for one share held by Mr Peter Borg and another held by Ms Karen Borg, a wholly owned subsidiary of Bortex Group Holdings Company Limited (the "**Guarantor**"), which latter entity is the parent company of the "**Group**". The Issuer, which was set up and established to act as a finance company, has as at the date hereof an authorised and issued share capital of €250,000 divided into 250,000 ordinary shares of €1 each, all fully paid up.

The Guarantor is a private limited liability company incorporated and registered in Malta with company registration number C 4863. It was formerly known as Borchild Limited until 26 September 2017. The Guarantor is principally engaged, through several subsidiaries that operate in various jurisdictions, in the business of manufacturing garments for its own brand, Gagliardi, as well as for other private labels, retailing and distribution of garments in Malta as well as overseas, property development and management in addition to owning and managing hotels in Malta.

The authorised and issued share capital of the Guarantor is €46,587.46, divided into 20,000 ordinary shares having a nominal value of €2.329373 each. The ultimate beneficial owners of the Guarantor are Mr Peter Borg and Ms Karen Borg, in equal shares between them.

1.2 Directors and Key Employees

Board of Directors - Issuer

As at the date of this Analysis, the following persons constitute the board of directors of the Issuer:

Name	Designation
Mr Peter Borg	Executive director, rotating chairperson
Ms Karen Borg	Executive director, rotating chairperson
Ms Christine Demicoli	Executive director, company secretary
Mr Mario C. Grech	Independent, non-executive director
Mr Emanuel Ellul	Independent, non-executive director
Mr Joseph Cachia	Independent, non-executive director

The business address of all of the directors of the Issuer is the registered office of the Issuer.

Board of Directors - Guarantor

As at the date of this Analysis, the following persons constitute the board of directors of the Guarantor:

Name	Designation
Mr Peter Borg	Executive director, rotating chairperson
Ms Karen Borg	Executive director, rotating chairperson
Ms Christine Demicoli	Executive director, company secretary
Ms Alexandra Borg	Executive director
Mr Sam Borg	Executive director
Mr David Debono	Executive director

The business address of all of the directors of the Guarantor is the registered office of the Issuer.

The executive directors of the Issuer and the Guarantor, on the strength of their respective knowledge and experience in the applicable business interests of the Group to which they contribute directly, occupy the senior management and key executive positions across the Group.

As of 31 October 2021, the average number of persons employed by the Group amounted to 145[1] (FY20: 613). The reduction in the Group's average number of employees in the apparel segment is attributable to the closure of the factory in Tunisia, details on which can be found in sections 1.3 and 1.4 below. The number of employees in the hotel segment remained fairly constant (FY21: 35 vs FY20: 33).

1.3 Major Assets owned by the Group

The Issuer does not have any substantial assets and is essentially a special purpose vehicle set up to act as a financing company.

The Group's operations are, and have been for a number of years, divided into two principal segments, garment manufacturing and retailing on the one hand, and property development and hotel operations on the other. Although the core business of the Group knows its origins in the garment manufacturing sector and the eventual retailing of those garments, it has also established itself in the hospitality sector and, more recently, moved into the boutique hotel sector through the refurbishment of a historical property in Valletta, which welcomed its first clients in May 2018.

Bortex Clothing Industry Company Ltd, a direct subsidiary of the Guarantor based in Malta, carries out the design and manufacturing of a vast range of formal tailoring. Roosendaal Trading Limited, also a direct subsidiary of the Guarantor, is then involved in the sale and distribution of formal tailoring, outerwear, casual clothing, footwear and accessories through the operation of a number of retail outlets both in Malta as well as overseas and also operates a number of mono-brand stores under international franchise. The business forming part of the Group's hospitality segment is carried out by Roosendaal Hotels Limited, another direct subsidiary of the Guarantor, which owns and manages the operations of Hotel 1926 (formerly known as the Plevna Hotel) situated in Sliema, Malta as well as the Palazzo Jean Parisot Boutique Suites in Valletta. Meanwhile, Shanal Limited, which was a non-trading company, was acquired by the Guarantor on 18 February 2022 as a result of amalgamation.

Garment manufacture and retail

The Group's own retail brand fascia "Bortex", is Malta's longest established name in formal men's tailoring. Bortex Clothing Industry Company Ltd was set up in October 1964 by Maltese entrepreneur Sunny Borg, originally to produce jeans and similar items of clothing when his import licences at the time were withdrawn. The venture went from strength to strength, until in 1971 Bortex entered into partnership with the renowned menswear brand, Van Gils of Holland and the jeans factory was converted to produce high quality men's tailoring. The Van Gils shares were eventually bought by the British retail group Next plc in 1987 thereby enabling Bortex to penetrate the British market and spread its product profile into children's and ladies' wear.

In 1991, the Next plc shares in Bortex Clothing Industry Company Ltd were bought up by the Borg family – resulting in the company becoming 100% owned by the Borg family.

Over the years, the Group has diversified into direct retail both in Malta as well as overseas. It launched its own label Gagliardi in 2010, which offers a complete menswear proposition and has built a number of key partnerships with several leading fashion brands such as Ralph Lauren, Gant, Lacoste, Hackett, Barbour, Fynch Hatton, Pepe Jeans, Ben Sherman and Jack & Jones, amongst others.

On the Maltese market place, the Group operates a mix of large format multi-brand stores offering all the above labels as well as a number of flagship mono-brand stores. Outside of Malta, the Group operates a number of Gagliardi stores through a mixture of franchising arrangements, joint venture models and concessions.

Its principal markets, apart from Malta, include the UK, Ireland, Poland, Serbia and the Middle East[2]. The Group is also active online through two e-commerce platforms - a Gagliardi website which offers worldwide delivery of the

1 This is the Group's overall headcount excluding the factory operations in Tunisia (FY20: 148).

2 Additional information related to the Group's operating markets may be found in section 1.4 below

entire Gagliardi range and is focused exclusively on the international market, and a separate Bortex website which focuses exclusively on the Maltese marketplace and offers all the partner brand ranges listed above.

Manufacturing for private label clients still forms a substantial portion of the Group's garment manufacturing operations, with clients based primarily in the UK, France, Switzerland and Germany. The Group's operations in this sector have been refocused to cater for higher-end and higher-value products rather than higher-volume but lower-value items. Although competition in this sector remains high, the Group enjoys an enviable track record and can boast several long-standing relationships with established brands.

The Group has manufactured its various product lines with several partner factories overseas for many years now whilst retaining its own limited small manufacturing plant in Malta. As a result of the negative repercussions ensuing from the COVID-19 pandemic, the Group has taken the decision to close down its factory in Tunisia. This decision was taken in order to stem losses which had been mounting there since the onset of the pandemic and also in view of the rapidly degenerating political and socio-economic situation in that country. A detailed update on this development is found in section 1.4 below.

The Group has retained its small manufacturing facility in Malta, but as noted above, most of its larger orders are carried out overseas through third party sources. Orders previously placed in the Tunisia factory have already been placed with third party factories in other locations in Bulgaria, Turkey, Morocco or the Far East. The headquarters of the manufacturing operation remain based in Malta, where product development, design, marketing and other knowledge-based activities are carried out. Shipments from Bortex factories worldwide often transit in Malta on their way to some of Europe's better-end department stores, chain store groups and fashion houses.

Efforts to further build up the Group's custom contract, corporate business have been intensified as have those in order to penetrate the market for school uniforms. These efforts have started to bear fruits and the Group, throughout 2021, has added a number of new contracts in this area of business which are serviced from the premises in Mriehel. The Group has also introduced a 'Made-to-Measure' offer, whereby clients can order tailor-made garments.

Property development and hospitality

The Group has owned and managed a small, yet strategic, property portfolio for several decades. The Group's properties are owned and operated by Roosendaal Hotels Limited and Roosendaal Trading Limited. Roosendaal Hotels Limited is involved in the hospitality industry and currently owns and manages Hotel 1926 and Spa and Palazzo Jean Parisot Boutique Suites. All other properties are owned by Roosendaal Trading Limited.

Hotel 1926 and Spa opened its doors at the end of 2018, offers the highest standards of lean luxury and wellness by employing state-of-the-art guest management software and technologies. The 172-room hotel is complemented with a beach lido concession on the Qui-si-Sana foreshore, which concession is for an indefinite term tied to the operation of the hotel. During 2021, the Group finished works on a conference room, which is now in use.

The Group is also involved in the sale of a block of newly developed luxury apartments named 'TEN', consisting of eighteen apartments and two penthouses across seven floors. This project has been finalised during 2021 and, as at the date of this Analysis, the Group has sold all the apartments. Further information in relation to this project is found in section 1.4 below.

The second property operated by Roosendaal Hotels Limited is a boutique hotel situated in St. Paul's Street, Valletta, opened its doors in May 2018. This hotel, Palazzo Jean Parisot Suites, has 7 operational suites and includes a rooftop terrace. Further information on this hotel is found in section 1.4 below.

In summary, the below table formulates the principal assets and operations owned by the respective Group companies:

Owning Company	Name of Property	Location	Description	Ownership Status
Roosendaal Hotels Limited	Hotel 1926	Sliema, Malta	Hotel management & operation	100% owned
Roosendaal Hotels Limited	Ground floor of TEN apartments and 26 car spaces	Sliema, Malta	Investment property	100% owned
Roosendaal Hotels Limited	Palazzo Jean Parisot Suites	Valletta, Malta	Hotel management & operation	100% owned
Roosendaal Trading Limited	Bortex Retail Outlet, Mosta	Mosta, Malta	Retail outlet & 2 other commercial levels with own airspace	100% owned
Roosendaal Trading Limited	Bortex Retail Outlet, Tower Road, Sliema	Sliema, Malta	Retail outlet	Emphytheusis
Roosendaal Trading Limited	Bortex Retail Outlet, Mriehel	Mriehel, Malta	Retail outlet on the first 2 levels, 3 levels of commercial office space and 3 other basement levels	100% owned
Bortex Clothing Industry Company Ltd	Bortex Warehouse, Zebbug	Zebbug, Malta	Warehouse	100% owned
Bortex Clothing Industry Company Ltd	Bortex Warehouses (A11 and A12), Marsa	Marsa, Malta	Warehouses	Emphytheusis
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, MIDI Complex	Sliema, Malta	Retail outlet	Rented
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, Tigne	Sliema, Malta	Retail outlet	Rented
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, St. Julian's	St. Julian's Malta	Retail outlet	Rented
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, Pama Shopping Complex	Mosta, Malta	Retail outlet	Rented
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, The Plaza	Sliema, Malta	Retail outlet	Rented
Bortex Clothing Industry Company Ltd	Bortex Retail Outlet, Valletta	Valletta, Malta	Retail outlet	Rented

1.4 Operational Developments

1.4.1 Garment manufacturing and retail

1.4.1.1 The Group's factory in Tunisia

The COVID-19 pandemic has impacted the entire fashion industry, and the formal wear sub-segment particularly strongly. Given the strict restrictions, with offices and shops in most markets being closed for much of the previous year, while all events normally connected with formal attire prohibited, demand for formal wear has decreased notably. This has meant significant reductions for Bortex international orders and, inevitably, losses at its Tunisian manufacturing subsidiary, Bortex Tunisie Sarl had been mounting. On 23 April 2021, the Group announced that the board of directors resolved to end its operations in Tunisia in order to safeguard the Group's financial position.

The factory in Tunisia was closed in May 2021 and, as at the date of the Analysis, Bortex Tunisie Sarl is currently in the hands of an appointed liquidator.

Following this closure, manufacturing is currently being sub-contracted to factories in Bulgaria, Turkey and the Far East. Bortex head office in Malta still retains the functions of design, raw material sourcing and purchasing, production planning, and all finance related functions. Management confirmed that the Group is also in the process of sub-contracting to factories in Morocco.

1.4.2 Other garment manufacturing and retail developments

In terms of additional operational developments vis-à-vis this business operating segment, management noted that throughout 2021, primarily due to the pandemic, the Group took a strategic decision to wind down its minor operations in Russia and Sweden. In this respect, management confirmed that the Group is not expected to be affected by Russia's recent unprovoked invasion of Ukraine.

Meanwhile, management noted that UK concessions are still trading, whereby during 2021, a new one opened in York, England. While Poland is still trading, management further noted that one of the stores in Serbia has also been closed down mainly due to pandemic-induced challenges. On another note, the Middle East market remains performing strongly.

Further details on the effect of the COVID-19 pandemic can be found in section 1.5 below.

1.4.2.1 Gagliardi retail stores

As noted in the previous Analysis, the Group's intentions have always been to continue with the expansion of its Gagliardi brand in overseas territories via owned and franchised retail outlets.

However, the fashion industry has been hit hard by the pandemic, particularly the sub-sector related to formal wear.

In this respect, management reiterated that in view of the above-mentioned challenges, the Group has temporary halted its growth expansion strategy in terms of its Gagliardi retail stores.

Nevertheless, management clarified that as the Group will have a more tangible view in terms of recovery from the pandemic, it will be looking to further enhance and strengthen its international presence with Gagliardi.

1.4.2.2 Local retail stores

In terms of local retail stores, 2021 was a fairly eventful year for the Group. In March 2021, the Group opened its first Gant store at the BayStreet Mall in St Julian's and, in October 2021, launched its new mixed-use Bortex concept also at BayStreet Mall.

1.4.2.3 Redevelopment of the Group's existing retail outlet in Mosta, Malta

The Group owns a 2-storey building in Constitution Street, Mosta, which is currently being used as one of the Group's retail outlets. It is built on a site area of 181m^2.

In 2021, the Group purchased the property adjacent to this and is now in the process of developing these two properties into a mixed-use commercial concept. This is earmarked to include a Bortex retail store, a coffee shop with outdoor seating and 11 apartments over 3 further floors. The plan is for the property to be retained and rented out, generating rental income, with the exception of the site for the Bortex retail store.

The Group previously planned to commence the renovation works for this project in January 2019, but subsequently decided to postpone its plans due to other ongoing projects and then due to the COVID-19 pandemic. In this respect, the Group is envisaging to commence development works in July 2022, whereby the whole project is expected to be fully concluded within one year, at an overall total cost of *circa* €2.5m.

1.4.2.4 Development of a mixed-use complex in Mriehel, Malta

In accordance with the provision of the Prospectus, during 2018, the Group has successfully completed the development of its Mriehel complex, which was constructed on a plot of land stretching over an area of approximately

438m^2 overlooking the Mriehel bypass that the Group had previously acquired. As at the date of this Analysis, this mixed-use commercial complex comprises of 5 floors, with a retail outlet on levels 1 and 2, and office space that is entirely leased to third parties on levels 3 to 5.

The complex includes 3 levels of underground parking which are also leased. The retail store is currently being utilised by the Group as a clearance outlet.

1.4.3 Property development and hospitality

1.4.3.1 TEN Apartments in Sliema, Malta

The Group has re-developed a plot of land it owned in Hughes Hallet Street, Sliema, into an 8-storey building with commercial development on the ground floor area and residential units on the rest of the floors. The block of luxury apartments is named 'TEN'. The development included; a reception area and commercial spaces on the ground floor, 18 residential apartments (average area of 140m^2), 2 penthouses (average area 170m^2), and 58 underground car spaces.

Works on this project had commenced in 2016 and then intentionally slowed down in 2018 as a safety measure for the workers working on the adjacent hotel project. Works had resumed in January 2019, and the Group started finishing-related works in June 2019, with all final works completed by the end of 2020.

By 31 October 2021, the Group sold 19 of the 20 apartments and 30 of the 58 car spaces, equivalent to *circa* €9.3m in revenue and a profit thereon of €3.5m. The remaining 1 apartment and a further 2 car spaces were sold in 2022, leaving 26 car spaces still under the ownership of Roosendaal Hotels Limited as at the date of the Analysis. Management confirmed that all apartments have been sold as at the date of this Analysis and noted that the ground floor area is currently being used as offices for the Group.

1.4.3.2 Palazzo Jean Parisot Suites in Valletta, Malta

The Palazzo Jean Parisot Suites opened its doors in May 2018. Hence, FY19 was its first full year of operation. In FY21, the hotel generated a total revenue of €178k (FY20: €116k), with an occupancy of 58% (FY20: 36%) and an average daily rate (ADR) of €120 (FY20: €126). These results were slightly lower than what was anticipated for FY21, albeit being an improvement on the previous year on the whole. That being said, the performance of Palazzo Jean Parisot Suites is not considered material to the Group.

1.4.3.3 Hotel 1926 and Spa

Hotel 1926 (hereinafter referred to as the "**Hotel**") is a luxury 4-star spa hotel operating since December 2018. The Hotel consists of a luxury spa, restaurant and a private beach club 200m away from the Hotel on the Qui-si-Sana seafront, which operates solely during the summer. The Hotel operates sustainably through smart design technology, including access control, energy management, and SuitePad technology, thus substantially reducing the usage of plastic and paper.

The Hotel is located in a quiet residential area off Qui-si-Sana seafront in Sliema. During the construction phase, an opportunity to re-design certain elements of the project arose making it possible to have a total of 172 rooms (2 of which are currently being used for internal operations) instead of 140 rooms as per original plans and the Prospectus.

The Hotel reached full capacity in August 2019. It then had to close its doors between March 2020 and May 2020 due to the COVID-19 pandemic and the ensuing travel restrictions and flight shortages. The effects of the pandemic were felt for a full year following its re-opening in May 2020. The Hotel, like the rest of the hospitality industry, started recovering in summer 2021 following the easing of travel restrictions and the administering of the COVID-19 vaccine.

Hotel 1926 – Operational Performance

Hotel 1926[3]	2019A	2020A	2021A	2022F
Revenue (€'000)	3,085	1,868	2,969	4,601
Gross operating profit (€'000)	1,529	519	1,135	1,988
Gross operating profit margin (%)	49.6%	27.8%	38.2%	43.2%
Occupancy level	87.1%	45.4%	50.6%	69.0%
Average daily rate (ADR) (€)	99.6	65.7	94.6	107.9
Revenue per available room (Rev/PAR) (€)	86.8	29.8	47.9	74.2
Benchmark performance*				
Occupancy level (%)	45.4%	46.9%	44.3%	n/a
Average daily rate (ADR) (€)	75.9	n/a	n/a	n/a
Revenue per available room (Rev/PAR) (€)	34.5	n/a	n/a	n/a

Due to the lack of data available, the benchmark performance data was re-stated in comparison to the previous Analysis. The occupancy level presented above now takes into account the overall 4-star occupancy during the year as a percentage of all type of accommodation, including 2-5-star hotels, guesthouses and hostels. It is to note that FY20-FY22 specific data regarding ADR and Rev/PAR data is not available.

3 National Statistics Office (NSO) and management information

The hotel did not operate during the financial year ending 31 October 2018. Operations commenced in November 2018. In FY21, the Hotel reported *circa* €3m in revenue (FY20: €1.9m) and generated €1.1m in gross operating profit (FY20: €0.5m). This translates to a gross profit margin of 38.2% (FY20: 27.8%). The results for FY21, when compared to those of FY20 specifically illustrate that the hotel is gradually recovering from the negative implications brought about by the pandemic.

Notwithstanding the fact that the Hotel has not yet reached pre-pandemic levels, on a positive note, the Hotel outperformed projections during FY21 with revenue and gross profit exceeding expectations by €0.8m and €0.2m, respectively. Management also noted that the Hotel achieved better occupancy rates than those previously projected (50.6% vs 46%).

Although the Hotel reported an improved gross operating profit in absolute terms as noted above, the gross operating profit margin of the Hotel, was slightly lower than expected (38.2% vs 41.8%). In this respect, management reported that the Hotel incurred slightly higher costs per room night during FY21 than previously projected in line with the intended strategy positioning the Hotel between the 4-star and 5-star category in terms of product.

1.5 Assessment of the COVID-19 pandemic

The second year of the COVID-19 pandemic was a year which brought serious challenges for all the Group's activities. The pandemic dominated 2021 since day one and although the Group was expecting a substantial improvement over 2020 as the world got vaccinated, the continuous evolution of the virus through mutations and variants made this very difficult to achieve. Nevertheless, the Group achieved improved results than those budgeted in the face of this pandemic.

Retail

The retail and apparel arm of the Group was greatly affected by the COVID-19 pandemic. There was another imposed closure of stores in 2021 for a whole month. This, together with a number of restrictions in place, impacted the Group's retail operations.

Coupled with the closure of its factory in Tunisia, 2021 was another year of challenges for the manufacturing division, due in no small part to logistical and pricing supply chain issues. During 2021, the Group experienced a decrease in retail and manufacturing sales of approximately 19% and 32% respectively when compared to pre-COVID budgets.

Strategies adopted by the Group within this business line, have included making full use of existing stock and the introduction of new seasonal apparel for optimisation of the Group's cash flow. Payroll and overhead costs have also been substantially reduced both in the shops as well as at the head office, thus making more efficient use of resources.

Hospitality

The hospitality sector was also severely impacted by the pandemic, particularly during the first half of 2021 due to travel restrictions, including flight cancellations and mandatory quarantine periods. Despite these challenges, Hotel 1926 and Palazzo Jean Parisot Suites generated gross revenue of €3m and €178k, respectively. Notwithstanding the sustained challenges brought about by the pandemic, occupancy rate was also relatively positive, with average occupancy rates of Hotel 1926 and Palazzo Jean Parisot Suites being 51% of 58%, respectively.

The Group's 2022 forecasts relating to the hospitality segment are optimistic based on their brand positioning strategy and the satisfactory 2021 results, despite the challenges faced. Further detail in this respect may be found in section 2 of this Analysis.

Property development

When compared to the other industries in which the Group operates, to a certain extent, the pandemic had fewer repercussions on the local real estate industry. The main drawback was that, as a result of the restrictive measures engaged by various businesses involved in the industry, sale/rent contracts were being delayed. However, such delays were less prominent when compared to 2020. The Group is exposed to the real estate industry through the 'TEN' apartments and also through its property management activities, being the Mriehel and Sliema rentals, income from which was not impacted by the pandemic. The Group does not envisage any hurdles in this segment in the coming financial year.

Albeit not budgeting for any government subsidies in 2022, the Group envisages a better financial year in terms of the effects of COVID-19. Notwithstanding, the Group still consider the effects of COVID-19 to be a key concern going forward. Nevertheless, the Group reiterates that it has sufficient internal resources at its disposal to honour all of its debt obligations.

Part 2 - Historical Performance and Forecasts

The financial information in sections 2.1 to 2.3 is extracted from the audited financial statements of the Issuer for the financial years ended 31 December 2019, 2020 and 2021. The financial information in section 2.4 to 2.6 is extracted from the audited financial statements of the Guarantor for the financial years ended 31 December 2019, 2020 and 2021.

The projected financial information for the year ending 31 December 2022 has been provided by the Group's management. This financial information relates to events in the future and are based on assumptions which the Group believes to be reasonable. Consequently, the actual outcome may be adversely affected by unforeseen situations and the variation between forecast and actual results may be material.

2.1 Issuer's Income Statement

Income Statement for the year ended 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Finance income	562	539	560	562
Finance costs	(500)	(501)	(502)	(503)
Net finance costs	**62**	**38**	**58**	**59**
Administrative expenses	(48)	(36)	(51)	(54)
Profit before tax	**14**	**2**	**7**	**5**
Taxation	(5)	-	(3)	(2)
Profit after tax	**9**	**2**	**4**	**3**

Ratio Analysis	2019A	2020A	2021A	2022F
Gross Profit Margin (Net finance costs / Finance income)	11.0%	7.1%	10.4%	10.5%
Net Margin (Profit for the year / Finance Income)	1.6%	0.4%	0.7%	0.5%

The Issuer registered a profit of €4k for FY21 (FY20: €2k). This represents the spread between the interest received from loans granted to Group companies over the bond's coupon, less administrative expenses and tax incurred. The Issuer's results for FY21 were in line with previous expectations, except for a marginal drop in finance income and administrative fees.

The Issuer's FY21 results also include a tax expense of €3k which was not previously projected. As a result, the Issuer registered slightly less profit than previously expected. Nevertheless, it still ended the year with a surplus.

In FY22, the Issuer expects to generate finance income of €562k, with finance costs expected to amount within the region of €503k, reflecting the 3.75% coupon incurred on the outstanding €12.75m bond issue, coupled with the bond amortisation costs.

Administrative expenses are expected to amount to €54k, with the Issuer forecasting a profit before tax of €3k. The Issuer has limited trading activity since it acts solely as a finance vehicle.

2.2 Issuer's Statement of Financial Position

Statement of Financial Position as at 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Loans and receivables	12,497	12,497	12,497	12,497
Current assets				
Loans receivable	150	-	-	-
Receivables	515	492	516	515
Cash and cash equivalents	120	307	314	319
	785	799	830	834
Total assets	**13,282**	**13,296**	**13,327**	**13,331**
Equity and liabilities				
Capital and reserves				
Share capital	250	250	250	250
Retained earnings	29	31	37	40
Total equity	**279**	**281**	**287**	**290**
Non-current liabilities				
Amortised bond issue	12,540	12,562	12,586	12,611
Current liabilities				
Current tax liabilities	5	-	3	4
Payables	458	453	7	-
Accrued bond interest	-	-	444	426
	463	453	454	430
Total liabilities	**13,003**	**13,015**	**13,040**	**13,041**
Total equity and liabilities	**13,282**	**13,296**	**13,327**	**13,331**

Total assets in FY21 amounted to €13.3m, which predominantly were made up of €12.5m loans and receivables to fellow subsidiaries carried until the maturity of these loans, in line with the eventual redemption of the bond issue in 2027. Assets were approximately in line with previous projections, except for cash and cash equivalents which were €23k lower than projected as a number of liabilities were settled in cash during the year.

Total liabilities in FY20 amounted to *circa* €13m, out of which €12.6m reflect the amortised bond issue, which is expected to increase marginally over the lifetime of the bond as issue costs continue to be amortised.

Current liabilities during FY21 amounted to €454k, slightly less than the projected €476k, with management primarily attributing this decline to the settlement of aforementioned liabilities in cash, as mentioned above. One is to note that the Issuer's bond interest is presented separately from other payables as a single line item.

Meanwhile, the Issuer's equity amounted to €287k, with this being in line with what was projected in the previous Analysis.

In FY22, the Issuer expects its financial position to remain stable, with total assets expected to remain relatively unchanged and amount to €13.3m. On the liabilities side, the Issuer is projecting a slight drop in accrued bond interest in the coming year, with total liabilities projected to remain broadly unchanged at €13m.

2.3 Issuer's Statement of Cash Flows

Cash Flow Statement for the year ended 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash generated from operations	(34)	(43)	(55)	(54)
Interest paid	(476)	(477)	(475)	(475)
Interest received	562	562	537	537
Taxation paid	-	(5)	-	(3)
Net cash flows generated from operating activities	**52**	**37**	**7**	**5**
Cash flows from investing activities				
Movement in related parties balances	(150)	150	-	-
Net cash flows used in investing activities	**(150)**	**150**	**-**	**-**
Net cash flows generated from financing activities	-	-	-	-
Movement in cash and cash equivalents	(98)	187	7	5
Cash and cash equivalents at start of year	218	120	307	314
Cash and cash equivalents at end of year	**120**	**307**	**314**	**319**

The cash flow statement reflects the limited trading activity of the Issuer, whereby in FY21 the Issuer recorded €7k in cash generated from operating activities, with these being in line with expectations apart from a decline in interest received throughout the year.

As expected, the Issuer recorded no investing or financing activities. In this respect, the Issuer closed FY21 with a slight increase of €7k in cash and cash equivalents to €314k. The Issuer's cash flow performance in FY21 was marginally lower than what was projected. This was due to the settlements of liabilities, as explained in section 2.2 above. This led to the Issuer closing the year with a cash reserve of €314k compared with a previously forecasted balance of €337k.

The Issuer is forecasting its cash flow position to remain stable and unchanged in FY22, where it expects to generate €5k in cash flows from operating activities. Accordingly, the cash reserve as at end of FY22 is expected to amount to €319k.

2.4 Group's Income Statement

Income Statement for the year ended 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Revenue	20,442	22,358	19,669	24,598
Cost of sales	(12,148)	(14,183)	(11,650)	(17,650)
Gross profit	**8,294**	**8,175**	**8,019**	**6,948**
Operating expenses (excl. depreciation)	(6,216)	(4,056)	(3,607)	(3,113)
Other income	250	217	1,414	181
EBITDA	**2,328**	**4,336**	**5,826**	**4,016**
Reported EBITDA	2,328	4,336	5,826	4,016
Loss from discontinued operations	-	(2,320)	(1,244)	-
Normalised EBITDA	2,328	2,016	4,582	4,016
Impairments	-	(423)	(297)	-
Depreciation and amortisation	(1,110)	(1,681)	(1,738)	(1,685)
EBIT	**1,218**	**(88)**	**2,547**	**2,331**
Investment and other income	7	1	-	-
Finance income	52	52	27	27
Finance costs	(612)	(1,086)	(1,047)	(835)
Share of profit from associate	-	(54)	1	-
Profit before tax	**665**	**(1,175)**	**1,528**	**1,523**
Income tax	(120)	(13)	(448)	(22)
Profit after tax	**545**	**(1,188)**	**1,080**	**1,501**

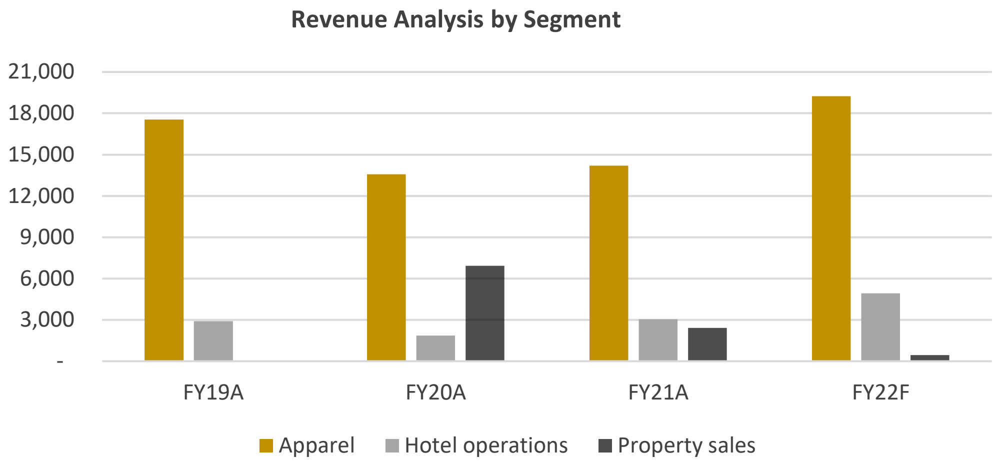
Ratio Analysis - Profitability[4]	2019A	2020A	2021A	2022F
Growth in Revenue (YoY Revenue Growth)	13.9%	9.4%	-12.0%	25.1%
Gross Profit Margin (Gross Profit / Revenue)	40.6%	36.6%	40.8%	28.2%
EBITDA Margin (EBITDA / Revenue)	11.4%	19.4%	29.6%	16.3%
Operating (EBIT) Margin (EBIT / Revenue)	6.0%	-0.4%	12.9%	9.5%
Net Margin (Profit for the year / Revenue)	2.7%	-5.3%	5.5%	6.1%
Return on Common Equity (Net Income / Total Equity)	2.0%	-4.4%	3.6%	4.9%
Return on Assets (Net Income / Total Assets)	1.0%	-2.0%	1.7%	2.3%

Revenue – Prior to FY19, the Group's revenue was declining primarily due to a continued shift from the high-volume manufacture of garments for private label towards the manufacture and retailing of Gagliardi garments through the Group's retail outlets, as well as the closure of Hotel Plevna (now Hotel 1926) as part of the major refurbishment project on said hotel. Following the opening of Hotel 1926, this trend reversed during FY19 with revenue increasing by 13.9% that year. The impact of the pandemic had a major effect on the Group's revenue in FY20. However, the Group's overall revenue increased by 9.4% as a result of the income generated from the sales of the TEN Apartments.

In FY21, the Group reported a substantial decrease in revenue of *circa* 12%. This was in part expected due to the €6.9m revenue reported in FY20 (FY21: €2.4m) in relation to the sale of property development. Up until 2020, the Group had managed to sell the majority of the TEN Apartments (further details in section 1.4). In fact, budgeted revenue for FY21 was €20.9m albeit reporting revenue of €22.4m in FY20. Notwithstanding the expected decrease in sale of development property, the Group experienced a decrease in sale of apparel of approximately €2m when compared to projected figures. This was a result of COVID-19 effects which continued to manifest themselves in 2021.

Segment Revenue	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Apparel	17,540	13,565	14,189	19,233
Hotel operations	2,902	1,868	3,050	4,925
Property sales	-	6,925	2,430	440
	20,442	**22,358**	**19,669**	**24,598**

4 Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding of figures



Revenue Analysis – Apparel Segment

With the onset of the COVID-19 crisis in early March 2020, retail and manufacturing revenues came to an almost complete halt as a result of the closure of all retail outlets both in Malta as well as overseas, including the factory in Tunisia as explained in detail in section 1.4. During this closure period, the Group converted its local manufacturing facility to the production of masks and medical apparel, ramped up its online efforts, and embarked on a restructuring plan that decreased its total overheads by more than 20%.

Operations gradually resumed in early May 2020, with sales recovering slowly throughout the early summer. However, the recovery was short-lived after governments reintroduced restrictions, such as prohibiting weddings, as part of the measures implemented in an attempt to limit the spread of the virus. As a consequence, the revenue from the apparel segment for FY20 decreased by 22.7% or €4.0m on a comparative basis.

The imposed closure of stores from 11 March till 11 April 2021, together with other restrictions had a negative effect on revenue. The persistence of these restrictions retained an effect on the apparel-based revenue of the Group. Additionally, as detailed in section 1.4, the Group shifted production from the factory in Tunisia to a number of other countries.

Given that this shift in production occurred in the year under review, the Group experienced some challenges in logistics and prices. The Group is confident that this move lays the foundation for its operation to be more lean and agile in future years. Overall, the Group ended the financial year with a 4.6% growth in apparel-based revenue.

In terms of forward-looking expectations, the Group is envisaging that retail sales will continue to gradually stabilize to pre-pandemic levels as restrictions remain lifted and the tourism sector continues to recover. In this respect, the Group is projecting apparel revenue to amount to €19.2m during FY22, illustrating an overall improvement of 35.5% over FY21. Moreover, management anticipates a more consolidated production network in relation to its subcontracted parties in Bulgaria and Turkey, which they expect will positively affect revenue.

Revenue Analysis – Hospitality Segment

The hospitality segment of the Group, like the retail segment, was negatively impacted by the pandemic induced restrictions. In FY20, Hotel 1926 and Palazzo Jean Parisot Suites were operating in line with the directives set out by health authorities, whereby all restaurants and ancillary services in hotels were closed for a period of time. The aforementioned hotels were also affected by the travel restrictions imposed by governments, as said restrictions hindered tourism at that time. By the end of FY20, Hotel 1926 generated a revenue of €1.9m, while Palazzo Jean Parisot Suites generated a revenue of €116k.

While FY21 proved to be a better year than the preceding one in terms of revenue, COVID-19 restrictions still posed a challenge to the Group, primarily due to the travel restrictions imposed. This was more evident in the first half of the financial year under review when the restrictions were more stringent. In fact, management explained that Hotel 1926 had an average occupancy of 20% during the first seven months of the year and a rate of 92% during the remaining five months. Specifically, the aforementioned hotels generated approximately €3.1m in revenue during FY21 (FY20: 1.9m), reflecting an overall revenue growth of 63.3% when compared to the drop of 35.6% in FY20, albeit still considered to be below pre-pandemic levels.

Moving into 2022, the Group understands that the effects of COVID-19 will remain a challenge in the hospitality industry. However, the Group envisages further revenue growth as restrictions remain lifted and both establishments remain operating for the remaining months of the year. Moreover, the Group believes that their sound and innovative brand positioning strategy is advantageous in that regard. In this respect, the Group is planning to develop this further throughout FY22, and is projecting a growth of 61.5% in hospitality-related revenue (FY21: +63.3%), exceeding pre-pandemic levels, more specifically given the fact that FY19 was not a full year of operations for Hotel 1926.

Revenue Analysis – TEN Apartments

As explained in section 1.4, the Group has re-developed a plot of land it owned in Sliema, Malta into an 8-storey building with commercial development on the ground floor area and residential units on the rest of the floors. The Group sold the majority of the properties within this project during FY20, resulting in revenues of €6.9m.

The Group sold five apartments and thirteen car spaces during FY21, generating a revenue of €2.4m. Revenue projected for FY22 is composed of the sale of one apartment and two car spaces. As stipulated in section 1.4 of this Analysis, the remaining apartment was sold in early 2022 and only car spaces remain, with 10 being held by the Group and 16 available for sale.

EBITDA – In FY20, the Group's EBITDA increased significantly to €4.3m compared to €2.3m in FY19, with EBITDA margin improving to 19.4% from 11.4% in the prior year.

In FY21, the Group reported an EBITDA of €5.8m, which represents a substantial improvement of 34.4% over FY20. Imperatively, excluding profit arising from property development and the one-off gain on revaluation of investment property listed under operating income, it is to note that the Group's main operating segments, being the retail and hospitality business lines discussed above, have both contributed towards the aforementioned improvement in EBITDA.

Specifically, management further reported that EBITDA concerning the Group's hospitality sector improved to €1.1m in FY21 (FY20: €35k). Meanwhile, EBITDA vis-à-vis the Group's retail and manufacturing sector also improved to €1.4m in FY21 (FY20: €0.8m). Consequently, on a consolidated basis, EBITDA Margin increased to 29.6% during FY21 from 19.4% in FY20. Moving into FY22, the Group is now projecting to generate an EBITDA of approximately €4m during the year. Management noted that this is mainly composed of *circa* €2.2m derived from the hospitality sector (+88%) and *circa* €1.8m (+22%) generated from the retail and manufacturing business division.

As noted in the revenue section above, the Group is anticipating an overall better financial performance during FY22 (revenues: +25.1%), with this being the principal reason for the expected improved EBITDA levels concerning the Group's hospitality and retail business divisions.

Net Profit / (Loss) – The Group reported a loss before tax profit of €1.2m in FY20. The main contributors to this were one-off material write downs (€1.9m) relating to the closure of the factory in Tunisia, and primarily to raw materials and consumables, impairments and losses on property, plant and equipment, in addition to amounts written-off in respect of trade receivables.

Nevertheless, the Group reported improved profitability during FY22, with net profit amounting to €1.1m during the year. Notably, the main drivers behind this improvement include the positive financial performances of the Group's business segments discussed above.

The Group anticipates a healthier net profit for FY22, with profit after tax expected to amount in the region of €1.5m.

In fact, the Group is envisaging a Net Margin of 6.1%, which is slightly higher than the 5.5% reported in FY21. It is also key to note that such projected improvement in profitability and financial performance are also reflected in other key profitability metrics including Return on Common Equity (FY21: 3.6% vs FY22: 4.9%) and Return on Assets (FY21: 1.7% vs FY22: 2.3%).

2.4.1 Variance Analysis

Income Statement	Oct-2021F	Oct-2021A	Variance
	€000s	€000s	€000s
Revenue	20,937	19,669	(1,268)
Cost of sales	(15,072)	(12,894)	2,178
Gross profit	**5,865**	**6,775**	**910**
Operating expenses (excl. depreciation and amortisation)	(3,630)	(3,607)	23
Other operating expenses/(income)	248	1,414	1,166
EBITDA	**2,483**	**4,582**	**2,099**
Impairments	-	(297)	(297)
Depreciation and amortisation	(1,928)	(1,738)	190
EBIT	**555**	**2,547**	**1,992**
Investment and other income	-	-	-
Finance income	50	27	(23)
Finance costs	(1,617)	(1,047)	570
Share of profit from associate	-	1	1
Profit/(loss) before tax	**(1,012)**	**1,528**	**2,540**
Income tax	(152)	(448)	(296)
Profit/(loss) after tax	**(1,164)**	**1,080**	**2,244**

The Group's revenue was lower than what was projected, with the main variance derived from apparel segment. On a segregated basis, the Group's revenue from the hospitality segment exceeded projections by €0.6m or 25.4%, while the apparel segment fell short by 13.5% or €1.9m. Meanwhile, property sales were in line with projections. Management further explained that the loss in apparel revenue is mainly attributable to the lingering COVID-19 restrictions, particularly during the first few months of 2021. These restrictions put various events for which formal wear is usually required, such as weddings, on hold.

On the expenditure front, the Group recorded a positive variance in cost of sales, with this being substantially lower than previously budgeted predominantly due to cost-cutting and efficiency methods adopted internally.

As explained in section 2.4 above, the Group made a one-off gain on revaluation of the Mriehel property bring rented out, with this being the main reason behind the considerable positive variance in other operating expenses/income.

As a consequence of the above decrease in cost of sales and increase in other operating income, EBITDA was 84.5% or €2.1m higher than what was projected.

During the year under review, the Group reported a higher income tax figure than previously anticipated, with management further explaining that this difference relates to temporary differences vis-à-vis deferred tax calculations adopted under the liability method.

In view of the considerations discussed above, the Group reported a profit before tax of €1.1m vs a projected loss before tax of €1.1m, meaning close to a 200% increase in that regard.

2.5 Group's Statement of Financial Position

Statement of Financial Position as at 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Assets				
Non-current assets				
Property, plant and equipment	29,154	29,499	36,712	37,705
Right-of-use assets	-	5,027	7,295	6,934
Investment property	2,174	2,167	3,220	3,220
Investment in associates	1	197	197	197
Non-current financial assets	202	170	171	171
Loans receivable	2,146	2,146	646	646
Trade and other receivables	815	892	-	-
	34,492	**40,098**	**48,241**	**48,873**
Current assets				
Inventories	20,024	15,320	11,544	11,552
Contract assets	-	-	66	-
Trade and other receivables	4,613	4,598	4,113	4,200
Current tax assets	24	14	8	-
Term placements	8	8	8	8
Cash and cash equivalents	1,115	1,371	3,328	2,823
	25,784	**21,311**	**19,067**	**18,583**
Total assets	**60,276**	**61,409**	**67,308**	**67,456**
Equity and liabilities				
Capital and reserves				
Share capital	47	47	47	47
Revaluation reserve	5,868	5,870	11,685	11,685
Other reserves	507	507	704	704
Retained earnings	21,437	20,236	20,328	21,829
Non-controlling interest	43	21	14	14
Total equity	**27,902**	**26,681**	**32,778**	**34,279**
Non-current liabilities				
Deferred taxation	1,847	1,696	3,030	3,000
Lease liabilities	-	4,863	6,741	6,604
Borrowings	18,063	19,634	19,242	18,129
Other non-current liabilities	-	-	41	-
	19,910	**26,193**	**29,054**	**27,733**
Current liabilities				
Borrowings	4,350	2,613	986	986
Contract liabilities	-	-	90	90
Trade and other payables	8,096	5,587	4,232	4,200
Lease liabilities	-	319	161	161
Current tax liabilities	18	16	7	7
	12,464	**8,535**	**5,476**	**5,444**
Total liabilities	**32,374**	**34,728**	**34,530**	**33,177**
Total equity and liabilities	**60,276**	**61,409**	**67,308**	**67,456**

Ratio Analysis - Financial Strength[5]	2019A	2020A	2021A	2022F
Gearing 1 (Net Debt / (Net Debt and Total Equity))	43.3%	49.4%	42.1%	40.2%
Gearing 2 (Total Liabilities / Total Assets)	53.7%	56.6%	51.3%	49.2%
Gearing 3 (Net Debt / Total Equity)	76.3%	97.7%	72.6%	67.3%
Net Debt / EBITDA	9.1x	6.0x	4.1x	5.7x
Current Ratio (Current Assets / Current Liabilities)	2.1x	2.5x	3.5x	3.4x
Quick Ratio ((Current Assets - Inventory) / Current Liabilities)	0.5x	0.7x	1.4x	1.3x
Interest Coverage 1 (EBITDA / Cash interest paid)	2.6x	5.0x	7.7x	4.9x
Interest Coverage 2 (EBITDA / Finance costs)	3.8x	4.0x	5.6x	4.8x

In FY21, total assets increased to €67.3m from €61.4m in FY20, with non-current assets increasing by €8.1m mainly as a result of the revaluation of Hotel 1926 and Spa and Palazzo Jean Parisot Suites. The positive movement recorded in right of use assets during FY21 relates to a Gant store opened in March 2021 as further noted below. To note that the revaluation of assets was not taken into consideration when calculating the 2021 forecasts published in last year's Financial Analysis Summary.

On the current assets side, inventories, as expected, decreased, however at a faster pace than projected, by €4.7m following the transfers to cost of sales pertaining to the TEN Apartments, as well as inventory write-downs, particularly in relation to the closure of the factory in Tunisia. Other noticeable movements occurring throughout the year includes an uplift of cash to €3.3m, with management attributing this increase to the process of turning inventory into cash in a more efficient manner. Meanwhile, trade and other receivables amounted to €4.1m during 2021 vs €3.2m projected in the prior analysis, with management attributing this variance to tighter debtor control adopted during FY21.

Total liabilities did not defer by much between FY20 and FY21. However, the Group saw an increase in non-current liabilities and a decrease in current liabilities. The increase in non-current liabilities predominantly relates to deferred tax calculated on temporary differences under the liability method in relation to the revaluation of the hotels, as well as increases in lease liabilities made up of a rectification of an error in the measurement of a lease contract and the recognition of right-of-use assets and the implementation of IFRS 16 - Leases for the Gant store opened in March 2021 (as described in section 1.4.2.2 of this Analysis). The decrease in current liabilities is a result of a reduction in trade and other payables as well as reductions in indirect taxation and social security, and accruals.

In addition to the positive financial performance generated by the Group, which from a profitability point of view was better than expectations, the Group's equity saw a substantial increase during 2021, also following the revaluation of the hotels as described above.

The financial position of the Group for FY22 is expected to remain close to that of FY21. The Group anticipates a slight increase in the value of their property, plant and equipment due to additional capital expenditure expected to be incurred on the said properties during the year and a slight decrease in cash and cash equivalents following a full year of projected repayment of borrowings. Total equity is expected to increase slightly due to higher projected profits for the year, whereas non-current liabilities are expected to decrease following said repayment of borrowings.

5 Ratio analysis may not agree to prior FASs, due to a change in the calculation methodology or rounding of figures

2.6 Group's Statement of Cash Flows

Cash Flow Statement for the year ended 31 October	2019A	2020A	2021A	2022F
	€000s	€000s	€000s	€000s
Cash flows from operating activities				
Cash generated from operations	3,949	3,378	5,892	3,590
Net cash in/outflows from property development project	369	-	-	161
Investment income	7	-	-	-
Interest received	52	52	26	26
Interest paid	(909)	(885)	(754)	(820)
Net tax refund/(paid)	9	(124)	(156)	(22)
Net cash flows generated from operating activities	**3,477**	**2,421**	**5,008**	**2,935**
Cash flows from investing activities				
Purchase of property, plant and equipment	(6,523)	(1,468)	(1,254)	(2,317)
Proceeds from disposal of property, plant and equipment	6	38	-	-
Payments for investment in associate	-	(250)	-	-
Net cash flows used in investing activities	**(6,517)**	**(1,680)**	**(1,254)**	**(2,317)**
Cash flows from financing activities				
Proceeds from non-controlling interest arising upon incorporation of subsidiary	50	-	-	-
Proceeds from bank borrowings	4,072			-
Repayments of bank borrowings	(1,743)	1,556	(8)	(1,123)
Movement of loans from shareholders	(19)	-	901	-
Dividends paid	-	-	(265)	-
Principal element of lease liabilities	-	(308)	(353)	-
Net cash flows generated from / (used in) financing activities	**2,360**	**1,248**	**275**	**(1,123)**
Movement in cash and cash equivalents	**(680)**	**1,989**	**4,029**	**(505)**
Cash and cash equivalents at start of year	(1,973)	(2,649)	(671)	3,328
Effects of currency translation on cash and cash equivalents	4	(11)	(30)	-
Cash and cash equivalents at end of year	**(2,649)**	**(671)**	**3,328**	**2,823**

Ratio Analysis - Cash Flows	2019A	2020A	2021A	2022F
Free Cash Flow (CFO prior to the payment of interest - Capex)	€(2,137)	€1,876	€4,508	€1,438

* Previously this ratio included interest payments, however this was amended to reflect the CFO excluding interest payments.

In FY21, the Group reported a net movement in cash and cash equivalents of €3.3m (FY20: -€0.7m), which is the net result of €5m (FY20: €2.4m) cash flows from operating activities, €0.3m (FY20: €1.2m) cash flows from financing activities, less €1.3m (FY20: €1.7) cash used in investing activities.

As explained in section 2.4.1, the Group's core operations in FY21 exceeded expectations. As a result, cash flows generated from operating activities were higher than previously expected. The Group's cash flows used in investing activities were more or less in line with what was projected.

The Group also managed to generate cash flows from financing activities, rather than the projected outflow of €0.6m as per the 2021 projections.

The Group's projections assume less cash flow from operations, given that substantially higher cash generated from operations in FY21 was attributable to the sale of the TEN Apartments, with the majority of the apartments and car spaces having been sold by end of FY21, as explained in section 1.4.3.1.

Furthermore, the Group is expecting a cash outflow of €2.3m relating to investing activities, given the project pipeline of the Group as explained in section 1.4 of the Analysis. With regards to financing activities, the Group is forecasting a cash outflow of €1.1m, which represents the repayment of bank borrowings as explained in section 2.5 above.

Part 3 - Key Market and Competitor Data

3.1 General Market Conditions

The Issuer is subject to general market and economic risks that may have a significant impact on its current and future property developments and their timely completion within budget. These include factors such as the health of the local property market, inflation and fluctuations in interest rates, exchange rates, property prices and rental rates. In the event that general economic conditions and property market conditions experience a downturn, which is not contemplated in the Issuer's planning during development, this shall have an adverse impact on the financial condition of the Issuer and may therefore affect the ability of the Issuer to meet its obligations under the Bonds.

3.1.1 Malta Economic Update[6]

In February 2022, the European Commission's Economic Uncertainty Indicator (EUI) increased when compared with January. The recent rise in uncertainty was largely driven by developments in industry and, to a lesser extent, in the construction sector and among consumers. By contrast, the indicator edged down among retailers and, to a smaller degree, in the services sector.

In January 2022, industrial production contracted again, though at a slower annual rate when compared with December. The volume of retail trade conversely rose at a faster pace. The unemployment rate was marginally lower from that recorded in December and well below last year's rate.

Commercial permits increased in January relative to their year-ago levels, as did residential permits. In February, the number of final deeds of sale rose on an annual basis but the number of promise-of-sale agreements declined.

The annual inflation rate based on the Harmonised Index of Consumer Prices (HICP) stood at 4.2% in February, marginally up from 4.1% in the previous month. Inflation based on the Retail Price Index (RPI) rose to 4.2% in February, from 3.9% a month earlier.

Maltese residents' deposits expanded at an annual rate of 9.7% in January following an increase of 10.4% in the previous month, while annual growth in credit to Maltese residents stood at 8.1%, slightly below the rate of 8.3% recorded a month earlier.

The Consolidated Fund deficit in January 2022 narrowed significantly compared with a year earlier mainly due to the timing of selected expenditure items but also reflecting higher tax revenue.

3.1.2 Retail

Following the implementation of confinement measures by both local and international governments, retail stores had to close their doors in mid-March 2020. As the first wave of COVID-19 cases started to be controlled, retail stores were allowed to reopen in early May 2020. This enabled retailers to start crystallising some of their lost sales as consumer demand started to pick up. The recovery for certain retailers was short-lived after governments reintroduced restrictions on mass events such as prohibiting weddings, concerts, parties, and other large events.

Restrictions continued to be tightened and as from 11 March 2021, Malta re-entered in a quasi-lockdown state, which amongst other restrictions, resulted in the closure of non-essential shops, with these being allowed to re-open their respective doors in June-July 2021.

To alleviate liquidity challenges, the government of Malta launched the Malta Development Bank (MDB) COVID-19 Guarantee Scheme (CGS) for the purpose of guaranteeing new loans granted by commercial banks for working capital purposes to businesses facing liquidity shortfalls as a result of the pandemic. In terms of the number of facilities, the sector comprising wholesale and retail activities applied for the largest number of facilities and had the largest value of sanctioned loans.

Moving into 2022, confidence within the local retail sector more than doubled in February 2022. Specifically, it edged up to 22.1 from 9.0 in January 2022. According to latest data issued by the Central Bank of Malta, business activity over the past couple of months, improved considerably in February 2022. In this respect, confidence expectations concerning the local retail industry over the next couple of months also improved.

From a macroeconomic perspective, despite a year of economic uncertainty, retail appears to be on an upward trajectory in the early months of 2022, with innovation in digital technology and sustainability as the main exciting prospects in the face of the disruption brought about by the

6 Central Bank of Malta – Economic Update 3/2022

pandemic. Unfortunately, churn is expected to remain in the short to medium term, so anticipating consumer needs has never been more imperative and critical in the retail industry. Those retailers who have lately adjusted their business model and are able to address consumers' needs at any time irrespective of their geographical location, are the ones that continue to win additional market share within the industry.

3.1.3 Tourism

The tourism sector in Malta has been on a consistent upward trend since 2010, rising especially in the later years from 2017. The Maltese tourism industry has, in recent years, been renowned for its unabated growth, with each passing year yielding new record highs of inbound tourists visiting the island. Indeed, the tourism industry is considered to be a crucial pillar of the local economy as it is estimated to account for 15.8% of Malta's GDP and 52,800 jobs or 21.1% of total employment[7].

Unfortunately, the tourism sector both locally and internationally has been severely impacted by the outbreak of the COVID-19 pandemic, bringing the previous positive trend to a halt. 2020 probably was the cycle bottom and some recovery in tourism figures was noticeable in 2021. On a global scale, tourism experienced a 4% upturn in 2021, (415 million versus 400 million a year earlier). However, international tourist arrivals (overnight visitors) were still 72% below the pre-pandemic year of 2019 in Q4 2021. The pace of recovery remains slow and uneven across world regions due to varying degrees of mobility restrictions, vaccination rates, and traveller confidence[8].

On a European level, international tourist arrivals to Europe dropped 70% in 2020 over 2019, however, recovery has been the strongest among the regions along with America in 2021, mainly thanks to the easing of restrictions during warmer months as the pandemic subsided. At the end of 2021, travel restrictions have been tightened again due to the appearance of the COVID-19 Omicron variant. Lockdowns were re-introduced, albeit not as strict as in the earlier stages of the pandemic. International travel in Europe however still suffered at the end of last year.

Locally, as early as March 2020, Malta started to introduce several confinement measures, with the eventual suspension of all passenger flights. Malta international airport was then reopened in July 2020 and demand for travel started picking up. However, as the pandemic progressed and newer waves and variants appeared, restriction measures were temporarily reintroduced, having an inevitable negative impact on tourism in Malta.

The unprecedented impact of the pandemic on the local tourism industry is demonstrated through the data presented below. During 2020 local inbound tourists fell from 2,753k to 659k, representing a 76.1% drop YoY. Similarly, the industry experienced a decrease in tourist guest nights from 19,339k in 2019 to only 5,227 in 2020, which is a 73% drop YoY. In a similar fashion, total tourist expenditure plummeted by 79.5% in 2020 when compared with 2019.

In 2021, tourism rebounded in Malta, in line with the improvement of the tourism situation in Europe however the figures still largely lag behind 2019 figures. Statistics clearly illustrate that the number of inbound tourists already increased by 47% vs. 2020. Similarly, tourist guest nights increased by 60.5% until December 2021 when compared to full-year 2020. Total expenditure increased by 91.3% on the same basis. The above trends are also summarised in the following table, illustrating the number of tourist arrivals over the last four years:

Category[9]	2018	2019	2020	2021	2020 vs. 2021
Inbound tourists*	2,599	2,753	659	968	47.0%
Tourist guest nights*	18,570	19,339	5,227	8,390	60.5%
Avg. length /stay	7.1	7.0	7.9	8.7	10.1%
Tourist expenditure**	2,102	2,221	455	871	91.3%
Tourist exp. per capita (€)	809	807	691	899	30.1%

*in thousands
**in € millions

As of early 2022, the pandemic is in its third year and is still ongoing. However, the World Health Organization is optimistic that the acute phase of the pandemic will come to an end this year, turning into an endemic disease with smaller outbreaks regularly returning but not in a hugely disruptive way. Countries worldwide expect a stronger tourist season this year when compared to 2021 but arrivals will still remain 30% below pre-pandemic levels and is expected to possibly be fully reached by 2023. Travelling will probably remain a very different experience in 2022. Covid-19 testing and some form of quarantine will be necessary and mask-wearing is forecasted to continue to be commonplace during this year in some countries[10]. In view of this, a HVS[11] report predicts that the European hotel sector is expected to re-establish its RevPAR 2019 performance by 2024.

7 WTTC 2020 Economic Impact report for Malta

8 https://www.unwto.org/news/tourism-grows-4-in-2021-but-remains-far-below-pre-pandemic-levels

9 National Statistics Office, Malta

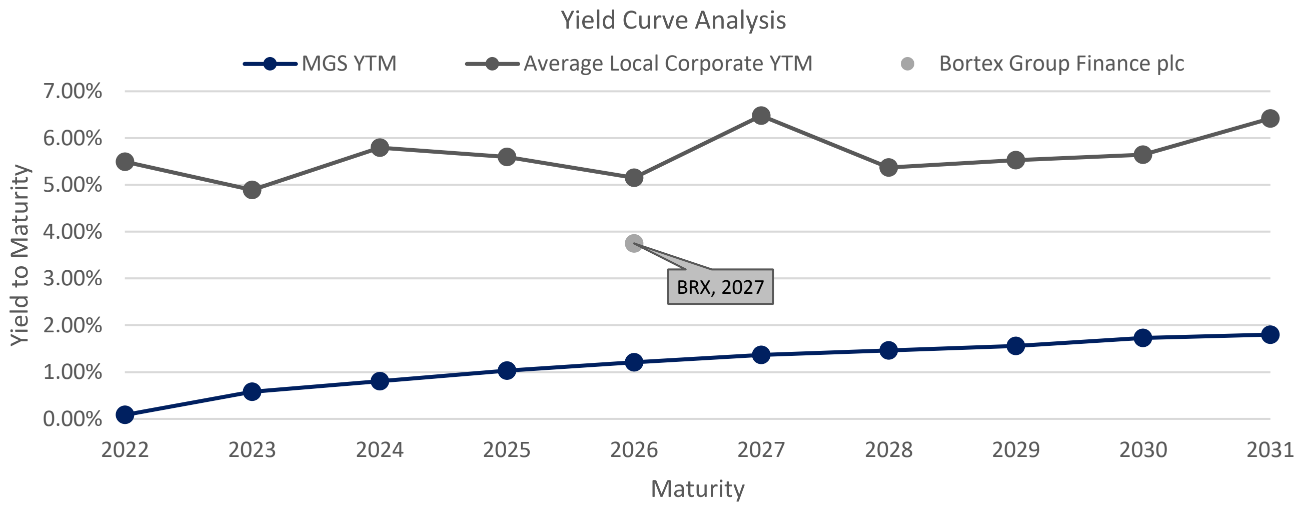
10 Economist Intelligence Unit – Tourism in 2022 report

11 HVS: The Impact of COVID-19 on the European Hotel Sector

Security	Nom Value €000's	Yield to Maturity (%)	Interest coverage (EBITDA) (times)	Total Assets (€'millions)	Total Equity (€'millions)	Total Liabilities / Total Assets (%)	Net Debt / Net Debt and Total Equity (%)	Net Debt / EBITDA (times)	Current Ratio (times)	Return on Common Equity (%)	Net Margin (%)	Revenue Growth (YoY) (%)
5.8% International Hotel Investments plc 2023	10,000	5.17%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
6% AX Investments Plc € 2024	40,000	4.37%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
4.4% Von der Heyden Group Finance plc Unsecured € 2024	25,000	4.92%	1.1x	135.0	41.0	69.6%	58.0%	27.2x	2.1x	-4.1%	-7.4%	-9.2%
6% International Hotel Investments plc € 2024	35,000	5.50%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
5.75% International Hotel Investments plc Unsecured € 2025	45,000	5.74%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
4.35% Hudson Malta plc Unsecured € 2026	12,000	4.11%	4.9x	43.4	5.5	87.3%	81.6%	8.3x	1.3x	-14.8%	-2.9%	-29.6%
4% International Hotel Investments plc Secured € 2026	55,000	4.00%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
5% Dizz Finance plc Unsecured € 2026	8,000	4.99%	0.2x	61.3	6.8	89.0%	85.3%	238.1x	0.9x	-67.0%	-33.3%	-77.0%
4% International Hotel Investments plc Unsecured € 2026	60,000	4.35%	(.2)x	1,544.1	773.2	49.9%	42.1%	(149.9)x	0.9x	-9.1%	-82.3%	-65.7%
3.25% AX Group plc Unsec Bds 2026 Series I	15,000	3.25%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
3.75% Mercury Projects Finance plc Secured € 2027	11,500	3.65%	34.1x	69.4	24.3	65.0%	57.1%	1.1x	0.9x	210.3%	125.6%	119.2%
4.35% SD Finance plc Unsecured € 2027 (xd)	65,000	4.29%	6.8x	324.4	137.6	57.6%	43.3%	4.1x	1.4x	9.0%	20.5%	5.7%
4% Eden Finance plc Unsecured € 2027 (xd)	40,000	3.89%	(.5)x	190.5	108.5	43.1%	31.8%	(51.4)x	0.9x	-4.3%	-39.2%	-73.1%
4% Stivala Group Finance plc Secured € 2027	45,000	3.89%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%
3.75% Bortex Group Finance plc Unsecured € 2027	12,750	3.60%	2.5x	61.4	26.7	56.6%	49.4%	12.2x	2.5x	-4.4%	-5.3%	9.4%
4% SP Finance plc € Secured 2029	12,000	4.00%	6.4x	20.9	16.0	23.6%	15.0%	2.7x	0.5x	2.5%	28.0%	6.9%
3.65% Stivala Group Finance plc Secured € 2029	15,000	3.49%	2.6x	354.1	231.4	34.6%	26.5%	11.5x	5.0x	11.7%	229.8%	-46.9%
3.75% AX Group plc Unsec Bds 2029 Series II	10,000	3.75%	0.8x	348.7	217.4	37.6%	25.5%	28.3x	0.8x	-3.5%	-27.5%	-44.7%
4.25% Mercury Projects Finance plc Secured € 2031	11,000	3.98%	34.1x	69.4	24.3	65.0%	57.1%	1.1x	0.9x	210.3%	125.6%	119.2%
Average**		**4.30%**										

Source: Latest available audited financial statements

* Last closing price as at 22/04/2022
**Average figures do not capture the financial analysis of the Issuer



The above graph illustrates the average yearly yield of all local issuers as well as the corresponding yield of MGSs (Y-axis) vs the maturity of both Issuers and MGSs (X-axis), in their respective maturity bucket, to which the spread premiums can be noted. The graph illustrates on a stand-alone basis, the yield of Bortex Group Finance plc bond.

As at 22th April 2022, the average spread over the Malta Government Stocks (MGS) for corporates with maturity range of 4-8 years (2026-2029) was 307 basis points. The 3.75% Bortex Group Finance plc 2027 is currently trading at a YTM of 360 basis points, meaning a spread of 345 basis points over the equivalent MGS. This means that this bond is trading at a premium of 38 basis points in comparison to the market.

Part 4 - Glossary and Definitions

Income Statement	
Revenue	Total revenue generated by the Group/Company from its principal business activities during the financial year.
Costs	Costs are expenses incurred by the Group/Company in the production of its revenue.
EBITDA	EBITDA is an abbreviation for earnings before interest, tax, depreciation and amortisation. It reflects the Group's/Company's earnings purely from operations.
Operating Profit (EBIT)	EBIT is an abbreviation for earnings before interest and tax.
Depreciation and Amortisation	An accounting charge to compensate for the decrease in the monetary value of an asset over time and the eventual cost to replace the asset once fully depreciated.
Net Finance Costs	The interest accrued on debt obligations less any interest earned on cash bank balances and from intra-group companies on any loan advances.
Net Income	The profit made by the Group/Company during the financial year net of any income taxes incurred.

Profitability Ratios	
Growth in Revenue (YoY)	This represents the growth in revenue when compared with previous financial year.
Gross Profit Margin	Gross profit as a percentage of total revenue.
EBITDA Margin	EBITDA as a percentage of total revenue.
Operating (EBIT) Margin	Operating margin is the EBIT as a percentage of total revenue.
Net Margin	Net income expressed as a percentage of total revenue.
Return on Common Equity	Return on common equity (ROE) measures the rate of return on the shareholders' equity of the owners of issued share capital, computed by dividing the net income by the average common equity (average equity of two years financial performance).
Return on Assets	Return on assets (ROA) is computed by dividing net income by average total assets (average assets of two years financial performance).

Cash Flow Statement	
Cash Flow from Operating Activities (CFO)	Cash generated from the principal revenue producing activities of the Group/Company less any interest incurred on debt.
Cash Flow from Investing Activities	Cash generated from the activities dealing with the acquisition and disposal of long-term assets and other investments of the Group/Company.
Cash Flow from Financing Activities	Cash generated from the activities that result in change in share capital and borrowings of the Group/Company.
Capex	Represents the capital expenditure incurred by the Group/Company in a financial year.
Free Cash Flows (FCF)	The amount of cash the Group/Company has after it has met its financial obligations. It is calculated by taking Cash Flow from Operating Activities less the Capex of the same financial year.

Balance Sheet	
Total Assets	What the Group/Company owns which can de further classified into Non-Current Assets and Current Assets.
Non-Current Assets	Assets, full value of which will not be realised within the forthcoming accounting year
Current Assets	Assets which are realisable within one year from the statement of financial position date.
Inventory	Inventory is the term for the goods available for sale and raw materials used to produce goods available for sale.
Cash and Cash Equivalents	Cash and cash equivalents are Group/Company assets that are either cash or can be converted into cash immediately.
Total Equity	Total Equity is calculated as total assets less liabilities, representing the capital owned by the shareholders, retained earnings, and any reserves.
Total Liabilities	What the Group/Company owes which can de further classified into Non-Current Liabilities and Current Liabilities.
Non-Current Liabilities	Obligations which are due after more than one financial year.
Total Debt	All interest-bearing debt obligations inclusive of long and short-term debt.
Net Debt	Total debt of a Group/Company less any cash and cash equivalents.
Current Liabilities	Obligations which are due within one financial year.

Financial Strength Ratios	
Current Ratio	The Current ratio (also known as the Liquidity Ratio) is a financial ratio that measures whether or not a company has enough resources to pay its debts over the next 12 months. It compares current assets to current liabilities.
Quick Ratio (Acid Test Ratio)	The quick ratio measures a Group's/Company's ability to meet its short-term obligations with its most liquid assets. It compares current assets (less inventory) to current liabilities.
Interest Coverage Ratio	The interest coverage ratio is calculated by dividing EBITDA of one period by cash interest paid of the same period.
Gearing Ratio	The gearing ratio indicates the relative proportion of shareholders' equity and debt used to finance total assets.
Gearing Ratio Level 1	Is calculated by dividing Net Debt by Net Debt and Total Equity.
Gearing Ratio Level 2	Is calculated by dividing Total Liabilities by Total Assets.
Gearing Ratio Level 3	Is calculated by dividing Net Debt by Total Equity.
Net Debt / EBITDA	The Net Debt / EBITDA ratio measures the ability of the Group/Company to refinance its debt by looking at the EBITDA.

Other Definitions	
Yield to Maturity (YTM)	YTM is the rate of return expected on a bond which is held till maturity. It is essentially the internal rate of return on a bond and it equates the present value of bond future cash flows to its current market price.

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